

Public Hearing

before

SENATE NATURAL RESOURCES, TRADE AND ECONOMIC DEVELOPMENT COMMITTEE

"Economic Development Strategies to Attract
and Retain Business in New Jersey"

LOCATION: Room 319
State House
Trenton, New Jersey

DATE: March 14, 1994
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Joseph M. Kyrillos, Jr., Chair
Senator Robert J. Martin
Senator Gordon A. MacInnes
Senator James E. McGreevey

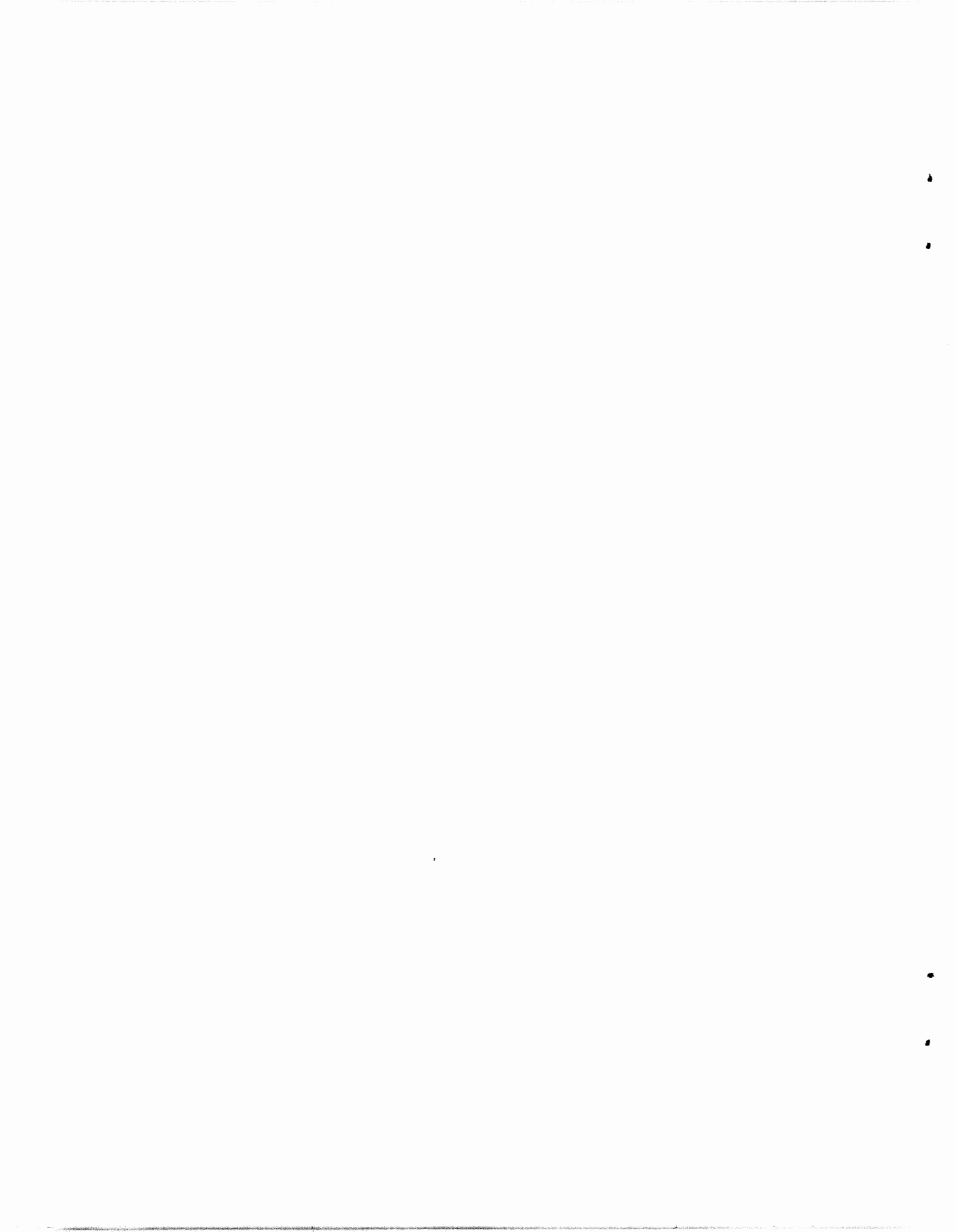


ALSO PRESENT:

Kevil D. Duhon
George J. LeBlanc
Office of Legislative Services
Aides, Senate Natural Resources, Trade
and Economic Development Committee

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New Jersey State Legislature

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NOTICE OF PUBLIC HEARING

The Senate Natural Resources, Trade and Economic Development Committee will hold a hearing on the following topic:

**"Economic Development Strategies to Attract
and Retain Business in New Jersey"**

The committee has invited Secretary of State Lonna R. Hooks, Commissioner of Commerce and Economic Development Gualberto Medina, and representatives of the private sector to present testimony on strategies to attract and retain businesses in New Jersey.

The hearing will be held on Monday, March 14, 1994 at 10:00 AM in Room 319 in the State House, Trenton, New Jersey.

The public may address comments and questions to Kevil D. Duhon or George J. LeBlanc, Committee Aides, or make bill status and scheduling inquiries to Elva Thomas, secretary, at (609) 292-7676.

Issued 03/08/94

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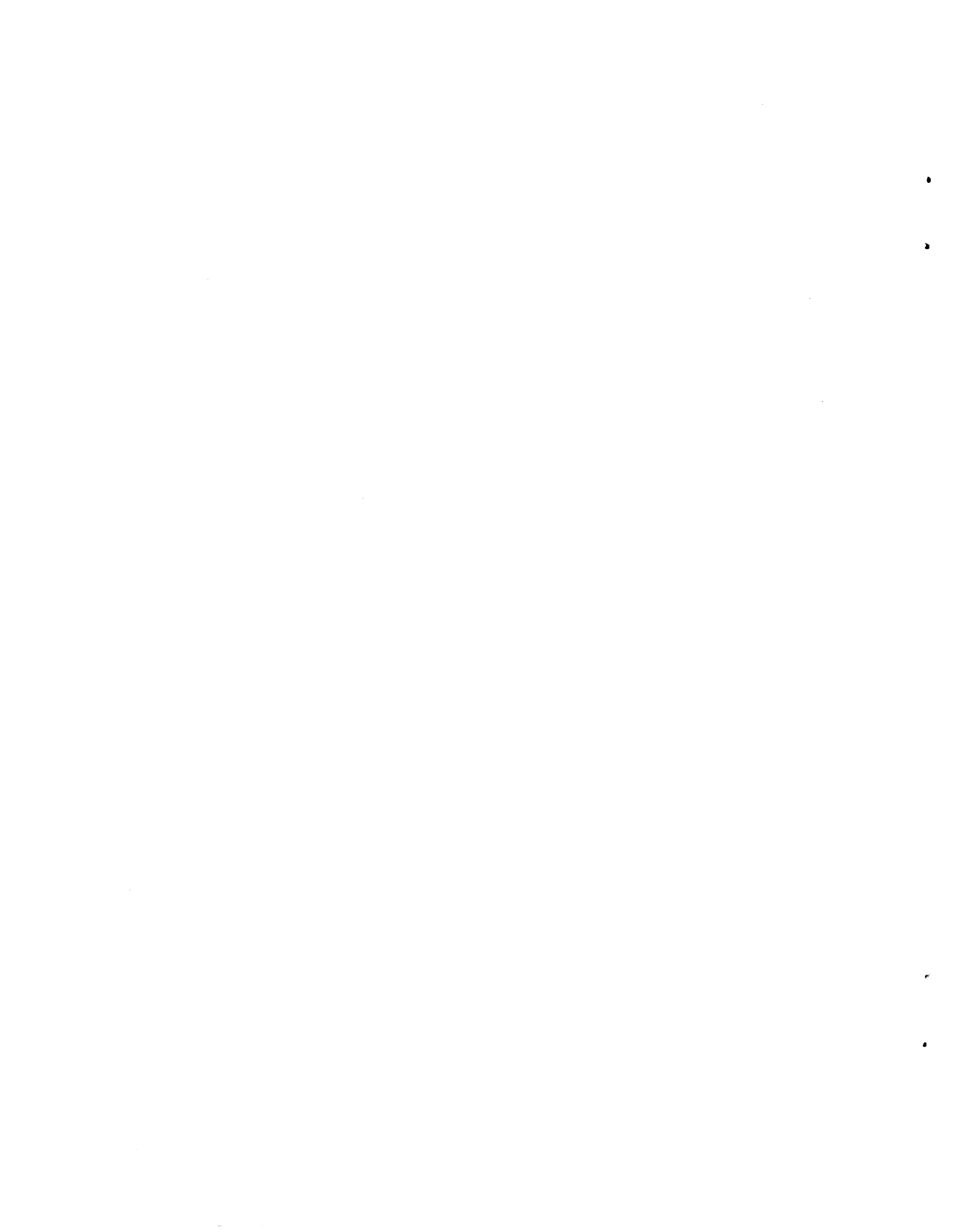


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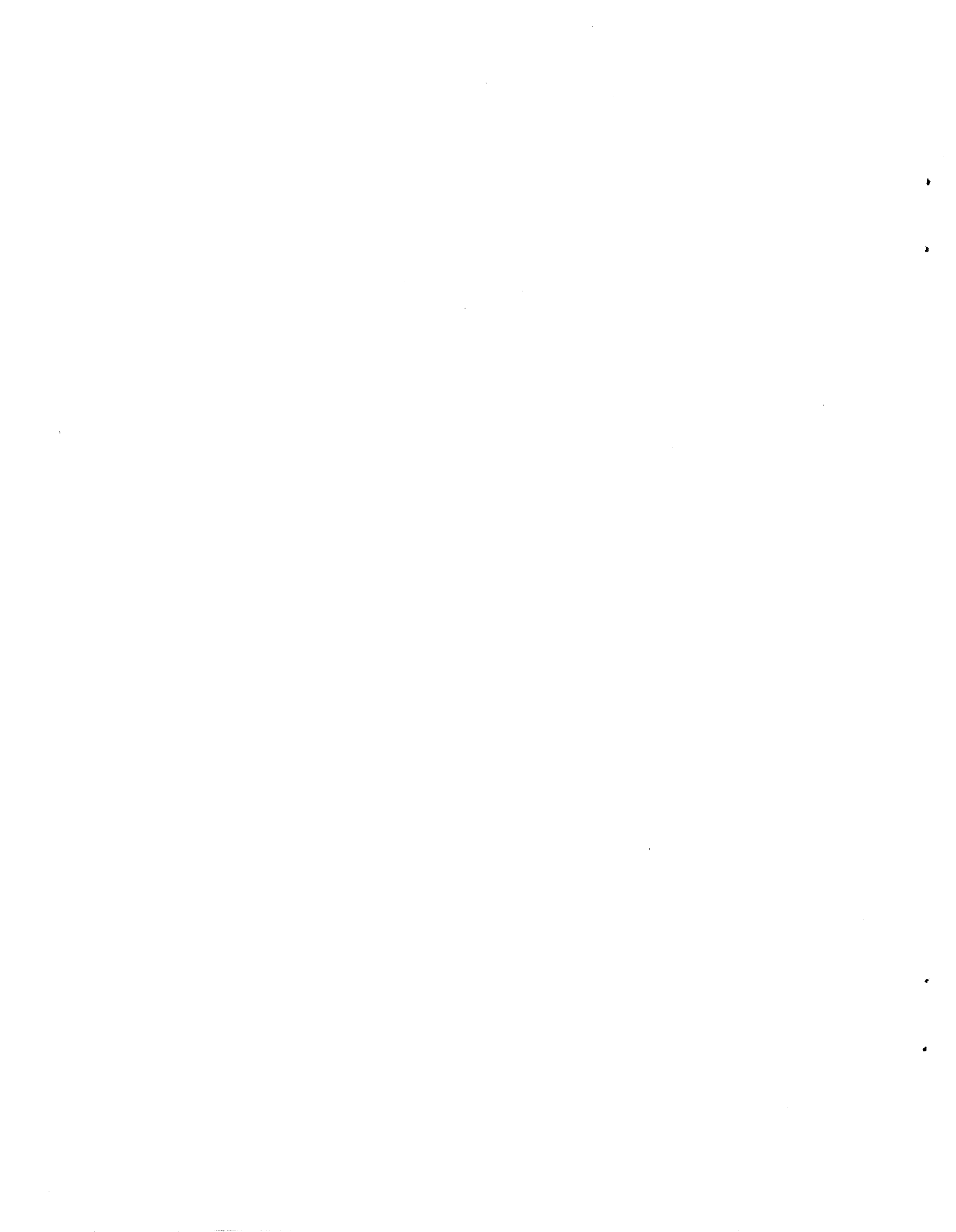


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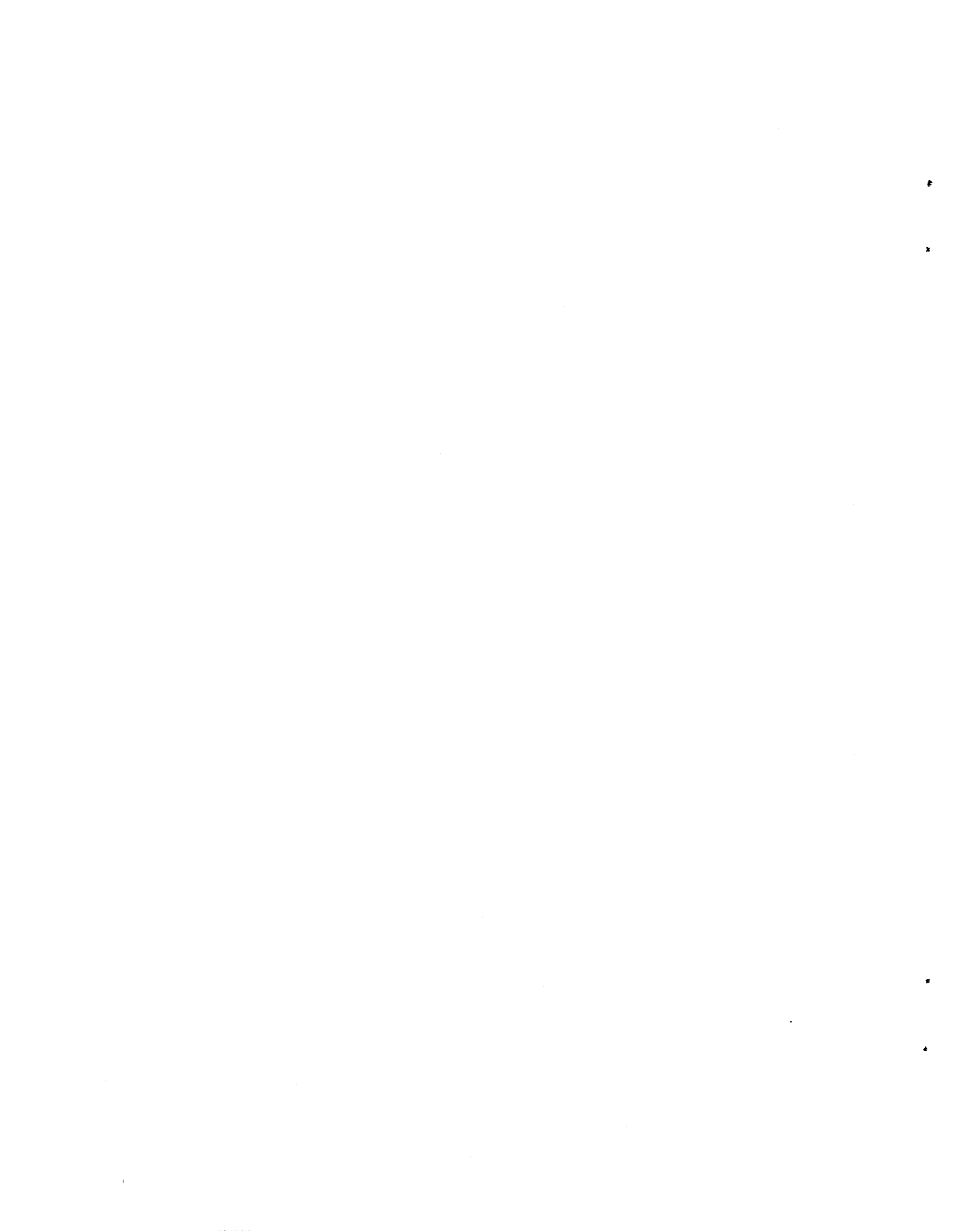
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SENATOR JOSEPH M. KYRILLOS, JR. (Chair): Ladies and gentlemen, if I may have your attention, please--

I am Senator Joe Kyrillos. I welcome you all to this hearing of the Senate Natural Resources, Trade and Economic Development Committee. This is the first of a series of hearings that we will be holding regarding specific ways the Legislature can improve the economy of the State. As you are aware, this Committee has been charged by the Senate President, Donald DiFrancesco, with the task of examining ways to foster economic growth, create jobs, increase business opportunity, and expand foreign trade markets. This hearing will focus on the issue of attracting businesses to New Jersey and keeping them here once they arrive.

All of us, no doubt, have listened to and read media reports about individual state governments going to great lengths to attract business investment. The needs for governments to take such actions are obvious. The decision by a company to locate a new facility in a particular area can have a positive economic impact on an entire region. It is also true that the loss of a business can have a devastating effect and impact on a city, a county, or an entire state.

Although this competition between governments is of vital importance, the methods employed in this contest -- a contest to attract new business opportunities -- are not often discussed by legislators, policymakers, and representatives of the business community. So today this Committee will take testimony from witnesses who do have knowledge of what kind of incentives can make the difference between a company locating here in New Jersey, rather than in some other state. We are interested in learning firsthand which policies truly make a difference to the private sector, both in the positive sense and in the negative sense. From this hearing I hope we can gain an understanding of what positive actions can effectively

be implemented in New Jersey, and what negative policies we need to alter or abolish.

We will have three future hearings during the Legislature's budget break. This is the first of a series of four. We will also be conducting a hearing on trade matters -- international trade. Regulatory reform will be the second hearing, and finally we will be hearing from the Governor's people on the progress of the Economic Development Master Plan Commission.

I think this hearing is being conducted against a backdrop of recent events that make it quite appropriate. Obviously, the State House is very focused on the Governor's Budget Message tomorrow. While we go about the business of cutting taxes and cutting government spending, we have to look at other ways to create a good economic climate and move our economy forward. The President is meeting in Detroit with finance ministers from the G7 nations on ways to create jobs, recognizing that while the economy is improving here in this country, for example, that does not necessarily mean that we are creating jobs in the process.

Third, there is ample evidence that public opinion is such that New Jerseyans are concerned about their economic future. Many of us saw the Engleton Institute poll in yesterday's Star-Ledger, which would indicate that we have a lot to do to regain consumer confidence here in New Jersey.

We are joined now by Senator Martin. I think we have a full complement of members of this Committee for today's hearing. I want to go around the room and introduce each of them, and let them say a few words.

We have a long witness list. I will ask now -- and I will repeat it when we begin -- that everyone be just as concise as possible, so that we can hear from everybody and leave some time for questions.

Our lead-off witnesses were going to be the Commissioner of Commerce and Economic Development, Gil Medina, as well as the Secretary of State, Lonna Hooks, to explain their respective roles in the Governor's Cabinet. The Governor called a last-minute meeting of her Cabinet to discuss the budget plan. Consequently, Commissioner Medina will be with us, but not right away. He will come on stage, so to speak, as soon as he arrives. I have just been told that the Secretary of State, unfortunately, will not be able to join us this morning, although she has left some prepared testimony for the members of the Committee.

Let me first start off by introducing Senator Gordon MacInnes, of Morris County, for his remarks.

SENATOR MacINNES: Thank you, Mr. Chairman. I will take your admonition about conciseness to heart. I am obviously, by my presence, very interested in the subject and how we in State government can encourage job development and growth and job retention in New Jersey. It is a source of great anxiety for the people who live in this State, and in this region, that-- If you saw another poll yesterday, it showed that the percentage of people who are very anxious about their future and about the security of their jobs is much higher in the northeastern region than it is in any other region of the country.

I must say that you were nice enough to forewarn me before the hearing started about the Secretary of State's inability to be here. One of the main reasons for my presence today was to have an opportunity to hear how the Department of Commerce and Economic Development and the Department of State have worked out their relationship so that businesses will not be further confused by the change that has been made by the Governor's executive order. I assume that one of your primary purposes in holding the hearing was to get to that question,

and allow us the opportunity to hear firsthand from the two Cabinet officers involved.

I must say that I am deeply disappointed that the Secretary of State-- While I understand that she had to -- that she better attend the Cabinet meeting, I am very disappointed that she will not be here to clarify what are very obvious questions about the two Departments. Who will be responsible for what? How are they going to work out arrangements for any one business in terms of breaking through problems with other State agencies? What happens to the Division of Business Advocacy in the Department of Commerce? Is that now the Ombudsman's position in the Secretary of State's Office? And why have a Department of Commerce after you take away from it the business of developing business for the State, and retaining business for the State?

Those are pretty serious questions. I repeat that I am very disappointed that we are not going to be able to hear from the person the Governor has designated to be the leader for the administration in this effort.

SENATOR KYRILLOS: Thank you for your remarks, Senator MacInnes.

I would ask the representative from the Secretary of State's Office who is with us today to convey your concerns back to the Secretary.

SENATOR MacINNES: Thank you.

SENATOR KYRILLOS: Senator Bob Martin, from Morris County.

SENATOR MARTIN: Thank you.

I think, Senator MacInnes, that we will hear, at some point. I think your question is well-positioned, because one of the issues I think we have to get to is the effort that New Jersey tries to make as a State, especially governmentally, to welcome new business.

I am not so much concerned about what department takes the lead, as long as there is a concerted effort, and a coordinated effort. The word on the street, at least in parts of Morris County, has always been that other states seem to do a better job as far as holding open the welcome mat for new business, particularly the Carolinas, and there has been more aggressiveness around the country as well.

Clearly, I think one of the things I would like to see with these hearings is what the private sector feels are the tools that we can bring to bear. Maybe it is getting out of the way. I hear that frequently, as far as a number of things -- with regulations, with, perhaps, a tax structure which would be something that business would look to more favorably. I think there are a number of things.

The trend in the private sector, as we know, especially with many of the large industries, is to downsize. We are looking to pick up what is in between as they do downsize and bring in additional business. Whether it is new business, whether it is relocated business, whether it is the expansion of existing business, I think, clearly, that what we are going to have to learn from, and what I think the thrust of these hearings should be, is to hear from private industry as to what we can do to spur that new growth, be it, as I said, retained business, expansion, or relocations.

I think this is a good opportunity. I think your timing could not be better, Senator Kyrillos, because, as indicated, I think everybody is anxious to know where New Jersey is going. I think Governor Whitman has said that this is going to be part of her focus, and I think she will help the Legislature, as long as we can sort of get our game plan together.

Thank you.

SENATOR KYRILLOS: Very good. Thank you, Senator.

Senator McGreevey.

SENATOR MCGREEVEY: Thank you, Mr. Chairman.

I was very much concerned, like Gordon, about where the Secretary of State was. Debra Lux (Minority Staff Aide) just told me she disapproved the 3000 notary applications from the 19th District, so-- But that aside--

SENATOR KYRILLOS: No wonder you keep being reelected, Senator.

