
Public Hearing

before

ASSEMBLY LABOR COMMITTEE
and
ASSEMBLY COMMERCE AND MILITARY AND
VETERANS' AFFAIRS COMMITTEE

“What business, labor, and the State can do to retain existing jobs, create new jobs, and promote business development and growth as alternatives to corporate restructuring”

LOCATION: Committee Room 16
State House Annex
Trenton, New Jersey

DATE: May 13, 1996
12:30 p.m.

MEMBERS OF COMMITTEES PRESENT:

Assemblyman Patrick J. Roma, Cochairman
Assemblyman Joseph Azzolina, Cochairman
Assemblyman George F. Geist
Assemblywoman Diane Allen
Assemblyman John C. Gibson
Assemblyman Kevin J. O'Toole
Assemblyman Sean F. Dalton
Assemblywoman Arline M. Friscia
Assemblyman Joseph R. Malone III
Assemblyman Nicholas Asselta
Assemblywoman Loretta Weinberg

ALSO PRESENT:

Gregory L. Williams
Edward P. Westreich
Office of Legislative Services
Aides to the Committees



Hearing Recorded and Transcribed by
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ASSEMBLYMAN JOSEPH AZZOLINA (Chairman, Assembly Commerce and Military and Veterans' Affairs Committee): Good afternoon.

Over the past few years, we have witnessed the beginning of a new era in business and economic climate. Corporate downsizing and restructuring is occurring nationally and recently we have seen this trend reach our State.

At a time when the national and State economies are going through major transformations -- demonstrated in the trend of corporate downsizing -- employees are feeling less secure about their economic status and future.

Over the years, the New Jersey Legislature has initiated and seen enacted into law an array of business incentive programs that include tax credits to companies for research and development, qualified investments that create new jobs, manufacturing, and expansion of facilities.

Last week, the Governor signed into law two bills which I sponsored aimed at providing employment incentive and business relocation assistance grants for companies that expand and companies that move into New Jersey that create new jobs.

During the last session, both corporate blue-ribbon panels -- the Assembly Business Task Force, which I chaired, and the Governor's Economic Master Plan Commission -- focused on reforming the system of how we deal with businesses. Its thrust is customer service driven and more business user friendly. Its emphasis is public/private partnerships, with more involvement by the private sector.

I believe that by forging new partnerships among higher education institutions, companies, unions, and State government and bolstering existing partnerships, we will improve our ability to match New Jersey's workforce to the demands of up and coming industries -- particularly in high-tech jobs.

It is our role in government to serve as the catalyst that helps businesses to grow. Over the last two years, we have passed legislation making it easier for companies to expand. These incentives are intended to be the foundation on which businesses will grow.

I would like to make it clear to all present that we are not here today to tell corporations how to run their businesses. Rather, we are here to focus on other positive steps we can take to move our displaced workforce back into New Jersey's mainstream.

I would hope today that we are not here to company bash. It is not our aim to tell businesses how to run their businesses, but we must prepare for the year 2000. That is why we are here today, to find out how we are going to do it.

Mr. Roma?

ASSEMBLYMAN PATRICK J. ROMA (Chairman, Assembly Labor Committee): Thank you, Mr. Chairman.

Can everybody hear me? (affirmative response from audience)

I do have some prepared remarks. Given the audience we have, I think it is important to realize that there will be much testimony. I am going to ask that my remarks be made a part of the permanent record.

As we indicated, we are here to look at positive alternatives. We realize that a number of people have been laid off, for various reasons. What

we would like to do is address this as best we can in a positive manner. There are a number of initiatives out there. We would like to hear about the various views of all the people who will be testifying and the legislators who will contribute to the process.

There is much that we have done in order to help out, but there is much to be done.

Mr. Chairman, with your permission, given the size of the group we have, and the fact that we started late getting set up with OLS, I would ask that my remarks be made part of the official record.

Thank you.

ASSEMBLYMAN AZZOLINA: Is the Commissioner of Labor here? (affirmative response from audience) You're number one, Pete. You're doing a great job, by the way.

COMMISSIONER PETER J. CALDERONE: Thank you.

Mr. Chairman -- in fact, we have two Chairmen, Chairman Roma and Chairman Azzolina, I have submitted a statement, and I would like that to be made part of the record.

I do want to focus on some aspects, especially our Department's role in dealing with issues of downsizing and making companies more competitive. In fact, in today's global economy, the skill level of our workforce is a key element in attracting and maintaining high quality jobs and competitive employers in New Jersey. The Workforce Development Partnership Act's customized training program has proven to be an effective means to achieve this goal. This has now become a permanent program under

Assembly Bill No. 3214, sponsored by Chairman Roma, and signed into law last January.

Since January 1994, over 40,000 workers and 360 companies have received Workforce Development assistance. State funds of \$37 million have been matched with \$67 million in training moneys by participating companies. Such efforts win the enthusiastic support of both business and labor. We have also had positive feedback from the companies involved in customized training. In my statement, I list the number of companies that have told us that without the Customized Training Program they would have left New Jersey, or they would have lost their operations, closed down.

Companies know that a skilled workforce makes them more productive, makes them more competitive in the world economy.

ASSEMBLYMAN AZZOLINA: Commissioner, we heard that last Thursday from a company that was saved here in New Jersey by just what you are talking about.

COMMISSIONER CALDERONE: Last Thursday, at the signing of the two bills that Assemblyman Azzolina indicated, which are critical to business incentives-- Those bills help companies expand in New Jersey and create new jobs. I think that day both Frigidaire and Silver Line indicated that the training of their workforce was critical to make corporate decisions whether they are going to maintain operations in New Jersey.

Because of technological advances, the modern workplace is continually evolving, and for companies and workers to be successful they must change with it. The best way to deal with change is through the development of partnerships in which labor and management share

responsibility for the success of the employer and the welfare of the employees.

One of the best examples -- this is one that I think everyone should look to -- of this type of partnership is the one created by the Laborers International Union of North America and its employers. Through a jointly funded program, union and management are working together to create more jobs in the industry, to develop comprehensive training and education programs, and to encourage safer workplaces. Raymond M. Pocino Eastern Regional Manager of Laborers' International, described the partnership this way: "Labor can no longer go it alone in the new marketplace, neither can contractors. We must take an industrywide approach to our deliberations and to the way we do business, one in which we are not only players in the same arena, but players on the same team as well." This is the leader of labor speaking.

We, at the Department of Labor, actively encourage the development of a partnership between employers and labor organizations. In South Jersey, one of these partnerships is comprised of an entire industry -- the food service industry. The committee's membership includes supermarkets and companies that support these stores in the various locals of the United Food and Commercial Workers Union.

The aim of the committee is to help improve labor/management relationships to provide an increase in productivity, quality, and efficiency and enhance the well-being and job satisfaction of the industry's employees. My Department provides staff and administrative support to the partnerships,

while the Federal Mediation and Conciliation Service offers technical support expertise.

We are actively involved with labor/management committees establishing companies that may be in the process of downsizing or closing. We have committees, as indicated in my testimony, all throughout the State of New Jersey. These committees are playing an integral role in helping workers dislocated from their jobs to make a successful transition to new ones. The committees make the determination of which services workers need and how these services should be provided. In short, they are not only encouraging supporting workers, but empowering them to become directly involved with their own reemployment efforts.

I also want to touch on a recent law that was enacted. Another job creation measure that we expect to yield dividends in New Jersey is the Self Employment and Entrepreneurial Assistance Program. The implementing legislation, also sponsored by Chairman Roma, was signed into law by the Governor in January. It will give impetus to the development of new small and personal businesses.

As you know, the greatest job growth in this State occurs with small businesses. The Program will provide talented persons who have been unemployed the opportunity to receive an Unemployment Insurance allowance while they are getting their businesses off the ground. It waives the requirement that they be available to accept a job and allows them to earn income in the businesses while they are receiving the allowance. They are also eligible for Workforce Development Individual Training Grants, which will enable them to get the tools they need to become successful businesspersons.

Through all these means -- reducing the tax burden, training to keep our workers skilled and productive, investing in infrastructure and transportation, authorizing economic development incentives, supporting new entrepreneurs, and revamping the role of government agencies -- we are sending a clear message to employers and labor that New Jersey is about jobs and economic growth.

Are there any questions I can answer for the Committee, or address any issues I raised?

ASSEMBLYMAN ROMA: Good afternoon, Commissioner.

COMMISSIONER CALDERONE: Good afternoon, Chairman Roma.

ASSEMBLYMAN ROMA: Thank you for your assistance and your cooperation. It has been a pleasure working with you as Commissioner.

A couple of areas: Of course, the Self Employment Assistance is a new program and, given the number of people it will be helping, we would like to help a lot more. This, obviously, is an indication of those areas we are moving towards, which are very positive.

But one of the areas that we would like to explore -- and perhaps you can assist us with it -- in terms of the downsizing and changes-- We realize that there is a limited amount of control with respect to private businesses. However, what we would like to do is be able to have those types of programs in place where perhaps we can become a little more proactive in terms of some of the problems that may occur, anticipating that, and working together with labor and business. Perhaps, with a potential downsize or corporate restructure, there might be a strategy for assisting those people in

advance, working together, that we can anticipate what might happen in the future and address those needs.

I realize it is philosophical, it is conceptual, but we need to move in a direction like that to make sure that we don't suddenly find ourselves at the doorstep of some impending disaster.

COMMISSIONER CALDERONE: I think you are absolutely right. I think government has a proactive role in assuring, if we are aware that a company is in trouble, that we have the resources in government, we have a business ombudsperson, we have the Department of Commerce, which has a number of programs. Our own Department of Labor, which has customized training and other activities, can certainly assist businesses.

I think businesses have to feel comfortable that government can be a partner, rather than a disincentive to stay in New Jersey.

ASSEMBLYMAN ROMA: The same sort of cooperation we have had on Workforce and various other initiatives. We brought parties together where we had that early consultation. This is really the message to get together early to see what we can do to help out and to address some of those initiatives early on, not wait until we have a massive layoff.

COMMISSIONER CALDERONE: I think there is also a role today for Prosperity New Jersey. It is my understanding that they want to also have a proactive role. There, that is a business/government partnership that I think business can feel comfortable working with.

ASSEMBLYMAN ROMA: Commissioner, thank you for your assistance.

COMMISSIONER CALDERONE: Thank you very much.

ASSEMBLYMAN ROMA: Commissioner--

ASSEMBLYMAN MALONE: This is not really a question, Commissioner. I just want to--

Having had the opportunity to work with you quite closely on Workforce programs, JTPA programs, you have done an outstanding job in working with the institution I am involved with retraining individuals who have lost their employment. I just want to publicly thank you for the fine job you have done in working with educational institutions and bringing about a new, improved, updated, and highly skilled workforce.

Thank you very much.

COMMISSIONER CALDERONE: I appreciate that. I would just indicate that these Committees and the Legislature as a whole have been very supportive of my Department. I want to thank you for the kind of leadership and direction you have given us to embark on these new programs.

Thank you.

ASSEMBLYMAN ROMA: Thank you, Commissioner.

ASSEMBLYMAN AZZOLINA: Senator Schluter. Senator Schluter, are you ready? (no response)

Senator, you were not here before, but I said, "Let's keep this on a positive note." We can't accomplish anything if we are going to start bashing. Okay? It is not a bashing session, it is a positive session for the future. We are not trying to tell businesses how to run their businesses.

SENATOR WILLIAM E. SCHLUTER: Thank you, Chairman Azzolina and Chairman Roma.

I am going to talk about a larger issue. It certainly is not company bashing. I think it is company supportive in New Jersey. I do have a prepared statement, which I will leave for Committee members. You can make copies. And I have a bill which was introduced for the proposed list last Thursday.

Let me read from my statement, if I may.

ASSEMBLYMAN AZZOLINA: We have limited it. Of course, you are a Senator, and you may want to take more time, but we are trying to limit it to five minutes per speaker.

SENATOR SCHLUTER: I will be less than five minutes.

ASSEMBLYMAN AZZOLINA: Okay, good. Thank you.

SENATOR SCHLUTER: Of course, you are a former Senator, and I will certainly agree with you in anything you say.

Corporate restructuring in New Jersey -- past, present, and future -- has a devastating impact on jobs and capital formation. Three very obvious problems are:

- * destruction of business infrastructure,
- * loss of manufacturing employment,
- * flight of industry and businesses from New Jersey.

I speak to only one aspect of this large and vexing problem, and I believe this is the long-term root cause of much of the problem.

Jobs are moving from New Jersey to the Sun Belt and western states because of lower labor rates and more agreeable labor relations. This transformation started over 40 years ago because of Section 14(b) of the Taft-Hartley law allowing states to opt for right-to-work status.

I maintain that Section 14(b) has outlived its usefulness. It should be repealed. I realize this is a Federal law, but very often we, in the Legislature, will pass resolutions urging Congress to consider Federal action where it adversely affects our State. The southern and western right-to-work states have not only become economically independent, as was the original intention of 14(b), but they now have an artificial and unfair advantage over states like New Jersey in the competition for business and jobs.

New Jersey should, as a matter of State policy, in my judgment, urge Congress to repeal this Federal law as I propose in SJR-27.

How can New Jersey compete against states such as North Carolina -- a right-to-work state -- where average manufacturing wages are only 66 percent of our own?

Is it appropriate, as a matter of Federal policy over interstate commerce, to bestow benefits on some states to the disadvantage of others?

Does this provision of labor law encourage unfair discrimination against unions, thereby forcing wage rates to be lower and causing a serious shrinking of our national middle class?

Please refer, if you will, to the preamble of SJR-27 for additional reasons as to why 14(b) of Taft-Hartley has become an anachronism.

I urge your Committees to look at the big picture, and, if it is in your wisdom, to make this recommendation to return fairness to the interstate labor market.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you, Senator. Good remarks.

ASSEMBLYMAN ROMA: Thank you, Senator.

ASSEMBLYMAN AZZOLINA: Are there any questions? (no response)

If not, we will move on to Jeffrey Stoller, New Jersey Business & Industry. Jeffrey -- Jeff, Jeffrey, what do you like to be called? (no response) It says Jeffrey here.

JEFFREY N. STOLLER: Thank you, Mr. Chairman. Thank you very much.

I just want to make a few brief remarks. I do have a prepared statement that is at everyone's place. I just want to say that we share everyone's concern about what has been happening, what the pattern has been. The reality is that people who are out of work nowadays, particularly in this environment, face challenges that they did not, in fact, face in past recessions. It might have worked back awhile ago that if you were out of a job, you could have a few weeks of support from Unemployment and count on finding a similar situation within a matter of weeks. We have learned all too well that in recent times, whole industries are folding and restructuring. Whole groups of skills that people have developed over years have become obsolete.

The response, this spring -- and there have been a number of bills put in, in the State Legislature just this spring -- have taken two different approaches. The two approaches that have been taken in legislation, this spring in particular, have gone in two different directions: One is to try to propose disincentives that would penalize companies so severely that they wouldn't dare to downsize. Others are more positive. They seek to offer tax

credits for positive incentives that would keep companies from downsizing from that angle.

The problem, of course, is that there are a lot of companies that are not downsizing their companies to line their pockets or to boost the bottom line. They are doing it because they lost a major customer or a major product line became obsolete, or there was a new source of competition, say, from India or Asia, that did not exist seven years ago, but is suddenly producing rival products of equal quality.

We are proposing a third approach to really go to the heart of the problem, which is: How do we, instead of trying to keep the capitalist system from working in even its ugliest form -- how do we go to the people who are being adversely affected? How do we get much more energetic, both from the private sector side and the government side, right from the first day someone goes in to talk to the Department of Labor about unemployment support?

We believe there is a lot more we could be doing in terms of putting them in touch with resources to retrain. If it doesn't look like it is likely that a similar position can be obtained during the regular benefit period, we really ought to be much more aggressive about suggesting new career options that are in demand. This all requires a lot more communication from the private sector than what is going on. We need to communicate better about where jobs are going, where industries are going. That conversation should be going on not only at the Department of Labor and the Unemployment Service, but it should be going on between employers and their labor people. It should be going on with local county colleges. The vo-tech

centers are doing some fantastic work. I think it really is in keeping with the spirit of some of the legislation we have already signed onto.

Back in 1992, Assemblyman Roma was able to really move forward with both business and labor support with a customized training bill that did a lot of the things we are talking about doing now. They didn't wait until everybody was given a pink slip. They anticipated changes in technology, and they said, "Look, if we can't avoid these people being downsized in the future, at least we can retrain them so that if they become unemployed, they are not going to be spending weeks and weeks and weeks looking for a new opportunity. They are going to have high demand, high skills," and this is really the answer in our view.

There are a number of things government can be doing. We certainly think that doing more in this State to help the trade sector-- This is certainly not news to this Committee -- or these two Committees -- but that is really where some great opportunities are. We remain concerned. The commitment to international trade promotion by the State of New Jersey is still eclipsed not only by our efforts, say, on the regulatory environmental side, but compares unfavorably with other states and what they are doing with trade promotion.

There are job opportunities and growth sectors that exist out there, but we have to be more aggressive in identifying them and other things that employers can do, not only in terms of communication, but their willingness to commit and recognize the need to support training efforts, even within their existing workforce, not wait until it is too late.

I think there is discussion in Washington now among business groups, who are saying, "If the impression is that everything the company is doing is for the benefit of the shareholders, the stockholders, let's get much more aggressive in working with employees to become those shareholders, to explore those employee stock option things, to go to profit sharing, to go to performance bonuses."

Again, coming back to the communication need, communicate with the employees, whether they are unionized or not, what the reality of the marketplace is. Why are certain financial decisions being made? Why are personnel decisions being made? I think that sets the foundation for us moving toward what could be a reemployment system for everyone, not just an emergency unemployment system, where we could have been much more proactive.

Those are our feelings in a nutshell. We do think there is a positive way to respond jointly to this. Again, we do not denigrate for a moment the seriousness of the situation. We just think that buying our way out of the changes in the economy, either through incentives or fees and penalties, is really not going to get us where we want to go.

ASSEMBLYMAN AZZOLINA: I agree with you. Our biggest growth is probably going to come from export. We have a high-tech workforce in this State to do it. I know some companies went to the South. They thought every other workforce they didn't get and the production of their products were now not as good as they are from Europe, or wherever else they come from. We do have the workforce, and we have to encourage corporations

to do it here. We have the Port -- if we get it dredged -- and all the other transportation right here. So we are a focal point in the Northeast.

ASSEMBLYMAN ROMA: Are there any questions from the Committee members? Assemblyman Geist?

ASSEMBLYMAN GEIST: Thank you, Mr. Chairman.

Jeff, I have a question for you, because I think right now most of the members of this panel are probably more unemployment-line sensitive than bottom line sensitive.

Last Thursday, as the Chairman mentioned, Governor Whitman signed new tax incentive initiatives that reward businesses for making a commitment to New Jersey. Do you believe that such should be considered now as, in a sense, a covenant contractual relationship between existing businesses making a commitment to New Jersey and further tax policy relief, such as -- whether it be in the sales tax reduction for telecommunications-- Do you believe that should be incorporated now as long-term statutory policy, where we provide tax relief to businesses that make a commitment to stay in New Jersey?

MR. STOLLER: Well, again, the temptation is tremendous to embrace any positive tax credits, and all that. Certainly, they should be part of the mix. But our concern remains: There are going to be circumstances where no matter what the commitment made in good faith, five years from now there will be companies that are going to realize that they simply cannot operate the way they have. They could be embracing the program you just described and meaning it, but what happens, again, when their largest contractor, a foreign government, or something, evaporates? All the good

wishes, all the promises in the world may not be enough to sustain that operation.

Again, I think there is a place for those incentives. That is why we supported them all the way through the process. But we're saying that that might give us some false confidence about what is going to happen to our workers and what is going to happen to our companies. I think what it keeps coming back to is what we all should be working for: not trying to produce job security at one job at one company that will last forever, but the emphasis that we are hearing from Washington and others now is, "Let's work together to build employment security," so that the individual worker, no matter what happens to that company, to that industry, has all sorts of training behind him, and perhaps has even gotten some guidance about where he could go next, where skills that he might have been using in the chemical company or a pharmaceutical company, in fact, are very close to the same skills that a growing agriculture enterprise in South Jersey might be looking for, so that every time there is a change, it is not a catastrophe. We do not go back to square one.

Again, I think there is a place for the incentives. I would just say, "Don't think that that's it. We just lock people in and sign a contract," because, again, they will sign up by the droves, and they will mean it. Then, forces beyond their control, and beyond the control of the State of New Jersey, are going to be much more powerful. We are just saying, "Let's not try to fight, you know, worldwide economic change. Let's adapt to it. Let's empower the workers and the employers both to have the flexibility to respond to those changes."

Thank you very much.

ASSEMBLYMAN ROMA: Thank you, Mr. Stoller.

Assemblywoman Weinberg, I believe you have some brief comments. In the interest of hearing all of the people we have before us, I ceded my time and made my remarks a part of the record. I am sure you will deal with the issue in the same manner.

ASSEMBLYWOMAN WEINBERG: I will. That was more than a gentle hint, I'm sure. (laughter) Having respect for the Chair, I will do that.

ASSEMBLYMAN ROMA: Thank you.

ASSEMBLYWOMAN WEINBERG: I had not planned to be a member of the Committee. I thought I was going to be testifying from out there, but I am filling in for one of my esteemed colleagues, and thank you for allowing me to do that.

I won't go into detail as I had planned to, but I just wanted to bring to the Committee's attention a bill that I have had in for awhile called the Multistate Industrial Retention Commission. which provides for two different boards: One a regional one where we join with other states to take a regional look at the economic viability of our area; and another that just pertains to our State and allows us to take some action against companies that are downsizing under certain circumstances. So I would like to call the Committee's attention to that as you continue looking into this area.

Thank you.

ASSEMBLYMAN ROMA: Thank you, Assemblywoman.

ASSEMBLYWOMAN WEINBERG: Thank you.

ASSEMBLYMAN ROMA: Charles Wowkanech,
Secretary/Treasurer, New Jersey State AFL-CIO.

Good afternoon.

CHARLES WOWKANECH: Good afternoon, Mr. Chairman --
both Mr. Chairmans.

ASSEMBLYMAN ROMA: I would point out to all of those in attendance that this is quite an unusual step to have Commerce and Labor meeting jointly. We are looking at a number of issues -- many different types of issues. To the extent that you can assist us with written testimony, it is helpful, so that all of it can be made part of a permanent record.

Thank you.

Please continue.

MR. WOWKANECH: Mr. Chairman and members of the Joint Committee: I appreciate the opportunity to testify this afternoon. I have a prepared statement which is quite lengthy and contains a considerable amount of material which I probably will not be able to read within the five minutes, so I will kind of speak a little on some issues and then refer to the testimony.

But first, I would like to respond to Senator Schluter's bill and just give you an example of how deceiving this right-to-work business is. A few weeks ago, in the *Atlantic City Press* down where I live in Cape May County, there was an article in the Sunday paper about a company by the name of Baxter Corporation, which is a pharmaceutical company that makes-- This particular plant was located in Georgia, and had 800 employees, mostly females. They seemed to have the market cornered on these latex gloves that surgeons wear in hospitals. The 800 employees in the plant were receiving

approximately \$8.50 an hour. The company felt they could no longer be competitive at that rate, and they were closing the plant down and moving it to Malaysia, where they would pay \$8.00 a day.

So I would ask, respectfully, of Senator Schluter: Is that the direction that New Jersey wants to go? I don't believe so. I think we have a great State. I think we have built up a lot of good policies and laws. Everyone in our State has the same common goals as all of you do: raising a family, owning a home, having some health care, a pension, and maybe an annuity, and to be able to send their kids off to college so they can have it a little bit better than their parents did.

I think with this kind of legislation-- Baxter is only one of many examples I could give. I don't think the right-to-work avenue is really the right way to go. I think what I would like all the people in this room and on the Committee to take into consideration-- In my opinion, we hear a lot about fresh clean air and clean water. I think New Jersey's greatest natural resource is its people. We are certainly not going to maintain that resource at \$8 a day or \$8 an hour, not when we know what we have to pay to educate our kids, buy an automobile, have a home, and, hopefully, some money left over for groceries.

I would just like to offer that.

Over the past two years, I am sure you are all well aware of quite a few pieces of legislation. I would like to point out that the AFL-CIO has worked -- and I am sure many businesspeople will testify to this-- The AFL-CIO has a long tradition in this State under the leadership of President Marcianite of working with our companies to provide relief, whether it be the

utilities, whether it be the casino industry. We work hand in hand with our industries here, because if they are unproductive -- if they are not healthy, we know that our members are not going to be either.

I think if you look at what was done in the areas of tax breaks for machinery, tax credits on new jobs, the accelerated depreciation of assets, the small business tax breaks, the reform of environmental cleanup and the Responsibility Act, and the reform of the Air Pollution Control Permit through the creation of three field offices within the Department of Commerce to offer advisory, financial, and training support for small businesses, you will see that there have been many gains. As you witnessed over the past few months, while corporate profits are soaring and CEOs are making record-breaking salaries and bonuses, these companies are just dumping people out in wholesale numbers.

We -- as Assemblywoman Weinberg has articulated -- are very much in support of her piece of legislation. We think it is going to be an effective measure. I mean, we are taking a two-part process here at the AFL-CIO: One, we need a plan to go after those bad guys; and two, we need some positive things going on. So that is what we offer. We like Assemblywoman Weinberg's bill on the multistate -- where we would allow divestiture of our pension money. For example, the State would not have to buy or do business with a vendor who has purposely moved out of the State to avoid paying people a decent wage, and moved to the Far East. We think that is an appropriate piece of legislation, and nothing too harsh.

Recently, there was another bill introduced by Assemblywoman Arline Friscia, called the Jobs Destruction Act, where it is the same thing. When these corporations that have 100 or more people blow out their

employees for the sake of lower wages, no health care, no pension, and that sort of thing, and they all say, "It is to remain competitive"-- I mean, at what price do you want to remain competitive? We think that is an appropriate measure.

Some of the things we have looked at and we think are worth noting-- One is the suggestion of the Regional Plan Association that would bring new jobs to the State. We would commit our revenues and well-trained workforce to rebuilding schools, bridges, tunnels, highways, and rail lines to pay for this. However, we would go even further than the Regional Plan Association suggests. We think the wealthiest people of this State who have gained the most benefits from the tax cuts should be surcharged with a new public infrastructure tax. This tax could stand alone as a permanent tax, or could be tied to a rising rate of unemployment. We think that, certainly, this would be an avenue for maybe generating some additional funds.

I would like to point out, though -- to go back to Assemblywoman Weinberg's bill on the multistate -- that that bill has been introduced in 20 other states. I would say there is a good fair amount of momentum.

There are a number of areas that we have been active in, in job training, as we applaud Chairman Roma with his job training moneys and his permanent funding for the plan. But, you know, we are also concerned on the other end that while we are training people, where are they going to go for jobs? Right now, we have 130,000 New Jerseyans on Unemployment who have exhausted their 26 weeks. Basically, they are on oxygen. We are experiencing a high rate of family breakups. We know that New Jersey ranks

close to the top in mortgage foreclosures and personal bankruptcies. Unfortunately, we have had some suicides within our rank and file.

It is very disturbing every day when we get calls, whether they are from a cousin, a brother, or someone, who says, "Can you help my relative? He just lost his job." There are really no jobs out there. We hear a lot about the service sector. An example here is what happened in the State House. We had some members of the public employees' sector who had 15 or 20 years of service here at the State House cleaning this very facility. The jobs were privatized. They brought in a private contractor who employed mostly illegal aliens, no health care, \$5.50 an hour. I mean, is that where we want to be? I don't think so.

We would like to work together with this Committee to stop that type of activity from continuing. We notice there a number of other privatization bills in that we would ask you to think very closely on, because the numbers that are out there, Mr. Chairman, are just so overwhelming today, of people looking for work, and there is no work around.

In closing, I guess I would feel that New Jersey corporations and companies should not be judged on what the closing is on the New York Stock Exchange. I don't think that is the main measure of a good company. I think companies should be looked at as whether they provide health care, whether they have an Employees' Assistance Program, whether they pay a decent wage, and, most importantly, whether they make a good product, a competitive product. That is what they are in business for.

I think we have kind of lost sight of that. Everything is, "Run South. Run to the Middle East." This has to stop.

With that, Mr. Chairman, I appreciate the time. I will entertain any questions.

ASSEMBLYMAN ROMA: Thank you, Mr. Wowkanech.

Are there any questions from the Committee?

ASSEMBLYMAN AZZOLINA: I just want to make a statement.

Charlie, I agree with you that the labor unions in the State are trying to do a great job. Of course, I have my own company, which I started from nothing. I have 1000 employees -- unionized employees with 1262 and 464. I must say that over the years, with a different competitive need, groups coming into the State, understanding the problems we have with all the out-of-staters coming in opening up all these nonunion businesses, they have been able to work out something satisfactory for us.

Just recently, a foreign company bought some of our own groups of stores, and 350 jobs were lost because they shifted the wholesaling, a nonunion operation, up to New Hampshire, I believe. These are the kinds of things that are happening. So I agree with you that the unions are really trying to work with us, and I think they will work with any group in the State. In this case, they happen to represent over 40,000 employees in the State -- these two groups.

Thank you.

ASSEMBLYMAN ROMA: Mr. Chairman, if I may, over the course of the last several years, there have been a number of positive measures that we have worked on. We should not lose sight of the fact that if we didn't do these things, perhaps the situation would be far worse. There are a number of factors over which we have little control, internationally or nationally. We

are trying to do this as a State, so to the extent that we can do this there are so many initiatives that we are looking at right now, and even though it is one part of the puzzle, we need to make sure that if we can adopt different types of legislation to assist and to stop some of this downsizing, we will continue to assist both the unions and the various businesses.

I would like to commend you, Mr. Wowkanech, for your assistance.

Thank you.

MR. WOWKANECH: One other point for the record, if I may. While this subject is still unresolved, it is our belief at the AFL-CIO that it is probably the main deterrent of business, not only in this State, but around the country, and has caused so much strife in our contracts. I mean, you see the job actions and you see the strikes. They are never over wages. Our people are paid pretty decently, and we feel they are some of the most productive workers in the world right here in New Jersey. But I think one other item that is really a significant one is the issue of health care. There are many, many companies, predominantly small businesses, that I know will come under attack that they cannot be competitive if they pay for health care. I think that no matter how you look at it, sooner or later you are all going to have to realize that no one can free ride the system. What that does to employers like Assemblyman Azzolina is just make them uncompetitive. If their profit margins are not as high as AT&T, well maybe they shouldn't pay as much. But just to sit out there on the sidelines and say, "Leave us alone. We shouldn't pay. You keep paying for us"-- I think that whether it is a collective bargaining agreement or even a nonunion setting, Mr. Chairman, it has caused so much strife between

management and labor, this whole thing of health care, and now it has even made the new labor pool become part-time employees. It is just driving us all crazy.

So I think that while we can come up with taxing programs, job training, and education programs, until we take a hard look at the issue of health care, it is always going to be a terrible situation for employers in this State.

ASSEMBLYMAN ROMA: You're absolutely right.

Thank you.

Jim Leonard, Vice President, Governmental Relations, New Jersey State Chamber of Commerce.

J A M E S L E O N A R D: Thank you, Chairman Roma and Chairman Azzolina, for the opportunity to speak. I will be brief.

I was happy to hear, Chairman Azzolina, your original comments when we started this hearing -- your comments saying that you are not here today to tell business how to operate their businesses. I do not necessarily think that everyone is going to agree with you, but I, in fact, do feel that that is not necessarily the purpose of this Committee hearing.

I also wish I had Adam Smith here to testify on my behalf, quite frankly, because corporate rightsizing and fluctuations in the market are what we are all about. There are areas that rise, there are areas that go down in the business community. That is just a normal part of doing business in our State. Gone are many of the industries that we have seen that employed thousands of people in our State. My parents had friends of theirs, for example, who were original keypunch -- keycard operators in the original

computer systems. Those industries are gone, but, in fact, replacing those industries are industries that are fostering on new technology and technological advances that we see coming into the State and actually employing thousands and thousands of people throughout the State.

If, in fact, the goal -- and I think we all have a collective goal here -- is to find a way to rehire individuals who have been laid off, the solution is not necessarily to throw additional money at the problem. It is the State Chamber's belief that the solution lies in a two-tiered approach: The first, which we are happy to say has been going on throughout this body for the last several years, is the training and retraining of individuals. If an individual, in fact, has not been able to find a job after they have exhausted their benefits, the State has an obligation to provide additional training for those individuals, so that, in fact, they do bring to the table the skills that are needed by the employers of the State.

The second area I would like to encourage all of you to continue down is looking at what other states are doing in this area, in the area of bringing other companies into the State. Commissioner Calderone originally, in his comments, mentioned Prosperity New Jersey. One of the things that Prosperity New Jersey is doing is looking, in fact, at what other states are doing in this arena.

As an example, I have here 45 pages of Internet material that were downloaded by one of the Committee members. All he did one weekend was look and see what other states are doing in terms of economic development. Unfortunately, New Jersey is not mentioned in here.

Another example of what I would like to point out, to the Committee anyway, is another 30 pages of legislative initiatives that have been pulled together throughout other states, which have been specifically designed to bring businesses, particularly in the research and technology arena, into our State.

In closing, Mr. Chairman, I would like to encourage you to look at the areas of training and the areas of economic incentives of bringing other companies into our State as areas that we can look at in order to provide jobs for individuals who have been laid off.

ASSEMBLYMAN ROMA: Training is the key. Training is very important.

Mr. Leonard, before you leave, I just want you to look at a couple of issues. I realize today that we cover a variety of areas, but to the extent that we can anticipate some problems in advance, that is good planning. Much of what we have done has been on a consensus basis. To the extent that we can do that and not have some difficulties in the future, that is not only good business, but it is good for the employees. It is good for all of us as a State. That is what we are looking for.

To the extent that we can do that, it is not a question of union bashing or company bashing, but working together. That is really the essence of what we are looking for. So we would like to do it a little bit further down the road, to be able to help people.

MR. LEONARD: The State Chamber will do whatever we can, Mr. Chairman.

ASSEMBLYMAN ROMA: Assemblyman Geist?

ASSEMBLYMAN GEIST: Thank you, Mr. Chairman.

Mr. Chairman, for the benefit of the Committee, as well as those in attendance, there was a fascinating story last week: "NJ leads tristate region -- economic locomotive." Good news about New Jersey.

On behalf of the Chamber, what are we doing right that makes New Jersey the economic locomotive? I know we are going to hear from the critics that we are doing something wrong, but what are we doing right?

MR. LEONARD: Unfortunately, I was given a five-minute timetable, and I could be here all afternoon. I would like to point out just a couple of things that we are, in fact, doing.

The Research and Technology Corridor, which was just highlighted last week when the Governor had a grand opening, is one of the areas that the State has looked at as an area that, if we bring in research and technology jobs, they are: Number one, high paying. Number two, they have an awful lot of spill off in terms of service jobs and other jobs that are created because of that. So concentrating on the research and technology arena, I think, is one of the areas that has been exceptional.

If you look at the economic development package that was sponsored by Chairman Azzolina, that is an area that has put our State in a very competitive situation with other states in terms of providing incentives for businesses to stay in the State, or to come into the State.

The third area I would like to point out is Prosperity New Jersey, in fact, working with labor and business together to provide -- to first catalog what this State has to provide that perhaps other people do not know. If you

hear of Silicon Valley, for example, you immediately think that that is an area of expertise in terms of technological advances.

In fact, if you look at what the State has to offer in that area, we have an awful lot. If you look at the areas of Princeton University and the University system, and the individual companies that are doing research and technology, the State can compete with any other region. The difficulty is, how do you put that in a catalog? Secondly, how do you get that word out? Third, how do you promote yourself? I think that is an area that Prosperity New Jersey is working on especially.

ASSEMBLYMAN ROMA: Thank you.

The next speaker will be Bill Kane, President of the IUC, together with Lois Cuccinello, Secretary/Treasurer of the IUC, and Robert DiBianca, former worker, Hill Refrigeration, Trenton.

Good afternoon.

B I L L K A N E: Good afternoon, Assemblyman. My name is Bill Kane. I am going to introduce Bob DiBianco. You have his name misspelled on your list. It's an *o* instead of an *a*G36 at the end.

ASSEMBLYMAN AZZOLINA: They always mispronounce my name, even the Governor -- Azzolino, instead of Azzolina.

MR. KANE: Bob will speak for himself.

R O B E R T D i B I A N C O: Good afternoon, everyone. On behalf of myself and the employees of Hill Refrigeration--

ASSEMBLYMAN AZZOLINA: Is the red light on? (referring to microphone)

MR. DiBIANCO: Okay, now we have it. I can hear myself.

I worked 40 years at Hill Refrigeration, 1955 to 1995. You talked about bashing companies. I am not here to bash any company, because Hill Refrigeration was a well-based plant in our region for over 100 years. The only thing I would like to mention about the bashing part is that--

ASSEMBLYMAN AZZOLINA: Excuse me for a minute. You can't hear back there? (addressing audience in rear of room)

UNIDENTIFIED SPEAKER FROM AUDIENCE: No.

ASSEMBLYMAN AZZOLINA: Can we get it louder? Can you hear all right back there? (no response)

MR. DiBIANCO: I will talk a little louder.

Relating back to the companies, the feeling of our employees is that when outside companies from other states purchase our companies -- which move out-of-state -- I think they are bashing the State of New Jersey. I feel that even with my severance pay-- My total severance pay was \$2800, after 40 years of service, so I don't think on our scale of negotiating with the company that we harmed them. In fact, Hill Refrigeration, if you look at it statistically, is number four in the world -- not in the State of New Jersey, in the world. We were competitive. At the time of our layoff, we were working seven days a week. Even when we negotiated, we didn't get raises for three years in our contract with the help of the company.

The company which bought us was out of Atlanta, Georgia. They wanted to buy our systems. If you know anything about systems, that is the unit that runs all of your refrigeration in your stores -- commercial refrigeration, for the people who do not know that. They said, "We are going

to move part of the company out of the State.” We didn’t agree with it totally, but they said there would be about 140 employees who would be moving out. So the union said, “Well, that’s not too bad. We will keep 800 jobs here in the State of New Jersey.”

What happened was, we went from 250,000 square feet in Colonial Heights, New Jersey, to 450,000 feet, and we said, “Something is wrong.” The bombshell fell in 1995, and they told us they were moving the whole industrial base out of the State of New Jersey to Richmond, Virginia.

So on the part of the union and the company, we tried to negotiate. We had meetings every month. We sat with panels. “What can we do?” Our average wage at Hill was only \$13 an hour. I worked 40 years. I had five weeks vacation. I thought that was substantial, but a couple of our new employers said that was too much after that many years of service. Two weeks would be sufficient. Of course, we disagreed with that.

By and by, our people who had to leave the shop had no hospitalization. We had no coverage. Myself, with 40 years, no hospitalization. We came under COBRA for 18 months, a husband and wife, it was \$500; with a family it was over \$600, and that was for 18 months. That was a big issue. We even tried to comply with the company that we would pay part of it. I talked to our Senator in District 15. We tried to comply. We had meetings back in 1993, to no avail.

I am not blaming our government, our State, but with companies like we had-- Hill was here for over 100 years. They are not going out of business. Then, in plain English, they had the gall to ask us to go down there to train the people in Richmond, Virginia, the people who took our jobs.

There is nothing wrong with the people in Virginia. It is not their fault they live in that state. But we were asked to go down. Of course, I wasn't asked, because I was a union official, and they knew I would try to start organizing.

The bottom line, ladies and gentlemen-- That is my statement. I have 40 years of statements here, but, of course, I am limited to my five minutes. But it was a hardship on our people. No pension was received by our people who had 25 years in the plant. They cannot receive their pensions until they are 65 years old. We never negotiated that one. When we left the plant, they had our pay. I was fortunate, because I had over 30 years. I received it. We negotiated that in 1964. So the people who are 50 with 25 years, they have to wait 15 more years to receive their pensions from Hill Refrigeration, or else take it at 55, with a 15-year penalty, which would be 55 percent of their pensions.

It is a hardship story. I get calls. We try to relocate some of our people to other plants in Burlington County or North Jersey, but there is no work.

I have a lot more to say, but that is the best I can do for right now in this short a time.

Thank you very much.

ASSEMBLYMAN AZZOLINA: Let me ask you a question.

MR. DiBIANCO: Yes?

ASSEMBLYMAN AZZOLINA: The Commerce Department was in negotiations with Hill, with another facility, I guess, all on one floor. I know the problem in Trenton was several levels.

MR. DiBIANCO: It was three levels, right.

ASSEMBLYMAN AZZOLINA: What happened there? I forget. I remember reading about it.

MR. DiBIANCO: Well, the company said there was no way-- What they wanted to do was be on the backs of our local union that we would have to take over \$6 million worth of cuts to provide for restructuring of the building. What happened was, the negotiations were going on and, all of a sudden, they gave us a report that they felt that they should move to Virginia. So it fell through.

ASSEMBLYMAN AZZOLINA: I know that \$13 an hour is not outrageous in a factory. In fact, they are probably going to get less for their buck, even it will be less wages down there, because the skilled are up here. This is the kind of thing we have to try to stop.

MR. DiBIANCO: The only thing, you made more money, because we were an incentive plant. In other words, dollar for dollar, if you were incentive, you made up to-- Some people made up to \$17 an hour. But that was due to the fact that the company made money too. Whatever dollar we put out, they made a dollar. But the average was \$13 an hour. I am sorry to say, it was a horror story.

Now they are up for sale there. A fellow stated that they are up for sale in Virginia. Some firm is trying to buy them because they are 30 percent below sales. Bottom line.

Thank you.

Lois?

L O I S C U C C I N E L L O: Good afternoon. Thank you for the opportunity to testify on the issue of job retention and legislation, the Job Destruction Penalty Act, which we believe addresses it.

My name is Lois Cuccinello. I serve as Secretary/Treasurer of the New Jersey Industrial Union Council, AFL-CIO, representing over a quarter of a million workers in this State.

Just what is the Job Destruction Penalty Act, and why do New Jersey workers and communities need it? The JDPA, which is Assembly Bill No. 1974, is a response to the rampant corporate downsizings which are undermining the economic security of working families across this State. The Act mandates downsizing corporations to provide direct financial support to both displaced employees and abandoned communities. It will require corporations to pay permanently laid off workers two months of severance pay for every year of service and will make corporations compensate communities \$4000 per laid off employee for lost jobs and shrinking tax revenues.

For businesses which maintain full operations in New Jersey, the JDPA will not cost a penny. For those corporations which decide to abandon New Jersey in favor of other states or Third World nations, the JDPA will require the following lump sum payment per laid off employee:

- * for 5 years of service, the severance pay would be \$24,720;
- * for 10 years of service, \$49,439;
- * for 15 years of service, \$74,159;
- * for 20 years of service, \$98,879.