SENATOR MCGREEVEY: There are a number of things. I think when we recognize what has happened in this State, especially in State government, that there are approximately 4000 employees within the State Department of Environmental Protection and Energy, and approximately 80 employees within the Department of Commerce, it shows a grave institutional imbalance.

I think what I would like to see the Committee focus on would be to assist the Governor in the development of an Economic Master Plan, as she has set forth in her Commission. And most importantly, I think we have to preserve the pharmaceutical industry, as well as manufacturing, which has been the backbone of this State for many years, as well as the emerging biotech industry. Clearly, there are ways that we can help the emerging biotech industry, both with the development of fermentation processes, as well as developing other areas that provide broad-based assistance, not only financially, but also in terms of manufacturing, so that there need not be a duplication of effort by various components, or by various companies within the biotech industry.

Secondly, I believe the dredging issue, especially for the Port Authority of New York and New Jersey, is a critical issue. While it has traditionally been within the rubric of the Federal government, I think this Committee ought to seriously examine the need for a containment island within the Port Authority of New York and New Jersey, and what this Port Authority and the State of New York can do to provide financial

assistance and meet the Federal government halfway to address one of the precious resources within the State.

Lastly, I am interested in seeing how we can assist municipal governments. I am proud to say that Steve Golden is here, who is President of our Economic Development Corporation in Woodbridge. Woodbride WEDCO, last year, was the second largest recipient of EDA financing in the State. In Woodbridge Township -- as a Mayor -- we instituted a commercial tax abatement to attract business, and I would encourage anyone here who is interested in relocating-- It's zero the first year, with a gradual progessive scale. We brought 1200 new jobs into Woodbridge Township last year, which is the single largest number influx of jobs in the State of New Jersey.

The Department of Commerce was grant underwritten by New Jersey Bell. They did a study -- Dr. Caprio, of Rutgers University -- and I am proud to say that Woodbridge Township was rated the best place in which to do business of all -- compared against all of the other localities which were examined. Part of that was because we have a business-friendly environment. I believe we are environmentally responsible and responsive, but we have also tried to address some of business' long-outstanding angst and concerns regarding municipal regulation, as well as dealing with the State.

With that being said, I think we need to be in the business of allowing local municipalities to foster their own economic future. The EDA is a tremendous success story, with the leadership of George Zoffinger and Tony Coscia, and many other numerous individuals. I think this Committee should have a long-standing commitment, not only to bolstering the efforts of the EDA, but to ensure that their financing is secure, so that the State can enjoy the two to one return that the EDA has committed to and has delivered to the State of New Jersey.

With that being said, I look forward in a bipartisan way. But I think it is important that this Committee play a

critical role in assisting the Governor in the development of the Economic Master Plan. Just as we plan to put down a road network or a health care network-- It just doesn't happen. Businesses do not automatically flourish unless there is a game plan. I think we have done this successfully on the municipal level, and we had better be in the business of doing this on the State level, so that New Jersey will remain competitive and we can ensure the success not only of our manufacturing industry, but also the Port, and allow local municipalities to attract new businesses to improve their own commercial tax ratable base.

Thank you, Mr. Chairman.

SENATOR KYRILLOS: Thank you, Senator McGreevey, for your excellent comments. I share with you the key concern that we work with that Economic Development Master Plan Commission. I do want to devote an entire hearing to hearing what they are up to and what their game plan is.

I am told by Kevil Duhon (Committee Aide) and the Office of Legislative Services that we need to take a roll call for technical purposes -- protocol purposes. We will do that, and then we will hear from the witnesses.

MR. DUHON: Senator McGreevey?

SENATOR MCGREEVEY: Here.

MR. DUHON: Senator MacInnes?

SENATOR MACINNES: Here.

MR. DUHON: Senator Martin?

SENATOR MARTIN: Here.

MR. DUHON: Senator Kyrillos?

SENATOR KYRILLOS: Here.

SENATOR MacINNES: Speaking of bureaucratic regulation--

SENATOR KYRILLOS: We might have to do away with that one.

SENATOR MacINNES: It's for expense reimbursement, right?

SENATOR KYRILLOS: We will hear from Commissioner Medina when he arrives.

Let me lead off with Stephen Kukan, from the Public Service Electric and Gas Company. PSE&G, with other economic development managers from around the State, representing various large companies, were very instrumental in suggesting and pushing forward the concept of a State Plan and an Economic Development Master Plan Commission. They were also very instrumental in organizing some of the witnesses for today's hearing. After we hear from Stephen, we will hear from Saul Fenster, of the New Jersey Institute of Technology; Richard Dewling, President of Dewling Associates; Robert Yaro, from the Regional Plan Association; Alan Fitzgerald, from DRI/McGraw Hill; Dennis Donovan; representatives from Bell Atlantic; Tyrone Williams, First Fidelity Bank; SaraLee Pindar, The Council of County Colleges; the President of CoreStates Bank; Gloria Soto, from the Claridge Casino Hotel; Hal Bozarth; and Bob Furlong.

We have a long list and an impressive list of speakers, so I would ask everybody to be very summarizing -- five minutes or so. Then we will have follow-up questions.

Stephen Kukan, from PSE&G, welcome.

S T E P H E N J. K U K A N: Thank you, Senator.

The Commissioner just arrived. I would be happy to allow him to get to the microphone because of his schedule.

SENATOR KYRILLOS: Well, if you don't mind, why don't we do that, Stephen. I appreciate that very much, but he may want a chance to gather his notes.

Welcome, Commissioner Medina. I know you have a busy morning, and that the Cabinet is preparing for tomorrow's Budget Message. Also, I know you had an early morning meeting. We welcome you.

You missed our opening comments, but each member of this Committee spoke of their fervent desire for this Committee to play a role -- collectively with the administration -- play a role to improve our economic climate. We want to work in full partnership with the Governor and with the administration. I think this is the first of many visits we will have together.

I know all the members want to know about the relationship between your office and the Secretary of State's Office. Unfortunately, we received word this morning that the Secretary of State couldn't be with us, so perhaps after your prepared testimony and remarks you can touch on that aspect and that coordination.

Welcome.

COMMISSIONER GUALBERTO MEDINA: I also heard you mention that we should try to keep our comments as brief as possible, which considering my background as a lawyer and as a Hispanic individual, that may be very difficult. However, I will do the best I can.

I guess, Mr. Chairman, it was less than two months ago when I appeared before this Committee during my confirmation hearings. It seems like a lifetime ago. Since that time, I became the Commissioner of Commerce and I have had the chance to meet with over a dozen firms that are thinking about locating to New Jersey.

Invariably, Mr. Chairman, one of the major concerns that these firms have is the tax structure in the State of New Jersey. It is for this reason, Mr. Chairman, as you know, that Governor Whitman has made an effort to bring some kind of fiscal sanity to the State of New Jersey. Frankly, as Commissioner of Commerce, this will be one of the major tools I will be able to use to try to attract and retain businesses in the State.

The reality, the principal policy lesson, of the 1990s so far is that states that have tried to control budget deficits with increased taxes and increased spending, have found themselves basically in economic shambles. Take the example of California, which is undergoing a tremendously serious financial situation and economic crisis. On the other hand, we have the example of the State of Michigan, which confronted the problems of the budget of the state. They cut taxes and, for the first time -- last year for the first time in 25 years, Michigan experienced an unemployment rate that was lower than the unemployment rate for the rest of the country.

So to me as Commerce Commissioner, this is something that is very important. From 1970 to 1990, the population of the State of New Jersey grew from 7.2 million to 7.7 million, or by 8 percent. Yet, during that same period of time, the budget increase was from \$1.4 billion to over \$12 billion, or an increase of 900 percent. When we consider basically that the State is in the business of providing services -- that is, what we are basically a service industry -- it is difficult to reconcile how an 8 percent increase in our clients, our customers, could translate to a 900 percent in the budget.

So that is something that to me as Commerce Commissioner is very important, because I think it will make it easier for me to attract businesses if we have a stable fiscal environment. But besides the fiscal issues we are confronting, there are other issues that we have to confront in the Commerce Department. There are four areas, Mr. Chairman, which I feel will be areas that will help us to generate economic growth in the State.

The first one is in the small business area -- small business promotion. The second one is redirecting our international trade towards initiatives in a way that is more cost-effective and will generate a greater return on investment for us. The third is helping to implement the Economic Master

Plan Commission's work. We you know, Mr. Chairman, this Economic Master Plan Commission, which the Governor announced last week, will have the responsibility of developing a strategic plan -- economic plan -- for the State of New Jersey. Fourth is supporting sensible economic development projects and urban projects.

The role of small business is very critical to the State of New Jersey. New Jersey, as of 1992, which is the last year for which I have the figures -- Basically, there were 3.2 million persons employed by private industry in the State of New Jersey. Out of those, 2.6 million, or 80 percent, were employed by firms that fell under the definition of the Small Business Administration as being small businesses. Those firms -- those small business firms -- paid over \$20.65 billion in wages, or 76 percent of all private industry wages in the State. As a matter of fact, a full 90 percent of all New Jersey firms have 100 or less employees. So obviously, we must begin to refocus our efforts toward helping those businesses become more productive and more effective in job growth.

Two of the things we need to do are: One, we have to refocus the Economic Development Authority's excellent financing programs to make them more user friendly to small businesses. We also have to begin to put more teeth into the Small Business Participation Procurement Programs in the State of New Jersey. One of the things we plan to do in 1994, is to have a Governor's Conference on Small Business, where we can engage the small business community in developing a strategic plan specifically for small business development and growth.

Now, this does not mean, Mr. Chairman, that just because we are trying to stimulate small business growth that we are going to somehow or other forgo our support of large businesses. The reality is that in this country, large businesses still coordinate the production and the financing. They dominate in many areas. So we have to continue policies

that are going to be pro-business generally. Simply, we just need to focus some of our attention on the small business sector.

Two of the major areas that should lead New Jersey's economy for the balance of the '90s are international trade and tourism. International trade, obviously, historically in the United States -- nationally -- has contributed the largest percentage to the growth of gross domestic products. In New Jersey, international trade is also going to have to lead our economy.

Today, New Jersey exports approximately \$11 billion worth of products abroad. This activity generates about 365,000 jobs. The problem in New Jersey that we have seen over the past several years is -- most importantly is that there has been too much reliance on the European community. This particular market is one that is probably the slowest growth market in the world, and one where it is going to be more and more difficult for Americans to compete. So we have to begin to try to encourage and assist New Jersey exporters to export to the high growth areas -- the Pacific Rim, Latin America. As of today, New Jersey ships less than the national average to the world's fastest growing markets, which include: Asia, Japan, Mexico, and Latin America.

Another problem that especially belabors small businesses that are trying to export is the difficulty of access to capital. There are a lot of reasons why small businesses have problems -- especially small businesses that want to export have problems accessing capital. One of them is lack of knowledge in terms of what resources are available. The Economic Development Authority has an excellent export financing program that is actually underutilized, so we have to promote that. We also have to take advantage of other services that are available through the (indiscernible) and the SBA.

Travel and tourism, as you know, Mr. Chairman, continues to be one of the major contributors to employment growth in the State of New Jersey. We have very reliable estimates that show that for every dollar the State spends in travel and tourism promotion, we generate \$77 in revenue. So we have to focus on travel and tourism as an important industry for us. New Jersey ranks 44th among all states in spending for promotion. Most of our spending is in the New York media and the Philadelphia media markets, with very little advertising in the Midwest, Canada, and abroad. So we have to try to refocus our advertising dollars where we think we can get the largest return on investment.

I mentioned before another area that is very critical to us, the importance of the Economic Strategic Plan, which will be developed by the Economic Master Plan Commission. The experience has been, over the past decades, that states that have engaged in a planned economic growth policy have really had major successes. Perhaps one of the major successes we can point to is South Carolina, where every aspect of their economic development policy is integrated through a plan. Whether it be tax incentives, whether it be education, whether it be taxes, everything is integrated in a strategic plan.

We have to basically do the same thing in New Jersey. The Economic Master Plan Commission is going to play a key role in developing this plan. One of the difficulties that a Commerce Commissioner would have in New Jersey, is that a lot of the issues and problems of economic growth in the State are not within my control. There are a lot of facets, like, for example, education. The Department of Labor has specific and targeted training programs that could be enhanced. Obviously infrastructure investments that are made by the Department of Transportation are important. So what the Governor has done, she has created this Economic Master Plan Commission that will

include members of the private sector, as well as key members in her Cabinet, who will work together to come up with a strategic plan.

Finally, Mr. Chairman, one of the areas that we will continue being involved in and being active in, particularly through the Economic Development Authority, is the support of urban economic development projects. As you know, New Jersey and the District of Columbia are the only two jurisdictions in the country which have a population that is 100 percent metropolitan. I was in Hunterdon County talking about this, and somebody told me, "Yes, but I came to work on a toboggan today." Well, whether he came on a toboggan or not, the fact is that he went into a metropolitan area. If a certain percentage of the population of a metropolitan area, you know, commutes to a metropolitan area, then it is metropolitan. But the point is, New Jersey is a very metropolitan State. We need to make sure that we make key and wise investments in our metropolitan areas, especially in our urban areas.

One of the things we have to keep in mind is the criteria standards that the Governor set when she turned down State support for the 'Sixers waterfront stadium. I think there has been a lot of misunderstanding as to why she did not support that project, and then why, several months later, she supported the Sony/Pace Amphitheater project on the Camden waterfront. But I think there are a couple of important criteria the Governor has established that we will be following when we consider investments in urban areas.

One of the major ones is, the Governor feels that if we are going to make a major investment of tax dollars, all the factors of cost have to be clearly estimated. In other words, the revenues have to be clearly established, and the costs have to be clearly established. Unfortunately, too often projects of this nature -- decisions about these projects are made by people who are not elected. Often, these are people who have

access to areas of expertise, like bond counsels, accountants, and others. What usually happens with these projects, Mr. Chairman, is that those who have a vested interest in seeing the project move forward tend to underestimate the cost of the project, and overestimate the revenue that is going to be realized, ultimately leaving the taxpayers to pay for someone else's poor investment.

The Governor feels that before the State makes an investment of public funds, there has to be a clear understanding of what the costs and the revenues are.

I think the second criteria that the Governor established in terms of analyzing major investments on the part of the State is that we should not be using public resources to make a bad investment good. Historically, there has been a tendency, for example, to use State leases to make a project someplace that really cannot fly on its own, because there is not enough public sector demand for the building. We use a State lease to make this project viable. That simply does not make good sense. It is one thing if we put State offices strategically in businesses, if the State has a need for office space. But for us to lease space simply to make a bad project good, is just not good policy.

The third criteria that the Governor established is that there has to be a good return on investment -- on the public sector investment. Now, we do not measure return on investment in terms of, you know, capital and interest as paid to us, although that is part of it. We measure return on investment in terms of things like jobs, human capital, and the impact it can have on an urban environment.

The fourth criteria that the Governor established is that anytime a project is proposed, the State should conduct an opportunity cost analysis to make sure that this is the best investment of State dollars for this particular region.

I think probably that, in a short period of time, summarizes what I consider to be the opportunities and challenges for the Department of Commerce.

Mr. Chairman, I am glad I am coming to you now to talk with you, and not to face you in a confirmation hearing. I thank you for the opportunity of having me here with you today.

SENATOR KYRILLOS: Thank you very much, Commissioner.

You were, indeed, confirmed by this Committee. I know we were all very impressed when we first met you, not all too long ago when you were Commissioner Designate Medina. We congratulate you on your first couple of months in office. Obviously, you have had a very full couple of months and have hit the ground running.

COMMISSIONER MEDINA: I have hit the ground, Mr. Chairman.

SENATOR KYRILLOS: We think you have gotten up and picked up some speed as well.

I thank you for your very thorough and complete testimony. A lot of your focus, a lot of your concerns are the identical concerns and themes that were brought up by members of the Committee before your arrival. We plan a hearing on foreign exports, on foreign trade. We will work with you and your Department when that is scheduled in the very near future. We are also planning a full hearing to be apprised of the progress of the Governor's Economic Master Plan Commission. We would like to hear from you, because we know you sit on that Commission, as well as from the Chairman, former Senator Wallwork.

I just have a couple of questions, and then I am going to throw it to Senator McGreevey, because I know he has another meeting he has to jump down to for awhile.

The Governor gives her Budget Message tomorrow. We know there will be many cuts -- justified cuts -- in many areas, painful cuts. Nonetheless, your Department has been cut

drastically in recent years. You have a full mission and an aggressive agenda. I'm wondering if you can give us a preview, or give us your thoughts on how it is that we fulfill our mission of promoting economic development in New Jersey, find new trade markets, do our tourism advertising, etc. -- fulfill the important mission of your Department, with existing resources. What resources do you recommend for the future?

COMMISSIONER MEDINA: Mr. Chairman, I guess the Treasurer is going to be having a meeting with the press at 1:00, so I guess I can talk a little bit about my budget. I am not really saying anything I guess I shouldn't.

The Governor has indicated repeatedly that where she feels there is a substantial return on investment to the public, that she would be willing to actually enhance the funding for those efforts. I think with travel and tourism-- All of the numbers that we have been able to garner by talking to various economists show, as I said before, that for every dollar we spend in promoting travel and tourism, we realize \$77 in the form of revenue; something like \$22 in the form of tax revenue. That is an area where I do not think you should anticipate any cuts. In fact, I think we can very safely anticipate some increases.

In terms of my Department's budget, most of the decreases I will be facing this year will basically be in the form of unexpended funds; funds that simply have not been expended for various reasons. So if we look at my budget, we are actually, in terms of operations -- the impact we are going to have on operations -- I think we can safely anticipate my budget is actually going to be increased. I think that is accomplishing a great deal considering the fact that the Governor, I think, has a voters' mandate to bring fiscal sanity to the State of New Jersey.

SENATOR KYRILLOS: Well, I think that is important news, Commissioner. I think it is very appropriate that even

though we are cutting the budgets of most, if not all the other departments of State government -- and we have a monumental budget process that we have yet to go through -- that the Governor recommends higher spending, at least modestly so -- and obviously, I do not know the details yet -- for your Department. New Jersey is, and needs to be, very serious about improving our business climate and using the resources of your Department to improve the economic climate.

I am very pleased to hear your report about the travel and tourism budget. I think it is very, very important, not only for the tourism industry, which is the number two industry in New Jersey -- an \$18 billion industry -- but also for the psyche of the State, for the image of New Jersey. When we sat around with Governor-Elect Whitman in the transition office with members of the business community in January, one of the three or four items on everybody's agenda was New Jersey's image around the country. So when we advertise about the great attractions of New Jersey, not only do we improve the tourism industry per se, but I think we improve the sense of New Jersey in total. I think that has positive ramifications throughout our economy, obviously.

As time goes on, I would like to talk to you more about advertising for economic development generically. You know, I have picked up magazines earmarked toward economic development managers in industry, the people chosen by their companies to look for new places to relocate. Cities advertise and states advertise and various chambers of commerce, but precious little from New Jersey. Obviously, that is because of the budget constraints of recent years. I think that is important as well.

With that, let me turn to Senator Jim McGreevey, and then we will hear from Senator Bob Martin.

SENATOR MCGREEVEY: Thank you, Mr. Chairman. Thank you for joining with us here today, Commissioner.

Commissioner, you are probably aware that the Federal Clean Air Act is going to be prescribing substantial new investment, especially to the manufacturing sector. I was just wondering if the Department had taken a position regarding tax credits to promote pollution abatements. There will be substantial investment by the manufacturing community for new equipment, not only as prescribed by the Clean Air Act, but also to make New Jersey businesses more environmentally responsive, as well as competitive.

I am just wondering whether or not, as Commissioner, the Department would support -- there are a number of bills in the Legislature, but legislation for tax credits for pollution abatement.

COMMISSIONER MEDINA: I know the Governor is considering a number of tax credits, including credits in the environmental area. Obviously, the administration has to make a decision as to which pieces of legislation it will support or not support, but my advice to the Governor would be that, to the extent we could give tax credits without creating any more fiscal pressures on the State's budget, yes, we should.

SENATOR MCGREEVEY: So you, as Commissioner, would be supportive of those efforts?

COMMISSIONER MEDINA: Yes. We have to keep in mind, Senator, that the Commissioner of Commerce is basically an advocate. The Governor has 18 other commissioners who are advocating for different things. Ultimately, she has to reconcile all these interests that are being promoted and make a decision. But I would obviously, to the extent that we could provide tax credits to businesses -- I would like to see that, yes.

SENATOR MCGREEVEY: Another critical concern is the question of dredging and the Port Authority. It is a question that has plagued not only Bob Franks and Bob Menendez, and more to the point, the Port Authority of New York and New Jersey,

but all dredging operators and the need to sustain that market. The State government has yet to take a public position, as far as I am aware, regarding support of the need to dredge. Recently we saw that the Army Corps of Engineers has just received -- or just issued the need for additional testing by virtue of EPA, Region II. I would be interested in your position regarding the issue of dredging and the outstanding permits that are presently before both the Corps and the EPA.

COMMISSIONER MEDINA: Senator, it is incomprehensible to me why it is that the dredging of that port has taken so long. I mean, I think this is a very good example of the type of negative impact regulation can have on business development. I am assuming that Commissioner Bob Shinn, of the Department of Environmental Protection and Energy, is probably formulating an administrative position on this. To me, it is incomprehensible that this issue, this problem, has not been resolved to date. I mean, we are risking a lot of our shipping business, which may end up going to other ports that are more attractive, and that have not encountered these kinds of loggerheads.

I am hoping that Commissioner Shinn and the administration will move forward to provide leadership in this area, because I think it is something that is absolutely critical. Frankly, it is beyond me why it is that we have gone years without resolving this issue.

SENATOR MCGREEVEY: I guess one of the critical questions, and I think it has to be resolved by the business community, the environmental community, and the State Legislature -- and this is something you do not have to answer now, but at some point in time -- is the question of the State providing, either through bond issue or assisting with the Port Authority, as well as the Federal government -- the question of the containment island. I mean, ultimately we ought not to

continue to dump dredge spoils into the ocean. I think Baltimore has a very effective harbor program, as well as different ports -- Vancouver -- throughout the North American hemisphere. I think it is a critical resource where there has been a willful lack of planning. I think your leadership will be important.

My next question is just-- As Senator MacInnes, and I think as Senator Kyrillos said at the outset, there is a concern that we have a Secretary of State, a Commissioner of Commerce, an Economic Master Plan-- I guess our concern, obviously, is that we have some participation with the Economic Master Plan, but we also want to know who is quarterbacking the plays.

COMMISSIONER MEDINA: The Governor.

SENATOR MCGREEVEY: Okay. Well, I mean, who is--

COMMISSIONER MEDINA: The Governor is definitely the quarterback, and Secretary Hooks and I, I guess, are running backs in that scheme of things.

What the Governor basically has done is, she has asked the Secretary of State to serve as an ombudsperson. Her role will be major interventions. If I and the businesses I am working with encounter an administrative or regulatory problem that I cannot resolve, I will ask the Secretary of State, Lonna Hooks, to intervene. If Secretary of State Lonna Hooks feels that this is something that requires the Governor's personal intervention, she will arrange for that.

So basically, it hasn't changed a great deal in terms of how we are doing economic development in the State of New Jersey. It just simply adds another, I guess, advocate on behalf of business.

SENATOR MCGREEVEY: What kind of a role will the Legislature have in the development of the Economic Master Plan?