This is based on an average production worker earning approximately \$30,000 per year in our State.

Displaced employees lose more than \$100,000 to permanently lower wages for the remainder of their careers. Corporate profits in 1995 were the highest in 25 years, and golden parachutes for top executives averaged over \$4 million. Clearly, the employee severance payments mandated by the JDPA are more than justified.

Only 39 percent of U.S. firms have formal severance policies. These companies have slashed average severance benefits from mid-level employees by 50 percent over the last four years, from six months pay to three months pay, and corporations without severance policies simply paid laid off employees nothing at all. The JDPA mandates uniform minimum standards for severance benefits. You can see from the chart that we provided an actual case in Hill-Phoenix. As Bob has testified, the actual payment for those displaced employees was about \$1600. Under the JDPA, it would be about \$58,000, given the average number of years and average salaries, which may sound like a lot of money, except that the CEO at Hill-Phoenix had a golden parachute of \$1.4 million.

Without the JDPA, downsizing corporations are not accountable for the financial burden mass layoffs place upon social services. A study of the closure of a major New Jersey industrial plant found that the total cost to the government per displaced employee was \$26,700. The Act will require downsizing corporations to pay approximately 15 percent of this cost to local municipalities affected by the mass layoffs.

The Job Destruction Penalty Act will cover private corporations that employ more than 100 people and permanently lay off 25 or more employees. Only 3.5 percent of New Jersey companies employ more than 100

people. However, these companies employ 1.9 million workers, or 62 percent of the workforce. These firms average \$57 million in annual revenue per company and, in short, the JDPA targets only those corporations that are most able to afford the Act's severance payments.

The JDPA is not the first bill designed to address the economic problems in New Jersey, and yet industry's flight from New Jersey has been largely unaffected by government initiatives such as energy discounts, environmental deregulation, and tax breaks. Despite these multimillion dollar incentives, corporations continue to destroy New Jersey jobs by downsizing or relocating. Instead of blindly throwing tax dollars at firms which flee the State, the Job Destruction Penalty Act will differentiate between conscientious companies and ruthless corporations. Responsible employers will not be affected by the JDPA. However, the Act will penalize unprincipled corporations for their outright greed.

Ladies and gentlemen, yesterday this nation paused to honor its mothers, who bear the hopes and dreams of future generations. If you would allow me, as a mother, just another moment, I would like to put aside the cold facts that I have just recited about the JDPA and try to relate to you the emotional impact of what downsizing is doing to New Jersey families.

Last week, *The Sunday Ledger* featured a story about a 40-year-old legally blind Bergen County man who was downsized from his AT&T job after 20 years. This man is now a statistic. He is also a husband, a father, and a mother's son. This man has now moved to Canada, a foreign country, in order to find a comparable job to provide for his family. His World War II parents are distraught by the prospect of rarely seeing their only grandchild, and he

and his wife are deeply concerned about bringing up their child in a strange land, and in strange schools.

Is this the legacy of corporate America, families torn asunder and cast around the globe in search of work? We do not expect business to teach our children values. We do not expect business to defend our cities from foreign invaders. We do not even expect business to find a cure for cancer. But just what is the purpose of business, if it can no longer create and maintain jobs for working people in this State?

Now is the time to act. The Job Destruction Penalty Act mandates immediate financial support for families and communities affected by mass layoffs. It requires severance payments and community compensation significant enough to ease the pain, and it will make corporations think twice before destroying jobs and abandoning communities in place of golden parachutes and bloated profits.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

We have a long agenda here, and we would appreciate the comments being shorter. What you are saying we have read about in the newspapers, all these horror stories. We know that, and we understand how you feel. But we have a long agenda here today. We will put your comments in our transcript.

Assemblyman Roma has to leave because of a death in the family.

ASSEMBLYMAN ROMA: Sometime later this afternoon. My aunt passed away, and I will have to travel back to Hudson County.

ASSEMBLYMAN AZZOLINA: So I would appreciate everyone being short.

ASSEMBLYMAN ROMA: What I would like to do-- Again, with the written testimony we have, it is important that that be made part of the official record.

There are many people who have to testify. We realize that many things that have been done are good. There are certain other things that we have to correct. There are no easy answers and, obviously, there is a lot at stake here. We are extremely sensitive to all of these issues, but at the same time, this is one of our first hearings where we have come together as a Joint Committee. We are not going to address each and every issue this afternoon, but we need to have a starting point. I believe we are all moving in the same direction.

ASSEMBLYMAN AZZOLINA: Okay. Thank you.

Mr. Kane, do you have anything to say?

MR. KANE: Yes, sir. I have a written statement that I would like to read.

ASSEMBLYMAN AZZOLINA: How long?

MR. KANE: A couple of minutes.

I welcome the opportunity to testify here today on behalf of the working men and women of New Jersey.

The subject of business retention is one that we who collectively bargain have been intimately involved with our whole working lives. I have witnessed far too many plant closings with the resultant loss of jobs.

We have tried everything possible to keep jobs here in New Jersey, short of disbanding the labor movement, which I am sure some people would like to see happen. But we are not going to do that. In fact, we are going to become stronger and bigger.

The problem of retaining jobs in New Jersey or, for that matter, in any other state, is not going to be solved, in our opinion, by giving the store away to corporations, as has been tried in the past. Corporations have proven that they cannot be trusted to have the interest of the community at heart. Corporations are in business for one thing, and one thing only, to make a profit. There is nothing wrong with that. They have proven that they will take whatever they can get from the State government to make life easier for them and to reduce their costs and increase their profits. We have seen time and time again where states have gotten into bidding wars. Virginia outbid New Jersey -- apparently that is your answer to the Commerce Department, Mr. Assemblyman -- by granting tax breaks, giving away land and buildings, providing training, easing environmental regulations, and other innovative ways to give the resources of the citizens to a private, for-profit enterprise, only to leave those same citizens holding the bag when the corporation runs to the next highest bidder or, as is usually the case, the next lowest labor market.

Any legislative consideration coming from these hearings that is intended to entice business into this State must be weighed, in our opinion, against the consequences it has on the citizens of the State. Is the people's share of taxes going to be increased because a corporation has been given a special rate? Are our beaches or other environmentally sensitive areas, such as drinking water and air quality, going to be sacrificed because a corporation

wants it that way? Are tuition costs going to be increased because the money was diverted to corporate training?

I don't want to sound as though I am totally against corporations. Corporations provide jobs, and I personally work very hard to accommodate their needs, while trying to fulfill my responsibility to the workers I represent. I have made concessions at the bargaining table. I have worked in joint processes to work smarter and to create a more efficient and humane work environment. I was a member of the State Employment Training Commission, where we worked to streamline the training and education programs offered by the State to attract and retain jobs in the State. I cochaired a task force of the SETC which was comprised of many high-level labor, business, government, and academic leaders, whose mission it was to propose a plan to have the State play a role in facilitating a more cooperative relationship between companies, their employees, and the unions that represent them.

Now, I don't know whatever happened to the work of that task force, because after numerous meetings of many hours volunteered by these very busy people, I was removed from the Commission. To my knowledge, nothing has been done with that effort. It is a shame that the work of the top experts in the State in the field of employee/employer cooperation -- that their work was dismissed because of politics.

My testimony up to this point may sound cynical, but I speak only from experience. There is not much this State can do to change the stripes of the tiger that is big business. Don't fool yourselves into thinking that small business can lead an economy. Small businesses, though they create most of the jobs, are at the mercy of the large corporations, just like the rest of us. It

is not a new phenomena. I am sure the government of England tried to induce the garment industry to stay in England during the 18th century, before it moved to New England. I am sure the people in Massachusetts tried to keep the needle trades in their state before they moved to Paterson, New Jersey, on its way to the southern United States, before its current stop in Guatemala, Honduras, and other Third World countries. I am sure that every accommodation was made to the owners of those companies to attract them and to keep them. Unfortunately, nothing worked then, and nothing will work now.

You cannot keep a pack of sharks from biting off your head by offering them your limbs one at a time. The fact is, the work will move to the lowest possible labor market, unless measures are taken to make the move more trouble than it is worth. This is one reason we support Assemblywoman Friscia's bill calling for severance pay when corporations lay off workers. It is indicative of corporate arrogance that a staff member of BIA was quoted in the press calling the Job Destruction Penalty Act grandstanding. It is arrogance like that which we welcome, because that quotation will become a rallying point for our members as we spend the next months educating the public on the merits of that bill.

I believe we live in a society where corporations run our lives. The code words for lowering the standard of living of the American people are: We live in a global economy. If we allow the pressure to continue to be put on us by these apostles of greed who are making record profits and record executive salaries and bonuses, while the rest of society goes down the tubes, we will soon be living in a Third World economy.

I believe that somewhere, someplace the elected representatives of the people have to begin to take a stand. We have to realize that the society was created for the people, and it is the people who issue charters for corporations to allow them to exist. We have allowed them to turn it around. We have gotten to a point where we go begging to big business to allow us to continue as a society. I would propose, at least, that any measures put forth in the form of legislative initiatives be written in such a way that any corporation that reaps the benefit of that legislation be held accountable to return to the State any assistance they were given if they cause people to be put out of work for any other reason other than a business downturn or a bankruptcy.

The Workforce Development Partnership Act -- sponsored by yourself, Assemblyman Roma -- contained a provision for repayment if the company moved from the State within three years of receiving training. While three years is a good start, I think this provision should be strengthened. I also believe that other legislation should be passed similar to the "Job Destruction Penalty Act" that will make it economically unwise for a company to destroy jobs and lives, such as the Multistate Industrial Compact.

There are many other ideas that we are going to be putting forth in the future to allow the elected representatives of the State an opportunity to serve the people who elected them and to take the power back from the corporations. Most of us in the labor movement realize that when corporate America broke the compact with the citizens, as they have in the past 20 years, it is time for the citizens to reassert their authority over the State.

Thank you very much for your time. I will be happy to answer any questions you might have.

ASSEMBLYMAN ROMA: Questions from the Committee? (no response)

Jeanette Galvanek, Vice President, AT&T?

R U S S E L L M A Y E R: Obviously, I am not Jeanette. I am Russell Mayer.

Thank you, Chairman Roma, Chairman Azzolina, and members of the Joint Committee.

ASSEMBLYMAN AZZOLINA: I don't think your speaker is on.

MR. MAYER: Thank you.

I am Russ Mayer, AT&T Government Relations. I am here with Jeanette Galvanek, who is Vice President, Human Services -- Human Resources, I believe -- for AT&T. We thank you for the opportunity to talk to you this afternoon about business development, keeping jobs, and growing jobs in New Jersey.

Jeanette will begin for AT&T, and I will just have some closing comments.

J E A N E T T E G A L V A N E K: Okay, great. Thanks, Russ.

I have tried to edit my prepared remarks to keep within the time frame.

I believe today the topic of this testimony is around alternatives to restructure. We would like to pursue with you an alternative question which we hope will make the case for a new foundation and maybe some further discussion and exploration.

I know that people are probably a little bit interested in the numbers about where we are in AT&T's restructuring, so I will also give you a few tidbits to answer any questions you might have.

The obvious question, to me, is-- To move off of the discussion about downsizing, I pose the question: How do we create, collectively, universal employability as we continue the rapid evolution into the information and knowledge age? Over the past 10 to 15 years, there is no question that we have all been involved in restructuring. These periods have been very difficult for AT&T. They have been personally difficult for any of us who have been involved in both the decision making as well as the implementation of plans that would disrupt even one of our people.

I can give you lots of facts, facts that demonstrate that we are creating a healthy, competitive business model, facts that say the numbers 40,000, 20,000, whatever it is that the press chooses to use, do not necessarily equal layoffs, but I won't think that is what we are about. I think what we are talking about, the actual practice of downsizing, is one that most of us find to be a practice that we would like to leave behind us, and maybe focus on universal employability and on growth and prosperity for our businesses, for our people, and for our communities. That is the discussion we need to have.

Let me just frame that in terms of AT&T. We announced, back in January, approximately 40,000 jobs would be lost over the next three years in our entire business. As we look at those press releases in hindsight, it is clear to us that we talked about jobs going away. We probably did not clarify as clearly as we should have that jobs did not necessarily mean that people were

going away. I think this is an example of what is going on to greater or lesser degrees in the industries, since AT&T is a microcosm.

I think the position is that in every current business environment, every company, particularly of the size of an AT&T or the Fortune 500s, they are creating jobs for the future. That is what we were talking about earlier, jobs for the future. But at the same time, we have to leave behind jobs that possibly do not fit with where our future is going. With those jobs, sometimes we leave behind offices, sometimes we leave behind products and services. A good example recently is the announcement to close down our retail phone center stores that had years of struggle to maintain profitability.

When we look at the 40,000 number -- and I will push that aside for a second -- we look at people who have been currently defined as being at risk. That means who are maybe going to have to leave the company. Two out of three of all of our employees to date who have been declared at risk have been redeployed within AT&T.

We believe that these results for the first quarter of the year could be misleading, but they are the facts. We believe that having continuously worked hard at the job and people equation, that we might be able to continue to achieve those results. It depends on what is going to happen in the economy. So two out of three people are placed within AT&T, but they had their own disruption to go through. They had to move from one unit to another unit. Some had to move out of one county into another county; some people out of one state into another state.

There are many more facts in my testimony that I will file that you can look at to get at those specific numbers, because I am not trying to shortchange them.

What I want you to hear from me is that the challenge for us is significant when it comes to restructuring. We have been going through restructuring for 10, almost 15 years. It is necessary, and we believe that it is not going to stop. So to have discussions about what we need to do to stop downsizing is a difficult thing, just as is what we need to do to stop restructuring. We believe that we are going to need to restructure over and over and over again, because we are not shooting for a place that is going to then remain stable. Okay?

So what we are asking is that-- We think about offering growth and possibilities for our people and choices that might be broader than any of us really perceive today, or perceived yesterday were available to us. We have been working in Washington with a number of the nonprofit organizations, as well as some government officials, as well as other members of industry. We believe that the story this week, when President Clinton is hosting the Conference on Social Responsibility, as well as a number of the follow-up conferences that will be held through the Business Roundtable and other types of forums we are participating in -- that the answer is very similar to what people are talking about today, and that is about systemic change and looking at creating a new future, not necessarily keeping ourselves in the past.

We believe that a redefinition of the problem will accelerate our growth into the future. The problem is: How do we get everybody into

universal employability as a state of mind? That means that we create new alternatives.

Now, when we say, what does universal employability get to, we think it is New Jersey prospering, maybe the nation prospering, maybe individuals prospering, because they have a lot more tools in their tool kit than they had before and a lot more options than they had before. We believe that if we really focus on growth and we seize every opportunity to pursue growth every minute of the day, that we can achieve that. If we keep the discussion on downsizing, we might take our eye off the ball called growth and what we need to get our people, our businesses, and our communities there.

Some of the influences in the industry are what we heard about before about technology, about globalization, and all those other kinds of things. We believe that that is just going to happen. It clearly is going to happen. But we have a tremendous opportunity, right now, not only to face this shift in the telecommunications industry, but maybe use that shift as a model for our larger labor market that needs to look at its workplace, the workers within that workplace, how the work is done very differently.

We would propose that a number of people who share this interest look at a series of areas that we think might cause a breakthrough. We believe that a flexible framework that will support business, jobs, and talent growth might be put forth.

So these are not all of the answers, but some of the places where we think we ought to direct some energy jointly, not independently, around focus and around accelerated training and education -- focus. We all have training and education programs in our community colleges, in our industries.

How do we take a look at what we are teaching? Are we teaching the right stuff to the right audiences and at the right time to accelerate our growth?

There are things about the workplace -- models -- how we think about a job. We have talked about telecommuting. A new workplace model might go far beyond the concept of telecommuting.

We are talking about new broader models for success, maybe credentials that work across lines of industry, State, and local arenas, things that allow you to say, "Thumbs up." I believe that that person can work well in my environment, because I know what they stand for, some things like government support for new work rules. You know what they are about: pension portability, health care, as well as maybe some revisions in the actual plans themselves. We have heard some of those stories.

We also think that new sources of talent have to be explored and new ways of exchanging people across the business in new ways. We have, in many of our industries, professionals who go from place to place in the computer industry, in nursing, in education. If we define our career choices and our options much more broadly, we do not feel like we are necessarily in a discussion about downsizing.

I think the last area we should look at is that the systemic change that we are talking about needs to occur by taking best in class practices that exist in government and around the industry, putting them together, and coming up with a good recommendation, and maybe giving the kind of accolades for breakthroughs that the government does via the Aldrich Award for quality. This is, indeed, what we are proposing: looking at a systemic, human, and organizational shift.

We believe it is up to business and government to work together to accelerate the growth of individuals, as well as business, as well as the State and the nation. AT&T is not only committed to joining that initiative, but we are ready to take a leadership role.

Thank you for your time. I will be happy to take any questions.

ASSEMBLYMAN AZZOLINA: Assemblyman Geist?

ASSEMBLYMAN GEIST: Thank you, Mr. Chairman.

Mr. Chairman, I would like to make a comment. One of your competitors has a saying. It is called, "Friends and Family." I think to many in New Jersey, the so-called 40,000, thought of themselves, at one time, as friends and family of AT&T.

I would like to know what you are doing for the friends and family of the 40,000 people. I would like to hear what type of sensitivity you have to them. As I said earlier, I am more unemployment-line sensitive today than bottom-line sensitive. I would really like to know what you are doing for the 40,000 who, at one time, thought of themselves as friends and family of AT&T.

I look forward to your response.

ASSEMBLYMAN AZZOLINA: Assemblyman Geist, I don't think it is 40,000 New Jerseyans losing their jobs. It's 6,000, right?

MS. GALVANEK: That is correct.

ASSEMBLYMAN GEIST: I understand.

ASSEMBLYMAN AZZOLINA: And some are being shifted to other positions. Is that what you said?

ASSEMBLYMAN GEIST: I would still like to hear her response.

MS. GALVANEK: Well, first of all, I think you have an assumption about AT&T that I don't necessarily share as both an employee, as well as one who has associates who are friends and family in the Garden State.

AT&T is known for having a rating of being in the top 1 percent for the kinds of severance packages and support that we provide to our people. I do not think that is the question.

ASSEMBLYMAN GEIST: What are you doing for the 40,000? What are you doing for the 6000 in New Jersey? What are you doing for these people who are now -- instead of focusing on your bottom line, now on the unemployment line?

I know the Chairman said we are not supposed to pick on business today, but I really want to know, and I think a lot of other people want to know.

Thank you.

MS. GALVANEK: Well, it sure doesn't feel like bashing, so it's okay.

I had assumed, quite honestly, that all of you had read in the press all of the offerings that AT&T provides to their people, since it hits the front pages almost every week. But let me go through a list of the kinds of support that we provide.

First of all, AT&T has put into place a number of resource centers around the country, with quite a few in New Jersey alone, that provide training, resume writing, and access to the 100,000-plus job ads that we have received from our friends in the industry to employ AT&T people. We have

redeployed, as I said, two out of three people within our own boundaries. In addition to those people who have been redeployed, we have been successful in placing our talented people -- our very talented people in other jobs in New Jersey and around the country. By the way, the report is that many of our people are doing very well and are very happy. So, unlike the example of the person moving to Canada that was used earlier, if you read *The New York Times* yesterday, the front page, you would have seen the example of five or six individuals who left the company and were treated very, very well. By the way, I believe the quote even said, "There is no ill feeling about AT&T. The business has changed, the economy has changed. We are here, and we are doing what we need to do." The tone was one of, maybe I wouldn't say positive, but maybe neutral. I do not pick up the tone that you are picking up.

So we are known-- What I am saying to you, George, is, I think that is the piece that I am asking you to get off of. We are known for doing very well and providing support for people who are affected by downsizing. That is a practice that we would like to leave behind. We don't know how to get there yet, but we would like to get there. We are best in class when it comes to tools, programs, support, employee assistance, and counseling. People who need one-on-one career counseling get it. We have a potpourri of tools that are unsurpassed in the nation, and they work. The results show us that they work.

What I am asking us to do is to think about how to move to the next step. How do we look at those systemic issues that we need to look at to prosper, individually and collectively?

ASSEMBLYMAN AZZOLINA: Yes, Assemblyman Asselta?

ASSEMBLYMAN ASSELTA: Thank you, Mr. Chairman.

Maybe you could help us and the audience here. Give us a sense of how your business decisions are shaped through your structure. Maybe this would be a good educational tool here. Obviously, your CEO takes direction from a Board of Directors.

MS. GALVANEK: That is correct.

ASSEMBLYMAN ASSELTA: Okay. Who actually does that Board of Directors take their initiatives from and their input from?

MS. GALVANEK: The Board of Directors?

ASSEMBLYMAN ASSELTA: Shareholders, stockholders? Would that be people maybe even in this audience, maybe sitting on this panel right now? Could that be possible?

ASSEMBLYMAN AZZOLINA: Or competition. Would that cause it?

MS. GALVANEK: Yes, I think all of that is a possibility.

ASSEMBLYMAN ASSELTA: Any business initiative set forth by AT&T really has the input from shareholders or stockholders to the Board of Directors, to the CEO, back to the employees of the company, correct? There is a cycle there?

MS. GALVANEK: Well, I wouldn't say always and I would never say never. I think you probably know that you don't use that kind of language.

The process of AT&T's decision making is one that is generated in a decentralized business unit construct where we have people, depending on the size and the magnitudes of the decisions, who propose certain business

directions. That could be in the form of a business plan or a special proposal. That is rolled into an annual plan, which is reviewed regularly with the different respective leaders of the organization. There is a Government Operating Council and there is an Executive Policy Council within AT&T that review the appropriate recommendations for them.

So, depending on what the decision and what the topic, it could be presented to the Board of Directors or it could be handled by a middle-level manager, because we have given them that empowerment to make those kinds of decisions.

ASSEMBLYMAN ASSELTA: Thank you.

MS. GALVANEK: Okay? I hope that was helpful to you.

ASSEMBLYMAN AZZOLINA: Thank you very much.

ASSEMBLYMAN DALTON: Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Yes, Assemblyman Dalton?

ASSEMBLYMAN DALTON: Thank you, Mr. Chairman.

I appreciate your comments and your coming here in tough economic times to tell us a little bit about what is going on at AT&T.

I want to focus in on two aspects of your testimony. You talked about the redeploying of employees within AT&T. I take it that you mean these individuals have been transferred within the company to other plants, other jobs. Is that correct?

MS. GALVANEK: That is correct.

ASSEMBLYMAN DALTON: Okay. Now, the 40,000 who have been laid off, that is separate and apart from the employees who were redeployed. Is that correct?

MS. GALVANEK: No, that is not correct.

ASSEMBLYMAN DALTON: Okay. So you're saying that 40,000 individuals were laid off, but that some of those were redeployed?

MS. GALVANEK: I am not saying that 40,000 people were laid off. What I am saying to you is -- and this has been the confusion externally and, I would admit, internally at times, too -- that we declared that over the next three years, 40,000 jobs would be going away. That did not necessarily mean that 40,000 people were going away. Of that 40,000 jobs, some of the jobs were being consolidated, some of the jobs were, over time, going to be phased out, because of technology. But the people equation is separate.

So what I am suggesting to you is that our people are so employable that they are able to get themselves or, with our help, to get redeployed within the construct of AT&T in those areas that are growing. For instance, someone was referencing before the Internet. It is clear that the AT&T Internet side of the house is growing and we are creating jobs in New Jersey. It is called the WorldNet business. With the advent of the Telecommunications Act being passed, it is clear that there will be competition for AT&T to get into the local telecommunications market. Those markets are creating growth.

ASSEMBLYMAN DALTON: Just so I understand your answer-- So there may be 40,000 jobs that are lost, but that does not mean 40,000 people have lost their jobs.

Can you tell me how many people will be losing their jobs as a result of the actions taken by AT&T over the next few years?

MS. GALVANEK: I cannot give you that answer, because it is going to depend on which jobs are becoming open, which jobs are a good match for the candidate. But I did use an example that two out of three of the people who were declared at risk so far this year were redeployed. I could also give you a number that suggests that while we were talking about a 40,000 number of downsizing jobs, we also have a forecast of potentially adding 15,000 people to our payroll this year in these growth areas we are talking about.

In addition, I can tell you that every year AT&T loses 10 percent, 12 percent of its people. So that 40,000 number, when blown up, is really very much an unexplained number.

ASSEMBLYMAN DALTON: Right. I think that is what concerns a lot of people. So the answer is, you do not know how many people are going to lose their jobs. Is that correct?

MS. GALVANEK: That is correct.

ASSEMBLYMAN DALTON: Okay. Now, when you say redeploy, do you mean transferring?

MS. GALVANEK: Yes.

ASSEMBLYMAN DALTON: Okay. You can use those terms the same, correct?

MS. GALVANEK: Yes.

ASSEMBLYMAN DALTON: Okay. Just one last question: I appreciated your comments with respect to universal employability and trying to provide a flexible framework for people to make career choices. I think it is important that here in New Jersey the businesses have a relationship with

the communities in which they are located, and that there is some type of mechanism within a company by which they take advantage of the local educational programs and provide educational training to be used in the future.

What I would like to hear from you is: If you could, please describe what AT&T has in place with respect to, number one, pinpointing the jobs they see will be needed in the future AT&T, and number two, what steps are you taking now to work with your local communities in order to employ New Jersey residents in those jobs?

MS. GALVANEK: Okay, great.

Well, there are a number of things. First of all, AT&T and our partners in the CWA have been involved for a number of years in what has been called the Alliance for Growth. The Alliance for Growth has been really working vigorously with our local community colleges and a number of other educational institutions to try to help people to understand what is going on and to afford our people the opportunity to get into the right programs.

AT&T also pays 100 percent tuition aid for any of our employees who would like to take advantage of that education and experience some professional development. We also -- and this is in my testimony which is going to be filed -- spend \$1 billion a year in training and education, which makes our people very marketable. That is how we are able to transfer people -- to use your language -- across our organization lines. We invest in our people. On any given day in AT&T, 6000 people are in training. So our commitment has been for many, many years to professional growth and development. I think that is not only in terms of the commitment to people

having time off their jobs, but financially when I use numbers like \$1 billion a year. So we are very proud of our investment in education, and particularly in the work we have done with our colleagues, like Mr. Irvine, who is going to speak next, on our joint labor/management activities to address the issues of the future workforce.

ASSEMBLYMAN DALTON: Do you have any specific programs with respect to area high schools in communities where your plants are located as far as bringing them into the workplace and providing them with some training?

MS. GALVANEK: Yes, Sean, and we have a list of things that we would be glad to provide you with. I think if you were to go into Plainfield, you would find that AT&T is providing significant executives and middle managers to be on loan in that school system to come up with solutions in that community, upgrading the educational system and learning. You know, this is a circular thing. We are all learning as we are going here.

I think you can go into almost any community and find some activity either sponsored by our AT&T Foundation or by individuals who are members of the AT&T Pioneers, who work on a volunteer basis in predominantly day care centers, children's centers, and local school systems. So we have an outreach system within AT&T that is pretty broad.

ASSEMBLYMAN DALTON: In this program that you describe, does this specifically--

ASSEMBLYMAN AZZOLINA: Excuse me. Assemblyman, we have a lot of other-- The Assemblyman would like to ask questions, but he can't monopolize this.

ASSEMBLYMAN DALTON: Just one last question.

Is this specifically for the purpose of providing new job opportunities, or is this basically to train high school students for something else? Are they being trained to someday work at AT&T?

MS. GALVANEK: Sean, I wouldn't answer that question that specifically. I don't know how they declare their mission. But the issue is about taking young people and preparing them for professional growth. If that avenue is AT&T, that is very fine. If it is not, we are contributing to that community, upgrading its level of skills and professionalism.

ASSEMBLYMAN DALTON: Thank you.

Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Thank you.

I see two things here. First, I am in the supermarket business. Competition dictates how many employees I put in one store, or lay off, or move to other locations. I think you missed the point, in that, from what I see, the competition out there is-- Competition has forced your company, and many other companies-- Thank God you are not leaving the State. It is competition that forces you to change your direction. You are not really downsizing to go upsizing, naturally. All the competition I hear out there, from Sprint and all the others, and everything else you are involved in, has forced you to downsize temporarily.

But one big mistake in this new company -- and I can't pronounce it correctly -- where you had NCR merge into there, unfortunately, as big and as bright as AT&T was, they destroyed the NCR group, and that group now has spinned them off, and you are going to have to bring back that talent

somehow. I buy a lot of NCR equipment, and I was disgusted when I called AT&T instead of NCR-- I am not rapping you or anything, I am just telling you the mistakes that a big company makes. So there again, you have to change in order to become better again.

I think the mistake that large companies make -- and the states make it, and the Federal government makes it -- is that they are cutting out jobs. They are not cutting out people, because when you get right down to the meat, they are really cutting out the positions. But it isn't all jobs either, physical jobs. Unfortunately, the State and the national government, your company, and many other companies make the mistake -- because it sounds good on the stock market probably -- that you are really cutting positions and not people, and that hurts your image. I am trying to help you, really. I am not rapping you or anything like that, because I am a businessman -- I don't know how many others are businessmen here -- and I understand what happens when you have to change focus. We are doing it in my business constantly.

I would like to call on this gentleman now, because he has some nice comments to make. Assemblyman Malone?

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

As a follow-up to Assemblyman Dalton's comments, I have had the opportunity to hire about seven or eight AT&T people who have either retired or were involved in a layoff situation. They have been outstanding employees. As a matter of fact, I have never heard one of those employees ever, in any way, be critical of AT&T. As a matter of fact, if it weren't for those people

leaving AT&T-- We have started a very successful fiber-optics program up in Somerset County in conjunction with several of the electrical unions. That program has actually been fully subscribed and we have a waiting list, as a direct result of the contributions of equipment from AT&T, employees from AT&T, and part-time employees we have gotten from AT&T.

So, as far as I am concerned, the work that you have done in schools, in retraining actually, giving the access to high quality employees, has actually been outstanding.

If anyone would like to talk to me further about this, I can give you actual examples of things that have happened with us that have been a tremendous help. But I would like to congratulate you.

MS. GALVANEK: I really appreciate that, because I think that when Assemblyman Geist was pursuing this avenue, he seemed to have a lot of information that is not in my data bank and is not in my emotional makeup. I think we have done a good job of preparing people. I think that messages like yours need to get out a little bit more, because I think they are very prevalent. Maybe that would balance out perspectives.

ASSEMBLYMAN MALONE: Have them call me. I will be more than glad to tell them.

MS. GALVANEK: Great.

MR. MAYER: Assemblyman Geist?

ASSEMBLYMAN GEIST: Yes?

MR. MAYER: In hope of ending on a high note, if I may take a minute, I know we exhausted a lot of time-- There are some good numbers and some good stories out of AT&T, if you will permit me.

After restructuring, AT&T, as opposed to the other companies, will still have 31,000 employees in the State of New Jersey, and we will still be the largest employer in the State of New Jersey. We contribute approximately \$219 million in State taxes. Eighteen thousand AT&T retirees live in the State, and those pensions amount to \$262 million annually.

Prior to restructuring, AT&T salaries, pensions, taxes, purchases, and philanthropy -- which incidentally amounted to more than \$9.6 million in this State -- provided a total economic impact of over \$6.6 billion a year. We used to pride ourselves in saying, "Another day, another \$25 million." While we have been here, we have probably seen maybe \$10 million input into this State. While the numbers going forward are going to change somewhat, I can assure you that the economic input from AT&T in New Jersey is going to be a very, very significant number.

Just on one last point on the question of competition: The State is really at the threshold of an opportunity with the Telecommunications Act. The Governor has a vision of making New Jersey the telecommunications state. The regulatory processes that should move ahead to encourage competition, thrive on competition, will certainly help New Jersey in attracting jobs and growing jobs. Those are the kinds of things we see, for example, with our AT&T wireless.

ASSEMBLYMAN AZZOLINA: The unions from the last group were really bashing the companies leaving the states. I think they have legitimate rights there. But in this case, to be bashing you for staying in New Jersey, reducing some jobs, and bringing new jobs back, I think is wrong bashing.

I am a businessman, but I am very pronoun and very probusiness, because I have to be in the business I am in. We have good working relationships with our unions. When we work together to solve a problem, we solve it for both of us. There was a time 30 years ago when I probably hated the unions, but I learned over the years that they can be very beneficial. I have been educated that working together to solve problems, you have a great employee/employer relationship.

I would hope that you and your union have a great employee/employer relationship. I don't know if you have gone through bashing from the unions that represent your company. I would hope that your company and your union are working together to resolve the problems, and even though you are downsizing now, tomorrow you will have more jobs, because you are staying in New Jersey. You are a big factor. Where I live, almost every other house is AT&T workers. I live near Holmdel, I live in Middletown, and there is a slew of AT&T workers. They have nothing but praise for your company. Even though there has been downsizing, they are being trained for something else. So I have not heard some of the things that others have heard, and I am in a big AT&T area, I can tell you that.

MS. GALVANEK: Well, thanks. We really appreciate your input.

ASSEMBLYMAN AZZOLINA: But it is important that the unions and businesses work together.

MS. GALVANEK: Well, I think that our next panel should address that.

ASSEMBLYMAN AZZOLINA: And government also.

MS. GALVANEK: Right. We hope that our next panel will bring that information to the forefront as well.

ASSEMBLYMAN AZZOLINA: You can call them up. You take over.

ASSEMBLYMAN GEIST: I am hopeful that you will remain for their testimony.

In the absence of Chairman Roma, I, as Vice-Chairman, call upon the panel from the Communications Workers of America.

We thank you for your testimony.

MS. GALVANEK: Okay. Thank you.

ASSEMBLYMAN GEIST: Good afternoon.

JAMES IRVINE: Good afternoon.

ASSEMBLYMAN GEIST: Welcome. Please state your name for the record and tell us who you represent.

MR. IRVINE: My name is Jim Irvine. I am the Vice President for Communications and Technologies, and have responsibility for representing and collectively bargaining the contract, and the implementation and policing of that contract for AT&T. In that regard, I represent nearly 100,000 members of the CWA who are employed by AT&T. That, by the way, just parenthetically, is significantly down from 1986, when we initially bargained and there were more than 230,000 union-represented people who were bargained for in 1986.

As a result of more than 100,000 jobs disappearing from AT&T in a period of time from 1986 to 1990--

ASSEMBLYMAN AZZOLINA: May I ask you a question just for clarification, Mr. Irvine?

MR. IRVINE: Yes.

ASSEMBLYMAN AZZOLINA: You said you represented 200,000 people at AT&T. Was that before the breakup?

MR. IRVINE: That was in 1986, two years subsequent to the divestiture of the Bell system, which was our first negotiations after the divestiture.

We commissioned a study in 1991 of the layoffs at AT&T for the years 1986 to 1990. It is our belief that this has cost the U.S. taxpayers some \$509 million. The costs are the sum of the increased safety net spending needed to assist dislocated workers, plus decreased tax revenues. In that 4-year period, AT&T laid off 18,750 workers. I have copies of a summary of that report for your review.

Over the years, AT&T has developed a number of programs and strategies to help to cushion the blow of downsizing and layoffs. We have also developed programs to empower our members to be survivors in this age of downsizing. Our most substantive programs are achieved through collective bargaining. At AT&T, we have a variety of programs that preserve employment levels for bargaining unit members that offer the training and education necessary to qualify for new jobs and programs that preserve income levels in the event that jobs are, in fact, declared surplus. One of the glowing ones that we like to talk about is the Alliance for Employee Growth and Development, which is located here in New Jersey in Somerset, New Jersey.

Let me add that I have a significant interest in the development of what occurs with your two Committees. I work in Washington, D.C., but have remained a resident of the State of New Jersey and travel from New Jersey down to D.C. on weekends.

We have negotiated AT&T Resource Centers to deal with surpluses. We have negotiated an Employee Resource Center which is an employee-to-employee discussion of what all the benefits are about and the consequences of what might happen in a downsizing; an AT&T transfer system which allows people to submit for jobs anywhere in the country before AT&T hires off the street; and a Workplace of the Future, which allows us to modify the terms of our contract to meet changing conditions as they occur. Charlie Murphy, President of Local No. 1058 will discuss the Workplace of the Future efforts.

We have pension enhancements that would add years of service and age to pension calculation formulas for those nearing retirement, in order to buy out and preserve jobs for those who remain on the payroll.

I might also add that the CWA has been highly successful in other innovative programs working with the Bell companies. At NYNEX, for instance, we have this program -- this training program where people go to school one day a week in an effort to achieve an associate degree or a baccalaureate in telecommunications, which we see as a win/win in that NYNEX gets a well-educated, highly skilled person, and we get someone who has a better education, is more employable, and has some security about employment security.

I would also add that Ivan Seidenberg, the CEO of NYNEX, who will now be the President of the newly merged Bell Atlantic -- which is the NYNEX-Bell Atlantic merge -- has been one of those who has endorsed and embraced this program.

The CWA believes that the union/management participation programs, properly structured, can ease the impact of downsizing or provide transition procedures and benefits that will lessen any negative impact on both workers and the communities. Union/management participation allows for continuous bargaining over issues crucial to assure members of employment security and to adapt promptly to rapid changes occurring in the industry and the workplace.

In this recent situation with AT&T, management chose not to utilize the union/management forms to provide constructive discussion before the fact of the layoff. But we have, nevertheless, been working with management after the fact to try to make sense of this restructuring and trivestiture to secure protection for workers.

I am also pleased that the New Jersey Assembly is attempting, through these hearings, to explore ways in which the State can prevent the negative consequences of corporate downsizings.

I have some suggestions, which are in the testimony, but first I think the enactment of the "Job Destruction Penalty Act" is important.

Second, I think the State could require companies to provide significant advance notice to employees and communities when downsizings are anticipated.

Third, the State should prevent efforts by employers to interfere with workers' rights to unionize. This is the best way to empower workers to design and negotiate their own protections which will best suit their needs, as well as the needs of the particular employer.

Fourth, I think the State should work with unions and companies to develop and expand the improved training and job placement programs that we have heard a little bit about.

Although my prepared statements are lengthy, I think I will stop here and turn it over to Charlie Murphy, President of Local No. 1058, in Bridgewater, New Jersey.

Thank you for the opportunity for our input. If you have any questions, I would be happy to answer them, if I can.

CHARLES MURPHY: Good afternoon, and thank you for giving me the opportunity to participate in these public hearings.

My name is Charlie Murphy. I am the President of Local No. 1058 of the Communications Workers of America, which represents approximately 4000 employees at AT&T throughout New Jersey.

In light of the recent split up of AT&T and the beginning of massive downsizing, we at CWA Local No. 1058 are especially interested in alternatives to corporate restructuring that will help to preserve jobs and maintain wage levels.

I will spend a few minutes giving an analysis about a labor/management structure between AT&T and the unions CWA and IBEW, known as Workplace of the Future. Workplace of the Future was bargained in the 1992 contract negotiations, and its primary goal was to become a tool

for the unions representing AT&T workers to have more input into corporate decisions affecting union-represented workers' jobs.

Workplace of the Future was supposed to be the process by which there would be, and I quote from the contract: "A greater participation by the unions in the human resource and business planning benefiting AT&T's market position and transform our traditional work systems to customer-responsive work systems. The parties share the goals of establishing a world-class high performance organization and protecting employment security through market success."

The Workplace of the Future sounded like it would put the unions on an equal playing field with AT&T and allow us and our members greater involvement in decision making. Workplace of the Future was touted by the media and Labor Secretary Robert Reich as a new model for labor/management partnerships that other companies and unions should adopt. After investing a great deal of CWA's time, energies, and money in Workplace of the Future at all levels of the union, the pitfalls with WPOF have become readily apparent. I should also add that Workplace of the Future is not the first labor/management plan that has been tried in AT&T. There have been others, but none have been successful for a sustained amount of time.

There was an imbalance of power where the company was using the unions as a rubber stamp, rather than as equal consultants when the company was making new plans. Workplace of the Future has not been an equal partnership. All is not doom and gloom, however. In the areas where Working of the Future is working very well, but there are areas where it isn't working

and detract from the areas where it is working. So even our successes with Workplace of the Future are minimal.

Then in September came the announcement that AT&T was imposing a trivestiture on itself. Contrary to the spirit and intent of Workplace of the Future, our CWA International President, Borden Barr, was not told anything about the trivestiture until the day before the announcement came. Just as we were recuperating from that blow, AT&T began the new year by announcing that it was planning to lay off 40,000 employees worldwide, with 6000 or 7000 coming from New Jersey alone.

So much for the alleged partnership Workplace of the Future was supposed to bring about between the company and the unions.

So CWA has been coping with the new companies that AT&T split into and the \$13 billion NCR loss brought about. There used to be a time in this country's history when workers were laid off when the company was doing poorly, not when it was doing well. Workers and communities should not have to pay for the mistakes the employer makes. For example, in 1994, each AT&T employee, on average, generated over \$200,000 in revenue. That same year, AT&T earned nearly \$5 billion in profits, but it was continuing to lose money on its takeover of NCR. So the company's trying to regain some of that \$13 billion loss on the NCR deal-- Its employees should not be sacrificed to recoup the loss.

If corporations are benefiting from the high productivity of their employees, then they must also share in the sacrifice of bad business decisions.

The compensation gap between company executives and workers is much too high, in general. Closing this gap will allow more employees to

keep their jobs and new ones to be hired. Companies need to redevelop a conscience and assume responsibility for laying off workers and hurting communities. It makes good business sense to recognize that laid off workers are also consumers who will be unable or unwilling to buy the products and services from their former employers. Passage of the “Job Destruction Penalty Act” will provide a mechanism to make large companies which lay off workers and erode municipalities share in the hardships caused by massive downsizing.

Corporations rely on cooperation with their employees, unions, and communities in which they are relocated to promote not only business development, but to strengthen what used to be a covenant in which companies viewed their workers’ interest and community interest as being part of their own, a covenant in which companies shared their profits on a more even keel.

Corporations need to develop a sense of loyalty to local and State communities and to the countries in which they are based. Corporations can reinvest in their workers as much or more than they now invest in acquisitions, mergers, and hostile takeovers, and companies should allocate more money for job training and skill enhancement. This is one area in which a truer partnership existed between AT&T and the unions in 1986. As Jim said, we bargained for the employee job training and educational program called the Alliance for Employee Personal Growth and Development. We have also been able to bargain time off the job for other kinds of training, and we can receive tuition reimbursement for college courses.