COMMISSIONER MEDINA: Well, I hope it will have a substantial role. When I was here for my confirmation hearing,

I made a commitment to this Committee that I would consult with you regarding all the work I am doing. I would like to continue doing that. I would like to have meetings with this Committee on a regular basis, preferably informally, so that we can roll up our sleeves and do some work. But, yes, you can input either through me or through the Chairman, or even through the Governor. I mean, that input, I think, is going to be critical for us to make recommendations that are going to be realistic and proper.

SENATOR MCGREEVEY: I just have two last questions: One is with regard to the EDA. The EDA, I think, has been a smashing success, whether Republican or Democratic administrations. What is the level, not only the level of financing for the EDA, but what do you project to be its long-term role within the Department?

COMMISSIONER MEDINA: I'll tell you, Senator, I have been involved with publicly supported financing mechanisms. I have written on the issue. I published an article in the publication that Standard and Poor's puts out. I wrote an article for the American Law Institute on this issue. I can very well tell you that there are very few programs throughout the country that are as good as the EDA. The EDA, basically, has just been doing a really fine job. They have been investing approximately \$1 billion worth of financing into our economy every year.

I guess my proposal to the Governor about the EDA was, "If it's not broken, don't fix it." There is too much temptation, I think sometimes, when a new administration comes in, to try to make changes whether they are warranted or not. I have asked Tony Coscia to continue serving as Chairman of the EDA. I have the prerogative, basically, of appointing that person serving as Chairman. I have asked Caren Franzini to remain as the Executive Director. I have asked Bryan Finnie,

who runs a number of the programs, to remain in place. They have been doing a very, very fine job.

The only things we feel we need to do with EDA's programs are: Number one, promote them a little better, because I think a lot of people do not realize what a resource it is. The second thing is-- I guess there are three things. The second thing is to fine-tune some of their current programs to make them more adaptable to microenterprise lending. Tony Coscia and I are working -- and Caren Franzini and Bryan Finnie -- on doing that.

The third thing-- I guess I view myself as the custodian of EDA. One of the things that I have to make certain of is that there are no undue political influences on EDA's lending process. I think the Governor is fully in support of me in that regard. I think that was the statement she made when she turned down the stadium's -- the 'Sixer Stadium; that decisions about investments should not be made because of political motivation of any kind.

So I think those are the things that we have to do with the EDA. Otherwise, I think it is probably one of the real success stories for New Jersey.

SENATOR MCGREEVEY: My last question, Commissioner, is on the urban enterprise zones. Now, Perth Amboy, which is in my district, has now joined the ranks of the UEZ. Just in terms of-- Obviously recognizing the budgetary impact, what is your projection, long-term, for either increasing -- I would doubt that there would ever be decreasing -- or any other efforts to target urban populations -- urban districts and economic revitalization efforts?

COMMISSIONER MEDINA: Well, I would, at this point, obviously not recommend that we increase the enterprise zones until we have a better opportunity to evaluate the successes they have had. Now, the problem with measuring enterprise zones is, in this country the Urban Enterprise Zone Program has

never really gotten off the ground the way it was envisioned initially. The enterprise zones were experimented with in Great Britain about two decades ago, and then this country kind of got on the bandwagon with enterprise zones. Unfortunately, we have never had a Federal program. Secondly, there have been mixed results, because states have been committed to these enterprise zones in varying degrees.

I think the enterprise zones have a potential for good. I am encouraged about the fact that we may end up with one, or maybe two empowerment zones -- Federal empowerment zones in New Jersey. In addition to that, there are about 90 enterprise communities that are going to be targeted. I think if we can combine the deregulatory effects of the Federal programs, as well as some of the money and incentives that are going to be put into the enterprise empowerment zones and the enterprise communities, I think that in combination we are going to have a very powerful tool to help to revitalize urban areas.

SENATOR MCGREEVEY: I just want to thank you, Commissioner. The Hispanics don't have anything over the Irish in terms of liking to talk.

COMMISSIONER MEDINA: Oh, I know that.

SENATOR MCGREEVEY: I look forward to working with you, particularly with the business community, the environmental community, and the labor community on the question of dredging. I know right now Woodbridge and Perth Amboy have Hess, Chevron, and Shell, as well as the City of Perth Amboy, with permits that have been outstanding for as long as seven to eight years. Now, with additional testing requirements, we have the prospect of losing, not only manufacturing jobs, but businesses are making the decision to relocate to another state, or indeed to offshore petroleum and refinery processes, which would be a loss for the State.

I think it is a critical issue. I know the Port is very concerned. I would just appreciate your focusing on that to whatever degree possible.

COMMISSIONER MEDINA: Senator, I would love to meet with you to see what I can do as Commissioner of Commerce to stimulate quick dialogue within the administration to come out with a firm position on this issue. Obviously, I would like to see it resolved in such a way that we could begin dredging as soon as possible. I think you are absolutely correct, that this is going to have a very, very negative impact on the economy of the State.

SENATOR MCGREEVEY: Thank you. Thank you, Mr. Chairman.

SENATOR KYRILLOS: Thank you, Senator McGreevey.

Senator Martin?

SENATOR MARTIN: My first observation is, I understand what you're saying about being a running back and having the Governor being the quarterback, but my initial impression is that it sounds like sort of a cumbersome way in which to provide the welcome mat we have talked about. In other words, I understand the reason South Carolina is successful in what they do is that there is an office that apparently is sort of a one-stop shopping center. What you seem to be saying is that there are going to be various levels of intervention, which sounds like--

It does not seem to me to be the approach. I would envision something where this might -- where there would be a designated person who might have an American Express Card subject to review later on, but would be able to sort of go through the panoply of the different departments, agencies, and whatnot, and would be able to trump anybody, as long as they thought that what they were bringing to New Jersey, or retaining for New Jersey, would be very viable.

I look at all these cords down here. What I am afraid of is that somebody, you know, comes into the State and they say, "Well, we've got this running back, and we've got a flanker, and we've got a--

COMMISSIONER MEDINA: The running backs are running into each other, right?

SENATOR MARTIN: --series of people. Plus, if you don't get the Governor, you know, if the Governor is your quarterback -- meaning no disrespect to you -- but if they know they get you, but then maybe if it is more important they get the Secretary of State, and then maybe they get Governor Whitman-- Well, suppose they don't get that. What kind of message are we sending?

I think this has to be thought out, perhaps, with a little more clarity about the impression-- I know, for example, that some European businesspeople and Far Eastern businesspeople take some affront as to, you know, who they deal with and what they deal with. It may not be that our effort is any less sincere, but the message may not come across.

COMMISSIONER MEDINA: Okay. I think that is a legitimate concern. Obviously, we are still trying to work out the process. All I can tell you, Senator, is that if there is any business that is interested in relocating to New Jersey, or expanding, or is contemplating leaving, whether they are going to be creating five jobs or 5000 jobs, they are going to get a meeting with the Commissioner of Commerce. I have made a commitment that I will meet with any business that is thinking about increasing jobs in the State of New Jersey.

The way we usually go about doing that, Senator, is that I will invite someone from EDA to be present to discuss the very, I think, favorable financing programs EDA has to offer. I coordinate with the Commissioner -- the Acting Commissioner of Labor so he can have someone present to speak about, actually, the very, very good training programs the

State of New Jersey has. As a courtesy, I allow Secretary Hooks to either send a representative or attend one of those meetings we have.

At this point, I am the point person. The Governor has made it very clear that I am the point person. However, what I can do is if I incur problems with any of the other Commissioners, I can solicit the support of Lonna Hooks. We then have basically two Departments trying to resolve the problem. To some extent, Secretary Hooks can play the role of referee, to make sure that I am not being unreasonable. I will be perfectly frank with you, I am unabashedly, uninhibitably an advocate for business. If it means that I am asking the Department of Labor to do something that may raise the bureaucratic, you know, nerves of someone in Labor, or DEP, or someplace else, I am going to do it, because my role, the way I understand it, is to advocate for business.

We need someone to make sure that what I am asking for is reasonable and, if it is, that the Governor intervenes to make sure that we get it. I think the process is actually much, much more structured than it appears. Secretary Hooks will play a very important role, but the Governor has made it very clear that I am the point person, in terms of helping to bring businesses in.

SENATOR MARTIN: As the point person--

COMMISSIONER MEDINA: You know, the point person is usually the one who gets shot. So maybe that's--

SENATOR MARTIN: It was the guy who was always next to the radioman in Vietnam who had the problem.

I heard on the radio, and TV, various private sector enterprises, particularly some of our leading utility companies, take it upon themselves to encourage business to come into the State of New Jersey. In fact, I have seen the same thing with New York. For example, Brooklyn Gas has done the same kind of thing in a time when dollars are tight, but

where I would think there was a concerted effort where it would be good for the State of New Jersey for both some private sector employers, particularly -- if you want to call them private sector -- the utility companies, the communications industry, the gas companies, and whatnot.

Has there been any thought given to trying to pool resources financially to try to maybe use -- I don't like the term "partnership," but at least use the combined resources of both their efforts and the government's efforts to come forward with one message?

COMMISSIONER MEDINA: Absolutely, Senator. I would like to say that as Commissioner of Commerce, I am very grateful to the utilities. I think there is a tremendous congruence of interest in terms of what they want with the economy and what we want with the economy. We both want economic growth. To the extent that there is economic growth, the utilities obviously will continue -- the demand for their services will increase. To the extent that there is economic growth, the State will see its citizens employed in jobs that pay well. So we do have a congruence of interest. I am very grateful for the fact that the utilities have played such an aggressive role in business promotion and retention.

As a matter of fact, I have been meeting with the various utilities. We have been discussing-- Actually, we have been coordinating efforts already. What I would like to do is see if we can increase the amount of coordination.

One of the areas where I think this can happen particularly well is in the area of advertising. We all have advertising budgets. As the Chairman indicated, you know, advertising the State is important; telling the story about New Jersey, the true story about what a fine State we are to do business in and to live in. So one of the things that I would like to do where I think we could have even more cooperation is in the area of advertising. My Acting Director of Travel and

Tourism also has to be confirmed. She will be coming to see you all, so be nice to her, Senator. She will be convening a roundtable of entities in the State that we feel do a tremendous amount of advertising, to see if we can just try to coordinate our methods a little bit and possibly come up with slogans that are similar, if not identical, so we can start giving some name recognition to the advertising we are doing.

SENATOR MARTIN: My last question deals with tourism. There has been a lot of effort by Senator Kyrillos and others to deal with the shore, which is probably-- I mean, when you think of New Jersey and tourism, the shore comes--

COMMISSIONER MEDINA: It is our biggest asset.

SENATOR MARTIN: Yes, it is our biggest asset. But there are some smaller assets that I don't think have been as well-publicized as they could be. For example, while maybe someone wouldn't spend two weeks in Princeton, one might want to spend some time in the area of Princeton/Trenton as perhaps a small vacation area. I think of Morristown -- and Senator MacInnes and I live close by -- a town that has the Ford House where Washington spent his time. We have Jockey Hollow. We have the place where -- Speedwell Village, where communications first got a start. There are a number of things in that area, besides the greenery itself.

There is a Waterloo in the Sussex County area, which is sort of like New Jersey's Poconos, with Lake Hopatcong and other lakes, and Vernon Valley, Action Park. There are a number of these, what I would call smaller areas that, with some publicity, wouldn't just be New Jersey vacation spots for day trips, but could easily be the Hershey Parks or similar things, if they got, I think, enough attention. I'm sure in South Jersey you could make a case for a couple of other places. This is not the whole list. Hoboken comes to mind.

Is there going to be some effort to try to promote tourist spots besides the shore? I will ask that to your new Director, but I throw that out to you.

COMMISSIONER MEDINA: Yes, Senator, Copaulysse (phonetic spelling), Camden, New Jersey. I'm from Camden; I am just joking. But you are absolutely correct. New Jersey has a tremendous amount of diversity. Using Camden as an example, one of the things that we do not promote very well is the fact that Walt Whitman, who is basically the poet laureate of American politics and life, lived in Camden and is buried in Camden. I think there are a lot of treasures like that throughout the State that have to be promoted better.

Actually, one of the entities that felt they were not being promoted enough was Six Flags Great Adventure. One of the things that people don't know is that after Disneyland, it is the largest theme park operation in the world. They feel we have not done enough to promote them. There are a lot of things that we haven't done. For example, something as simple as signage. We just don't have proper signage. I mean, if you think about it, trying to find Six Flags Great Adventure is an adventure in itself.

I think there is a lot we can do to help promote these, I think, hidden treasures of New Jersey, and it is not something that is very costly. I concur with you, and I think Linda Conlin will concur also. If not-- Rich (addressed to unknown person in audience), make sure you call her to make sure she concurs, because I think you're right.

SENATOR MARTIN: I think what Williamsburg and some of the other vacation spots have been able to do is showcase a series of surrounding events. So where you have something like Great Adventure -- and maybe Camden isn't that far, especially via the highway system -- or in North Jersey several of these spots, they become more than just a half-day trip, but rather you could sell it as a package. But it has to be promoted that way, it has to be aggressive, and you have to at least get to Pennsylvania and New York, some of our sister states. I think

some of the other states have done a much better job than we have in doing this, like Cooperstown and, you know, Hershey Park. I think we could do the same.

COMMISSIONER MEDINA: I concur, Senator; I concur fully.

SENATOR KYRILLOS: Thank you, Senator Martin.

Despite my keen advocacy for the shore region, I think you make some very good points. But it is also fair to say that we haven't advertised many parts of the State, including the shore, all too much in recent years. We will have a chance to discuss this a bit more tomorrow when we meet with your new Director of Travel and Tourism -- Director Designate -- hopefully who will be confirmed tomorrow afternoon.

It is just that Senator Martin, originally coming from Point Pleasant-- He used to promote the shore before he became a Morris transplant.

SENATOR MARTIN: I thought Bruce Springsteen did it all.

SENATOR KYRILLOS: Senator MacInnes. I apologize for the long delay in getting to you.

SENATOR MacINNES: Oh, that's all right. It has been very interesting.

Commissioner, thank you for being here this morning, and thank you for your opening statement and for your good answers.

I just have about four questions. I will be quick to ask them. The first one is: In addition to advocating for business, I wonder does your Department play a role in the situation, for example, which has recently arisen, where our largest private employer in New Jersey has announced that 5000 jobs will be lost -- AT&T? This is an action which will have a dramatic impact on the county I represent and Senator Martin represents, I fear, Somerset and other counties, with very large concentrations of AT&T employees.

Is your Department in a position to do something that addresses this problem for the 5000 people who will be affected? In talking to the company about what other steps need to be taken at this stage, have you done anything in your first couple of months on that problem?

COMMISSIONER MEDINA: No, Senator. I guess a situation like that-- It is a very complex one, because AT&T is basically decreasing jobs because of macroeconomic factors that are really beyond the control of New Jersey, to a large extent.

To the extent that there may be problems in terms of doing business in New Jersey, obviously we can address those problems. To the extent that AT&T is downsizing because of macroeconomic forces that are international in nature, or national in nature, obviously it makes it very difficult for the State of New Jersey to work with them to try to resolve those problems.

I would welcome a meeting with AT&T. I know the Governor -- to my understanding -- has spoken with them. I think, unfortunately, that this is a problem that is beyond the scope of anything the State could or could not do.

In terms of the 5000 employees, I think we are working very actively to try to get businesses that are not facing the same kinds of economic pressures as AT&T, to expand, or to locate to New Jersey. We had a meeting two weeks ago with UPS. UPS was contemplating the possibility of consolidating its regional operations either in New Jersey or in some other state. In their case, the issues they had were issues we could address through the Department of Labor's training programs and through EDA financing. As a consequence, they have decided to sign a lease for 190,000 square feet, to stay in New Jersey.

In terms of the workers who are unemployed, the work the Department of Commerce can do with them is-- To the extent that there may be any of them who are interested in becoming

entrepreneurs, we can put them through a training program that we run out of the EDA, and we can make loans available to them once they complete that training, so they can become entrepreneurs as an alternative to seeking another job. I know the Department of Labor has training and retraining programs to help displaced workers. I know the Commissioner of Labor would be anxious and happy to work with those workers to help them to make a transition that is going to be, hopefully, not too difficult.

SENATOR MacINNES: Do you know if AT&T is aware of your entrepreneurial training program and loan program in terms of what they are going to be doing with their out-placement services to these 5000 workers?

COMMISSIONER MEDINA: Senator, unfortunately, I have not talked with AT&T in terms of what their plans are and how we could work together. But I would welcome, through your good offices, a meeting with them at any time. We could do it from 6:00 in the morning tomorrow, if you want. I take this whole question of jobs--

SENATOR MacINNES: I think they still operate a Directory Assistance Program. I don't have any inside information on this.

COMMISSIONER MEDINA: I guess what I am trying to say is, I take this whole issue of displaced workers very seriously. I feel that to a large extent the work of the Department of Commerce is job generation and job retention. So if there is a role that you think I could play, I will be more than willing to meet with the representatives of AT&T to see if we can try to help minimize the impact on the displaced persons from AT&T.

Now, one of the things I know I can do, I can work like the dickens to meet with firms that are thinking about expanding or locating to New Jersey. So I think those 5000 jobs-- We can do a lot to make a big impact on that.

SENATOR MacINNES: Let me ask a second question: Senator McGreevey mentioned the impact of the Clean Air Act on manufacturing operations in New Jersey. It strikes me that some of the requirements that are being imposed on this region under the Clean Air Act have a much greater impact on nonmanufacturing facilities, particularly large employers, where there are new car pooling requirements. We're talking about changing the culture of suburbia, in a way. I assume that not only does this add inconvenience to the job of being an employer in New Jersey, but I think it will probably add expense.

Does your Department address the competitive disadvantage that we are possibly undertaking with our compliance with the Clean Air Act, in terms of working with the business community and trying to ease that, trying to look at alternatives, trying to -- whatever?

COMMISSIONER MEDINA: Senator, my understanding is that New Jersey has chosen a strategy that would require the car pooling of large employers, but this was a choice that we made in response to the Clean Air Act requirements.

Unfortunately, I have not been able to meet with Commissioner Wilson, because he has been in transition from California to New Jersey. But he and I do have an understanding that we have to meet as quickly as possible to discuss the Clean Air Act, especially how it impacts upon businesses in New Jersey, particularly small businesses.

I think there has to be a discussion of alternatives.

SENATOR MacINNES: Do we have an opportunity under the all the deadlines that have been imposed to rank and figure New Jersey's response to the Clean Air requirements?

COMMISSIONER MEDINA: I would not presume to speak for Commissioner Wilson, but I would probably say that there should be an ability to make some adjustments.

SENATOR MacINNES: Doesn't Commissioner Shinn have a lot to do with this, too, in terms of the Clean Air Act?

COMMISSIONER MEDINA: He does, too. Yes, he does.

SENATOR MacINNES: I won't ask a question. If you are really serious about tourism in New Jersey, and if you have a program that yields 22 times your investment in tax revenues, then I expect to see the tourism budget increased by at least \$500 million. (laughter) If there is such a bet to be made--

First of all, I would love to be able to get my little mattress savings into this program somehow, if I could. If you can guarantee returns like that--

COMMISSIONER MEDINA: I'll take that, too. I may need it.

SENATOR MacINNES: But if you are really serious about tourism-- I really have to say that I have heard all the talk about tourism in New Jersey, and I don't believe, in fact, despite these decades of talk-- I don't think it is a serious enterprise, and I will tell you why.

This is the most confusing State in the Union to drive in. If you are a visitor to New Jersey and you rely on New Jersey highway signs, you are guaranteeing that you and your family will be lost at least once during your trip. We get off of the George Washington Bridge onto Route 80, which goes to the Golden Gate Bridge -- all right? -- in San Francisco. You are informed that if you want to get to Netcong, you should follow Interstate 80 west. Netcong is a great town. It doesn't happen to be in my district. It is a town of about 5000 people. I can't believe that a large number of people coming off the George Washington Bridge are really interested in finding their way to Netcong.

I think that if you rely on highway signs in New Jersey as you come out of the Newark Airport, as you try to get onto some of our older State highways, you will still find in New Jersey WPA-designed signs that will point you to the New

Jersey shore on a highway network that no longer exists. If you follow that sign, you will quickly become lost in some residential neighborhood in Montclair, New Jersey. I am not kidding about these things. Our highway signage is just awful.

If you really want to do something about tourism, put this on your list to talk to Commissioner Wilson about.

COMMISSIONER MEDINA: That most certainly is on my list. As a matter of fact--

SENATOR MacINNES: You might also add, although it has nothing to do with your job, that a lot of the signs are terribly inaccurate in terms of how quickly an exit comes up. I have about five examples for him if he is lacking any when he arrives.

I just think that in terms of having a welcome for people at our points where people come into the State, it couldn't be more confusing and less useful to most tourists.

COMMISSIONER MEDINA: Senator, I understand fully, because I get lost going to Cherry Hill every day. The signage is horrible. I think the folks from Six Flags Great Adventure have kind of, I guess, flagged this issue for us. There is no question but that we have to do something with our signage. It's deplorable.

SENATOR KYRILLOS: I just want to interject and have the Commissioner warned that Travel and Tourism Director Designate Linda Conlin should be ready for Senator MacInnes tomorrow, when she comes before us.

Those were good points.

SENATOR MacINNES: I heard what you said about international trade. You mentioned that New Jersey corporations are not as oriented to Latin America -- to the fast growing markets in Latin America and the Pacific Rim as they are to Europe.

Now, what can you do about that fact? What does the Department of Commerce do with-- I sit on the board of a

manufacturing company, and I know that our sales are not as strong as they should be in Chile, Venezuela, and Mexico, which are good and fast-growing markets. But what can you do to help manufacturers increase their marketing of products, to Latin America, for example?

COMMISSIONER MEDINA: One of the things that we are going to be doing under the Director of International Trade -- who, incidentally, worked with the U.S. Foreign Service for a number of years promoting trade-- One of the things that we are going to try to do is try to get timely information about potential contract opportunities in some of those countries.

Right now, unfortunately, we do not have trade missions abroad, which is something that is very useful. For a State the size of New Jersey, it is somewhat unbelievable that we really don't have any trade missions. We have no one representing New Jersey businesses in Latin America. We share someone with the Port Authority in Japan, hoping that in the future, after budget pressures are off, we will actually be able to station people in these fast-growing markets, so that they can basically develop opportunities for New Jersey firms.

What we plan to do is try to research in a timely fashion -- using the Federal network that exists -- opportunities for exports to those markets. We are going to try to get that information in a timely fashion to firms that are providing the commodity code of the particular opportunities. We are going to try to get firms to actually get some experience in exporting to those markets. We feel that if we can generate--

SENATOR MacINNES: So it is mainly an informational role. I mean, you try to get information.

COMMISSIONER MEDINA: You know, largely that is the role of a governmental international trade office -- informational.

SENATOR MacINNES: Just one last point, Commissioner Medina, and again, thank you for your testimony.

Following up on Senator Martin's question, the written testimony provided to us by Secretary of State Hooks provides language that does not satisfy me that this arrangement, in fact, has been worked out. In fact, reading her testimony, it seems to me that she thinks that she is the chief advocate for business in the administration in New Jersey. She says: "The mandate for the Ombudsman" -- a new position in her office -- "is bringing businesses to the State, as well as retaining the ones already here." That is preceded by a lengthy discussion about the efforts of other states that presumably New Jersey would like to imitate in some way.