It is important for companies to provide for job training, retraining, and other kinds of educational opportunities. Companies also need

to be more creative in how they use their existing workforce. Instead of recycling jobs whereby workers are laid off and then the workers outsource or new permanent employees are hired at lower wages or temporary employees are hired at lower wages and without benefits, companies should do everything possible to retain their existing employees, make new jobs available in the company to their existing workers, and help their existing employees to upgrade their skills so that they can move into new positions in the company, when the company moves in new directions. A shorter workweek at the same level of pay and job sharing will help to maintain jobs and create new ones.

There should be more partnerships with schools to help to provide more tools to help to prepare students for future jobs. Transportation to jobs must be more widely available to the underemployed and those living in urban centers. Corporate “mergermania” has created a tremendous job loss. Corporations must seek alternatives to these mergers to maintain jobs and to maintain a continuity of service, quality, and productivity.

Finally, companies need to understand that they are not the sole owners of jobs. Jobs are the property of their employees as well. Therefore, the effective employees must also have input into decisions about their jobs. This can be achieved through a strengthened labor movement and stronger unions in New Jersey. A New Jersey consortium comprised of labor, company, and government representatives with equal status is also needed to continue dialogue on alternative corporate layoffs.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

ASSEMBLYMAN GEIST: Thank you.

ASSEMBLYMAN AZZOLINA: Let's limit the questions, because we have to get rolling here.

ASSEMBLYMAN ASSELT: Mr. Chairman, one question.

ASSEMBLYMAN AZZOLINA: Yes?

ASSEMBLYMAN ASSELT: Very briefly, Mr. Irvine and Mr. Murphy, you have submitted a commission done by the Midwest Center for Labor Research on April 19, 1991 entitled, "The Social Cost to Government of AT&T Layoffs." I have a couple of questions. I assume there is some reliance on that commission for some of your findings regarding the \$509 million cost to U.S. taxpayers in 1986 to 1990 regarding the layoffs nationally on behalf of AT&T.

The first question I have is: Does the commission have a sense that New Jersey only-- While I am sensitive to the national costs, I guess the cause and effect nationally, I am more concerned, obviously, from a statewide perspective in New Jersey.

On the last page here, it says that in 1986, AT&T had 4236 jobs in New Jersey, and in 1990, it was 6430 jobs, a creation of 2194 jobs, which, curiously enough, amounts to a 51.8 percent increase over those years, the largest of all the states in terms of job growth on behalf of AT&T. So my question is: Have you commissioned a research center here in New Jersey to do a cost analysis as to the costs on behalf of the taxpayers on the labor force regarding layoffs -- the layoffs in the last 5 or 10 years projected out?

MR. IRVINE: No, we haven't, but I will be meeting with folks from Rutgers next week, or the week after, so let me ask them. I was sensitive to my budget. That is why there are only six cities listed. We tried to do a

cross section across the United States as the jobs were being lost at that time. Unfortunately, some of these research arms get a bit pricey, so we restricted it to six, and New Jersey was not included.

ASSEMBLYMAN ASSELTA: That is unfortunate, that is unfortunate.

ASSEMBLYMAN AZZOLINA: Thank you very much.

I have been asked to allow Steve Errickson, who represents Kimball Glass-- He took a day off from work, so we will let him on for no more than five minutes, less if he can. After that, we will put on the panel from Bell Atlantic, and we will continue the program from there.

G. STEVEN ERICKSON: Thank you, Mr. Chairman and Committee members, for having me here today.

My name is Steven Errickson. I work for Kimball Glass. We are a large manufacturer of scientific glassware in Vineland, New Jersey, Cumberland County. I filed a brief, and I would ask you to read it at your leisure. I am just going to touch on the highlights.

I became President in 1994, right in the middle of a downsizing mode. What happened was, the President who was there before me took the buyout. We lost a lot of people. We lost 200 jobs to North Carolina. There wasn't a thing we could do about it, because of the incentives -- the tax incentives and the low wages. We were unable to compete, and they decided to pull stakes and move 200 jobs out of there. That was 25 percent of our workforce.

My job, as a new President, was to try to decide, well, what are we going to do now? Everyone knew about downsizing. Everyone knew what was

happening. We knew that nothing was working, just to try to stop it. We were fortunate enough to come up with a new Vice President of Human Resources who had a new attitude and a new approach. I was able to sit down with him. We talked things over. We talked about what was happening at our Vineland plant, and decided what we could do together. That plan was just that. We had to work together. We had to form a partnership. We had to try to solve our problems together, because the company's problems were our problems. Jobs and lives depended on it.

The first thing we did was form an Insurance Committee made up of union officials and company officials, and all of us had an equal say. The insurance premiums were killing us. While our rates were going up 9 percent around the State, everyone else's rates were going down. We wanted to know why, so we tackled that problem together. Together, we interviewed different insurance companies. We sent our RFPs. We talked about what we wanted in our plan, and what we wound up with, after two months, was-- We came up with a better insurance plan for our employees, at a much lower cost, and the first year savings was over \$500,000. That was success.

We even had a dinner to celebrate. At that dinner, we talked about what we were going to do next. What else can we do to help push our company forward while everyone else is dying on the vine? What we talked about was the fact that we knew there was Workforce Redevelopment money here in the State of New Jersey, here in Trenton, but management had tried for two and a half years to get that, but was unable. Again, we needed a partnership. That is when I called Nick Asselta and Jack Gibson. We went directly to them and talked about our situation.

They got involved and started to help us. We got together with the Department of Labor and were able, within a short period of time, to bring a substantial amount of money to the Vineland Kimball plant. We are now retraining people. We are now saving jobs. We are even creating some new jobs. We also reached out to our community college -- Cumberland County College -- and they are very much involved in developing new programs and new ideas to help us to save the jobs that we already have.

My suggestion for a strong economy base in the future is, we must take a look at our DEP. There is not an industry around that at one time or another has not had something bad to say about DEP. I would like to say, though, that we are very fortunate. We were able to approach them in the same style as we deal with one another, approach them in a style where we sit down and are reasonable with one another. We talk over our problems and talk about how we can solve them, not just about being fined. We were able and successful in reducing our fines, and we came up with ideas to stop polluting and to stop some of the bureaucratic things that just run us right into the ground. We were able to stop that.

Also, though, on our insurance items-- What has happened with the insurance is that we have managed, between the industry and the insurance companies, to reduce premiums and reduce payments. We are faced with a situation in Cumberland County where our hospitals are in danger. They are starting to lay off and starting to cut back, the reason being that the managed choice and the health care maintenance organizations have been so successful that the squeeze has been put on the hospitals. This is going to cost us jobs,

it is going to cost us investment in our community, and it is going to cost us in the way we care for the sick.

We have to take a look at what we are doing as a State to regulate our hospitals. We cannot overregulate them, we have to keep them on an even playing field where they can compete and not be totally outweighed by the insurance companies.

My final statement is: Kimball Glass has been very successful. It is a real example of how labor, management, the government, and education can work together and can make things happen. As they say in the commercial on TV, "Just Do It." We just did it, and we are going to continue to do it. We have our problems. It is not pie in the sky, and our problems are not over. We are facing problems with NAFTA. We have a hard time to compete with 50-cents-an-hour jobs in Mexico, but we are going to try.

We have to take a look at incentives for companies to stay here. I think we have to look at money available for new technology, low-interest loans for new technology, for those companies like Kimball that are going to remain in New Jersey, that are going to make that commitment to employees here, that are going to work to stay and try to be fair and do things right. They want to stay because we have the best workforce in the whole country. We make a good dollar here, but we earn it, and we produce for it. I think this is a good model program that ought to be looked at and maybe held up to some others throughout the State. Maybe that could come from the Department of Labor, and we could try to get things to move forward with other companies so that everyone can have a job.

I thank you very much.

ASSEMBLYMAN AZZOLINA: You and your company are to be complimented. Thank you very much.

ASSEMBLYMAN ASSELTA: Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Okay.

ASSEMBLYMAN ASSELTA: Let me just thank Mr. Errickson this afternoon for being here and giving us an insight into a grassroots testimony of real cooperation. That is why I brought Mr. Errickson up here today. This is an example of what can happen when we all work together -- business, industry, education, government. We can all do it if we work together.

Thank you, again, for coming up, Steven.

MR. ERRICKSON: Thank you very much.

ASSEMBLYMAN AZZOLINA: Thank you.

We will now have the panel from Bell Atlantic, Jon and Andrew.

Please try not to read all of that, though, okay? We are going to be here until midnight if you keep it up. You are smart enough to give us--

JON P. SPINNANGER: Mr. Chairman, I promise you that we will be very brief. Just a couple of comments, if I might.

I would like to mirror the comments of the last speaker. The cooperation between labor and business is what it is all about. We commend you and Chairman Roma for bringing this hearing about.

As you know, we have been involved with New Jersey SEED for 23 years, which is a labor and business coalition in New Jersey that demonstrates very clearly how labor and business working together can get things done.

We will be, as I said, very brief. All of you have copies of the testimony. If you get really bored later on, you could certainly take the time to read it.

ASSEMBLYMAN AZZOLINA: At midnight?

MR. SPINNANGER: At midnight.

Mr. Chairman, members of the Committee: On April 22, 1996, just about three weeks ago, Bell Atlantic NYNEX announced the merger of equals. Neither company has taken over the other. This merger will create the nation's second largest communications and information and entertainment company, with 133,000 employees.

ASSEMBLYMAN AZZOLINA: May I ask you a question at this point?

MR. SPINNANGER: Yes, sir.

ASSEMBLYMAN AZZOLINA: The courts broke up AT&T and created all the baby Bells and everything else. Now, everything is happening again, building larger.

What is going to happen in the world? Maybe they should have left everything alone in the first place.

ANDREW R. McDEVITT: There are an awful lot of people who agree with you, Mr. Chairman.

What happens is, you get to economies of scale and scope. If you are going to play with the big dogs, you are going to have to gain some weight. That is why we are getting involved in mergers at this point.

MR. SPINNANGER: By the way, we have provided each of you with a press kit on the merger. There is only one document in there that I

think-- I mean, you can read it all if you would like, but the snapshot of the new company-- There are some amazing statistics in there.

The merged company -- which I am happy to tell you will be called Bell Atlantic -- is going to unify the East Coast market, which leads the nation in the number of telephone lines, wireless customers, domestic/long distance revenues, and international long distance traffic. Bell Atlantic will have one of the world's best and most extensive wired networks, one of the world's largest wireless companies, and a presence in major markets globally.

I am going to just defer down to a couple of paragraphs, and Andy, by the way -- my partner, Andy McDevitt -- will finish up the testimony.

The strength garnered by our combined company to participate in high-growth markets will greatly improve employment opportunities. Job creation is inevitable in such markets as long distance, video, and Internet services, because today our market share in these areas is zero. I would like to read that one once more.

We are going into businesses where today we have a zero market share. The opportunity for job growth as a result of this is phenomenal. The merger will help ensure that Bell Atlantic remains competitive and healthy as our local markets are opened to competition, and will help Bell Atlantic to grow and prosper as we, in turn, compete in these new markets.

This expectation of job growth is supported by the Bell Atlantic NYNEX Mobile's experience. These two companies merged just 10 months ago, and the single company has grown by more than 30 percent since that merger. We believe that the new Bell Atlantic will experience similar growth as we expand our video, long distance, and on-line business.

I am going to stop right there and turn it over to Andy McDevitt.

MR. McDEVITT: He gives me the downside to discuss, so I will go right to it.

Until this future growth and investment occur, the merger announcement will have no effect on Bell Atlantic's force levels. Once the merger is completed, there will be some reduction in workforce, about 3000 out of the 133,000 jobs. These are primarily corporate and administrative management positions and, lucky for us in New Jersey, we have very, very few of those positions at present. It is estimated that we could lose as few as 100 to 200 positions over a two- or three-year period. These are those positions which will be merged as a result of the merger itself. That means that the jobs will disappear, not the individuals. It is our intention to place all of those people in jobs in those growth areas that Jon described.

ASSEMBLYMAN AZZOLINA: Is the headquarters of Bell Atlantic in Washington?

MR. McDEVITT: The headquarters for Bell Atlantic is in Philadelphia. The headquarters of the Operations Center is focused primarily in Virginia, Mr. Chairman.

We are going to aggressively pursue redeployment of the affected management employees in the growth areas of the business. Our goal is to continue to maintain good jobs for our highly skilled workforce, with no loss in bargaining unit jobs occurring as a result of the merger. As always, Bell Atlantic-New Jersey will honor its union contracts.

It is interesting to note that we recently entered into a contract with our communications technicians' union of five years duration. It is a five-year contract centered on job stability.

The new Bell Atlantic will continue to be a major employer in New Jersey. Even before the merger is complete and opens up new, job-generating business opportunities, Bell Atlantic-New Jersey expects its employment rolls to grow from 16,140 employees in 1995--

ASSEMBLYMAN AZZOLINA: That is throughout you're talking about, right?

MR. McDEVITT: New Jersey.

ASSEMBLYMAN AZZOLINA: New Jersey?

MR. McDEVITT: We expect our employment rolls to grow from 16,140 employees to 16,490 employees by the end of this year.

I am going to skip along, because all of you have heard an awful lot from an awful lot of people.

The merger will accelerate the development and introduction of advance services like video dial tone, Interactive Distance Learning, and digital cable, and make two progressive and strong companies in our region even stronger. The consolidation that will lead to this outcome requires approvals by shareholders and by State and Federal agencies. It is expected to be completed within 12 months -- an important point.

In the interim, Bell Atlantic-New Jersey will continue to focus on providing the highest quality customer service. We will also continue to provide our employees career development, skill enhancement, and educational

opportunities that will equip them with the skills and knowledge required by Bell Atlantic and for jobs throughout the communications industry.

Thank you. If you have any questions.

ASSEMBLYMAN AZZOLINA: You get an A.

Are there any questions? (no response)

Thanks a lot.

MR. SPINNANGER: Thank you very much.

ASSEMBLYMAN AZZOLINA: The next group is a panel of New Jersey Small Business Development Centers.

Brenda, will you introduce the group?

B R E N D A H O P P E R: Well, I am going to get--

ASSEMBLYMAN AZZOLINA: Are those chairs loose up there?
(affirmative response) Will you bring some more down?

MS. HOPPER: Well, I am going to leave. I will stand up after this.

ASSEMBLYMAN AZZOLINA: Okay. Can she move to the other side? Miss, can you move to the other side? We will put a chair there somehow. Do I have a strong arm there to bring a chair down? (no response)
I'm sorry, I thought I could get a male to bring a chair for you, but-- Equal rights, equal work?

Okay?

MS. HOPPER: Okay.

ASSEMBLYMAN AZZOLINA: Brenda, go right ahead.

MS. HOPPER: Good afternoon, Chairman Azzolina, I am Brenda Hopper, State Director of the New Jersey Small Business Development Center.

In the interest of time, I will forego my comments. I have passed out a packet of information about the Center, but most people know us as a small business provider.

Today, I would like to introduce three established businesses that have used our services, which will show that this public-private-educational partnership works.

Bert Rashkow is the Director of our Mentor/Protege Program at Rutgers.

ASSEMBLYMAN AZZOLINA: A great school, right? University, I mean.

BERT R. RASHKOW: Superb.

Thank you very much.

You all have a sheet of paper in front of you dealing with the comments I have prepared. To be brief and get right to the point, let me take you to the details which are shown as Items 1 through 5. The first of these things-- These are the people here. We have three CEOs of operating companies here that we call large, medium, and small, so they can get a picture of what the manufacturing community is thinking of and needs. I would like to suggest them for your consideration.

We suggest, in the first item, that there be proactive and effective training and apprenticeship programs. The key word is proactive, not merely to keep them a secret, but to be proactive about it.

Secondly, we need supportive, as opposed to adversarial environmental protection assistance. I use that word "assistance" in quotation

marks. We need a substantial overhaul of the Workers' Compensation levels. That is something some of our people will be speaking about here.

We also need the effective dissemination and information about the various State programs, because the State has one of the best kept secrets in the State of New Jersey, if not on the entire East Coast. There is plenty here, but nobody knows about it. We have been bringing that to the people's attention.

ASSEMBLYMAN AZZOLINA: I have been learning that by being Chairman of the Commerce Committee. I didn't know that either.

MR. RASHKOW: Finally, we need, without a doubt, despite other testimony, effective, aggressive solicitation for other manufacturers to move into the State of New Jersey, because without them you are going to lose manufacturing even further in this State.

But just to kick things off directly from the people who are here who are running their own companies, I have, for your consideration, Bob Denholz, CEO, Durex Inc., in Union.

ROBERT DENHOLZ: Thank you.

I have never been before a committee such as this.

ASSEMBLYMAN AZZOLINA: It looks like a court, doesn't it?

MR. DENHOLZ: A little bit, I have never testified either.

ASSEMBLYMAN AZZOLINA: But be relaxed, be informal.

MR. DENHOLZ: I'm trying, but we have been sitting here for about two and a half hours. Unfortunately, we have probably lost about a third of the Committee. That is a little disappointing.

ASSEMBLYMAN AZZOLINA: We have important people here. We're key players. Assemblyman Roma would have been here, but, unfortunately, he had to leave. But we have another member still here. Come on.

MR. DENHOLZ: Come on in. Join the fun.

We are a family owned business. We employ over 325 people. We are in the metal stamping business. For those of you who do not know what metal stampings are--

ASSEMBLYMAN AZZOLINA: They're all back. Here they are. Just one second. We're all back now.

UNIDENTIFIED MEMBER OF COMMITTEE: You should have had an intermission.

ASSEMBLYMAN AZZOLINA: Well, we should have, but maybe we would have lost everybody.

Now Bob feels better, we're all back. There are only a couple who are gone now.

MR. DENHOLZ: Yes, much better.

My name is Bob Denholz. I am President and CEO of Durex Inc., in Union, New Jersey. We are a large contract manufacturer of sheet metal stampings and assemblies founded in 1946 by my father. Over 325 people depend on Durex where they earn their livelihood in order to support their families. These people care and value their employment.

As a company, Durex enjoys a solid reputation for supplying quality products with on-time deliveries at competitive prices. Our Union, New Jersey, facility houses over 150 presses, up to 500 tons, numerous

secondary equipment and finishing equipment, including painting and power coating. This is very important, because it offers the customer one-stop shopping from prototypes to pilot runs to finished product.

In order for Durex and others to continue operating in New Jersey, it is my opinion that the State of New Jersey must address a number of issues not limited to the few that I will discuss today.

I had a handout and there are some bulleted items, but I made some notes when the other speakers were presenting their testimony. Commissioner Calderone happened to tickle my memory. He mentioned two companies particularly, both Silver Line and Frigidaire. Both happen to be customers of mine. In fact, at Silver Line, they are very good friends of mine.

ASSEMBLYMAN AZZOLINA: Frigidaire almost left the State, as you know.

MR. DENHOLZ: I know both of them very, very well.

ASSEMBLYMAN AZZOLINA: They are moving ahead now forward. I was there last week and saw that.

MR. DENHOLZ: Frigidaire is my largest customer. But I have a big problem with them, as I do with a company like Silver Line, and that is that they are vertically integrated. For those of you who do not know that, they try to manufacture as much as they can themselves. You can't fault them for it, but they do not provide as many jobs as you may think to other companies in New Jersey. Frigidaire probably buys their compressors -- I know they buy their compressors from Offshore. Silver Line buys their glass from Pittsburgh, and so forth, and so on.

So, even though we have some large manufacturing in this State, the trickle-down effect isn't as great as we would all like it to be.

We had a very difficult decision to make a few years back. We operated a plant in San Jose, California, Silicon Valley, as well as in Union, New Jersey. The decision was, we needed to consolidate, downsize, for many different reasons. Because my wife doesn't like earthquakes, fires, floods, or riots, we ended up staying in New Jersey. I seconded the opinion, because I was born and raised here. But it was a difficult decision, because as you look at Silicon Valley and the venture capital money that is out there, and the R&D that is out there, and the engineering schools that are out there, it is just mind-boggling to drive down the street. It is who's who in the *Fortune 500*.

New Jersey is not that way. The Small Business Development Center is helping us with funding for isoprograms, worker training, and so forth, but we have to do more than that. We need to get very aggressive on attracting manufacturing to this State. I have been bombarded by at least 15 states and have personally met with the governor of one state who has been recruiting us to move. I have met with Assistant Commissioner Steinberg, Commissioner Medina, Brian Peters from the Department of Labor, Commissioner Shinn, who I have a DEP problem with, and so forth, trying to get my message across that they need to do something. I constantly hear, "Well, we're giving money to *The Daily News* to get them into the State. We gave them \$5 million. We gave this guy money, and that guy money," but what are they doing for the people who are here? They are kind of forgetting about us. We really need to get the word out there that manufacturing is important to this State, or my factory workers won't be able to go into the K

Marts and the Wal-Marts and buy products that I manufacture, because I won't be manufacturing them here anymore.

Utility costs are a real problem. We have investigated buying gas in other places. That is somewhat successful, but the electricity costs are very large.

Workers' Compensation: I discovered -- and I do not know much about this area -- that we have, I think, five classifications in manufacturing for Workers' Compensation. In talking to other states, I have found that they have maybe 10 classifications. Their most expensive classification is less than our cheapest classification -- if I said that correctly. Did I? (no response) I can't believe it. Our Workers' Compensation right now is about \$600,000 to \$700,000. Our medical benefits were \$1.2 million. We now have them down to about \$800,000, with a slight employee contribution. We had an eight-week strike over that which almost crippled the company, but it was either pay up or we wouldn't be in business any longer.

We have seen three customers over the last four years move out of the State, move 2000 jobs out of the State. I don't know what the State did to try to keep them here, but they are gone.

Geographic hot spots: I mentioned Silicon Valley. The Northeastern Corridor up near Massachusetts, all high tech, all very good engineering schools. I don't think we have the education in this State. We have Rutgers University, but when it comes to engineering, I mean, you look at Massachusetts or California and they are loaded with those types of educational programs. Virginia just landed Gateway Computer, out of South Dakota, IBM, Toshiba, and Motorola. I have yet to hear anyone mention the

manufacturing companies that New Jersey has landed. I hear of service companies, but I don't hear of manufacturing.

Telecommunications: I have heard everyone testify about telecommunications. I am very selfish. I am a manufacturer. These telecommunications companies, AT&T, they are in Oklahoma, they are in Texas, they are in the Carolinas, Nebraska. They are not in New Jersey. They are not putting 5000 or 10,000 jobs into New Jersey for manufacturing.

All this makes it very difficult to operate here. I sound a little nervous; I am a little nervous. I don't know why, but I am coming here today asking for your help. Please try to do something. If you need people from the small business community, I will volunteer. I will help. I will do anything possible.

There was one other thing that I wanted to mention, which I think Bert mentioned -- the grants and the money that is available to the small businesses. I'll tell you something. I don't even know where to find it. This is my one link to government, other than a couple of friends who are very involved in politics, but I don't like to bother with them too much. I don't know where to find it. Frigidaire knows where to find this money, and General Motors, probably in Trenton, when they were downsizing or threatening to leave, knew where to find the money. But the little guys, we really don't know where to find the money.

We need a direct link, someone who will listen, and someone who can get the job done, rather than being referred down the line from one to the other.

One last quick story, because I did mention Commissioners Steinberg, Medina, and Shinn, and the group. The EPA/DEP regulatory problems: We all have them. We are all manufacturers. I would hope that-- We should have been grandfathered for certain things, but we weren't. I bought a building 20 years ago that probably had a lot of skeletons in the closet that I did not know about. We are now doing a voluntary cleanup, an aqueous cleanup. However, along the way, we have retention pits that needed to be monitored according to the general permit we had for our runoff water. Every month we would pay an independent engineer to come out and monitor the well, or the runoff water. Lo and behold, in May and June of 1994, we did not have enough oxygen in the water, as I understand it.

There are three sides to this story. This is my side. The runoff water exceeded-- The oxygen level wasn't there, and we had to report it to the State, which we did, to DEP. DEP, in December of 1994 -- six months later -- finally came out to talk to us about the problem. We reported it in May or June of 1994.

In January, DEP told us, "Well, there is going to be a big fine unless you want to settle now." The fine is \$30,000 or \$40,000, but you can make a deal today at \$7500. Well, to me, that was highway robbery. I didn't do anything wrong. We investigated to try to find out what the problem was, and we did. We believe there were too many decayed leaves in our sewer. Water runs off from the parking lot into the retention pit. DEP did not argue the point. They said, "It could be that, but then again, it could be something else."

Well, I have a company next door to me that has a lot of trees, so I don't know if they were my leaves or if they belonged to the company next door. In order to prevent it from happening again as far as I was concerned, I chopped down my trees. So now we won't have that problem, unless the wind blows from left to right.

But what makes matters worse is that before I paid the fine, I found out that I had the wrong permit. The permit I should have had did not require us to monitor the retention pits and did not require an engineer to come out every month and make his reports. Had I had the proper permit, there would have been no fine at all. You know, I did not exceed a requirement.

Now, I went through all the politicians, including some of the State Senators and Assemblypeople, and they put me in touch with all these other lawyers in the government, and so forth. Basically their answer was that they couldn't change the legislation, and that is what it was. I think that is very sad. I mean, I was almost tempted to call the Governor, because I was one irate businessman.

ASSEMBLYMAN AZZOLINA: Let me stop you right there. If with DEP, or any of the other departments, you cannot get through, if it is regarding permits, or whatever, the Governor has the Department of State. Bill Healey is in charge. Have you been to him?

MR. DENHOLZ: Bill knows all about this problem.

ASSEMBLYMAN AZZOLINA: Have you gone to him?

MR. DENHOLZ: Yes.

ASSEMBLYMAN AZZOLINA: His job is to funnel you through this quagmire. I see that you had a real quagmire.

MR. DENHOLZ: He tried very hard.

ASSEMBLYMAN AZZOLINA: I don't blame you for being mad.

MR. DENHOLZ: He tried very hard. He spoke to the Commissioner of DEP, Commissioner Shinn, as well as I did, and he spoke to the local West Orange Chapter, or whatever. I called Senator DiFrancesco's office, because I have met him in the past, and his aide. Basically the bottom line was, "You had the wrong permit. We changed the laws. You should have had the new permit, and this problem would not have happened." Because I had this permit, I was responsible for the fine. That was the bottom line.

But I'll tell you, it just bugs the hell out of me.

ASSEMBLYMAN AZZOLINA: Your comments are very enlightening. I am a small businessman, too. But we have to look into your comments more carefully, and a lot of the other comments we had here today, because the backbone of New Jersey is really the small businesses, creating more small businesses, and having small businesses grow. This is what we have to work on, and this is one of the purposes of this hearing today.

MR. DENHOLZ: One last comment: This is not the 1980s. It is the 1990s, as we all know. In the 1980s, we made a lot of money. The company was sound, it was solid. We purchased the company in California, and everything was great. The 1990s came along. There was offshore competition. You have people trying to do things more efficiently, which we hope we are doing, and we are constantly taking more marginal business from other OEMs, whether it be automotive, computers, or whatever. Our margins

are so tight now, I would have to do almost a million dollars in sales to pay that \$7500 fine. It's mind-boggling. I am a \$20 million company. For 5 percent of my sales to go to pay a fine is just not right. Even the way it was handled -- "Pay \$7500 today, or \$30,000 if you try to fight it"-- Between the legal fees and everything else, the risk and reward weren't there, so I finally paid it.

Thank you for your time.

ASSEMBLYMAN AZZOLINA: Thank you.

Next?

MR. RASHKOW: Just to continue this, there is a CEO from a middle-sized company. A large-sized company, in our book, is a company that has 325 people.

ASSEMBLYMAN AZZOLINA: That's large?

MR. RASHKOW: That is a large company for us. So we are dealing with small businesses. The Mentor/Protege Program is dealing primarily with manufacturers. So we have Brian Murray, from FPI Thermal Plastic Technologies.

BRIAN MURRAY: Good afternoon, Mr. Chairman.

I come not to bash the State of New Jersey. We started off very well with the State of New Jersey some 18 years ago with the New Jersey Economic Development Council, which made available to us low-interest loans which were extremely helpful. But from that point onward, I am afraid it has been considerably downhill.

I am up not here to ask for help with a declining company. I am here to ask for help with an expanding company. We are injection molders with a line of proprietary products that sell nationwide to the Wal-Marts, K

Marts, Targets, CVS, and Walgreens of the world. We have a good company environment insomuch as we work very well with our union. We have a combined relationship with them, and we have combined strategies with them. We have the same strategies with our customers. Recently, we acquired the product line of a company that is producing a similar product in North Carolina. So, in fact, we brought jobs from North Carolina to the State of New Jersey.

We have an expansion program in place which, if it works, will approximately double the size of the company in the next three years. We employ, currently, about 140 people, which is a considerable increase in the number over and above that which qualified us for the New Jersey Economic Development Council's low-interest loan.

Now, in looking for facilities to increase and cope with our expansion -- and we were recently written up in *Fortune* magazine -- we have been inundated with offers from at least a half a dozen states, offering us help, which makes it economically difficult for us to stay in the State of New Jersey. We do not, in any circumstances, want to leave. I have already moved plants in and around the United States, and also in Europe, and I am now 69 years of age and I said, "I am never going to move a plant again."

So I have, first of all, the disinclination from a personal standpoint. However, when I get letters from the Governor of the State of Alabama, when I get letters from the Governor of the State of Tennessee, when I get letters from the Governor of the State of North Carolina offering me tax incentives, offering us lower cost utilities, it is extremely difficult for us to turn these offers aside.

I have to correct many of the speakers who have spoken before. It is not less expensive in labor costs to move out of the State of New Jersey. Labor costs out of the State of New Jersey are similar. They are not lower. There is no great economic advantage to moving out of state as far as labor costs are concerned.

The main advantage comes from real estate costs, real estate taxes, utilities, and Workers' Compensation. Mr. Steven Errickson's comments before ours, I thought, were the finest and best that I heard all afternoon that I have been here. It was very encouraging for me to hear someone from the union speak that way. Quite frankly, our union representative would speak similarly about our company, and I would speak similarly about our union. This is not about union bashing. This is not about State bashing. It is about change, and it is about the State becoming more competitive with other states which are offering facilities to companies such as ours. Quite frankly, ladies and gentlemen, you are not doing it at the moment.

You thought you had only one war story. I wish you would apply the same enthusiasm that you are able to engender in your DEP people into the people in your Commerce Department. We had an inspection by DEP, and the very competent inspector congratulated us on having a clean, orderly, well-established plant, which, incidentally, we do pride ourselves on that facility.

As she left us, there was a stain in the parking lot. Unfortunately, some 12 years ago, someone had left our plant and had emptied a small amount of tetrahydrofuran in the parking lot. Tetrahydrofuran is carcinogenic, no ifs, ands, or buts about it. I also have to tell you that our company sits on

a hill, but because there was this small stain, there was no discretion about it, samples were taken and we had to remove the stain. Not only did we have to remove the stain, but we had to sink wells to prove that approximately a half a gallon of tetrahydrofuran had not seeped through the soil some 16 feet.

Without the benefit of discretion, we then proceeded to spend \$300,000 -- I would like to repeat that number, \$300,000 -- not because we had done anything wrong, but to prove that we were right, but to prove that there was no damage to the groundwater. The groundwater was more than 16 feet down, and we were more than 30 feet up on a knoll. A simple aramatical calculation would have shown that there was no damage, but your DEP had no discretion. Carcinogenic, sink wells, cart the stuff away -- \$300,000. Thank you very much.

That did not endear us to the State of New Jersey. Everybody has a war story. I am sorry to have kept you, but everybody has a war story.

I am not rumbling about the DEP. I think DEP is doing a magnificent job. I am all for pure air. I am all for cleanliness. I am all for the sort of working environment that we have in our plant. I am all for giving our workers the best medical benefits that can be purchased. One of the main reasons I am here today is because the first hand that we got from the State was helping us with a training program. We are now starting on a training program with aid from the State, for which I am very grateful. I do not want us to move out of the State, but it is simply a question of economics.

Let me just read to you a letter that arrived on my desk this morning as I was about to leave for this hearing. It is from Alabama Power. This is not from the state, this is from the Power company. It says: "Alabama

is seeking to attract a few select corporations,” etc., etc. What they offer is a careful analysis of: business climate, tax incentives, strategic location, quality of life assets, assistance in selecting industrial sites, successful testimonials, major industry-- The list goes on and on.

I agree with what Bob said. I don't know where to go in order to get help from the State. I know exactly where to get help in Tennessee. I know exactly where to get help in Alabama. I know exactly where to get help in North Carolina.

I would like to end as I began: I do not want to leave the State of New Jersey.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

MR. RASHKOW: Finally, we have someone from the small end of the business community, small in numbers of people. I have Richard Arnold, from the Universal Tool and Manufacturing Company.

ASSEMBLYMAN AZZOLINA: How many employees does he have?

RICHARD ARNOLD: Sixteen employees.

First of all, thank you for allowing me to address the Committee.

I may be the happy story. We do not have any war stories, fortunately. Hopefully, by addressing you we won't encounter any.

Since most of what I was planning on saying has already been said, I am going to cut to the chase and keep it brief.

My family owns a small manufacturing company. We are also a metal stamping business, just like Mr. Denholz. We employ 16 people. But

opposed to addressing any problems and difficulties of doing business in New Jersey -- because other people have addressed them and we face the same problems -- what I prefer to do is focus on the positive, and that is that the programs that are available are willing and capable of helping small manufacturers like ours. However, we face the same situation that the other two gentlemen face, and Mr. Errickson from Kimball Glass faces. We really don't know where the hell to go.

We have worked with some agencies and, again, focusing on the positive, there have been agencies that have helped us. They helped us a great deal, because we are so small. But there are other agencies, that I am sure are out there, that could help us, and any manufacturer in New Jersey, but we do not know how to find them, and they may not know how to find us. With the exception, again, of a few agencies -- the Small Business Development Center being one of them -- we would not know where to go, and we still don't know where to go.

We are on the other end of the spectrum. We are actually unique in that we are small, but we are looking to grow. We are hiring. In fact, we hired a new employee today, by pure coincidence. But we need help. I know there are agencies out there that can help us. We are just trying to find them.

In closing, instead of just bringing a problem to you and then voicing my frustration, I would also like to offer a solution. I would even be willing to help you to outline and develop a program as a single source, or resource -- one-stop shopping, if you will -- that the other states offer to manufacturers. I mean, I am originally from Texas, and that is a probusiness state. They try to attract business, but they are also there to help them. They

will do anything they can to help business. I do not feel that in New Jersey. I do feel that you are helping us, you are trying to help us to grow, but not like some of the other states are offering. We are not getting buyout offers from other states, nor would we accept them. But I think that if you would allow the opportunity for us to have, within reason, one source to go to, that, if nothing else, could direct us to the right agency so we could go talk to them, and someone who was empowered to get us some action, we would not be talking so much about the displaced worker, in my opinion.

Both gentlemen here have had difficulty with some of the agencies. If we had someone who was proactive to help us, I think we would all be better off. Again, I am sticking my neck out and saying that I would be more than happy to spend my time and help out with that.

ASSEMBLYMAN AZZOLINA: Would you elaborate on what you just said? We have the one-stop shopping for permits, but you want one-stop shopping for just information generally about where to go for loans, for aid, or whatever.

MR. ARNOLD: Exactly.

ASSEMBLYMAN AZZOLINA: Would you outline the items you are looking for?

MR. ARNOLD: It could be a loan, it could be a DEP problem, a training situation. Again, the programs are available, but had the Small Business Development Center not approached me regarding training -- labor training -- I would not have known that it existed. Again, in turn, when I have a problem and I am searching for an answer, I do not know where to go. I can book a trip anywhere in the world, book a flight with the airlines, reserve cars,

hotels, and even dinner in a span of about 30 minutes anywhere on the globe, and be assured that I am going to get there on time and at a given cost. But it is going to take me a full day of chasing on the phone just to find the right agency to talk to, to clear up a very minor problem.

ASSEMBLYMAN AZZOLINA: Doesn't the Small Business Development Center help you to find these agencies, though?

MR. ARNOLD: They do help us. No slight against their Center, but I don't know if they are really certain. I don't know if every other agency knows what the other guy does.

ASSEMBLYMAN AZZOLINA: Do you have any ideas, sir?

MR. RASHKOW: We have a great deal of information in our organization. We have certain commitments and certain responsibilities we have been adhering to, and we have reached out to these people. Clearly, opportunities are available. Part of Rick's comments had to do with empowerment, and the empowerment cannot come from a quasi-governmental organization, which we are.

We do have the ability to find these people, but a good part of our time is devoted to those things for which we are charged. But, clearly, it is available. It is only a matter of keeping it going. I think we are on the right track. One of the problems, of course, is the recent threat we had -- not a commercial, mind you -- of downsizing from the Department of Commerce, which I think we should have someone look at.

ASSEMBLYMAN AZZOLINA: Well, I agree that the Department of Commerce has been downsized too much, but where do you think-- I mean, the Governor has set up, in the Department of State, for the permit process.

Now, do you think we need something like that in one of the departments also to find out what is available in New Jersey? The Department of Commerce doesn't have that set up now?

MR. RASHKOW: Clearly, something like that is needed. We know that Bill Healey was brilliant and often effective. He has abilities and is able to do it. He sat at Bob Denholz's table for two hours in a conference room, but, unfortunately, he was unable to achieve the goals, or carry down the information that Bob needed carried down.

We, perhaps, can help them to do this by such things as this hearing.

ASSEMBLYMAN AZZOLINA: All right. We will have to find out how we can do this in this State, not within budget limitations.

Yes?

MS. HOPPER: Mr. Chairman, I would certainly like to provide some suggestions on how to do that. The Small Business Development Center currently has an 800 number for technology-based companies. We could certainly use that same 800 number to help other small business companies in their information clearinghouse. We just need to make sure that our funding is stable and there so that we can continue these initiatives and new programs.

ASSEMBLYMAN AZZOLINA: Where does your funding come from?

MS. HOPPER: The Department of Commerce. We have a \$500,000 allocation that is supposed to be cut to \$250,000. The fact that we bring leverage dollars-- We match those dollars two to one by the Federal

government. So we are hoping that our funding is stabilized and not cut, so that we can continue to provide services to small business owners.

ASSEMBLYMAN AZZOLINA: Have you been before the Appropriations Committee on this funding?

MS. HOPPER: Yes, we have. I have supplied that testimony in the packet of information I gave you today.

ASSEMBLYMAN AZZOLINA: All right.

One thing we can do is encourage them from our Committee -- if it is okay with the Committee here -- to continue that.

MS. HOPPER: Thank you. Thank you very much.

ASSEMBLYMAN AZZOLINA: All right. Thank you.

ASSEMBLYWOMAN ALLEN: Mr. Chairman, may I ask a question?

ASSEMBLYMAN AZZOLINA: Yes, sure.

ASSEMBLYWOMAN ALLEN: Thank you.

I wonder if any of you spoke to your legislators, or considered doing that. If you did, what came of it?

ASSEMBLYMAN AZZOLINA: On which topic, because he has spoken to a number of legislators about his problems. You missed that.

ASSEMBLYWOMAN ALLEN: I'm sorry, I did miss that. My apologies. I was testifying on a bill.

MR. DENHOLZ: Yes. I know there are a lot of Republicans sitting at this table here. I did try to approach Senator DiFrancesco. I made a number of phone calls. Finally--

ASSEMBLYWOMAN ALLEN: Is he in your district?

MR. DENHOLZ: Union. In fact, he was asked to call me by a close friend. He called on a day when I was out of town. Three weeks later, I finally got an aide of his, who then got into the problem. But he was basically helpless. He said, "It is a DEP issue. You know, you are not grandfathered. You had the wrong permit. Even though you didn't need the permit you had, you had it." That is kind of what happened. Nobody could override it. I don't know if the Governor could. I don't know how it works, but it just seemed ridiculous and unfortunate.

It just leaves a bitter taste. As you heard earlier, the states that are recruiting us are incredible. I personally met with Governor Allen from Virginia. You just can't believe what they are throwing around as far as incentives. I mean, it is mind boggling. The only thing holding me back now is that it would probably cost me \$2 million to pick up my plant and move it, because of the machinery. Do you know what the Governor said to me? I said, "Governor, the only thing holding me back now is moving the machinery. If you can step to the plate and pay for that, I'm out of here." He said, "You know, I can't give you the money directly, but there are ways to work that out." That's what he said. From Lynchburg, Virginia, a woman came in from that county, and she said the same thing. She said, "That would have to go before the legislature, but there are ways to work that money out." You know, in taxes, or I don't know how they would do it -- free rent for a year, whatever it might be. But it's wild.

ASSEMBLYWOMAN ALLEN: But your biggest concern, though -- if I am hearing you right -- is the inflexibility of some of the agencies.

MR. DENHOLZ: The inflexibility, as well as-- I am a manufacturer. I don't know if you were sitting here at the beginning, but I ship to 28 states and 14 foreign countries. I am shipping metal. Being in New Jersey is not the right place to be when you are shipping metal. If I was in Kansas, it would be great, because I could go, freightwise, anywhere I wanted.

I am really looking for the State to help me with the agencies, number one. Equally, if not more important, encourage business to move to New Jersey. Why does Virginia get Gateway Computer, IBM, and Toshiba, all building plants -- and Motorola? You know, New Jersey gets *The Daily News*. That doesn't do anything for me, or for anyone else at the table here. We need manufacturing here. It is not just jobs, it's manufacturing. The trickle-down effect would be enormous, because all of my vendors would be busier. I have platers who are going out of business. I have corrugators who are going out of business. They just do not have enough volume to keep busy.

So if we can encourage manufacturing -- and I just hope it is not too late -- to come here-- Why can't we get an IBM to set up a manufacturing plant here, or an automotive company?

ASSEMBLYWOMAN ALLEN: But you would make the decision as to where to be based on all of the incentives and based on how flexible you felt a particular state government to be?

MR. DENHOLZ: I don't want to sound corny, but I have a very strong wife, and she doesn't want to move out of New Jersey.

ASSEMBLYWOMAN ALLEN: God bless her.

MR. DENHOLZ: So, all things being halfway close to being equal, I want to stay here. This is where I was born and raised. I want to stay in New

Jersey. I had that option with my California facility, and I chose New Jersey. But we just need to encourage more business to come here. I just don't understand why we don't do it. I don't know any major manufacturers that has moved to New Jersey in the last five years, ten years.

ASSEMBLYMAN AZZOLINA: Assemblywoman, you missed part of it. This gentleman-- There are three different sized companies here. This gentleman on the right is from Rutgers. Bert, right?

MR. RASHKOW: That's right.

ASSEMBLYMAN AZZOLINA: These three represent three different sized companies. The gentleman in the middle is considered a large manufacturer, with 350 employees. The gentleman on the left is considered medium, with about 107 employees, The gentleman on the right is considered small, with 16 employees. The comments that each of them have made are something, I think, that we really ought to look hard at as quickly as we can get the transcripts, because there is a lot of meat in what they said. These are the sized companies that are going to bring New Jersey forward. But the problems they have, many others in the same sized categories have also.