So the confusion remains, as far as her public testimony is concerned. I don't know how we can clear this up. If I have questions about problems affecting businesses in my area, should I call you? Should I call Secretary Hooks? What is your advice on that? Do I have to make a judgment about how large the business is, or whether it is going to trigger a problem with another department? How should I judge that?

COMMISSIONER MEDINA: If you call Secretary Hooks, she will probably refer you to me anyway, so you might as well start with me--

SENATOR MacINNES: Okay.

COMMISSIONER MEDINA: --to answer that question. I know this whole process is not as clear as it could be. I am hoping that over the next several months we will be able to clarify it a little more for the public, because apparently there is some confusion.

SENATOR KYRILLOS: Thank you, Senator MacInnes.

SENATOR MacINNES: Thank you, Mr. Chairman.

SENATOR KYRILLOS: Commissioner, we could go on with questions, and you have been on the seat for a long time now.

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We do have a number of other people who want to testify before us.

Let me just make a few quick points. You do not need to respond, because I think you have responded to each of them in your own way. I think Senator Martin and Senator MacInnes both are onto something with regard to clarifying just who the quarterback is, or who the running backs are. I think you understand that. I think in due time we need to sort that out. It has been a fast couple of months. The administration is off to a very quick start. A lot has taken place. But I think in short order, we need to clarify, with absolute precision, exactly who is doing what, who is responsible for what. I know you understand that.

The second point is on advertising. We need to talk about and explore ways we can combine our public resources and private sector resources in smart and intelligent ways. I am confident that we can work something out in due course on that score. I think it would be very exciting.

On the Economic Development Authority, it is a model, but it is not very user friendly, and I was pleased to hear you say that. It is very confusing to most people in the business community, particularly small businesspeople. We need to market that a bit better.

I was going to ask you about various staff changes. I know you have appointed a number of new directors. We are going to be interviewing Linda Conlin tomorrow, because her appointment needs Senate confirmation. But we will not get into that today. We will have ample opportunity to learn more about the people who are staffing your Department.

Let me just congratulate you on all you have done in a very short amount of time. I think you come to this job with a really keen understanding of what needs to be done, with fine insight and a lot of enthusiasm and energy as well.

I congratulate you. We look forward to seeing you often.

COMMISSIONER MEDINA: I hope not, Mr. Chairman. I hope not too often.

SENATOR KYRILLOS: You'll enjoy it.

COMMISSIONER MEDINA: Thank you, Mr. Chairman.

SENATOR KYRILLOS: Thank you, Commissioner.

SENATOR MARTIN: You are right about those signs. We could do a lot.

SENATOR KYRILLOS: Let me now call up, once again, Stephen Kukan, from Public Service Electric and Gas.

MR. KUKAN: (speaking from audience) Senator, may I ask your indulgence, please? I guess it is as much because I am sort of reluctant to follow the Commissioner as anything else. We do have scheduling difficulties. Mr. Williams, of First Fidelity, asked if he could go on earlier. I ask your indulgence -- if that is possible.

SENATOR KYRILLOS: That's fine.

MR. KUKAN: Tyrone Williams, of First Fidelity.

SENATOR KYRILLOS: Please come forward, Mr. Williams.

All of us are on tight schedules, both members of the Committee and those of you wishing to testify. It is unfortunate. We originally wanted to confine this to three, four, or five witnesses, but there were a lot of customers. In many ways, that is very good. A lot of people want to be heard. So I would ask everybody just to be as concise as possible, and hopefully we can avoid some repetition.

Mr. Williams, we welcome you.

TYRONE J. WILLIAMS: Thank you. I would like to say that not only am I an officer of First Fidelity Bank and have been involved in the economic development industry for over 10 years, but I am also on the Board of the Union County Economic Development Authority. It is through that position

that I also have learned a great deal about economic development, especially when you talk about addressing small businesses.

In my role at First Fidelity, I have been on the administration staff and on the line, as we say, providing financing, cash management, and other bank products to small -- primarily small businesses, those less than \$20 million in sales.

It was through my role with the Union County Economic Development Corporation that I was invited to an economic development roundtable that was convened by Governor Whitman. At that roundtable, I had come prepared with an outline of ideas that I thought would be useful to the administration. It was interesting that the ideas I had and a number of those there had, were fairly consistent. I would just like to go over a number of the ideas I expressed then.

I am extremely supportive of the statewide Economic Development Strategy Plan. There needs to be a long-range strategic Economic Development Plan with an interdepartmental approach, built on the philosophical foundation that each department is guided by whether or not their operations results enure to the benefit of economic development. Such an approach would achieve:

- * A centralized focus of decentralized departmental policies to ensure they operate to the benefit of economic development.

- * Resolving conflicting public policies which discourage growth and impair the economic base of the State.

- * Boost business and industry competitiveness through a pro-growth tax climate

- * Improve the regulatory climate for balanced business and industry growth.

- * Strengthen the readiness and skills level of the State's workforce, existing and potential.

* Promote cooperation among levels of government and between government and the private sector.

Such a plan must include, but not be limited to, strategic plans with an economic development perspective in the following:

Education: On both a secondary and primary level, must be included in such a way as to become a "feeder" of not only technological innovation and development, but provide a workforce that can operate in such an environment.

Housing: Low- and moderate-housing programs should be reviewed to ensure that they meet the needs of today's workforce. Rationalization of the programs would include a review of duplication, incompatibility, and coordination.

Urban Development: We cannot forget our urban core cities. It is generally recognized that the State cannot effectively grow without the strengthening of our cities. Specific responsibility should be given at a high level of accountability to coordinate the State's activities to promote the redevelopment of our urban areas.

Manufacturing: "The World Takes What New Jersey Makes" must, once again, be a fundamental truth in a comprehensive economic development strategy. This would be based on a more balanced and methodical effort between economic development and environmental protection.

I would like to say a bit about the Department of Commerce and Economic Development. Relative to other departments in and out of the State, New Jersey's is one of the smallest. For example, relative to the size of DEPE, the New Jersey Department of Commerce and Economic Development is quite small.

Speaking of DEPE, the way the DEPE is funded-- Income from fees and penalties should go to the State's General Fund, thereby making the Department more accountable to the

Legislature and enhancing the likelihood of a more balanced approach to resolving the State's need for economic development and environmental protection of the State's resources.

Lastly, in terms of productivity gains, I made a comment that with respect to the Civil Service employment rolls, I think there ought to be significant changes in those. To set an example of how the State can run efficiently and achieve productivity gains, a fundamental change in the Civil Service employment rules is required. For example, the bumping rules create inefficiencies and costs whenever a person with significant experience is bumped by someone with less experience. The learning curve itself is a tremendous cost to New Jersey.

Those are a number of the points I made during that time, and continue to make as I listen to businesses that I encounter both in my job at First Fidelity, as well as as a Board member of the Union County Economic Development Corporation.

SENATOR KYRILLOS: Mr. Williams, thank you very much for your excellent points. I remember your making them at then Governor-Elect Whitman's roundtable discussion. You should know that there is going to be a written transcript of today's hearing, so Senators McGreevey and Martin, who will be floating in and out during the next hour or so, will get a chance to read your points, as will other members of the Legislature.

Senator MacInnes, any questions or comments?

SENATOR MacINNES: No questions, Mr. Chairman.

SENATOR KYRILLOS: Thank you very much for being with us.

MR. WILLIAMS: Okay. Thank you.

SENATOR KYRILLOS: Should we make one more try at Stephen Kukan, Public Service Electric and Gas? I'm sure Saul Fenster is anxious to get up here, if you don't want to, because he is on deck.

MR. KUKAN: Thank you, Senator.

SENATOR KYRILLOS: Again, thank you very much for your help in coordinating this hearing, and for all PSE&G is doing on behalf of the economic climate of the State.

MR. KUKAN: Mr. Chairman and Committee members, thank you very much. I appreciate the opportunity to address you this morning on an issue we think -- those of us in economic development -- is very critical to, not only the retention of business and industry here in New Jersey, but also the attraction.

As has been said earlier, I am Steve Kukan, General Manager of Economic Development and Area Development for PSE&G. I am responsible for all phases of the company's economic development programs statewide.

Clearly, New Jersey's economy does need help. Hundreds of thousands of jobs have already left New Jersey for perceived better business climates, and the trend, while showing nominal improvement, promises to continue. Whether real or not, New Jersey's image is anti-business in the minds of many corporate facility decision makers. The loss of industry resulting from the existence of this perception has become increasingly exacerbated as states, especially those in the southeast and the far west, have developed and implemented strategies for improving their economies.

In her campaign, Governor Whitman emphasized the need for an organized assessment of New Jersey's competitiveness. She is clearly aware that our prime competitive states are no longer those in the region. I believe the concept of a New Jersey Economic Development Plan correlates well with her expressed intention to improve New Jersey's competitiveness. It would show that the State is serious about espousing economic development and intends to develop policies and procedures to accommodate it.

I feel it would represent decisive action on the part of the Governor, addressing a problem which has developed over a number of years and has led to an erosion of our employment base. The notion of an Economic Development Plan is a simple one, which would be broadly supported by legislators and citizens, as well as by New Jersey-based business in general.

PSE&G has been involved in a substantial way in trying to improve our State's economy over the years. Site location efforts, together with specific programs aimed at positively impacting business retention -- for instance, our Business Enhancement Program -- and attraction, our Trade Link New Jersey International Program, are typical of our initiatives on behalf of improving New Jersey's economic health.

It is imperative that the State join with and leverage such private sector initiatives to have the greatest possible effect. Long-term New Jersey-based economic development experience has sensitized us to the need for a New Jersey economic development, public/private strategy. We feel the strategy can be actually represented as a business plan for New Jersey's future.

Like it or not, New Jersey faces global competition for economic development. The more successful we are in attracting new corporate facilities and investment from existing companies through enhanced retention efforts, the greater the economic opportunity for the State. Also, over the years, the State's greatest competitive strengths included our market's central location and density of world-class corporations. The communications revolution has reduced the importance of geographical location, and subsequently New Jersey's attractiveness has eroded.

In view of the sweeping transformation of the world economy resulting from rapid technological change, New Jersey needs an explicit economic development strategy created through a consensus-building process. In particular, New Jersey has to

incorporate into our economic planning a very major role for university-based scientific and technological research and development, to realize the potential of new manufacturing industries focused on advanced technology. I think you are going to be hearing more about that from Saul Fenster.

Also, the ability to export has become an important condition for survival for many manufacturers. That trend will continue in the future. If anything, the scope of economic competition will broaden. State governments elsewhere are taking steps to assist small companies wishing to export. New Jersey must do the same.

In addressing the cost of responding to those needs, it is important to recognize the potential cost of minimal efforts; that is, the further erosion of our State's economy.

Those two areas earlier mentioned, namely advanced technology and export, represent two suggested sector focuses for the new economic development strategy. Others may include: tourism, services and market-oriented manufacturing, as well as a continued urban redevelopment program.

In any event, New Jersey needs an explicit economic development strategy to encourage and facilitate balanced growth and an appropriate range of employment opportunities in focused, highly promising new business sectors. The devising of such a strategy should be broadly participative, with leadership provided by both the Governor and the Legislature. Once developed -- and this is critical -- I suggest that the Governor and department heads must evidence complete commitment to the implementation of the strategy. The all have to be reading essentially off the same page.

We in economic development have already begun to sense a growing feeling that the State has begun the process of establishing a more positive business environment. Personal and corporate tax reductions, establishing a higher level of State business advocacy response, and of course, the creation

of an Economic Development Strategy Commission itself, have encouraged this perception. There is a real anticipation that the product of the economic strategy process will be credible and predictable programs and policies to fully leverage New Jersey's economic position. Let's push the process, and not let its good intentions and timeliness be dissipated.

In summary, New Jersey needs to adopt an Economic Development Plan for several important reasons:

First, a number of our public policies have infringed upon our economic growth.

Second, it is necessary to organize effort and direct our limited resources in a realistic and productive way.

Third, it is important to identify appropriate targets for New Jersey's economic revitalization.

The Economic Development Plan itself should be organized around strategic principles, such as balanced growth, recognition of the emerging global economy, and the need to preserve our environment.

Those were my prepared comments, but I would like to give you just a couple of my observations in addition. I have been involved in economic development on behalf of New Jersey for almost 25 years. To me it is absolutely incredible that over those 25 years we have really never had an economic blueprint for the State of New Jersey. Fortunately, during the period of time that I have been actively involved in economic development, we have had the benefits of an economy that was growing by leaps and bounds. We were obviously taking advantage of our strategic position, our well-located and well-educated labor force. Now we have begun to face the opportunities -- or the challenges of international competition, not only outside the United States, but certainly in other regions of the United States.

Personal, I guess, observations that I have made have included the fact that we now need a broad attraction and

retention effort. We need such things as a Business Ambassador Program. We need such things as stronger business advocacy and regulatory reform efforts. We have to become much more proactive, obviously, in all of those areas. I think that is the only way we can begin to become competitive.

The Business Ambassador Program, for instance. Many of the states that are implementing those sorts of programs -- business ambassador, strong retention initiatives, regulatory reform -- are states that I don't think nearly represent New Jersey in terms of their resources, either in terms of the public sector or the private sector. But what they have been able to do -- and now I am speaking specifically about the Carolinas -- as a result of this well-documented, well-focused economic development strategy-- They have begun to identify business sectors that are very promising in terms of the demographics of their state, in terms of the ability of their states to support. As a result, they have been able to get full cooperation, from the Governor meeting a plane full of corporate executives investigating sites in North Carolina or South Carolina, all the way to putting into place substantial economic incentive programs, pricing of various resources, and also job training initiatives that are more than competitive with what New Jersey has been able to place on the table.

Again, it is because of that clear and precise focus. They have identified where those efforts should be as the result of a strategy, and as a result of the implementation of the strategy, have made us uneconomic. We have not been able to compete very well at all.

As a matter of fact, I can think back. I was just on the West Coast addressing a group of developers. David Birch (phonetic spelling), noted economist, spoke to this group of developers about the high potential areas in the United States. One he focused in on in particular was Seattle, Washington, along with a number of others. He identified what

made Seattle, Washington a highly attractive area as a case in point. He said, in particular, there were university institutions that were first-rate. There was an international airport that was second to none. There was a port that had enormous capabilities in terms of increasing exports -- export-related activities in the Seattle area. In addition, they have communities which provide wide variations in terms of livability, in terms of relatively minor modest aspirations of the inner-city people -- some of the inner-city people -- all the way up to some very, very affluent suburbs.

I began to listen to Mr. Birch talking, and I said to myself, "He could very well be talking about New Jersey." Essentially what he represents in terms of high-growth potential areas, to me, is well-represented in what New Jersey has to offer. This again points up very strongly what the Commissioner indicated, and a few others earlier; that we must -- I guess in addition to all of the other things we have talked about here -- identify a high profile, very well-thought-out, very well put into place promotional campaign for the State of New Jersey, and begin to identify what its resources are.

As a result of this economic development strategy, too, I see that it could be closely aligned with the economic development attraction program and tourism, in terms of major public relations initiatives. It makes sense for one to sort of grow from the other, and that consistency is important, because I think the people making the judgments on where corporations should locate those facilities are sensitive to those kinds of issues.

We have talked about a number of different programs, a number of different thoughts, a number of different initiatives. I think, in summation, that the economic development strategy is now offering New Jersey the potential

to grow into the '90s and beyond, and to certainly take advantage of its innate opportunities. We look forward to being partners in that effort.

Thank you very much for your attention.

SENATOR KYRILLOS: Thank you very much, Steve, for your testimony. Again, congratulations on conceptualizing the whole idea of the State economic strategy plan. I know PSE&G, along with Ed Staminsky (phonetic spelling), from Jersey Central Power and Light, and others -- the Public Affairs Research Institute, Dave Keller, before he joined the administration -- put this idea together. If we can have a blueprint that stresses manufacturing, service economy, trade, tourism, and advanced technology, and it gives us all one sheet to read off of and guide the Legislature's actions, guide the actions and reactions of the executive branch, as best as possible, I think we will be better off and much more competitive as we get close to the end of this decade and into the next century.

I know a lot of members are curious about the Commission -- the members of this Committee -- and want to play a role in it. We certainly do. We would have been pleased to have a member of the Legislature on that Commission, but I don't think that is the case. However, we want to work closely with it. We urge you to do the same, because I think a lot of the ideas -- the Business Ambassador Program, for example -- will come from the ranks of professional economic development managers like you, rather than some of the more celebrated members of the Commission. I think they need to hear your specific ideas. And that same core group of New Jersey business executives that conceptualized the plan need to stay involved in the process.

MR. KUKAN: Senator, just a comment on that: We did meet yesterday with Chairman Wallwork and Dave Taylor, again, to bring them up-to-date on where we are with this task force

we have assembled on the subject of the economic development strategy. Both Chairman Wallwork, as well as Dave Taylor, made it clear to me that we are obviously going to be cooperating with them on that -- the inputting and the thinking on the strategy.

Thank you very much for your comments, Mr. Chairman. I very much appreciate it.

SENATOR KYRILLOS: Good. I will offer the members of the Committee the chance, perhaps, to meet with your task force that will be advising the Commission. At a future date, if it makes some sense, we are going to have a hearing that will focus on the Commission. Hopefully, we will have ample opportunity for dialogue.

Senator MacInnes or Senator McGreevey, any comments?

SENATOR MacINNES: Just one quick question, if I may, Mr. Chairman.

Economic development strategy assumes that there are going to be winners and losers; that presumably the strategy is going to play on New Jersey's strengths, in terms of its labor force, its educational institutions, its location. Do you see the Commission as the arbiter of these conflicting demands? For example, what university programs should be supported financially that would be economic growth related? Do you see the Commission being the arbiter in that? Who makes the bets here?

MR. KUKAN: I think the first thing is that we see the strategy being the most help. It has to be looked upon as being a living document, something that obviously is going to be produced initially, but will change to accommodate as the New Jersey economy changes, and the opportunities and challenges.

I think your observations are correct, Senator. There are certain areas of the New Jersey economy that we think have high potential, those areas we touched on, tourism being one,

export-related activities, the market-oriented manufacturing, the urban perspective. These are issues that we think, in terms of the opportunities they represent, have to be recognized by the strategy, by the Commission, and the Commission has to then begin to put into place policies, procedures, and perhaps new initiatives to fully leverage those opportunities.

I would say on the other hand, however, a big complement of what New Jersey's agenda represents is the major business retention initiative as well. There are major corporations, certainly, that are in New Jersey providing gainful employment and providing a great deal in terms of both tax ratables and positives for the State of New Jersey, and we have to protect them as well. I think the retention component is an inherent requirement in a practical economic development strategy

But I think it is important-- Two things: Number one, we cannot afford to chase ghosts, and number two, we have to put our resources where they are most likely to enjoy some degree of success. What I represent is that the limited resources, and that partnership that was talked about earlier in the public and private sectors, could be most beneficial if applied towards those corporations and companies that, in all likelihood, are going to be the ones that are going to want to invest in New Jersey and grow in New Jersey. A strategy has to tell us what companies they are, and hopefully also contribute to the policies and programs that are created. That is what is happening in a lot of these other states, like the Carolinas, and Tennessee and Florida as well.

SENATOR MacINNES: Thank you.

MR. KUKAN: Thank you, sir.

SENATOR KYRILLOS: Senator McGreevey?

SENATOR MCGREEVEY: I am just looking for, and I think the State Legislature and I am sure the Governor will be looking for, some sense of input on the whole question of

cogeneration. Cogeneration is clearly here to stay, but we need to ensure that there is a level playing field. On many issues such as that, we do not put the utilities at an exceptionally unfortunate competitive disadvantage on a number of issues, whether from gross receipts to allocation of resources to tax structure. Obviously, the utilities recognize this themselves, but I think there just has to be more communication with the State Legislature on some of these issues. I think, both as a Mayor as well as a State Senator, that I am concerned about, you know, gross receipts funding. I think utilities need to be part of that discussion, especially as it impacts on cogen.

To date, I just haven't heard a whole heck of a lot. I would just, for my own intellectual edification-- I would just appreciate it, because I think that is going to be a major policy debate. If it does not become one, it will be shaped by other unfortunate incentives.

With that being said, I just-- I know Saul Fenster wants to comment. But one of the things I am concerned about is that the Science and Technology Commission, which has so much potential for not only attracting high-tech manufacturing businesses within our State, but also in developing a closer collaborative relationship between the University and the business community-- I think utilities necessarily ought to be a part of that equation.

I am just wondering, how do you see the Commission being or serving as an integrated part of the State's efforts?

MR. KUKAN: Senator, very good observations. Thank you very much.

SENATOR KYRILLOS: Steve, I will interrupt and ask you to be brief, but thorough in your response to the Senator, because we do want to move on.

MR. KUKAN: Sure.

SENATOR MCGREEVEY: As opposed to thorough, but brief.

MR. KUKAN: That is a good caution for me, though.

Senator, we have worked very closely, as a case in point, with NJIT -- and Saul may be able to talk a little bit more about this -- in providing industrial specialists, a series of people we personally trained, engineers at PSE&G who are trained in the specific industry categories. For instance, the market-oriented manufacturing, which we think is important for the strategy to identify as being suitable for New Jersey. So we have worked very closely with Saul and NJIT in particular at putting together a constructive program to address those sorts of component concerns that businesses would have in those areas. That sort of effort, I think, has to grow; it has to be expanded; and it certainly has to become much more statewide, involving the other utilities, involving the other universities. It is an enormous partnership that is not being properly leveraged.

On your first observation as well, the utility pricing issue is of critical concern. It is obviously something we could spend many hours talking about. For instance, we have a series of economic incentive rates that have a lifetime of two years, which we put into place. Actually, along with the EDA's involvement, this helped to put into place maybe four or five major new corporations on the Hudson River Waterfront; USA Network being one, First Chicago Title being another. There is a role to play for discounted utilities, discounted costs for companies, that make sense for New Jersey. Perhaps the pricing aspect for electricity is something that has to be looked at in the future. But obviously, that has to have some sort of deliberation in the development of an economic development strategy. We have to begin to identify ways to reduce the costs for identified companies and customers, businesses that should come to New Jersey. That, obviously, would play a role in it.

Thank you very much for the question, though. I hope that was short enough.

SENATOR KYRILLOS: That was fine. That, obviously, is an important subject. The Legislature is going to focus on the bill the Senate passed last year on utility rate discounts, etc. We will talk a lot about it in upcoming months.

Steve, thank you very much for being with us, and for all you're doing.

MR. KUKAN: Thank you, Senator.

SENATOR KYRILLOS: Dr. Saul Fenster, President, New Jersey Institute of Technology. Next-- I do not see Richard Dewling, President, Dewling Associates and former DEPE Commissioner, in the audience. Robert Yaro, from the Regional Plan Association, will go next after Dr. Fenster. Then Mr. Fitzgerald of DRI/McGraw-hill, Inc.; then to representatives from Bell Atlantic.

Dr. Fenster, welcome. It is good to be with you.

D R. S A U L K. F E N S T E R: Thank you very much, Mr. Chairman. May I have Dick Dewling's time as well?

SENATOR KYRILLOS: You'll have to check with him.

DR. FENSTER: First, let me commend the Committee and the efforts of the administration for developing a comprehensive Economic Development Plan. Surely it is something that the State of New Jersey needs. It seems to me that while we may have been talking a great deal in previous years and months about how to slice the pie, we certainly need to grow the pie. We have many assets with which to grow the economic pie. We need to learn some of the hard-learned lessons of North Carolina. I noticed that Commissioner Medina mentioned Michigan, a state I know a lot about. I am an alumnus of the University of Michigan, and they certainly have devoted considerable assets to economic development, as have many other areas of the country. They have welded together a

much more, I think, formidable array of assets, including the engagement of the universities.

I simply want to list the assets, list some reports, and try to go through this as quickly as possible. I know the hour is late.

Of course, we have talked about the human assets. We have talked about the fact over the years that New Jersey has the highest per capita number of engineers and scientists, not an accident given the concentration of industries in New Jersey. It is something we said to the Governor at an educational roundtable, and I think it is very, very important for us to remember this: New Jersey is a science-based State.

I visited, a few years ago, with the Education Minister of Taiwan. He made it very clear. He said, "Taiwan is a science- and technology-based island. We need to have that perspective where 10 percent of the research and development in this country is done. It is done in New Jersey. So it is based on science and technology, and our human resources are there.

We have world-class companies in New Jersey. We have an array of universities and a public and private system of higher education which, particularly in the last 20 years, I think, has more fully developed, and we will talk about the New Jersey Commission on Science and Technology.

We have the New Jersey Commission on Science and Technology, whose charge it was under the original Governor's Commission, and later the New Jersey Commission, to focus on given areas important to the economic development of the State.

In response to a question asked about winners and losers -- I believe, Senator MacInnes, that you raised the question -- if the industrial base of the State does not support the initiatives of the universities in the areas designated by the Commission through the leveraging of New

Jersey's assets, those New Jersey assets will not be supported by the State. In other words, there is a leveraging requirement. So of the dollars that are-- I'm sorry. I may be responding to the wrong Senator's question. But the dollars that are invested by the State have already yielded much in return in terms of jobs and new companies. In order to function, we must report every year, when we have advanced technology centers, on how those State dollars are leveraged by private capital. That is a requirement. They must be leveraged by private or by Federal capital.

There has been an enormous leveraging in key areas in New Jersey -- environmental technologies, biotechnologies, manufacturing, materials, and so on, stuff that has already been determined to be-- These are broadly important areas. It is not a matter of picking winners and losers. If companies will not support, the initiatives will not be supported.

For example, incubators. There are three university-based incubators in the State of New Jersey. I'll only talk about, very briefly, the one we have, which is a 50,000 square foot building. There are three. There is one at Stevens and one at Rutgers. In the four years of the incubator, we have had no business failures. We have had some companies taken over or purchased by larger companies, 27 small business tenants, 106 employees, 5 anchor tenants, 9 minority-owned, 7 tenants contracting out, a total of 314,000 for their production needs, and purchasing products of some 700,000. The State investment in my incubator is \$25,000 a year. That's all it is.

Incubators are very new to New Jersey -- as I said, there are only three -- but they are not new to the states we compete with. That is a very important point, from my point of view.

Senator, you are a cosponsor of the New Jersey Corporation for Advanced Technology, another effort by which we

can exploit the talents that exist in the university area, outside the university area, in environmental technologies, and in energy-saving technologies, by spawning new businesses, encouraging new businesses, and helping them to get venture capital.

We have mentioned the New Jersey EDA. I will not go into that. We have mentioned the Department of Labor in terms of job training opportunities. I will not go into that.

I will go back, for a moment, to the research university base, in particular in the State of New Jersey, and say that the new paradigm in higher education is to work very closely with the private sector to develop new patents and processes. So there is a great deal of intellectual property development going on in New Jersey.

I will give you one quick example: In our Advanced Technology Center in Hazardous Substance Management -- which, by the way, is the largest United States environmental technology center, operating with a total budget of about \$12 million, \$13 million -- there are two Federal centers, a National Science Foundation center, one EPA center, and it involves about 10 other universities, including MIT and Tufts University. In that center, they have developed a technology to remediate, or to pull volatile organic compounds from the soil. We now have a patent on it at NJIT. The patent has been licensed -- is licensable to many firms. One firm, Accutech, is now using that technology. It has now been approved by the USEPA. That comes out of this investment made by the State.

Allow me to speak of manufacturing, because it has been mentioned a number of times. We have an advanced technology in the State of New Jersey in manufacturing called the Center for Manufacturing Systems. It does manufacturing research in advanced technologies. It does tech transfer to small manufacturing firms. While we hear a good deal about the service economy, we fail, I believe, to stress the notion that

the service economy rests on a solid manufacturing base. In every country where there is a strong, high-paid service economy, it rests on a strong, high-value-added manufacturing base.

The gross domestic product attributable to manufacturing in this country has rested at about 20 percent for many decades. So while the employment in manufacturing may have dropped because of automation, the amount of product we have for export and for domestic consumption has, in fact, not dropped; has, in fact, increased, which is the natural result of technology. It follows very closely the parallel of agriculture in this country. We have almost no one working on the farm, but the amount of materials we produce has increased dramatically. We feed a good part of the world. It represents a major export good for the United States of America. It also represents the foundation of the processing industry in food -- the restaurant industry, obviously, the export industry in food, and the advertising industry in food. Yet, the number of people working on the farms is a very, very small fraction of those who worked on farms in 1900.

We have at NJIT something called Network New Jersey, which is an effort to provide tech transfer through the lumping of sectors of manufacturing industries in New Jersey, small businesses -- the lumping of sectors so that we can transfer technology to them. The number of small manufacturers in New Jersey is 18,800. I cite that number in order to get some notion of the part of the economy, both the small manufacturing economy and the small service sector economy, which must grow if we are to produce more jobs in New Jersey. The large company sector is downsizing, as we all know. The large company sector is using the supply network of the small businesses. This happens to be a paradigm all over Europe. It is very popular. In Italy, for example, the Olivettis use this network of small businesses. It is very much what is happening

in the United States. We must have those small businesses, both manufacturing businesses and service businesses grow in order to grow jobs. Now, of course, that goes hand in glove with intellectual property development, new company development, and all the like.

Just to mention a couple of -- and I am almost finished -- a couple of very small, but unique efforts, at NJIT we have something called the Defense Department Technical Assistance Program, which is an effort on the part of the Department of Defense to feed small businesses with defense contracts. I am going to the issue of leveraging, because here we have the Procurement Technical Assistance Program. Its total budget is \$500,000 a year. Some of it is matched by NJIT, but most of it comes out of the Department of Defense.

In 1993, the center helped New Jersey women, including women- and minority-owned firms, win more than 600 contracts with the DOD, totaling some \$24 million in contracts and \$72 million in economic activity; created or saved 725 New Jersey jobs. I am talking about leveraging as a part of government.

Finally, we have something called the New Jersey New Independence States Business Assistance Center, which involves Russia and the Ukraine, with offices already established in Moscow and in Newark, in collaboration with the New Jersey Business and Industry Association. It seems to me that that is again an area in which we might expand our efforts.

Mr. Chairman, my remarks today will be formalized in the form of a report. I did want to point out to the Committee that I will be leaving an economic development report which focuses on the role of higher education in economic development, something coauthored by Stan Bergen at UMDNJ, myself, and Fran Lawrence at Rutgers. I have that report available to you.

In addition, at the behest of Bob Littell -- as you know -- NJIT prepared a report on the "Economic Impact of

Environmental Regulation." That will be released at a time of his choosing, I believe shortly. It is 90 or 100 pages containing recommendations on what we can do in the area of environmental regulation and the DEPE, to make the State more business friendly, while preserving the environment.

So the reform, if you will, of regulation, the use of existing assets welded into a comprehensive economic development plan, it seems to me, could be put into shape in developing a competitive economic development strategy for New Jersey, to meet what I think is some very serious internal competition from places like North and South Carolina. I would point out that the State of Florida recently announced the creation of its 12th state university -- 12th state university. Not unlike the State of North Carolina, it seeks to locate a university very, very close to its centers of economic and industrial activity.

I thank you very much for the opportunity, Mr. Chairman. I will leave these reports, and you will have the others as soon as they are available. Thank you.

SENATOR KYRILLOS: Dr. Fenster, thank you for your excellent testimony and for all you and NJIT are doing to ensure that New Jersey keeps that 10 percent of research and development going on -- 10 percent of all, as you point out--

DR. FENSTER: It is a fantastic number, yes.

SENATOR KYRILLOS: --research and development for America here in New Jersey which, I must confess, is a figure I did not know. We thank you for this summary of your thoughts, along with Dr. Lawrence and Dr. Bergen. We are all looking forward to hearing about the NJIT study of the effects of the State's environmental laws, statutes, rules, and regulations with respect to the economy.

I know that Senator Littell-- You will be unveiling that soon. I understand there was a question from Senator

Littell last year at a budget hearing that prompted NJIT to conduct the study.

DR. FENSTER: Correct.

SENATOR KYRILLOS: As you know, this Committee will have a hearing on regulatory reform. It is my hope that the NJIT study will serve as the centerpiece for discussion at that hearing. I understand there are about 47-some-odd recommendations, and a lot of food for thought on one aspect of our ongoing efforts to improve New Jersey's economy. So we are really looking forward to pouring into that, having the staff dissect it, and see what we can do in the short term quickly, as well as some ongoing long-term efforts as well.

DR. FENSTER: Thank you, Mr. Chairman.

SENATOR KYRILLOS: Senators MacInnes and McGreevey?

SENATOR MacINNES: A very helpful statement, chock-full of information. Thank you.

SENATOR KYRILLOS: Senator McGreevey?

SENATOR MCGREEVEY: Dr. Fenster, I have 14 applications I would like to give you from my district.

I used to work at Merck and Company, and I have an appreciation for the importance of R&D. I just have two basic questions: Incubators-- How come we are not doing better? Conceptually, why isn't there an incubator located at every university campus throughout the State of New Jersey? What should we be doing to encourage, not only creating a nexus between venture capital and the entrepreneur, but also bringing the assets of the university community to bear?

DR. FENSTER: Well, one of the reasons incubators like to locate in places proximate to Rutgers or Stevens or NJIT, or similar institutions, is because included among the services we offer them are the assets of the institution.

SENATOR MCGREEVEY: Sure.

DR. FENSTER: So they have available to them the computing assets, the software. They can hire graduate

students and undergraduate students. They can avail themselves of technology, not necessarily free, on a fee basis, but it is right there for them. That does not mean that incubators cannot exist at other kinds of institutions.

SENATOR MCGREEVEY: Doctor, excuse me. I understand the attributes of the university. The question is: Why doesn't every university campus have an incubator?

DR. FENSTER: Well, the incubators we have are primarily technology based. The same thing would be true at Stevens and at Rutgers. I believe that many of the incubators-- There are, of course, companies being incubated that are not technology companies, but the ones on our campuses are primarily science based in technology incubators, and they want to locate where the faculty and the programs are.

Also, there is an investment that needs to be made, and I think that some institutions do not have the economic wherewithal to make the investment, not that we are fat cats, by any stretch of the imagination.

SENATOR KYRILLOS: This isn't a specific item in the Higher Education Department budget then for NJIT. This is something you are doing on your own.

DR. FENSTER: Oh, no, no, no, no, no. This is not funded by the Department of Higher Education. It was funded by NJIT. In our particular instance, it was an old building that was owned by Prudential for University High School at one time. We then got some grants; we got some Prudential grants and other grants to fix it up. I think that many institutions do not have the economic wherewithal to start one.

Then the other thing is, to attract tenants requires an up-front marketing investment by a university to make it known to potential tenants that these services are available. But there is room for more incubators in the State of New Jersey with a little seed funding. But it does not come out of the Department of Higher Education.

SENATOR MCGREEVEY: I would just like to see New Jersey do better. I know with our local Economic Development Corporation in Woodbridge, we attempt-- Obviously, we do not have, for nontechnologically driven companies-- I have also grappled with: Why doesn't every campus at Rutgers, NJIT, or Stevens-- I mean, why aren't we providing-- Clearly, the venture capital is available through the EDA. We need to be -- as you said -- developing, or forging a closer link between the business and academic communities.

DR. FENSTER: Let me be very specific. Having filled our incubator -- the incubator of which I spoke -- we lent ourselves money. That is to say, we borrowed from ourselves to buy a building across the street. We did get funding -- loan funding -- from the Economic Recovery Fund, and we are in the process of converting that incubator -- that building into another incubator, which we hope will double our capacity.

So it is funding. It is not easy to get the funding, but we are expanding. I believe the other campuses are expanding as well. This is absolutely a win/win for New Jersey.

SENATOR MCGREEVEY: Yes.

DR. FENSTER: No question about it.

SENATOR KYRILLOS: Sir, I do not want to interrupt, but--

SENATOR MCGREEVEY: One last question?

SENATOR KYRILLOS: Very quickly, if you could.

SENATOR MCGREEVEY: The last question is--

SENATOR KYRILLOS: We have about 10 more people to speak, and about 30 minutes in which to do it. Thank you, Senator.

SENATOR MCGREEVEY: Sorry, Joe.

The last question is: Technology transfer-- That was important, not only to environmental efforts, but in trying to promote technology transfer. I realize the NJCAT-- Maybe this isn't the time or place, but two questions just in terms of

what the State can do to assist in technology transfer on pollution prevention efforts? A totally different flip question is: Is there any way the State can assist the university community in forging a business relationship? Would the business community provide the technological information and do the homework to put new products on the market?

DR. FENSTER: Very quickly, in the environmental area, we do have a center which is called New Jersey TAP -- Technology Assistance, Technical Assistance Program -- I forget. It is out of our environmental program. What it does specifically is help businesses deal with the environmental regulations. Again, it is a very highly leveraged program. So New Jersey can do something there, and is doing something there to assist our environmental center in helping small businesses deal with the environmental issues. We do this also in Paterson with the textile industry. The textile and dyeing industry has a horrendous environmental problem. We have something called PATEX, the Paterson Technology Extension Program, which helps small businesses wrestle with environmental regulations. That is partially federally funded.

In terms of tech transfer in the other areas, what we have done is organize something called Network New Jersey, which divides the State up, not geographically, but in accordance with what we call "sectorial areas" -- plastics, metal turning, electronics, and so on -- to get combinations of companies together that have common generic problems. We interface those industries with our scientists and engineers so that we can do it wholesale -- so we can do some wholesale tech transfer. With 18,000 manufacturers, it is very hard to do it retail.

SENATOR MCGREEVEY: Thank you.

SENATOR KYRILLOS: Dr. Fenster, thank you very much. We will have more time to talk, perhaps, at the hearing on regulatory reform.

Dr. Fenster? (Dr. Fenster leaving the witness table)

DR. FENSTER: Yes?

SENATOR KYRILLOS: Perhaps for the members of the Committee a two-page summary -- a briefing paper on the incubator program might be done by a member of your staff.

DR. FENSTER: You will have it this week, Mr. Chairman. Thank you.

SENATOR KYRILLOS: Very good. Thank you very much.

Robert Yaro, Executive Director/Chief Planning Officer, Regional Plan Association.

I do apologize to those of you who have traveled to be here. I am going to have to ask you to limit your remarks to just three minutes or so. Unfortunately, we have to stop about a quarter of, ten of, and we have a number of people left to testify. It was our intention to just have three to five people speak today, but the list unfortunately expanded -- fortunately and unfortunately expanded.

Please go ahead, Mr. Yaro.

R O B E R T D. Y A R O: I appreciate the opportunity to be here today. Actually, Alan Fitzgerald, from DRI -- they are our partners in our regional economic development strategy for the tristate metropolitan area, essentially New York, North Jersey, southeastern New York, and Connecticut -- cannot be here today. Maybe I can take a few extra minutes to describe their work.

I have actually, over the past couple of weeks, been to comparable hearings and meetings at the capitol in Hartford, in the mid-Hudson Valley, on Long Island, and in New York City. All of the major areas in the metropolitan region around New York City and North Jersey are developing economic development strategies. The Regional Plan Association, which is the oldest metropolitan independent planning organization in the country, is trying to be helpful and participate in a positive way in all of these initiatives.

A little bit of background. RPA: Our plans, going back to the 1920s-- We laid out the highway, bridge, and tunnel systems for the North Jersey/New York City/Long Island metropolitan region, the parkway systems, and so forth. In the '60s and '70s, our work in transportation and in economic development promoted the concept of creating New Jersey Transit and the building of satellite employment centers in places like New Brunswick, Newark, and other places in the region.

Our work has always included economic forecasting going back 70 years. We clearly face a very different kind of challenge today in looking at the future of the metropolitan region's economy. Today, we cannot just sit back and expect enterprising people and businesses to come to our part of the world. We have to go out of our way to entice them in, accommodate them, and so forth.

So our new plan -- our third regional plan -- includes an economic development strategy that is being developed in a joint venture with DRI/McGraw Hill -- the staff at DRI -- that has developed similar strategies in about a dozen places in the U.S. and in about a dozen Asian and European centers. The Competitive Region initiative, as it is called-- The goal is basically to work with groups in all three states in the region to develop, in effect, a regional business plan. On top of a State business plan, we're looking at a regional business plan for the region, essentially creating a collaborative venture between business leaders and government leaders in all three states.

I brought along a prospectus on the whole initiative and some of the initial research findings. Let me just summarize what I think, based on the experience of the other states that have done these things. Dr. Fenster talked about North Carolina, and there have been references to other states. Basically, what these strategies have to have are-- They have to be forward looking with very long-term strategies,

resource based -- I'm sorry, research based. North Carolina set out, I think 35 or 40 years ago, to create its integrated system of limited access highways and university systems that essentially put a highway and a university within about 10 miles of every spot in the state; a little further for universities, but access to the limited access highway system. You have to take a very long-term perspective, particularly when you are looking at infrastructure investments of that type.

The strategies have to involve collaborative efforts between business and government. Government can't step too far out front. The process, I think, needs to be demand-driven, in which industries identify their own impediments to growth in each industry and their strategies. Ideally, a strategy for the State of New Jersey and for the larger region-- Industries would participate in developing the strategy and take action themselves, where necessary, only turning to government where clearly there is a government role in terms of the kinds of regulatory reforms or tax reforms that have been discussed here today.

Strategies need to focus on economic foundations, and again, no quick fixes here, but a longer term strategy. So some of it-- Again, tax regulatory environments, physical infrastructure, transportation, and environmental infrastructure. The region's transportation systems, you know, I would describe as being ossified; that we stopped making new capital investments in things like highways and bridges about 25 years ago. About the time that our share of the national economy started to peak out and decline, the export side of our economy started to decline, things like the seaport that has been mentioned today. But I would add to the list the airports, the regional rail systems. We don't have the kinds of freight and passenger transportation systems that would link networks of suppliers in North Jersey, for example, with their counterparts in New York City, Connecticut, or Long Island,

that we need if we are going to build the economies of scale, as opposed to the diseconomies of scale, of being in the largest metropolitan region in the country.

Workforce development: Some of the things that Dr. Fenster referred to today at the university level, but obviously it extends beyond that. We need to be more creative than we have been in the past -- technology transfer and so forth.

Finally, I think strategy needs to look at the metropolitan areas of the State, New Jersey, obviously, one in North Jersey related to the New York/Connecticut/Long Island metropolitan region, and one in South Jersey related to Greater Philadelphia. These are the productive units in the national economy and the State economy now. The regional strategies have to reach across state borders.

We have been communicating with the economic development strategy group. We hope to be working very closely with them; we hope also again providing the research capabilities of both RPA and DRI in this process we are initiating. Essentially 10 industry cluster groups working with executives and leaders -- 25 or 30 companies in each one of these 10 groups that represent the export side of the region's economy. They are described in the profile I have here today for you in a very preliminary way.

I want to say one last thing, and that is: I don't think we need to be betting on individual industries so much as we need to be betting, on sort of a broader base, the notion that the economy, the size, and the complexity of our-- We should not be focusing only on one industry or one group of industries. We need to look at our economy as an investment portfolio.

There are three large areas that drive the region's economy: advance services, advance manufacturing, and conventional manufacturing. Some of them are doing pretty

well. With advance services we are really gaining market share. We currently have about 40 percent of national service exports in the tristate region of North Jersey and the adjacent areas of New York and Connecticut. With manufacturing we are not doing as well. We are losing market share. We are not making the kind of links that were discussed in Dr. Fenster's testimony between the technology base we have and the industrial output. In many cases, the technology that is developed here is exported to other places. We need to do better at that.

Then finally, conventional manufacturing. If we are going to succeed in bringing our urban economies back into the mainstream of the region's economy, we are going to have to have a conventional manufacturing economy. We can learn from the experiences of states like Michigan, for example, which have adapted their process materials industries to new markets, to new technologies, to new environmental constraints, and so forth. We have not done those things. We need to do them here.

Again, RPA is eager to work with the Committee and with the Governor's new Commission in any way we can be helpful to you, and again, in providing some diplomatic relations across state lines so that we can get away from, depart from the border wars that New York, New Jersey, and Connecticut have had, which in the long run have not been helpful to the region's economy.

Thank you.

SENATOR KYRILLOS: Thank you very much, Mr. Yaro.

I must confess that I am not as familiar with the Regional Plan Association as I ought to be. Perhaps other members feel the same way, so if you could forward to us an annual report of sorts, let us know who is on your Board, and tell us about your ongoing efforts-- Food for thought this morning. I have always been under the impression that our transportation infrastructure and network in New Jersey was

pretty good. Perhaps from what you are telling me, it is not up to what it ought to be vis-a-vis the rest of the region, or the country. We will have more of a chance to talk about that.

MR. YARO: Good. I will be happy to do that.

SENATOR KYRILLOS: Thank you.

MR. YARO: Thank you.

SENATOR KYRILLOS: Mr. Yaro, you have informed us that Alan Fitzgerald is not here, so we will go next to the representatives of Bell Atlantic.

J O S E P H M I L A N O W Y C Z: Mr. Chairman, I am delighted to be here. My role is simply to introduce Mr. John White, our Manager of External Affairs. While he is preparing to summarize his testimony, I have some prepared copies, and I will hand them to you.

SENATOR KYRILLOS: Very good. We will make that part of the official record this morning.

Mr. White, thank you for being with us. I apologize in advance for asking you to be very brief.

J O H N J. W H I T E: Thank you, Mr. Chairman. As alluded to, you are receiving copies of my testimony. I will just highlight one or two points in that program. I very much want to talk about the need for a central Economic Development Plan. Many people have been working through the years in individual plans with the State, and independently, trying to, in fact, come up with the particular answer. I think that one unified program probably is the largest step we have taken in that direction.

I do want to point out that Bell Atlantic-New Jersey currently serves 97 percent of New Jersey's local exchange customers. From our vantage point, we feel it critical that any loss of jobs is very serious, particularly, too, if it also means loss of population, people moving out of the State.

Senator McGreevey spoke about a program of New Jersey Bell's called the Business Retention and Expansion Program.

That program still exists, even though our name has changed now to Bell Atlantic-New Jersey, but the same commitment is still there. The program is a very simple one. It is a grassroots program. It deals with going out and interviewing businesspeople within a particular municipality to talk about what, in fact, is working and not working in that municipality itself. While it is so simple, it has created a great deal of enthusiasm within the State and in individual municipalities.

We have found that New Jersey must compete with other states to retain these businesses. It is critical. You heard today about the Carolinas and Florida, Alabama, too. These people have field representatives here in the State of New Jersey to just take business away from us, and that does not lend itself just to the national scene, it is also international.