Go ahead. You wanted to ask another question?

MR. MURRAY: Mr. Chairman, we are in a slightly different position, in that we have to move. We are presently in approximately 90,000 square feet. Because of our expansion plans, we need to move to 150,000 square feet. So we are faced with the problem of a move.

Not only are we faced with the problem of a move, but we are also faced with the problem of recruiting additional people. We are the converse of downsizing. We are the converse of wanting to move out of state. We are

the converse insomuch as we want to increase, and we are going to provide more labor. But because we are on that decision point of moving, it makes economic sense for us to look at other opportunities in the United States of America. Unlike a local OEM custom manufacturer, our customers are not necessarily locally in New Jersey. Our customers are nationwide, as I said, Wal-Mart, K Mart, etc.

So we are going to be faced with a move. We have to move. The last thing in the world we want to do is to move out of the State of New Jersey simply because we have a core competency in our labor force which we have trained over the past 15 years. With robotizing and automation, the amount of time and effort that has been put into the training of labor forces is considerable, and we do not, in any circumstances -- and we have looked at it -- agree that there is better labor, more skilled out of the State of New Jersey. We want to stay here, but we are moving.

ASSEMBLYMAN AZZOLINA: Isn't there a lot of space in New Jersey? Everyplace I go there is so much empty space, and cheap space, I think.

MR. MURRAY: There is space.

ASSEMBLYMAN AZZOLINA: But in the wrong place?

MR. MURRAY: There most certainly is space, but if we are going to remain in New Jersey, we need to stay where we are in Morris County in order to retain that labor force.

ASSEMBLYMAN AZZOLINA: And is there space in Morris County?

MR. MURRAY: There is space in Morris County, but the economic costs of moving to the space in Morris County, because of the lack of subsidies such as we can obtain elsewhere -- tax incentives and the other factor is lower cost utilities--

ASSEMBLYMAN AZZOLINA: The legislation was signed last week. I would think that one of those bills would help you. One of them is to help companies expand in New Jersey.

MR. MURRAY: There you hit it right on the head. I know nothing about that.

ASSEMBLYMAN AZZOLINA: Well, we are going to have someone contact you as soon as possible.

ASSEMBLYMAN GEIST: Mr. Chairman, I have a card with the numbers on them. Governor Whitman signed this last Thursday.

ASSEMBLYMAN AZZOLINA: Yours is the kind of thing we need to use this legislation for, to expand jobs in New Jersey. Yours we have not figured out yet. (directed to two different witnesses)

MR. DENHOLZ: Mr. Chairman, just one comment. I have never heard of this bill, but earlier in the testimony there were people saying that they wanted -- they encouraged you to pass a downsizing penalty clause, or something, for someone who works at a company for many years -- 20, 50.

ASSEMBLYMAN AZZOLINA: Well, that is not law yet.

MR. DENHOLZ: No, no, but there is discussion about it.

ASSEMBLYMAN AZZOLINA: It may never be law. I don't know.

MR. DENHOLZ: I'm sitting back there as a manufacturer saying, "My gosh, you'll never encourage anyone new to move to the State if that is the penalty."

ASSEMBLYMAN AZZOLINA: We are aware of that. We don't know where that bill is going, if it goes anywhere, because if it keeps business from coming or expanding in New Jersey, then nobody will come. But I am not going to comment.

MR. DENHOLZ: Okay.

ASSEMBLYMAN AZZOLINA: It is going to be considered. It may or may not go somewhere. It may be completely different when it gets done. We are not passing any legislation that is going to prevent businesses from expanding or coming to New Jersey. I can assure you of that as Chairman of this Committee, and the Labor Committee Chairman over here.

MR. DENHOLZ: Thank you. Thank you for your time.

MR. RASHKOW: Thank you very much, gentlemen.

ASSEMBLYMAN AZZOLINA: Thank you very much.

We will be in touch with each one of you to give us a hand on a few things. We will see if we can help you also.

ASSEMBLYMAN GEIST: Good luck.

ASSEMBLYMAN AZZOLINA: Okay. Next we will have-- You know, we have people who have to leave, but--

Stuart, we are throwing you on next, and then Chris Jones from Regional Plan Association.

Can you make it short, because we just can't keep long conversations going?

STUART Z. KOPERWEIS: I'll make it extremely short.

ASSEMBLYMAN AZZOLINA: Okay.

MR. KOPERWEIS: But it is a happy story. I'll say it and I'll get out of your way.

ASSEMBLYMAN AZZOLINA: What are you going to do, throw all those up?

MR. KOPERWEIS: Sorry?

ASSEMBLYMAN AZZOLINA: What are you going to do with all of those, throw them up in the air?

MR. KOPERWEIS: I am going to leave these for you.

ASSEMBLYMAN AZZOLINA: Oh, okay.

MR. KOPERWEIS: I want you to know about some happy things that are going on that we are doing here in Jersey City. Also, I think you should be aware of what is going on in the Commerce Department.

First off -- although I am sure you are aware of it -- my name is Stuart Koperweis. I am President of the Economic Development Corporation in Jersey City. I do have a prepared statement. I don't know if you have it. I will make it as part of the record, but if you want to pass some of them around, I would appreciate it.

ASSEMBLYMAN AZZOLINA: George, take this with you.

MR. KOPERWEIS: I thank you, again, for the opportunity. I appreciate it, Mr. Chairman and Committee people.

What I am going to do is really do a very abbreviated version of what I had planned on saying. What I am going to talk about-- What the other gentlemen have just been talking about is very important. Everybody,

what they have to say is very important. But what I would also like to say here is that the Urban Enterprise Zone, and the Urban Enterprise Zone Authority, which are part of the Commerce Department have been critical in terms of allowing us to do the things that we need to do in Jersey City. I think you have those tools at your fingertips. I think what we need to do now is recognize how do we get that information out to the general public.

So if I may just go real quickly with this-- The Authority itself has given us credibility and needed capital for our established programs. Right now, since January of 1986, we have created 16,700 jobs, 9000 of those jobs in the last three years alone, coming out of the Urban Enterprise Zone. We have 138 new businesses in the Zone, 825 to date. That represents 28,000 full-time jobs, or 24 percent of our civilian labor force.

The reason I bring this to your attention is that tremendous pressures have been put upon us to improve both the physical conditions and also instill a sense of comfort that entices new retail shops into our districts. The Urban Enterprise Zone has enabled us -- has allowed us to do that. One of the ways that we have been doing that is by setting up special improvement districts, otherwise known as SIDs, otherwise known in New York State as business improvement districts. We also created those in the neighborhoods as well, and now we are classifying them as neighborhood improvement districts.

We are the first municipality in the State to do this type of structure, and the results have actually been outstanding. We are now attracting, for the first time, major national chain retail operators into the City of Jersey City, as well as other manufacturers that I will get to in a moment.

The special improvement district basically provides enhanced security and sanitation services for the particular area, also joint promotions and capital improvements. We match that, through the city, through the Urban Enterprise Zone, so you are aware of a four to one matching grant on a decreasing scale over four years. This enables us to allow the SID to move in the beginning and get a tremendous uplift so they can get started.

What we have done also, from this program-- It is a block fund program, where we take a series of stores on a particular block, reidentify those stores, and basically do a complete, actual change of face of the actual commercial district. What we do is help the property owners to rehabilitate their properties. The district then becomes a magnet for new investment. Then people begin themselves to develop a sense of pride and momentum in the shopping district.

We also, under the same program, have done a Street Skate Program, which really does physical improvements to the centers of commercial activity. One of the things we have done -- and I was just out there last week-- The Trust Company is a major corporation in the City of Jersey City. They have just spoken to me and they said, "We are thinking of moving out of Jersey City, the reason being that we cannot get the square footage, we can't rent our building, etc." We explained to them our Street Skate Program, which is funded through the Urban Enterprise Zone. We are going to be putting \$4.5 million in the front door of their program. Now they are turning around saying, "Wonderful. This is what we have been looking for."

Now we don't have to tell people why they have to come to Jersey City, why they have to move here, why we can't get employees to come here.

Now we have an opportunity to say, "This is what your front yard is going to look like. There is going to be an entertainment center. We have the Loew's Theater, which you may be aware of, which has been rehabilitated as well.

We also have the Transportation Center. Restaurants are moving into the area. All this is being done through Urban Enterprise funds, which is a part of the Committee that you are standing on, and I appreciate that.

Special projects and financing is what we are talking about here. You are talking today about the ability of both Labor and Commerce to work together. I think it's wonderful. I think that is what our future is all about. What we have done through some of our projects is bring about cooperation between the local government and private corporations, not only to retain jobs and create new ones, but the way to do that is through the promotion of business development, and that is what the other gentlemen and ladies were talking about previously. That is what we need to look for. That is why I have all these little packages here for everybody.

One of the things we have done just recently is-- We have a 26-block corridor called the Martin Luther King Drive Park. We have put together a \$17 million project, and it was a true partnership between the public and private sectors which enabled us to bring Foodtown, a major retail supermarket, into an inner city, something, once again, that has not been done before. Now what is happening is that along this 26-block corridor, we have investors coming to us to see how they can participate, which is something, once again, that we have never been able to do in the history of Jersey City, at least in the last 30, 40, 50 years.

It was mentioned before about *The Daily News*. I think it is a great cooperative incentive package. I am very happy about the package. That package has shifted thousands of jobs to the State and to the city. It also created hundreds of new jobs, both for the city and for the State as well. So we are grateful for that, but we would like to be able to see more of those things happening.

One of the ways that we can do that is what we have done, set up satellite offices throughout our city. In partners with Kean College, we put together business plans so that we can allow local entrepreneurs to come together and figure out ways that they can get into business. Once again, we will be creating more jobs, not only within the city, but in the State, and obviously throughout the entire country.

So now we have the opening of new businesses. The corridors are expanding. We work very closely with the State in terms of monitoring our Urban Enterprise Zone funds, and we have been able to focus, because of that, more attention on attracting new businesses. We created a marketing program, we promote existing businesses, and attract new companies to the city. One of the ways that we have done that is obviously to get our message out through a newsletter, which made its debut in 1994, and has already won two awards. We are very proud of that as well.

I will just add briefly that this is a copy of our newsletter. I will have a copy for each of you. This is an Economic Resource Profile (holds up) which we put together. This enables people to understand why they should come to Jersey City. People talked before-- Not only are they coming to Jersey City, obviously, but they are coming to the State of New Jersey. We think that

is a tremendous benefit. I, as well, love Jersey City. I moved here from New York. I want to stay here in Jersey City and the State of New Jersey. I am looking forward to doing that working with the Economic Development Corporation and the State and local officials enabling us to do that.

This brochure (holds up) attracts people. We send it out all over the country and into foreign countries as well. We are developing an Internet paid sight as well, and I am sure the State is, in addition to that. This brochure was put together, quite frankly, through Urban Enterprise Zone funds again, once again to enable people to come in and say, "How do I get around the city?" Like the other people were talking about, "How do I get around the city?" It is job specific. You need a permit, you need something else, you have to know where you are going. This enables them to go, in one fell swoop, enables them to be able to sit down and say, "This is how I do business in Jersey City." The State can do that as well.

ASSEMBLYMAN AZZOLINA: Does the State do that now?

MR. KOPERWEIS: Not that I am aware of.

ASSEMBLYMAN AZZOLINA: That is what the State needs to do, if they don't do it. That is a good idea.

MR. KOPERWEIS: That is why I am bringing this to your attention. Thank you very much.

Lastly what I would like to be able to say is, it has been through the generous support of both the Urban Enterprise Zone Authority, and the Chairman over there -- the Chairman designate -- the Commissioners as well, which I appreciate, and the Mayor of our city. They have enabled us to do these things through this particular type of program. It is, once again, a true

partnership between the State and the private sector, and the public sector along with them. It is showing us the way, as I like to say, between labor and management and what we are capable of doing.

The bottom line here is prosperity for all of us. That is what I hope you are all here to try to create, and I know you are.

Once again, I thank you for the opportunity to be here, and for giving me the opportunity to come beforehand, because I do have to get back to pick up my children from school.

Are there any questions? (no response)

ASSEMBLYMAN AZZOLINA: Thank you.

MR. KOPERWEIS: Thank you very much.

ASSEMBLYMAN AZZOLINA: Next will be Chris Jones, Regional Plan Association, and how about John Loos, Legislative-Political Coordinator, CWA. I understand they are both on the same topic.

Let's try not to duplicate each other, and keep it short. We have about one, two, three, four-- We still have a lot more speakers.

CHRISTOPHER JONES: Yes, you have been here a lot longer than I have.

ASSEMBLYMAN AZZOLINA: I'm sorry you're so late, but--

MR. JONES: That's quite all right. I will try to abbreviate my prepared remarks, which I passed to you here.

ASSEMBLYMAN AZZOLINA: Okay. You're Chris?

MR. JONES: Chris Jones, Director of Economic Programs for the Regional Plan Association. We are a private, nonprofit organization that has

been working on improving the quality of life and economic competitiveness in the greater--

ASSEMBLYMAN AZZOLINA: Is your speaker on -- the red light?

MR. JONES: No. There we go.

We are a nonprofit organization that has been involved in improving the quality of life, producing comprehensive plans for the greater metropolitan tristate region since the 1920s. Our area covers 14 counties in northern and central New Jersey, running down roughly to Mercer and Ocean Counties.

We received a lot of attention a couple of months ago for releasing a report called "A Region at Risk," which pointed out a number of warnings to the metropolitan region we are in on the danger of an extended period of slow job growth, decreasing disparities between the affluent and the rest of society, and undercutting what we think are the economic foundations that are necessary for job growth. I am going to be talking about somewhat different topics than I think some of the previous speakers have, because, in our view, it is investing in the foundations of the economy, the infrastructure, the schools, the natural resources, which are the most important elements for producing sustainable job growth.

Part of this viewpoint came from a process that we went through in working with groups of business leaders and some of the leading industries in the region. We asked them, "What is it that would make your business grow here? What is necessary for this region to provide for you?" We fully expected them to start off by saying lower taxes and an easier regulatory environment. They said that, but they were much further down on the list.

The first things they brought up were, “We need a talented workforce here; we need efficient infrastructure systems; we need a better quality of life, the fundamentals it takes to really make the economy run.” This was one of the bases for the plan that we put out for the metropolitan region. There are some 77 specific recommendations. We would be happy to talk to you about those at some point, if you would like. I would just like to point out three of the major themes from that report.

One is that the States of New Jersey, New York, and Connecticut have far more to gain from cooperation to improve their economic foundations than from competition that uses tax dollars to lure companies from one part of the region to another. We say this because the evidence is becoming increasingly clear that the economic fortunes of northern New Jersey are tied to the fate of New York, and vice versa.

In the recession that hit the region so hard between 1989 and 1992, all parts of the region suffered downturns of similar magnitude. Declines on Wall Street hurt New Jersey residents who work in Manhattan and spend most of their incomes back home in New Jersey. Similarly, the expansion of financial and business service jobs in New Jersey was also suspended, in part because of a weakening demand from across the Hudson.

Declines in pharmaceutical and communications industries in New Jersey were a blow to the other side of the river, as legal accounting and business services in New York depend on these industries for a substantial part of their client base.

Rutgers University did a study for us which looked at employment changes over the last 25 years, and it clearly showed that the employment

growth in different parts of the region depend on one another. They are complementary. When employment grows in New York City, it tends to grow in northern New Jersey, and if one part of the economy weakens, it is bad news for the rest of the economy.

We are happy to see that some progress is being made toward developing cooperative strategies between the states. In particular, we think the joint announcement by New York and New Jersey to commit resources and energy to dredging the New York/New Jersey Harbor is an important symbol of the type of cooperation needed to focus on some of the economic infrastructure of the region. The harbor and the port are essential resources to both states, and they require cooperative strategies to deal with them.

Unfortunately, the region still has a long way to go in replacing wasteful competition with productive investments. Although the numbers are elusive, we estimate that the three states, plus New York City, spend more than \$1 billion per year in tax reductions and incentive programs to lure companies or to keep them from leaving to another state. This is enticing in the short run, but these expenditures add nothing to the productivity or the capacity of the region's economy, and they come at the expense of more productive investments in schools, transportation, and services that can yield broader economic benefits.

The second theme is that sustainable job growth cannot be achieved without increased investment in the region's infrastructure, workforce, and natural resources. The most important quality of life improvements identified by business leaders in industry focus groups and citizens in two quality of life polls conducted by RPA include: better public

schools, safer streets, lower housing costs, reduced congestion, and reduced air and water pollution. Lower taxes was cited as important, but would not, by itself, reverse the region's relatively low quality of life ratings.

Increased investment in schools and infrastructure is clearly not the only dimensions of the solution. They must be combined with management reforms and improved efficiency, and they must target strategic, specific objectives. However, it is unlikely that sufficient improvement can be made without an adequate long-term funding plan.

RPA has organized its recommendations for strategic investments and reforms into five campaigns that it will seek to implement:

- * A Centers campaign, whose goal is to redirect a larger share of the region's job growth to 11 urban centers, including Newark, New Brunswick, and Trenton. RPA's New Jersey Director, Linda Morgan, is working with Prosperity New Jersey's Urban Initiative Committee to integrate RPA's recommendations with the committee's work to develop job creation strategies in Newark.

- * A Workforce campaign to develop a system of lifelong learning and employment access that provides low-skilled displaced minority and immigrant workers with the means to fully participate in the region's prosperity. This campaign will attempt to replicate several successful programs in different parts of the region. These include employment programs of the New Community Corporation in Newark or the Next Step Program, which is a comprehensive education and retraining partnership by NYNEX and the Communications Workers of America.

* A Mobility campaign has received a lot of attention from the plan. The centerpiece of this is a proposal to build a regional express rail system that would integrate the region's mass transit and commuter system with 25 miles of new track. We think this would slash commuter times in the region by about half an hour and significantly reduce congestion on highways and other systems. When you compare that type of benefit to a business-- A trucker sitting in a tunnel costs the company 55 cents a minute for every minute that truck is delayed along the highway system. When you compare that to some of the marginal differences in tax reductions through a company's bottom line, it can actually be much more significant.

* A Greensward campaign to protect the region's open space and air and water quality by establishing growth limits in 11 regional reserves and protecting a number of urban greenways.

* A Governance campaign to improve the efficiency of State and local governments and refocus regional authorities to rebuild and manage world-class infrastructure systems. A centerpiece of the Governance campaign is to establish effective State plans and growth management systems. We think this is an area where New Jersey is actually in the lead over New York and Connecticut. We would like to see those states look at what we are doing here.

We estimate that the capital investments called for in the plan would cost a total of \$75 billion, or about \$3 billion per year over 25 years. We are not downplaying the amount of that sum, but we feel that it is within the region's capacity to achieve. The plan spells out a number of revenue sources, including money redirected from improved efficiencies and reduced

“borderwar” incentive programs. Where new revenues are needed, we advocate for user fees or dedicated taxes, such as an increased gas tax that is dedicated to transportation improvements. Our polling has found that although people have extremely negative reactions to general tax increases, when it is a specific user-related fee for which the objective is clear and they can see what the improvements are going to be, they are willing to spend more money than what they are spending at present.

Finally, the plan calls for a renewed spirit of civic activism. We are in the process of building coalitions of business, labor, and civic leadership to implement each of these campaigns. We have already received interest from the region’s congressional representatives in developing a Tristate Congressional Caucus to try to bring more Federal resources to the region. Each of the campaigns is organizing specific coalitions to implement its objectives.

We compliment the work of the Assembly in seeking to foster coalitions of business, labor, and government to create and retain jobs in New Jersey. We hope that we can work with you to help achieve these goals.

I would be happy to answer any questions.

ASSEMBLYMAN AZZOLINA: Are there any questions? (no response)

That was not too short. I know I read some of the comments you made today. You were talking about the regional plan.

JOHN LOOS: My name is John Loos. I am the Legislative-Political Coordinator for the Communications Workers of America.

RPA has well documented the need for expanded public infrastructure. It is unlikely that there is anything that is more important in sustaining a modern economy than proper infrastructure development. The current debate over the Port of Newark operating as a world-class port is a prime example. Without proper infrastructure, our microeconomy here in New Jersey will falter.

I submit that how our political leaders confront this need should be the primary basis for how this generation of legislators is to be remembered in history. At the same time that our State overlooks enormous infrastructure needs, we are watching our economy rearrange itself. New Jersey manufacturing jobs parallel the same level today as that during the Great Depression. New Jersey's unemployment rate is the highest in the region, and too many of our State citizens are underemployed and cannot keep up with the high cost of living here.

These dual needs of infrastructure development and greater employment opportunities seem like a perfect match, except for one problem: lack of public revenue. It is to this issue of revenue that I would like to speak for a moment here.

By now, we are all too familiar with the correlation that Wall Street makes between unemployment rates and stock prices. When the unemployment rate rises, stock prices rise; when the unemployment rate falls, so do stocks. Perhaps an even more dramatic illustration of this is when a particular company announces major downsizing, that company's stock prices often soar. Thus, though we would all say that we want unemployment to

drop, our collective economy does not perform that way. Let me give you a personal illustration.