But there is one thing we can do to retain businesses. The State has numerous assets to be capitalized upon and marketed, not the least of which is telecommunications. In an article called "Into the Telecosm," George Gilder identified image-processing computers, or "telecomputers," that will not only receive, but will also store, manipulate, create, and transmit digital video programming. He said this was a thing of the future. When networked via fiber technology -- which explodes the communications spectrum -- the bandwidth requirements of these workstations can be satisfied.

Bell Atlantic-New Jersey, through its Opportunity New Jersey initiative, has committed to the accelerated ubiquitous deployment of a fiber-based broadband network throughout its service territory. New Jersey's telecommunications network will facilitate the realization of the visions of Gilder and others. Deployment of this network provides the capabilities. Its utilization, by small and large businesses alike, will provide an important key to economic prosperity in New Jersey.

Small businesses rely very heavily upon telecommunications' directories for advertising their products and services. All businesses rely upon telecommunications as well. Repeal of the taxes levied on these services would help to improve this State's business climate by reducing the cost of doing business here.

There are five key indicators why most people move to the State of New Jersey and relocate their businesses. You have heard people allude to those things today. One of the reasons they move is universities for a source of new ideas, creative people, and technology, and that which trains an existing labor force. Other reasons are: a highway system that is accessible; airports located nearby; advanced telecommunications; and finally, a nice place to live.

I would like to point out that Bell Atlantic believes that all the necessary ingredients exist for New Jersey to become this nation's economic powerhouse. Telecommunications, energy, education, banking/financing, as well as a host of public and private sector initiatives are all parts of a broad economic development strategy mosaic for which a common public/private focus or plan must be developed. If we all work together, we can make New Jersey work for the benefit of all

I want to thank you for this opportunity to testify.

SENATOR KYRILLOS: Mr. White, thank you very much. Thank you for your report from "Entrepreneurial Hot Spots: The Best Places in America to Start and Grow a Company." That is an article, a book?

UNIDENTIFIED SPEAKER FROM AUDIENCE: It's a book. I have a copy if you would like to--

SENATOR KYRILLOS: I would like to have one, if you could tell me where I could get it for the members of the Committee. Mr. White, you note it in your testimony, but you didn't mention orally that that book ranks New Jersey number 22 among the states in the country, in terms of a culture that

fosters an economic climate and a place to relocate a business. Obviously, we would like to improve. We would like to be number one in due course.

Thank you very much for all Bell Atlantic is doing, and for your testimony. I am very proud of the fact that together we are working to ensure that New Jersey will be, maybe, one of the first places in America -- perhaps the first State in America to be completely fiber-optic wired in every nook and cranny from north to south.

MR. WHITE: It will be the first in the nation to be wired for a technology that is acceptable to anyone who is not limited by their own imagination.

SENATOR KYRILLOS: Very good. Thank you, Mr. White.

MR. WHITE: You're welcome.

SENATOR KYRILLOS: Next, Dennis Donovan, Senior Managing Partner, Wadley-Donovan Group. Sorry to keep you waiting, Mr. Donovan. I'm sorry, also, that we have lost some members.

D E N N I S J. D O N O V A N: Mr. Chairman, that's fine. I have some handouts of my remarks. I am only going to highlight them -- obviously in the interest of time -- over the next three minutes.

You heard this morning that there is definitely a need for a proactive economic development strategy. My definition of a strategy would be to take actions that create jobs with the highest spin-off potential, and they happen to be in: manufacturing, distribution, research and development, and corporate offices. To me, that is really the definition of economic development.

There are three major aspects of economic development. The first one is ensuring and fostering a competitive business climate. This is what I call the "legislative and administrative aspect" of economic development. I have been in the corporate location business

for 18 years, and have evaluated New Jersey on numerous occasions as a place to do business. My rating of formal business product, or business climate improvement, or product improvement, if you will-- My rating of New Jersey over the years I would say would be marginal, irrespective of administrations.

The second component to economic development is to create and effectively implement programs designed to retain existing jobs; expand the existing job base; create new jobs via start-ups; and also create new jobs via attracting businesses from out-of-state.

Despite the existence of a few good programs, like the one you have heard this morning on financing, again, over the years I would rate New Jersey fair. This is what I call the "programmatic dimension" to economic development.

The third dimension to economic development is to provide responsive, expeditious, high-quality information and services to firms seeking to expand within, or move to, New Jersey. This is the customer service aspect of economic development, and my rating of New Jersey over the years is poor. It has not improved whatsoever. This is a major deficiency in the State's economic development activities.

I might add that the Commission is now being charged with coming up with an overall economic development strategy, but there is no need to wait until October to improve the third element of this strategy, which is customer service. That could begin to be improved immediately.

Now, we face some real stiff competition for new businesses. We not only have to retain and expand our existing base, but we have to fend off raids, as you heard this morning, from other states in the region, other states outside the region, and foreign countries. I might add that our chief competitor states are doing a far better job in economic development than the State of New Jersey. I believe our growth

over the years has occurred through the good fortune of some fine locational assets, including geographic orientation into global markets. But certainly our growth has not been the result of proactive economic development.

We are in a new ball game right now with globalization, with much more competition, and with less location activity than we have had in the past. Our peak year was 1988 in this country in terms of location activity. We were down 40 percent in 1992. We are expanding about 5 percent a year over the next several years. So we have historically less activity and more competition.

Let me just cite some examples of states that have done a superior job that we compete against directly for new investment: Connecticut made a 180 degree turnaround in the Governor Weicker administration. It has been a very top priority in Connecticut. They have recruited highly qualified people. The state has rationalized the tax situation. It has reduced regulatory burdens. It has improved the permitting process, which is a real bugaboo here in New Jersey, a very difficult time, expensive and time-consuming, getting permits and licenses in the State of New Jersey.

They have instituted an impressive incentive program which applies not only to companies that are thinking about moving or expanding, but also retaining. In other words, not adding new jobs, but have made a commitment to stay in the state. These incentive programs are available throughout the state, not just in depressed areas. Of course, there are greater incentives in depressed areas, but they are available throughout the state. Dun & Bradstreet got several million dollars locating its corporate headquarters from New York and New Jersey into Fairfield County, certainly not a depressed area.

They have created an effective industry contract program within the state, a call program for existing

industries, and it is very extensive. It includes most companies with over 50 people. They have launched a very targeted marketing effort in the United States and have greatly expanded their overseas marketing effort as well.

Let's take a look at Pennsylvania, another area that we compete against directly. Pennsylvania has developed model programs for industry retention -- the Ben Franklin Program, which is a very extensive program of high-technology assistance. They have established manufacturing extension centers throughout the state to provide technical knowledge and assistance to manufacturers located in all four corners of Pennsylvania. Again, Pennsylvania has instituted, and has a long history of very impressive incentive programs, and they are available to companies, not only to move, but to expand, and also to retain. That is important, because heretofore when companies were from Connecticut, New York, or Pennsylvania, maybe they were considering establishing new capacity or moving to New Jersey. They now have incentives to stay interstate. They also have incentives to draw companies from New Jersey.

Pennsylvania has been a leader in workforce preparedness, including apprenticeship programs. They have a very targeted marketing effort -- four industries they have targeted. They have a strong international marketing program with numerous overseas offices. They have added staff and have greatly improved customer service, as New Jersey has not done in the past few years.

States like Virginia and North Carolina also remain competitive, and they have been the recipients of companies moving out of the Northeast. They have, as part of their program, marketing efforts aimed at attracting businesses from the Northeast, including New Jersey, to those states. I think the key to the success of those states is that irrespective of administration they have maintained business climate

competitiveness as a top priority. It is uniform. These states are known for fiscal stability and they have extensive programs in industry retention.

For example, the State of North Carolina is growing dramatically, recruiting in businesses, yet they pay a lot of attention to existing businesses. The Department of Commerce there has nine regional offices that are well-staffed, designed to go out and call on existing businesses. Virginia has an excellent technology transfer program, and also regional offices. These states have very focused target marketing programs, where they focus on industries, geographic areas, which include New Jersey, and international. Most of them have anywhere from four to eight offices overseas, not only designed to promote exports, but to get companies to locate in their states. They go on frequent trade investment missions. These are very aggressive programs. What you will find in Virginia and the Carolinas is very strong business participation in marketing, and very strong local efforts as well, something we have not had here in New Jersey either.

SENATOR KYRILLOS: Mr. Donovan, unfortunately, I am going to have to ask you to summarize.

MR. DONOVAN: Okay. Basically, we face a very stiff competitive environment. Now is the time. We will have a significant lost opportunity for jobs if we do not institute a program similar to the ones I have mentioned here.

SENATOR KYRILLOS: I hear you. I think you have painted the picture very clearly in blunt terms. I think it occurs to all of us that we could probably do a hearing exclusively with you alone to hear about how we ought to do better. This is your business -- corporate location. I think I would like to sit down with you privately, at your convenience, and at one of the upcoming hearings perhaps we can have you back to talk to the members of the Committee.

MR. DONOVAN: I would be pleased to, Mr. Chairman.
Thank you.

SENATOR KYRILLOS: I thank you for the very good
summary of your remarks. I do apologize--

MR. DONOVAN: It is understood.

SENATOR KYRILLOS: --but I would like to get
together. I will be in touch.

MR. DONOVAN: I would be happy to. Thank you.

SENATOR KYRILLOS: Thank you, sir.

We have just a few short minutes left, and we have
about five people. I invite anybody who would like to defer
their remarks until the next hearing to do so, but I do not
want to exclude anyone who would like to speak today. Again, I
apologize.

We have from the New Jersey Council of County
Colleges, SaraLee Pindar.

S A R A L E E P I N D A R: (speaking from audience) I would
like to offer the willingness and ability of the community
colleges to cooperate by yielding my time to Mr. Bracken. Is
he here? Tom Bracken? No, he must have given up.

SENATOR KYRILLOS: I don't think he is here.

MS. PINDAR: I will, indeed, yield.

SENATOR KYRILLOS: Thank you very much. We will
remember your cooperation and make sure you get a good spot on
the list, front and center, next time.

MS. PINDAR: I will send in my testimony.

SENATOR KYRILLOS: Please, if you have some remarks
prepared, or if you will have it soon, please submit them and
we will make them part of the official transcript.

MS. PINDAR: Thank you.

SENATOR KYRILLOS: Tom Bracken, President of
CoreStates, is not here, but Tim Losch perhaps is.

T I M O T H Y L O S C H: (speaking from audience) Mr.
Chairman, I would just as soon defer to Mr. Bracken until the
next hearing.

SENATOR KYRILLOS: Very good. Thank you very much, Tim. I am sorry we have run so short of time.

Gloria Soto, Vice President for Compliance, Claridge Casino Hotel. I do not see Gloria here. She is also President of the Travel and Tourism Industry Association.

I do see Hal Bozarth, from the Chemical Industry Association of New Jersey here.

H A L B O Z A R T H: (speaking from audience) Mr. Chairman, I would also like to defer my comments until the next Committee meeting.

I will leave you with only one thought. The folks of the chemical process industry whom I represent, last year here in New Jersey lost 6000 jobs. There is a crying need for regulatory reform. I have learned a lot from everyone here today about business development. Before we go out on the track and develop that business, we need to be-- (remainder of Mr. Bozarth's comment indiscernible to transcriber; no microphone)

SENATOR KYRILLOS: Very good, Hal. As you know, we will be having a hearing devoted exclusively to the area of regulatory reform. We will look forward to your participation and your comments then.

Finally, Bob Furlong, my friend from Monmouth County.
R O B E R T F U R L O N G: I've got everybody else's time.

SENATOR KYRILLOS: Bob, I am going to say that you have to do it in a couple of minutes.

MR. FURLONG: I will be very quick.

SENATOR KYRILLOS: I apologize. You have been a longtime advocate for the shore region--

MR. FURLONG: And small business.

SENATOR KYRILLOS: --and for small business, and President of Long Branch Tomorrow, in Monmouth County.

MR. FURLONG: Joseph, I usually like to speak headlines, which I am going to do right now.

First of all, they speak about tourism as the second biggest industry, and half of that tourism business, I will guess, goes to Atlantic City. The Federal government is going to spend \$1.5 billion in the next five or ten years to rebuild the beaches. New Jersey is doing nothing to rebuild the shore that services the beaches. There is no place to stay or play between New York and practically Atlantic City, so people come down for one-day trips and what have you.

I believe it is extremely important, and the best way to create jobs and more taxes. The shore is ready. A lot of the things you are talking about are down the road. Now, what we are doing in Long Branch is a case history: The biggest town along the shore, 28,000 year-round residents, we are going to redevelop the entire oceanfront and go west to the town. We are going to be successful, because you fellows are going to help us. Then you are going to go to Asbury Park and you are going to finish up with Atlantic City. You're going to do Seaside, and it will become the jewel of the entire coast.

There are 127 miles of coastline in New Jersey, with tourism as the second biggest industry. Everybody has talked about big business, but someone mentioned earlier about the fact that 90 percent of the businesses in New Jersey have less than 100 employees; that 76 percent of all tax money-- Some kind of figures went around like that.

Let's talk about job retention and job creation in places where it can happen very, very quickly. We don't lay off 5000 people at a time. Maybe a small business lays off 10. When you go into big operations you have a big impact when they do something differently. I am totally against centralized industrial planning, because it hasn't worked in all the countries in the world. I am very much in favor of economic planning, which I believe is the direction we are going.

Those are the only headlines I have to give you today.

Thank you.

SENATOR KYRILLOS: Bob, thank you very much for your continued advice and counsel to me, and many of us in the Legislature, on these important subjects. You know I look forward to working with you on the City of Long Branch, vis-a-vis your group in Long Branch tomorrow.

I thank everyone for being here today. We will have three more hearings in the short term on trade, regulatory reform, and the Economic Master Plan Commission. The Committee will apprise everyone of their dates as we develop plans.

Thank you very much. The hearing is adjourned.

(HEARING CONCLUDED)

APPENDIX

New Jersey State Library



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CHRISTINE TODD WHITMAN
GOVERNOR

LONNA R. HOOKS
SECRETARY OF STATE

TESTIMONY FOR THE NEW JERSEY SENATE NATURAL RESOURCES TRADE AND
ECONOMIC DEVELOPMENT COMMITTEE
MONDAY MARCH 14, 1994
SECRETARY OF STATE
LONNA R. HOOKS

Good day Mr. Chairman and distinguished Committee members. I thank you for the opportunity to testify on what I believe to be one of the most important issues New Jersey will face -- keeping business healthy in our State.

Governor Whitman is creating the Office of Business Ombudsman and placing it in the Department of State. This is an exciting challenge for me personally and a great opportunity for the citizens of New Jersey.

New Jersey must be "open for business." We must strive to make our state business friendly. One way we can do that is by thoroughly examining our state's regulatory practices and the way we attract, retain and expand Garden State business.

Let me give you two recent example of the unfriendly ways we now intend to change. There is the still un-resolved case of a small chemical process company told by the DEPE it had to perform stress tests on its five tanks. The company, for the testing machine to work properly, had to strip small patches of paint from the tanks. DEPE inspectors visited the site soon after the tests. The inspector fined the company because of the missing paint. The owner explained that the small areas of paint were removed in order to perform the DEPE mandated testing. It was to no avail and the company was ordered to pay an \$800.00 fine per tank. The grand total -- \$4000.00.

We cannot let what happened in Virginia occur in New Jersey. One of our State's pharmaceutical companies, Hoffmann-LaRoche approached the former Governor of Virginia about expanding into that state thus creating 1500 new jobs. It is important to note that Hoffmann-LaRoche was not asking for any special considerations. Their only goal was the timely completion of their expansion.

The Virginia governor's office when asked took no interest. This project was stalled. A better offer was made from the Governor of South Carolina. As legend now has it the Governor personally met with the executives, walked them through South Carolina's regulatory process, and ground was broken within six weeks of their initial meeting. This South Carolina example is what we intend to have occur here in New Jersey during our administration.

Governor Whitman has recognized the need for a single office to assist businesses in dealing with state regulations and other matters.

The mandate for the Ombudsman is bringing businesses to the State as well as retaining the ones already here. Joining the Secretary of State's office later this month will be William Healey, formerly of the New Jersey State Chamber of Commerce. He will be assisting me in business and economic matters.

We will be happy to testify in more detail in the future. Mr. Chairman and Committee members, thank you for your timely interest in the policies to encourage economic growth in our State.

SENATE NATURAL RESOURCE, TRADE, & ECONOMIC DEVELOPMENT
SENATOR JOSEPH KRYRILLOS
MARCH 14, 1994 - 10AM
STATE HOUSE - ROOM 319
TRENTON, NEW JERSEY

by: Ty J. Williams

ECONOMIC DEVELOPMENT

State-wide Economic Development Plan: Long range strategic economic development plan with an inter-departmental approach built on the philosophical foundation that each department is guided by whether or not their operation's results enure to the benefit of economic development. Such an approach would achieve:

- A centralized focus of decentralized departmental policies to ensure they operate to the benefit of economic development;
- Resolving conflicting public policies which discourage growth and impair the economic base of the state;
- Boost business and industry competitiveness through a pro-growth tax climate;
- Improve the regulatory climate for **balanced** business and industry growth;
- Strengthen the readiness and skills level of the state's work force (existing and potential);
- Promote cooperation among levels of government and between government and the private sector.

Such a plan must include, but not be limited to, strategic plans with an economic development perspective in the following:

- **EDUCATION:** On both a secondary and primary level must be included in such a way as to become a "feeder" of not only technological innovation and development, but, provide a work force that can operate in such an environment.
- **HOUSING:** Low and Moderate housing programs should be reviewed to ensure that they meet the needs of today's work force. Rationalization of the programs would

include a review of duplication, incompatibility, and coordination.

- **URBAN DEVEL:** It is generally recognized that the State cannot effectively grow without the strengthening of our cities. Specific responsibility should be given at a high level of accountability to coordinate the state's activities to promote the redevelopment of our urban areas.
- **MANUFACT.:** "The World Takes what NJ Makes" must once again be a fundamental truth in a Comprehensive Economic Development Strategy. This would be based on a more balanced and methodical effort between economic development and environmental protection.

- **Enhance the Department of Commerce and Economic Development:** Relative to other departments in and out of the state, NJ's is one of the smallest. For example, relative to the size of DEPE, the NJDC&ED is small.
- **DEPE Funded by State Appropriation:** The DEPE's income from fees and penalties should go to the State's General Fund, thereby, making the department more accountable to the Legislature and enhancing the likelihood of a more balanced approach to resolving the state need for economic development and environmental protection of the State's resources.

PRODUCTIVITY GAINS

Significant Changes to the Civil Service Employment Rules: To set an example of how the State can run efficiently and achieve productivity gains, a fundamental change in the Civil Service employment rules is required. The benefits of increased productivity and a decrease in overall staff would result in lower expenses and increased efficiency.

GMIP Governor's Mgmt Improvement Program - 1981 Gov. Kean. Program to cut costs in government, personnel costs. Bumping rules: higher level employees bumps lower level employees regardless of experience or appropriateness of position. Learning curve promotes increased costs and decrease in productivity/efficiency. Established to combat patronage.

Higher Education
An Economic Engine For
The People Of New Jersey

A Paper Prepared By

Stanley S. Bergen, Jr.
President
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December 14, 1993

Over the years, New Jersey has devoted considerable attention, energy and money to economic development programs and initiatives that have addressed an array of critical issues. One of the more important events was the creation of the Commission on Science and Technology by Governor Kean with bi-partisan support. Subsequent bi-partisan efforts include the Workforce Development Partnership Program, the New Jersey Corporation for Advanced Technology (NJCAT) and the Business Higher-Education Forum. There has been a strengthening of the Economic Development Authority (EDA) as an active partner with business, government and academe.

Despite the innovative nature of many of these efforts, the approach has been largely piecemeal. The State has not yet developed a comprehensive economic plan, although a number of existing programs and some new initiatives could be integrated into a strong progressive approach that would position New Jersey as an increasingly important economic force in the global economy. This paper focuses on the creation of jobs, businesses, patents and products in those parts of the economy that are amenable to growth. These initiatives can be implemented quickly.

Unfortunately, New Jersey is not producing new jobs in the larger corporate sector. Our focus, therefore, must be on small business development, including both the retail and manufacturing components. This approach has enormous potential for job and industry creation and meets head-on the issue of competition at the inter-regional, national and global levels.

This paper strongly recommends the development of a comprehensive economic development plan for the State, a plan which encourages a vigorous exchange

involving higher education, government, labor, and business including organizations such as the State Chamber of Commerce and the New Jersey Business and Industry Association.

A number of individuals from NJIT, Rutgers University, the University of Medicine and Dentistry and the Department of Higher Education have contributed to the paper. Dr. Edward D. Goldberg, Chancellor of Higher Education, commented on the paper and shared his concerns and vision. Special note should be made of the significant contribution of Senator Robert E. Littell in response to some of the critical problems facing New Jersey and in particular our urban centers. With confidence and enthusiasm, we offer Governor-Elect Whitman and the Legislature the support of higher education in addressing the challenges facing New Jersey. It is of critical importance to recognize the emphasis being given to higher education as an engine of economic development in those states to which so many New Jersey businesses are moving.

- 1. The significant success of the higher education community in an array of initiatives from research and development to technology transfer and workforce development demonstrates the important role that higher education can and must play in stimulating economic development throughout the State. Experience shows that higher education is an effective and efficient economic engine.**

Together, NJIT, Rutgers, and UMDNJ received \$268 million in awards from federal, state, corporate and foundation sponsors in FY 92. This success indicates that the investment the public and private sectors have made in higher education

facilities and faculty in the 1980s is bringing significant economic dividends to New Jersey. These funds support cutting edge research, new business development, graduate and undergraduate students, and outreach activities to the public and private sectors. Moreover, investments in higher education not only address "the future" by providing research and development initiatives that help define the State's economic future. Such investments also create jobs. In doing so, the quality of life and standard of living are protected, and the level of social services needed is reduced, thus reducing the tax burden.

2. The Advanced Technology Centers (ATCs), with leveraging from the New Jersey Commission on Science and Technology, are extremely active and effective partners with the private sector in creating jobs and strengthening New Jersey's economy, as well as contributing to the health of our citizens and the protection of our environment.

The ATCs based at Rutgers, NJIT, and UMDNJ now have more than 120 corporate sponsors. The corporations span the entire range of size and industry and derive significant benefits from their association with these research centers. Corporate scientists interact with university faculty on a regular basis, basic research is developed into commercial applications, patents are filed and issued, and students are trained in technically sophisticated laboratories and move seamlessly to corporate settings.

This close link of university based research and corporate participation promotes the continued economic development of the state in its areas of comparative advantage, i.e. high technology, high wage, high skilled industry. Analysis of the

performance of the ATCs indicates that for every \$1 invested by the State, there is a \$3 return in the form of research contracts awarded.

Examples of contributions by ATCs provide compelling evidence of the value of these initiatives. The Rutgers Center for Computer Aids to Industrial Productivity is working with ten new start-up high technology businesses and thirty corporate sponsors that include large and small industries. The Center for Advanced Biotechnology and Medicine, jointly administered by Rutgers and UMDNJ, is a major source of support and technology transfer for New Jersey's strategically important health and biotechnology sector. The Center for Agricultural Molecular Biology at Cook College not only conducts plant, animal and environmental research, but is conducting graduate, undergraduate and public school teacher training programs. The Center for Discrete Mathematics and Theoretical Computer Science, a consortium of Rutgers, Princeton, AT&T Bell Laboratories, and Bellcore, is a world leader in mathematical breakthroughs that have wide applications in telecommunications, transportation, engineering, computing, and cryptography.

The Environmental and Occupational Health Sciences Institute (EOHSI), jointly sponsored by Rutgers and UMDNJ, has recently successfully competed for renewal of its five-year \$7 million Center of Excellence designation from the National Institute of Environmental Health Science. The Rutgers Institute of Marine and Coastal Sciences conducts applied scientific research that bears directly on the health of the marine and coastal environment. The Hazardous Substance Management Research Center (HSMRC), led by NJIT, focuses on the treatment and remediation of hazardous material and the prevention of air, soil and water pollution. HSMRC, with its affiliates including Rutgers and UMDNJ, is the

largest university-based hazardous waste management research program in the United States. The Center for Advanced Food Technology (CAFT) at Cook College is the strongest single resource in the nation for technology and technology transfer in the food field. NJIT's Center for Manufacturing Systems provides critical support to the Network New Jersey Project described below and many other initiatives directed to assisting the New Jersey manufacturing economy.

A more complete inventory of higher education's impact on the economy is documented in a report of the Task Force on Economic Development Co-chaired by Saul K. Fenster, submitted to the Board of Higher Education in 1993.

To build synergistically upon existing State structures, the key roles of the New Jersey Department of Higher Education and the New Jersey Commission on Science and Technology, while continuing to be maintained in separate agencies, could be better coordinated to maximize the impact of each organization in economic development and to strengthen New Jersey's academic research and development capacity directed toward the State's vital interests.

- 3. The three public research universities graduate nearly 13,000 students annually in professional, graduate and undergraduate programs. These students are critically important elements of New Jersey's skilled labor force. They are the source of higher income and higher tax revenues, and are the foundation of economic success of new businesses. NJIT, Rutgers University and Stevens Institute of Technology have taken leadership roles in establishing incubators for high technology firms. These efforts carry**

the endorsement of the New Jersey Commission on Science and Technology. The State should support such incubators throughout the State, particularly near colleges and universities.

Research confirms repeatedly that small businesses are the prime generator of new jobs in the national as well as the state economy. Research also shows that new, high technology firms are more growth oriented and produce new jobs at a greater rate than low technology firms. However, too few high technology firms are being formed in New Jersey and the United States. Consequently, their contribution to job creation falls short of their potential. Efforts to promote and assist the formation of new technology firms would pay dividends to the State. Incubators are a particularly effective strategy for reducing the failure rate of start-up firms by providing broad based support services.

- 4. Senator Robert E. Littell, District 24 and Chair of the Budget and Appropriations Committee, has developed a creative agenda for revitalizing urban areas with a focus on New Jersey's six largest cities. The Littell Plan can be a key element within a comprehensive State economic development plan.**

The Littell Plan encourages investment in New Jersey's major urban areas (e.g. Newark, Jersey City, Paterson, Elizabeth, Camden, Atlantic City), calls for innovative financing for urban economic development projects, advances a plan for expedited environmental clean-up in urban areas, and proposes creative incentives to foster the employment of residents of urban areas in economic development projects.

An important aspect of the Littell Plan is accessibility of services, particularly to small business including retailers. Developments in information technologies present opportunities to provide electronic and voice communication systems which make feasible quick, effective and efficient services and technical assistance for businesses. These services would include 800 toll free telephones and electronic bulletin boards and mail. The Littell Plan could benefit in its implementation by incorporation of the training programs provided by various institutions of higher education, from the Workforce Development Partnership Program, and from technology transfer from the various ATCs and related organizations.

5. Projects which could complement a State economic development plan, focusing on the re-vitalization of urban centers, include the Network New Jersey manufacturing modernization program, the Workforce Development Partnership training and development programs, the possible extension of the concept for a New Jersey Corporation for Advanced Technology (NJCAT), and replication of the concept and process of the Council for Higher Education in Newark (CHEN) which is the driving force behind the University Heights Science Park project.

CHEN, established in 1982 to encourage and facilitate collaboration among the four public institutions of higher education in Newark, was recently described by Mayor Sharpe James as "the city's greatest collective strength." CHEN is a preeminent model for other urban centers throughout the State.

6. **The University Heights Science Park project is a unique adaptation of a concept which has proven effective as an economic and community development strategy in a number of states, most notably in Philadelphia's University City Science Center.**

A science park is defined as an organizational and real estate structure which converts the knowledge and technology at universities and underutilized land into new businesses. Science parks offer research, development and office space, small business incubators, and other service centers where researchers and entrepreneurs can share experience; growing new businesses can be nurtured; and ultimately mature firms can locate and obtain competitive advantage.

University Heights Science Park, Inc. (UHSP), is a non-profit corporation formed to develop a 54 acre parcel adjacent to the Central Business District and the higher education institutions in Newark. UHSP will increase research and development opportunities, create over 3,000 permanent jobs and 7,600 construction jobs, and generate \$4 million in new property taxes for the City. UHSP contemplates including a regional science and mathematics based high school, housing development, a day care center, and recreational and retail space (elements rarely found in traditional science parks).

This unprecedented partnership offers a comprehensive approach that addresses the critical needs of the State, the region and the existing local community. The initiative is a joint effort of CHEN (Essex County College, NJIT, Rutgers University, and the University of Medicine and Dentistry of New Jersey); the City of Newark; the State of New Jersey; the local community; and the major

businesses headquartered in Newark. The UHSP process has brought together all of the elements of the community with a comprehensive vision. The science park concept effectively takes advantage of the universities as an economic engine to create unprecedented opportunities and provide comprehensive services to improve the quality of life for the entire community. The science park concept should be tested and supported at appropriate sites throughout the State.

- 7. The continuation and expansion of a public-private entity, the New Jersey Corporation for Advanced Technology, has much potential to support the growth of environmental technologies, products and services; energy conserving technologies; health sciences; biomaterials and medical devices.**

During the past year, state government, business leaders, NJIT, Rutgers University and Stevens Institute of Technology worked to establish the New Jersey Corporation for Advanced Technology (NJCAT). The mission of NJCAT is to enhance the development of technology-based environmental and energy products through assistance to New Jersey businesses that work in such technologies and through the formation of alliances between technology-based businesses, universities, research centers, utilities, governmental agencies and third party investors. An effective NJCAT has the potential to advance New Jersey as a nationally and globally recognized and competitive center for advanced technology businesses.

One of the attractive features of an NJCAT-type organization is that a true public/private partnership will become self-sustaining and achieve advances without becoming operationally dependent upon long term state funding.

It is suggested that the original NJCAT focus be expanded to include the health sciences, biomaterials and medical devices. The University of Medicine and Dentistry of New Jersey should have a major role in the development and implementation of the expanded NJCAT concept.

This corporation should work in partnership with EDA and other public, private and academic agencies with an interest in economic development. Much of the groundwork for such an organization has been put in place during the establishment of NJCAT.

8. Manufacturing is the basis of New Jersey's industrial economy. New Jersey Institute of Technology with the full cooperation of Rutgers University, Stevens Institute of Technology, two consortia of Community Colleges, the Commission on Science and Technology and the Department of Higher Education, has developed a proven approach to providing comprehensive modernization assistance to the manufacturing industry through "Network New Jersey."

To create jobs and strengthen our economy, we must have a strong, competitive manufacturing sector. But New Jersey's manufacturers face an array of critical challenges. These include: increasing global competition, compliance requirements of complex environmental statutes, rules and regulations, defense spending cutbacks, rapidly changing new product and process technologies, shifting markets and customer requirements, and changing responsibilities and skills of their workforce.

While affecting all manufacturers, these challenges are particularly acute for New Jersey's smaller businesses which account for over 98% of the State's 17,762 manufacturing companies and represent the best opportunities for future job growth. To be competitive, smaller firms must be just as technically sophisticated and operationally integrated as the best of the larger corporations. Yet, few have the in-house technical and managerial skills necessary to modernize operations on their own.

New Jersey, with NJIT as the lead institution, has developed an innovative program modeled after the highly successful network-based industry service centers operating in Italy, Germany, and Japan. The primary objective is to strengthen the State's manufacturing base by enhancing industrial competitiveness, creating higher-skilled, higher-wage jobs and stimulating industrial modernization.

Network New Jersey is a foundation for a statewide manufacturing extension program which builds upon existing programs. Particularly important, Network New Jersey has several private sector partners, as well as partnership arrangements with federal laboratories, Picatinny Arsenal and Fort Monmouth. Significant support has been provided by major trade associations, organized labor, and private industry. Network New Jersey is sectoral-focused and provides comprehensive modernization services. The plan emphasizes: collaboration among government, higher education, and industry; and economies of scale in the delivery of comprehensive services to targeted industries. In brief, Network New Jersey is a network of resources helping industry help itself.

In January 1993, the New Jersey Commission on Science and Technology received a small grant from the National Institute of Standards and Technology (NIST) to establish a prototype service center for NJIT and Passaic County College to test the Network New Jersey concept by providing the textile industry (concentrated around Paterson) workforce training and technical assistance in a number of areas including environmental compliance, management information systems and strategic planning. The project has been a success.

9. The Whitman administration can play a pivotal role in mobilizing resources and forging a comprehensive partnership of industry, academe, and government to restore jobs and revive the State's industrial economy.

New Jersey has entered into a critical period in its history. Our ability to convert competitive challenges into opportunities will shape New Jersey's economic future for generations to come. To achieve success, we must engage industry, academe and government as partners in responding to the varied technological, training, and operational needs of industry. In addition, we must effectively and efficiently leverage existing resources across the state and beyond to serve industry.

The State is not without answers or proven approaches to the challenges and problems facing our industries. The recent success of the NJIT led Network New Jersey and the historical success of the Rutgers University Agricultural Extension Service in improving the productivity of the State's agribusiness, provide New Jersey with firm foundations to establish industrial service centers distributed regionally across the State. These centers would be selected according to the concentration of target industries and located on the campuses of appropriate

colleges. Community Colleges are ideally located and structured to host these service centers and to offer appropriate technical assistance and training. Each Center would broker networking projects and assemble a cadre of additional public and private partners to leverage capabilities and share resources.

NJIT, Rutgers University, the University of Medicine and Dentistry and the Commission on Science and Technology are aggressively developing public/private/university partnerships and seeking federal and private support for initiatives in an array of critical areas. Our future success in these and other endeavors will require strong commitment and leadership from the State of New Jersey. With a greater investment by the State, there would be more partnerships, more economic development and more growth.

Committed to our traditional mission of research, instruction and service, the higher education sector stands ready to work in partnership with the State, industry, and the not-for-profit sector to address the challenges and opportunities facing the State.

Regional Plan Association
Tri-State Competitive Region Initiative

Area Briefing:
New Jersey Focus

Prepared by
DRI/McGraw Hill
for
Regional Plan Association

19x

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Purpose

This briefing summarizes the key findings of the diagnostic phase of the Tri-State Competitive Region Initiative for the Regional Plan Association's (RPA) New Jersey region*. The objectives of the Competitive Region Initiative are to:

- Create a regional vision and strategy, supported by local business and industry leaders, that can also serve as the economic element of RPA's Third Plan.
- Communicate the findings of the initiative that affect each of the Third Plan elements, generated as a result of the strategy process.
- Develop and begin implementing new industry specific and cross-cutting strategies to improve the Tri-State regional economy.

*The RPA New Jersey region includes 14 counties:

Bergen	Middlesex	Somerset
Essex	Monmouth	Sussex
Hudson	Morris	Union
Hunterdon	Ocean	Warren
Mercer	Passaic	

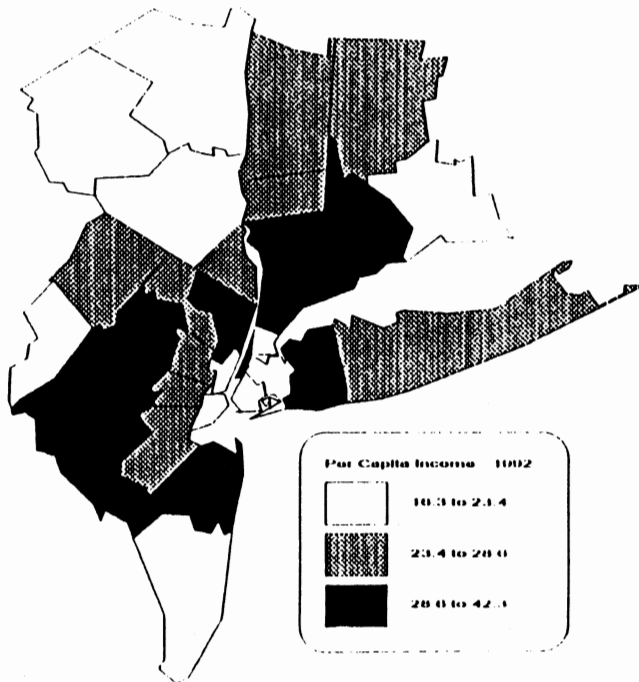
Initial Findings

The initial product of the Competitive Region Initiative is the first comprehensive analysis of the Region's economy in more than a decade. Three themes have emerged from this analysis and which are born out in the findings on each the five areas of the the Tri-State region, including New Jersey. These themes are:

- The Region's industries are increasingly "out of sync" with rapidly changing U.S. and world markets.
- The Region's economic infrastructure (education systems, technology institutions, telecommunications, transportation and environmental infrastructure and quality of life) is often "out of sync" with the needs of industries to adapt to changing markets.
- Both the Region's industry and economic infrastructure are "out of sync" with the needs of minority and immigrant communities to fully participate in the Region's economy.

NEW JERSEY'S ECONOMIC PORTFOLIO

The RPA New Jersey region accounted for 2.8 million jobs in 1992--32% of the Tri-State region's total employment. Growth has averaged 0.9% per year, twice that of the Tri-State region as a whole. The region has high per-capita income compared to adjacent areas particularly in the outer ring of suburban counties.



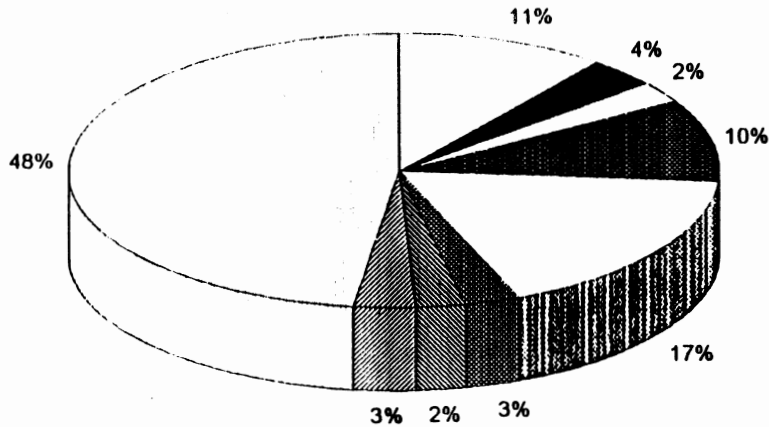
New Jersey has had a unique and strong economic portfolio in two of the three major industry groups that define the Tri-State Region:

- **Science-Based Production & Services:** A unique concentration of Bio-Medical cluster industries including pharmaceuticals, medical instruments and health services with a high share of growing national markets; a small Advanced Machinery & Systems cluster with a low share of a growing market; new industries in communications technology and environmental services are emerging.
- **Value-Added Services:** A national center of transportation and distribution (Newark), with a modest Financial cluster and growing Business Information and Media Services cluster. This comprises companies that have left NYC as well as those serving the bio-medical company headquarters. New Jersey also has a small but growing Arts, Culture and Tourism cluster.
- **Traditional Production and Services:** A declining Processed Materials cluster (chemicals, plastics, metals) and a valuable but declining Consumer Products cluster comprising cosmetics, apparel and food.

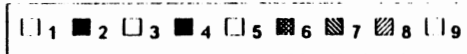
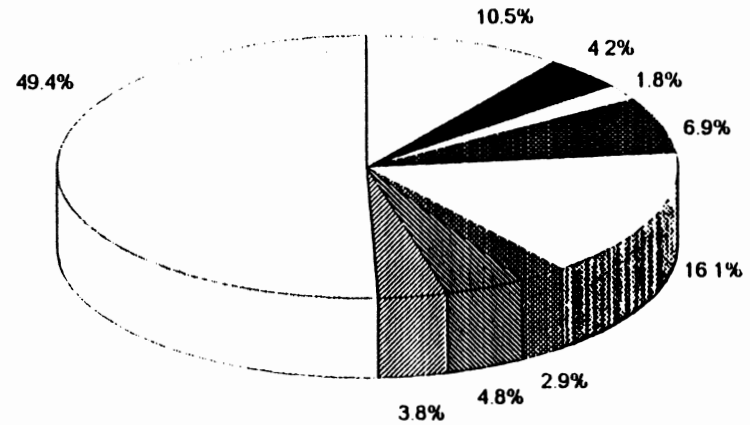
21X

The Tri-State Region's and New Jersey's Driving Industries

Tri-State Region Employment



New Jersey Employment



1. Bio-Medical
2. Consumer Products
3. Arts, Culture, Tourism
4. Financial Services
5. Business, Info. Media Services
6. Advanced Machinery
7. Processed Materials
8. Transportation & Distribution
9. Rest of Economy

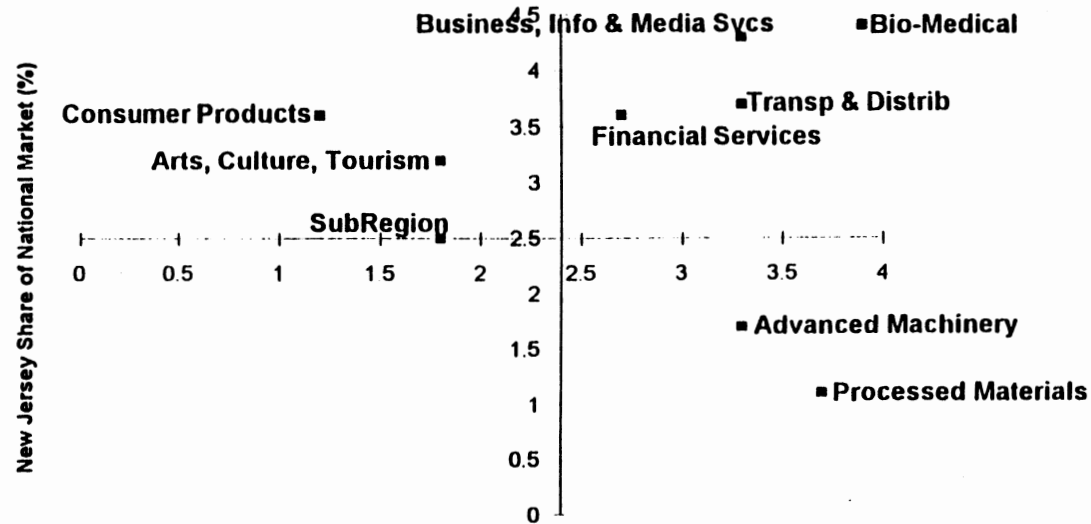
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ECONOMIC OVERVIEW

Despite its historic strengths and unique configuration, major industries of New Jersey's economic portfolio are becoming or are already out of sync with national and global market trends and face significant competitive challenges. At the same time, New Jersey's economic infrastructure is out of sync with the needs of its industries. Strengthening the linkage between the needs of New Jersey's industries and the capacity of the region's economic infrastructure to respond is the objective of this initiative.

DRI's baseline forecast for 1992-2002 shows a 15% increase in employment. Actions by public and private leaders in New Jersey can enable an even better performance. The following preliminary assessment of clusters is intended to set the stage for New Jersey's industries to work together and collaborate with surrounding areas of the Tri-State Region to develop mutually beneficial economic actions for the future.



Average Annual Real U.S. Sales Growth (87\$, 1982-92)(%)

23X

Employment for Key Industry Clusters in New Jersey*

Key Clusters	Level (thous.) 1992	Relative Conc. (US=100)	Annual %Change 1982-92		Share of 31- county Area 1992
			Subregion	Region	
Advanced Machinery	68.2	58.9	-5.9	-4.4	28.9
Arts, Culture, Tourism	50.0	63.1	2.9	2.2	24.1
Bio-Medical	289.8	117.0	2.9	3.2	31.6
Consumer Products	115.1	113.9	-2.9	-3.6	35.3
Financial Services	192.5	114.6	3.2	1.3	22.4
Business Information & Media Services	445.6	121.2	1.7	0.6	29.4
Processed Materials	111.2	126.8	-3.1	-3.4	53.7
Transportation & Distribution	106.2	135.7	2.6	1.0	39.6
Total	2772.7		0.9	0.4	31.9

*14 counties

242

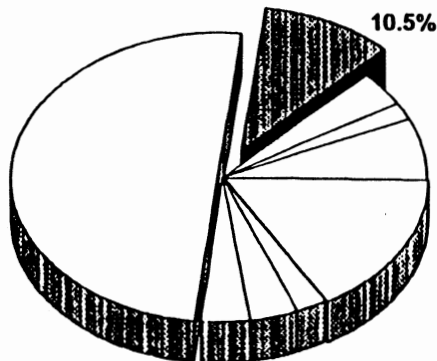
Bio-Medical Cluster

Key Features

This cluster comprises pharmaceuticals, biotechnology, health care services and medical equipment. New Jersey represents 10.6% of the Tri-State region's employment in this cluster. This cluster has grown slower than the overall region's 3.2% annual rate.

This cluster represents:

- One of the largest concentrations of pharmaceutical companies in the world.
- The largest cluster in New Jersey, after business, information and media services.
- Many headquarters with associated administrative and service jobs.
- Significant concentration of R&D centers and associated biology, chemistry skills.
- A high concentration of biochemistry, process engineering and production skills.



Employment 1992 (thousands)	289.8
Concentration (US = 100)	117.0
Annual growth, 1982-92(%)	2.9
Est. real output growth, 1982-92 (%)	3.3
Est. job growth, 1992-2002 (%)	25.4

Challenges: Risk of Decentralization and Consolidation

The next ten years are expected to show slower growth--and possibly negative growth in certain sectors--in contrast to the last ten years because:

- Pharmaceuticals makers must cope with loss of patent protection, cost pressures and new alternatives to conventional pharmaceuticals. As a result, they are restructuring in ways that may take place out of New Jersey and the Tri-State Region as they diversify, decentralize and outsource to new R&D centers, development partners and generics ventures.
- Health Services--hospitals and health plans--are facing new cost constraints. As a result they will undergo consolidation, downsizing and reorganization within the overall region as providers reconfigure services and management to meet national health policy challenges.

Opportunities for Action

To achieve higher than forecast growth New Jersey's public and private sectors must:

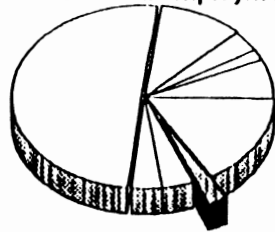
- Retain value-added in pharmaceuticals that may be moved outside New Jersey area and the region. This can be achieved through growing needed new capabilities in the region. These include: fast-track and innovative sources of drug discovery, development, testing, delivery technology, production, and distribution business capabilities in the region. Partnering with adjacent areas of the Tri-State Region to link bio-medical core competencies and services may be essential.
- Facilitate transition of health services industries to leaner and more cost-conscious delivery and management. This can be achieved by creating improved training and business management practices for large and small health care providers and encouraging formation of new modes of health services delivery enterprise.