I have money invested in a 401 (k) plan. Up until recently, I had it all invested in a guaranteed long-term account. Because of this, I never really paid much attention to what Wall Street was doing on any given day. But everyone told me that I should be more aggressive in my investments. So I put half of my investments in a very aggressive, but more risky investment option. Now I find that I read the business section every day, hoping that the market goes up. But I know that the stock rises that I am now rooting for will only come about primarily as a byproduct of some of the very things that I spend my life working against -- high unemployment and corporate downsizing.

I submit to you that we need a radical cultural shift in the economic thinking in this country. We need an economic culture that values employment and devalues unemployment. In order to begin to move in this direction, I propose the following policy initiative:

In order to expand public infrastructure development and employment opportunities, we need to enact an income tax surcharge on high income earners and on high corporate profits that would only be collected when the State's unemployment rate exceeded a certain amount. The money raised from this surcharge would, under our State's Constitution, be dedicated to reducing or offsetting property taxes in the counties, municipalities, and school districts. Legislation could be passed such that only infrastructure development or repair would be eligible for such offsets.

What would be the impact of such a public policy? Let us consider an example: Suppose that whenever the preceding year's unemployment rate exceeded 5 percent, the surcharge on someone earning \$150,000 was 1 percent, or \$1500. This person would begin to root for the unemployment rate to go down. This person, if he was in a position to influence a business decision regarding a company's employment policies, might begin to balance the need for short-term gain with a longer term interest in a low unemployment rate. If marketplace capitalism is the cumulative effect of thousands of individual economic decisions, we need to create a culture that makes it in everyone's interest to have a low unemployment rate. I believe the policy proposal I have outlined would move us in this direction.

What would be the additional advantages of such a policy? Consider: Periods of high unemployment are the very times when local governments should be most hesitant to raise property taxes for infrastructure development, because too many of their constituents would be having hard economic times. Thus, a State-dedicated local infrastructure fund would be best funded during times of high unemployment, thus leading to more employment opportunities in the construction industry, building the very infrastructure needed to develop a high employment economy. This is a win/win/win policy.

But perhaps the best thing to come out of such a policy would be a cultural shift in each of our thinking. Perhaps we would each begin to realize that our long-term economic health is intimately tied up with how we are collectively doing as a society. If that shift should occur, then we would have

the basis for longer term planning, less reliance on business quarterly economic reports, and the basis for advocating what is good for the whole.

What is the political feasibility of such a policy? Put differently, who might support such a policy? Let me suggest a few:

First, local government public officials should support this policy. They win because it provides them the funds needed to build or repair their aging infrastructure.

Second, business should support this because infrastructure and lower property taxes are critical to a successful business climate.

Third, labor should support this because it would create jobs in the very sectors that are experiencing high unemployment.

And fourth, the vast majority of citizens should support this because their incomes would be low enough to avoid the high-income surcharge.

New Jersey has the second highest per capita income in the nation. Were it not for the large number of pockets of poverty found in so many of our cities, we would have the highest per capita income. What this tells us is that we have a large number of people who are doing quite well in the current economic climate. Wealth is accumulating among an ever-growing number of very high income earners. It is time to call upon those of us who are benefiting from good times, to share the wealth, contribute to building up our decaying infrastructure, so that as the economic tide comes in, all boats rise.

ASSEMBLYMAN AZZOLINA: Thank you very much.

If there are no questions, I would like to move on.

The next panel is from the Bergen Employment Action Project. Is it Barrie Peterson? (affirmative response from audience) You may start out and introduce your panel as you go along.

I have asked Barrie to try to keep the group -- there is a whole group here -- short, as we have four or five more speakers after that. I don't want to lose the rest of my panel and be left here by myself.

Unfortunately, the better part of the discussion was the last half, rather than the first half. We are getting to the meat of it.

Okay, Barrie.

BARRIE PETERSON: Has my statement been distributed?

ASSEMBLYMAN AZZOLINA: Yes, or it will be.

MR. PETERSON: The Bergen Employment Action Project works with unemployed people, so today, later in the afternoon, we will get to those who are trying to help the folks who have been downsized.

There is anger. There is a lot of betrayal. There is a feeling among conservatives, as well as liberals, that loyalty and increased productivity do not seem to result anymore in everyone benefiting.

Five years ago, there was fat in a lot of the corporations. They had to get rid of it to rekindle creativity to keep up with foreign enterprise. But today, we are far beyond that situation. The fat has been soaked up, some of it to CEO pay. The muscle is gone, and we are down to the bone. Downsizing, unfortunately, has become a stock market-driven drug which is cannibalizing us all. Its costs run deep, affecting everyone:

* Workers' hours and stressors are at an all-time high. Marriages suffer and children are neglected.

* Communities are being undermined. Time for volunteer religious activities is low. Volunteer contributions are tough to get.

* Public life is contracting. People are suspicious. People are not tapping our energies.

* Ironically, corporations perpetuating downsizing are also suffering. An American Management Association study shows that there is no increase in either profits or productivity over time for those companies that downsized, compared to those that didn't.

Now to some comments on public policy initiatives taken or contemplated dealing with alternatives to downsizing:

First of all, the Governor's Strategy for Job Creation. The tax cut and lessening regulations on business -- which are sort of a return to Reagenomics, if you think about it -- so far, have not helped to create many family-supporting jobs, clearly nowhere near the 450,000 the Governor predicted.

Could there be a dark connection between corporate downsizing and the antitax mania which results in stripping our company social capital, our public infrastructure, and investment in our children? Regressive taxes simply reflect growing disparity of pay. However, neither corporate leaders nor the taxpayers can, in the end, really get something for nothing.

I cannot personally do anything about downsizing, not being a stockholder of the firms in question. But I can voluntarily pay my 30 percent tax cut.

My wife and children completed the Teaneck schools and State college system, and my tax bill this year was \$949. So I am paying \$407, the

30 percent tax cut voluntarily, half to New Jersey and half to Teaneck. Who will accept my check for \$407? I can't find an Assembly member to accept my voluntary contribution for the tax cut made. I am surprised. I will leave it here. Maybe someone will pick it up.

I am taking my responsibility to pay for infrastructure, to pay for education, and to invest in New Jersey.

Let's look at some State policy initiatives:

Along with Don Scarry, I commend the Governor for moving to more State activism in signing the Business Employment Incentive and Relocation bills. Commissioner Medina's claim that nearly 10,000 jobs annually will result remains to be seen, however. The problem is that these laws -- as was pointed out earlier, especially by the Regional Plan Association -- add to the no-win, race-to-the-bottom conflict between states, which only helps the companies that play this game so well against the taxpayers. The \$1 billion that goes into this raffle in the New York City area is not productive.

Here is an idea: How about asking Attorney General Poritz to try using the Constitution's interstate commerce clause to seek court or IRS findings that state tax subsidies to corporations to relocate interfere with State commerce? Let's break this game, not try to win at it.

Prospective Actions: The "Job Destruction Penalty Act" and all of the State Industrial Retention Act warrant some consideration. Opponents should take the responsibility to propose alternative measures to solve the problems that we all perceive, perhaps indexing corporate taxes to tiers whereby profitable firms which downsize or pay CEOs more than 50 times the lowest paid worker or abandon their community, pay higher rates. Firms

providing health insurance, job training, and portable pensions would pay less. Senator Bingaman has proposed this in Congress. Revenue neutral incentives for our companies are better than taxpayer-financed corporate bribes to some other state's firms.

There are some comments about State administrative procedures and budgets. The Unemployment Coalition supports the broadening of eligibility for the Unemployment Insurance which was done about a year ago, and it is being extended for 13 weeks.

Secondly, we think that making the Workforce Development Partnership permanent was a good move on the part of the Legislature. However, more funds are needed to help the individual downsized victims. People have to wait months, and months, and months to get a Workforce interview.

As was alluded to earlier, the Customized Training Grants must be tightened, so that grant recipients like Jamesway can't fold and ignore the fiduciary obligation to the taxpayers' money by leaving the State or holding and not reimbursing.

ASSEMBLYMAN AZZOLINA: Well, wait a minute, wait a minute. That company went bankrupt.

MR. PETERSON: That is correct.

ASSEMBLYMAN AZZOLINA: They went bankrupt because competition cut them to pieces, like Wal-Mart came up here from Arkansas. They came up here and started smashing a lot of companies. That is why Bradlees is in trouble, and that is why most of them are in trouble with

Chapter 11 today. So that is competition now. You can't bash a company that went broke, you know.

MR. PETERSON: But we ought to be high on the list of creditors in bankruptcy proceedings. I don't think there is anything that allows us that.

ASSEMBLYMAN AZZOLINA: They are out of business. They were put out of business by competition. What can you do with them? If they downsize, that's one thing, but they didn't downsize, they went out of business.

MR. PETERSON: If there is a list of creditors, we ought to be on it. That is my point.

Denying outplacement services to the 400-800 State workers whose jobs will end in the new budget is immoral. At least AT&T is providing help for their thousands. The State projects providing no help in the new budget. Maybe this is why we do not hear State officials questioning the AT&T actions.

The administration wants to defund small business development centers. They are essential resources for implementing the new self-employment law we advocated, Chairman Roma pushed, and the Governor signed. This is sheer folly to cut the SBDCs that are in the central part of putting that new self-employment initiative together.

Stopping printing of the monthly government jobs/Civil Service test notices is cruel to the 90 percent of job seekers still lacking access to it on-line.

The Department of Labor support for Workforce Investment Boards, "one-stop centers," and NJN *Job Tips* is an excellent move. What is

really needed, however, is the strengthening of the Employment Service as the “public labor exchange” serving employers and job seekers alike. More staffing and requiring employers to list opportunities might do it.

The temporary help industry should be restricted from contracting with firms to provide and even supervise ongoing workers. This is not “temporary” help.

A couple of other suggestions:

* The Governor’s laudable use of the Netherlands environmental principle for corporations should also be applied to jobs. Setting expectations necessary for the public good and then allowing business to accomplish them in their way is a good replacement for overregulation. If we can set limits on toxic emissions, then why not limit CEO salaries or penalize layoffs for profitable firms? Likewise, if the STARR report would require State agencies to calculate the cost to business of any new regulations and to develop in partnership long-range environmental goals, then why can’t business be required to calculate the cost to their local community and other stakeholders of downsizing, replacing benefited workers with temps or closing altogether.

* Leaders of all sectors of New Jersey need to be convened in a nonpartisan manner to wrestle with the tough questions, to showcase employers -- as we heard earlier -- doing the right thing, to develop partnerships, and to explore the ethics of downsizing and seek areas of consensus on policy that might be developed. This kind of discussion is needed at the highest level.

Seton Hall University has been planning since last fall -- under my codirectorship -- a Summit Conference on Job Creation. We have gathered a

30-person Blue Ribbon Steering Committee, planned a program, and began raising needed resources. We will gather at the Law School in Newark this fall to make the contribution to seeking solutions to New Jersey's chronic economic woes.

In conclusion, I would say that we cannot afford constricted fatalistic thinking. We need our Governor to lead an ongoing common dialogue to thrash out answers to the difficult economic questions, and to adjust that human creation, the market, so it serves, not enslaves us all.

Adam Smith was mentioned earlier. The market did not drop out of heaven. The hidden hand is something that people create. We can change it if it is not working.

In response along the line of the need for leadership in looking at the hard questions here-- In response to AT&T's actions back in February, however, Commissioner Medina, in *The Star-Ledger* of February 11, said, "I wish AT&T did not have to do this downsizing, but I don't like gravity either." Such fatalistic thinking does not help to create the necessary dialogue.

Last summer, the White House Conference on Small Business held its State meeting, but the Governor stood up the evening televised town meeting, for she was out of state, in front of TV cameras there. This isn't the right signal either.

In January, President Clinton boasted, "The economy is in better shape than it has been for years." Such superficial pondering is also not helpful.

What we need from our leaders is someone like John Candy to point our finger and say, "We can do better." What we need is candor and

keeping the common dialogue going, not putting on the political gloss. We have requested State officials to participate in this fall's Seton Hall conference, and hope they will for the sake of this needed common dialogue.

Thank you.

I would like to pass the baton to some of colleagues here. If any of you legislators would like to accept my checks made out for \$407 as my share of the 30 percent tax cut, which I gladly give to the State-- I would like someone to accept them.

ASSEMBLYMAN ASSELTA: Okay, Mr. Peterson, you can leave those checks there.

There are some questions for you, if that is okay.

MR. PETERSON: Okay, absolutely.

ASSEMBLYMAN O'TOOLE: Mr. Chairman, yes, one very brief question: Mr. Peterson, on page 3 you make reference to the Regional Plan Association--

MR. PETERSON: Yes?

ASSEMBLYMAN O'TOOLE: --noting that \$800 million goes -- and I am quoting -- "into this rat hole in the NYC metro area."

MR. PETERSON: Actually, they were saying it was \$1 billion.

ASSEMBLYMAN O'TOOLE: What are you referencing when you say "this rat hole in the NYC metro area"?

MR. PETERSON: State and city governments using taxpayer money to lure businesses from one state or city to another, instead of using it to create more jobs for everyone.

ASSEMBLYMAN ASSELTA: What is the “rat hole” in your reference, Barrie? I still want to see your point.

MR. PETERSON: Money that goes into tax cuts to lure one company from one state to another or incentives that do not create more overall jobs for the region which we are a part of, but just bring them over a state line, or a river, or a municipal line.

ASSEMBLYMAN ASSELTA: Are there any other questions for Mr. Peterson? (no response)

How many more will testify here, all three of you?

K A T E P A N D O L P H O: My name is Kate Pandolpho. I want to thank you very much for allowing us to testify this afternoon.

I work at a community-based women’s center in Englewood, in Bergen County, although on your speakers’ list you have my whole work history somehow. You can see everywhere I have been. I am here today to talk about a group of people--

ASSEMBLYMAN AZZOLINA: Hold on, hold on a minute.

MS. PANDOLPHO: Oh, okay.

ASSEMBLYMAN AZZOLINA: This thing has gotten ridiculous today. I am not bawling you out. I have asked each of the people to talk for five minutes. They talked on and on. We have been trying to be polite and listen, but it is not working. It is not fair to the rest of these people here today.

What I would like to do-- Nobody is going to hear you anyway, because the rest of the people are going to be gone shortly. I would suggest, if you don’t mind, the rest of you who are waiting here today -- and we are not going to add any new people on-- There are one, two, three, four, and there

is a fifth person here. What I would like to do, on June 3, from 12:00 to 2:00, and that's it, because then we have regular committee meetings at 2:00-- We will continue this hearing, if it is okay with the rest of you. I think it would be better for you to be heard at noon on the 3rd than today. That is when our next meeting date is for committees.

Do you all agree in the back of the room? Is that okay with all of you, or do you want to be heard today? I may end up being the only one here if you want to be heard. Is it okay with all of you? May I see your hands if you agree? If you do not agree, I will just-- We will all be going soon anyway, so-- I have meetings tonight to go to, unfortunately.

Do you all go along with it, or no? Is it okay with all of you? Is anyone opposed? (positive responses from audience) Okay. We will meet on the 3rd at 12:00.

We are just going to finish this panel today, and that's it. On June 3 it will be just two hours, between 12:00 and 2:00, because we have committee meetings at 2:00. Okay?

Thanks a lot. We will just finish listening to this panel here. But that doesn't mean-- You have to cut it short, please.

MS. PANDOLPHO: I will go fast, though, I promise.

ASSEMBLYMAN AZZOLINA: We have a couple of guys who have to drive two hours to get home.

MS. PANDOLPHO: Me, too, and I have a meeting tonight.

ASSEMBLYMAN AZZOLINA: Then you know what it is. At least on June 3 we will have a full panel. Okay?

MS. PANDOLPHO: Oh, good.

I am here today to talk about a group of people who are really adversely affected by the loss of good jobs in New Jersey. These are women who were working hard to become self sufficient. They are trying to enter or reenter the workforce, or want to change jobs to get a better status, or have lost their jobs and are seeking to become reemployed.

Many of these women are single parents or displaced homemakers, and they have life situations that are really complicated, which further complicates the job-seeking process. These women need job training and counseling, and programs such as ours at the Center provide the support they need.

The women we assist find that there are many obstacles to finding a job that enables them to be self sufficient in New Jersey. Once they complete their training -- and we heard a lot today about employment and training -- it is essential that there is an adequate supply of well-paying jobs to apply for. Many of these women do not have transportation to the suburban corporate park. Many do not have the recent job experience and up-to-date skills that their out-of-work, corporate competitors have. Often, they wind up working two or three part-time jobs to make ends meet, or they work in temporary positions moving from job to job without benefits, a regular work schedule, or a promise of continued employment.

These women want to be productive members of society, paying back what they have received in welfare and public assistance benefits. What they need is good employment and training programs specifically designed to meet their unique needs, including child care and transportation assistance, and then access to good jobs in their communities with benefits and a future.

I thank you for allowing this discussion. I hope we will arrive at some solutions to this.

Thank you.

MAYER S. FISTAL: I live up in West Milford.

ASSEMBLYMAN AZZOLINA: Oh, if you are the mayor, it is spelt wrong.

MR. FISTAL: No, it is my name, not a title. I live in West Milford, so you know how long my drive is back home.

Let me just paraphrase what I put together here. This essentially is the fact that I have been working with the Unemployment Coalition and S.C.O.R.E., and I am aware of the fact that-- We have had a Consideration for New Business Seminar we have done with S.C.O.R.E. for years. We have had quite a few people who we know would like to start their own businesses, but they really do not have a finite idea of what they would like to get into.

What I proposed in the paper that hopefully Greg (Committee Aide) has handed out to every one of you is some sort of networking scheme where there would be a database where people who were interested in starting their own business but really were not that firm in the type of business they would like to get into, would be able to get into this database and it would be matched by areas of interest, perhaps by the possibility of how many dollars they would have to invest. Therefore, you would have a lot of people who are either unemployed or underemployed who have the ability to run a business who would be able to network with people who would supplement and complement their background, and essentially they would create a new business that would help the State of New Jersey.

The example I gave in my paper is that if you had a woman engineer in Bergen County who had \$50,000, had a rough idea of a business, but she didn't really have a finite business plan or a finite business, there would be, perhaps, a manufacturing engineer from another county, and then a sales and marketing person from a third county. If the database could match these people and get them together, you would have three people who would have \$150,000 in capital, and would be able to get a new business going. They would be able to use the existing resources of SBDC, S.C.O.R.E., and the other networking businesses.

Again, these organizations -- SBDC and S.C.O.R.E. -- are primarily interested in people who have a specific idea for their business. What I am proposing is that those people who do not have a solid idea of business and how they could network together-- As I said, hopefully you will have a chance to read about what I propose and take some action upon it. It might be good reading with your cup of coffee tomorrow morning.

Thank you.

ASSEMBLYMAN AZZOLINA: Mayer -- M-A-Y-E-R--

MR. FISTAL: Yes, M-A-Y-E-R.

ASSEMBLYMAN AZZOLINA: You are involved with S.C.O.R.E.?

MR. FISTAL: Actually, through the Unemployment Coalition. We go into these seminars with S.C.O.R.E. We take 350 people to go through these seminars. A high percentage of them decided that, "Yes, we would be interested in getting into business," but they were not too sure what they wanted to get into.

S.C.O.R.E. is primarily focused on people saying, "Yes, I do want to get into business. What I want to do is get into this type of business. I have a business plan."

ASSEMBLYMAN AZZOLINA: Right, and how to do it. They teach them how to do it, I assume.

MR. FISTAL: Right. Given the factors that they already have a firm idea and they have a business plan and such, they work with them.

What I am proposing is that those people who have an idea -- a rough idea -- but they really need to network with several other people to confirm their idea, then they would use the S.C.O.R.E. facilities and the SBDC.

ASSEMBLYMAN AZZOLINA: That is not done now, or does your group do that?

MR. FISTAL: No. As far as I know, the only thing we have done is through Bis/Net, one of the things I mentioned, which is the Business Information Services/Networking Entrepreneurs Together, a self-help group. We ran a seminar for 14 people who were interested in starting their own business, and we tried to help them to focus on their background. We got several people who firmed up their ideas. But as far as I know now, there is no statewide organization that provides this type of service.

ASSEMBLYMAN AZZOLINA: Thank you.

I went out for a few minutes. Have you spoken yet?

R O B B R E D D E N: No, sir, I haven't.

ASSEMBLYMAN AZZOLINA: Okay.

MR. REDDEN: Mr. Williams, did you hand out all the comments? (no response)

I am going to edit my comments considerably.

Thank you very much.

I am a member of the BEAP organization, and I am also the State Environmental/Labor Liaison for the Sierra Club.

According to the Unabomber Manifesto, "Industrial Society and Its Future," we attribute the social and psychological problems of modern society to the fact that society requires people to live under conditions radically different from those under which the human race evolved and to behave in ways that conflict with the patterns of behavior that the human race developed while living under the earlier conditions.

The difference, we argue, is that modern man has the sense that change is imposed on him, whereas the 19th century frontiersman had the sense that he created change himself by his own choice. Our lives depend on decisions made by other people. We have no control over these decisions, and usually we do not even know the people who make them.

Threats to the modern individual tend to be man made. They are not the results of change, but are imposed on him by other people whose decision he, as an individual, is unable to influence. Consequently, he feels frustrated, humiliated, and angry.

The bottom line is communities contaminated by pollution lose economic development opportunities, property values, jobs, natural resources, and experience rising health costs, yet those states that have the strongest

environmental enforcement have the strongest industries, because industry has been compelled to become more efficient and less toxic.

Thank you.

ASSEMBLYMAN AZZOLINA: Thank you.

Are there any questions? (no response)

That concludes our hearing today.

(HEARING CONCLUDED)