Advanced Machinery and Systems Cluster

Key Features

This cluster includes machinery and systems industries, such as aircraft, computers, electronics, instruments, machinery, motor vehicles, and service industry machinery. New Jersey represents 2.7% of the Tri-State region's employment in this cluster. This cluster's employment has declined at a -5.9% annual rate from 1982 through 1992--higher than the region's -4.4%. This cluster is a small component of the New Jersey economy both in terms of employment and concentration. The area is overshadowed by the high concentrations in both mid-Hudson and Long Island where major aerospace and computer companies are located. The New Jersey area has not been a center for advanced machinery and systems and faces difficulty building this cluster. None-the-less, the high paid workers in the cluster contribute to the region's income base. The existing cluster has been in decline for the past ten years due to both a lengthy recession in electronics and automotives, as well as continuing cutbacks in aerospace.

- High costs of doing business have been a concern for business in New Jersey.
- The reopening of General Motors' Linden facility will improve the situation temporarily.
- Technological advances in producer facilities will result in higher productivity but additional employment declines.



Employment 1992 (thousands)	68.2
Concentration (US = 100)	58.9
Annual growth, 1982-92(%)	-5.9
Est. real output growth, 1982-92 (%)	-2.6
Est. job growth, 1992-2002 (%)	4.9

Challenges: Struggling with Transformation

- Electronics, automotives, aerospace here represents a smaller, more dispersed cluster than other areas of the Tri-State Region (mid-Hudson, Southwest Connecticut) and has suffered from older manufacturing capabilities and fewer buyer-supplier synergies.
- Prospects for modernization and new investment for some producers may help, but may displace workforce and fail to grow the economy.

Opportunities for Action

To achieve higher than forecast growth New Jersey's public and private sectors must:

- Build synergies with rebounding electronics industry and alliances with restructuring defense and aerospace businesses in the Tri-State region that include initiatives to finance modernization and retrain workforce.
- Form partnerships to strengthen and grow modern, suppliers to serve advanced manufacturing industries emerging from the regional restructuring process.

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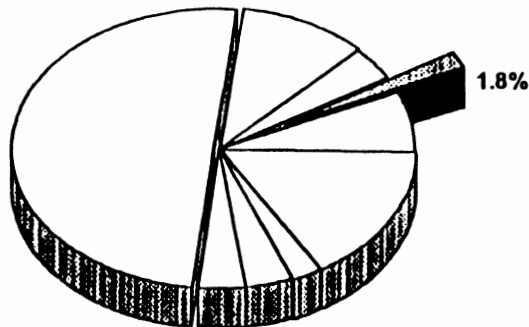


Arts, Culture and Tourism Cluster

Key Features

This cluster contains arts, museums, galleries, theatres, movie theatres, hotels and rental cars. New Jersey represents 2.4% of the Tri-State region's total employment in this cluster. This cluster's employment has grown faster than the overall region's 2.2%. This cluster, though small, has been growing more rapidly than the balance of the region for the past ten years and has increased its share of national markets (1.8% in 1992). This cluster is economically overshadowed by the arts and tourist attractions in New York City.

- Tourism has suffered from the recent recession and is now beginning to recover.
- New theme parks and hotel complexes will create more breadth in this cluster.
- The cluster is growing partly in response to growth of outlying communities, and increased regional growth as well as national demand.



Employment 1992 (thousands)	50.0
Concentration (US = 100)	63.1
Annual growth, 1982-92(%)	2.9
Est. real output growth, 1982-92 (%)	3.0
Est. job growth, 1992-2002 (%)	31.4

Challenges: Building an Emerging Market

- This cluster needs to continue to create its own identity as well as leverage its proximity to NYC. This small cluster has grown as New Jersey communities have expanded their demand for entertainment, although NYC remains the major concentration of business in this cluster.
- New trends and technologies for entertainment at home and entertainment complexes at shopping centers, hotels and amusement parks may grow to serve population centers in New Jersey. However, serving national markets will require expanding services and facilities not otherwise available.

Opportunities for Action

To maintain and expand growth in this cluster beyond the forecast, New Jersey's stakeholders must:

- Identify and encourage area-wide diversification into new forms of entertainment, using the "experience industry" theme that can leverage existing resorts and shopping centers and serve communities across the region.
- Create complementary linkages with major arts, cultural and tourism centers of excellence that extend and retain local and international tourism expenditures.

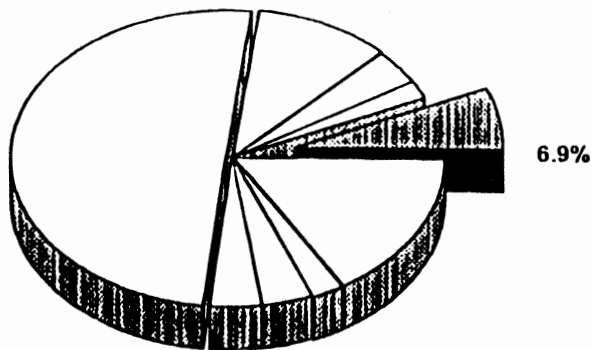
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Financial Services Cluster

Key Features

This cluster includes banking, securities, insurance, and real estate enterprises. The cluster represents 9.9% of the Tri-State region's employment in this cluster. This cluster's employment has grown at 3.2% annually from 1982-1992-- almost 1.5 times faster than the overall region:

- Many jobs in financial services have moved from NYC across to Hudson County due to lower rental space costs and state government policies supporting moves.
- New Jersey's regional share of employment has increased as a result of this horizontal movement.
- Strong telecommunications infrastructure has enabled back office operations to function in New Jersey.



Employment 1992 (thousands)	192.5
Concentration (US = 100)	114.6
Annual growth, 1982-92(%)	3.2
Est. real output growth, 1982-92 (%)	4.2
Est. job growth, 1992-2002 (%)	12.7

Challenges: Reconfiguring and Redefining

This cluster has had the strongest growth during the past ten years partly due to the shift of jobs across the Hudson. This trend may not continue indefinitely:

- New Jersey continues to benefit from its proximity to the finance and business core of New York City. However, bank and insurance jobs transferred from within the region have added little power to the Tri-State regional economy, but could grow if expanding area businesses create new demand.
- New Jersey's Financial Services cluster is dependent on the competitiveness of NYC parent companies at a time when the Finance cluster (banks, securities, insurance) is undergoing major restructuring due to competition from non-bank institutions and residual investment problems in the insurance industry.

Opportunities for Action

To achieve or exceed the baseline growth forecast New Jersey's industry and government must:

- Encourage collaboration among banks and training institutions to restructure and retrain workforce for new financial services markets and introduce productivity improvements.
- Build information infrastructure that enhances ease of connectivity between financial services across the region.

28x



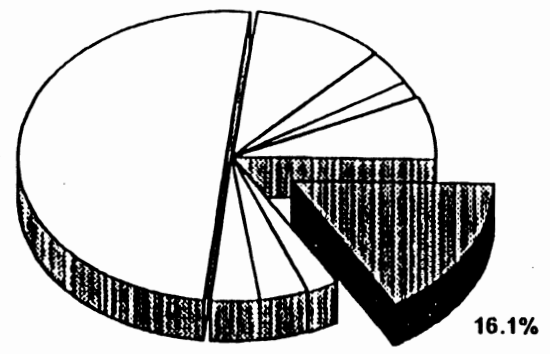
Business, Information & Media Services Cluster

Key Features

Key components of this cluster are advertising, legal services, consulting, broadcasting, telecommunications and printing and publishing. New Jersey represents 17.5% of the Tri-State region's employment in this cluster. This cluster's employment has grown almost three times faster than the overall region. In particular, sectors such as printing and publishing have increasingly moved to New Jersey.

Among the reasons for growth in this cluster are:

- Proximity to NYC
- Lower land costs and taxes
- Strong policies from the state supporting relocation
- A well-developed telecommunications infrastructure



Employment 1992 (thousands)	445.6
Concentration (US = 100)	121.2
Annual growth, 1982-92(%)	1.7
Est. real output growth, 1982-92 (%)	3.2
Est. job growth, 1992-2002 (%)	22.9

Challenges: Dependent on Regional Drivers

This cluster's growth has been hurt by the impact of lower corporate profits, which reduced expenditures for advertising, and consequently print and broadcast media. There had been rapid growth through the 1980's followed by a deep fall during the recent recession. Future growth will be more difficult to achieve:

- While profits are rebounding, shifts to store brands and direct marketing, as well as decentralizing of advertising and related services to regions close to customers will slow, and possibly hurt, future growth.
- New Jersey's growth has not been driven by local demand. This growing cluster, like financial services, is comprised partly of transfers from NYC that serve national and regional markets and partly of locally focused providers.
- The cluster is at risk from both restructuring of local industries, such as pharmaceuticals and health services, as well as reduced demand from NYC.

Opportunities for Action

To make the most of the high growth forecast for this cluster, New Jersey's public and private leaders should:

- Accelerate growth of new sources of business service demand, such as spin-offs from existing and restructuring of New Jersey and regional businesses.
- Foster innovation in regional business services use of information and media technologies to create nodes of attraction for business development.

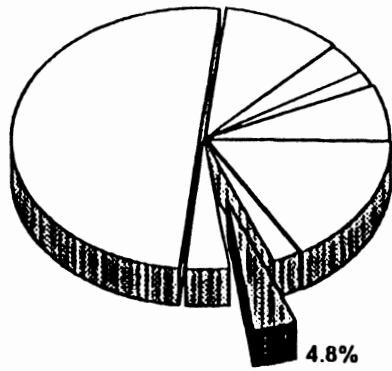
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Processed Materials Cluster

Key Features

This cluster comprises chemicals, plastics, paints, fabricated metals, paper, petroleum refining, primary metals, stone, clay and glass. New Jersey represents 2.4% of the Tri-State region's employment in this cluster. The cluster's employment has declined more slowly than the overall region. While a small cluster for the Tri-State region, as a whole, this is a significant cluster for New Jersey due to its high concentration of chemicals industry.

- This area accounts for over 53% of the Tri-State region's employment in this cluster.
- There are some strengths in chemicals and plastics in the area.
- However, employment has been steadily declining over the past ten years.
- While once a major export area, most of the cluster now consists of suppliers to the larger producers in the region.



Employment 1992 (thousands)	111.2
Concentration (US = 100)	126.8
Annual growth, 1982-92(%)	-3.1
Est. real output growth, 1982-92 (%)	-1.0
Est. job growth, 1992-2002 (%)	1.7

Challenges: Investment Lagging Regional Leaders

- In past decades, New Jersey's Processed Materials cluster shifted from exports to serving local producers. These end markets are now declining or restructuring (automotives, aerospace, pharmaceuticals).
- New Jersey's high concentration of chemicals and cosmetics production jobs has declined due to decreasing competitiveness in production and products while other regional centers in the Midwest have recovered and grown during the 1980s.
- Failure to evolve and increase competitiveness in processed materials industries represents a regional liability and may leave in its wake significant loss of traditional employment as well as environmental problems.

Opportunities for Action

To leverage the possibilities beyond the baseline forecast for this cluster, New Jersey must:

- Invest in innovation and specialization for changing regional, national and particularly export markets (as have neighboring regions).
- Create competitive capabilities in processed materials production and distribution, linking producers to improved New Jersey distribution capabilities.

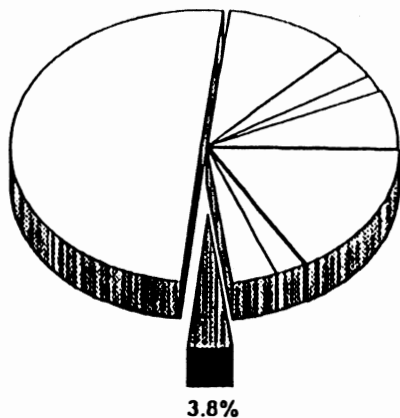
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Transportation and Distribution Cluster

Key Features

This cluster includes air transportation, motor freight, railroads, transportation services and water transportation. In the past ten years this cluster has grown more than twice as fast as the overall Tri-State region. New Jersey's now encompasses 40% of the Tri-State region's total employment in this cluster.

- The cluster is centered around Newark Airport and the Ports of Newark and Elizabeth.
- Port Elizabeth/Port Newark is the largest container port on the east coast and third largest in the U.S.
- Newark Airport continues to handle increasing numbers of passengers and tonnage of freight.
- Congestion at New York's Kennedy and La Guardia Airports make Newark the leading alternative to fly freight into the Tri-State region.



Employment 1992 (thousands)	106.2
Concentration (US = 100)	135.7
Annual growth, 1982-92(%)	2.6
Est. real output growth, 1982-92 (%)	4.0
Est. job loss, 1992-2002 (%)	-1.6

Challenges: Leveraging Growing Demand

The New Jersey area can leverage its assets in transportation by expanding its capacity and enhancing the set of export and trade services available to both regional and international businesses.

- New Jersey's unique advantage in air transportation and linked distribution is facing capacity constraints and possible competition from new regional nodes.
- Port, air and rail capabilities need improved links to growing regional and Eastern Seaboard centers if they are not to be bypassed by smaller regional competitors.

Opportunities for Action

To respond to the challenges forecast for this cluster, regional leaders must focus on:

- Improvement of cargo handling facilities and ground access to water ports could help increase tonnage handled at the Port.
- Improved ground access to Newark Airport can enable increasing service capacity.
- Strategic alliances with regional nodes across the Tri-State area that increase capacity to move passengers, goods and services rather than compete against each other without enhancing regional access.
- Creation of electronic data interchange capabilities linking regional producers, distributors and transportation services to accelerate just-in-time capacity that will also reinforce and expand business services.

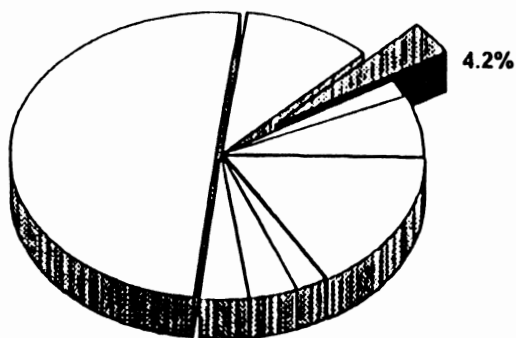
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Consumer Products Cluster

Key Features

The major elements of this cluster are the cosmetics, apparel, yarn and thread mills, leather, jewelry and watches, and music and toy industries. This cluster's employment has been declining at a 2.9% annual rate from 1982 to 1992. The New Jersey area is characterized by:

- One of the largest concentrations of cosmetics companies in the nation.
- A synergistic relationship with the pharmaceutical and personal care products industry.
- Area costs have resulted in consolidation and companies moving out of the region.
- The cluster has not lost as many jobs here as it has in the surrounding region in the past decade.
- The area has attracted apparel makers due to proximity to NYC and lower costs.
- NAFTA may affect the future of the garment and apparel businesses across this area.



Employment 1992 (thousands)	115.1
concentration (US = 100)	113.9
Annual growth, 1982-92(%)	-2.9
Est. real output growth, 1982-92 (%)	3.3
Est job loss, 1992-2002 (%)	-14.6

Challenges: Losing Ground to Competing Regions

- The major issue facing this cluster is enhancing innovation in production to retain valuable jobs and the synergies from the ability to link design, engineering and production. Other regions are achieving this objective already.
- Cosmetics has been one of the drivers of New Jersey's consumer products cluster, and one of the region's unique national capabilities, but is not as cost competitive as other regions.
- Garment and apparel has grown from transfers and still depends on synergy with NYC. Yet, other regions are growing more modernized and have highly skilled capabilities.
- Food had once been highly export-oriented and is now increasingly boutique and regionally focused.

Opportunities for Action

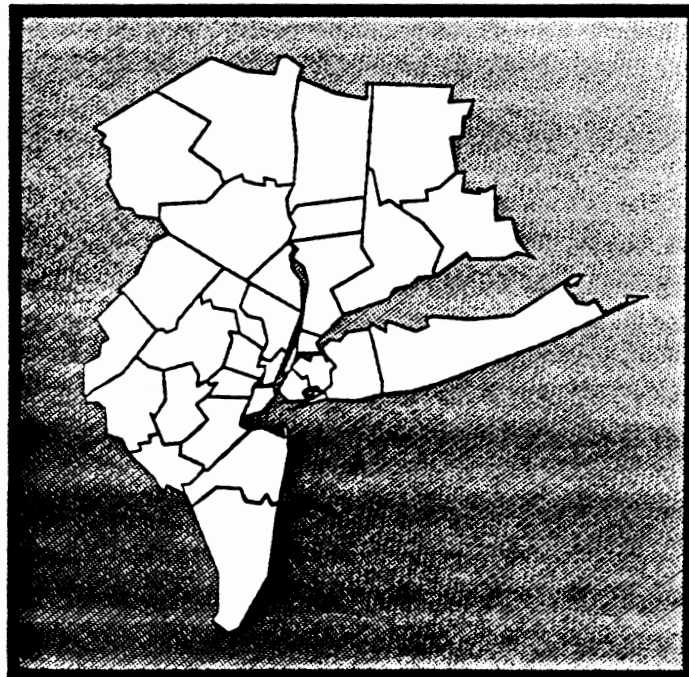
To avert or mitigate the baseline forecast for this cluster and capture the benefits to New Jersey from the Consumer Products cluster, leaders must:

- Build new synergies for innovation between cosmetics and bio-medical clusters in R&D and production technologies to improve value-added and retain employment in the region.
- Expand cross-regional capacity to train, invest in, and apply advanced production techniques to create a comparative advantage in garment and apparel.

32X

Regional Plan Association

The Tri-State
Competitive Region Initiative



OVERVIEW: The Tri-State Competitive Region Initiative

To remain competitive in the twenty-first century, the Tri-State Region—consisting of southeastern New York, northern New Jersey and western Connecticut—must take steps to ensure that its key industries maintain a competitive advantage against their counterparts in the U.S. and around the world. Toward this end, the Regional Plan Association (RPA) is in the process of developing its Third Regional Plan, which addresses economic, social, and environmental challenges and opportunities facing the Region. For the first time, this plan will include an economic element that will be shaped by both new information on the regional economy and mobilization of industry and government leaders to take needed new actions.

Having prepared two prior regional plans, RPA has led the way in promoting growth in the New York Tri-State region. In its present context, RPA will assist the Tri-State area in promoting adaptation of the economy, stimulating competitive growth, and then ensuring that adequate facilities and infrastructure exist to accommodate that growth. The Competitive Region Initiative is designed to be a central element in the plan, which will provide a critical economic rationale for the entire program.

RPA has started its current action initiative in partnership with the economic consulting firm DRI/McGraw-Hill and initial support from major corporations and governments in the Region. Preliminary findings from this initiative suggest that many elements of the Region's economy are seriously "out of sync" with one another. During 1994—*through the Competitive Region Initiative*—RPA and DRI/McGraw-Hill will facilitate a process designed to enable the Region's economy to get back into sync—*renewing the "vital cycle" between markets, industries and the region's economic infrastructure.* The

initiative will analyze each of the Region's key industries and work with industry and area leaders to identify steps that will ensure the Region's future growth and prosperity.

The objectives of the Competitive Region Initiative are to:

- Create a regional vision and strategy, supported by local business and industry leaders, that can serve as the economic element of the Third Plan.
- Communicate the findings of the initiative that affect each of the Third Plan elements, generated as a result of the strategy process.
- Develop and begin implementing new industry specific and cross-cutting strategies to improve the Tri-State regional economy.

Summary of Findings to Date

The initial product of the Competitive Region Initiative is the first comprehensive analysis of the Region's economy in more than a decade. Three themes have emerged from this analysis:

- The Region's industries are increasingly "out of sync" with rapidly changing U.S. and world markets.
- The Region's economic infrastructure (education systems, technology institutions, telecommunications, transportation and environmental infrastructure, and quality of life) is often "out of sync" with the needs of industries to adapt to changing markets.
- Both the Region's industry and economic infrastructure are "out of sync" with the needs of minority and immigrant communities to fully participate in the Region's economy.

INITIAL FINDINGS: A REGION "OUT OF SYNC"

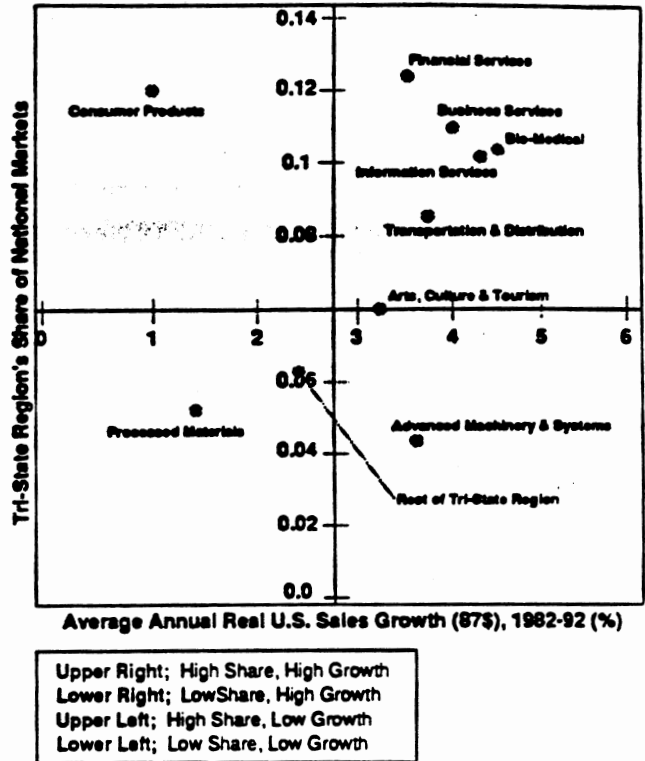
The economic diagnosis found that the Region's economic "portfolio" was driven by three major groups of industries, and that each, in its own way, is having difficulty competing in the global marketplace. These industries constitute 53% of the region's employment base and more than 70% of the region's real output. They are particularly valuable to the region's economy as they encompass a broad spectrum of the business value-chain, including headquarters, research and design, production, marketing and distribution. Chart 1 summarizes the markets and national growth rates for the nine key clusters that make up these three groups from 1982-1992. These three groups of industries are:

- **Value-Added Services:** Financial Services; Business Services; Information and Media Services; Arts, Culture and Tourism; Export/Entrepot Services and Headquarters (a special cross-cutting category).
- **Science-Based Production and Services:** Bio-Medical Industries; Advanced Machinery and Systems.
- **Conventional Manufacturing and Services:** Processed Materials; Consumer Products.

The Value-Added Services Group: Region's Driver

This group is the largest and most healthy component of the regional portfolio. This group comprises 33% of the Tri-State Region's employment base and is, overall, increasing its share of US employment and sales growth. Clusters performing well in this group include: **Business Services, Information and Media Services, Financial Services, and Export/Entrepot**

Chart 1: *Competitive Position of the Tri-State Region's Industries 1982 -1992*



Services. These industries all have higher than average share of national markets and annual real US sales growth.

Position in Global Markets

In Financial Services, while mutual funds are doing well, banks are facing major challenges from non-bank financial companies. Insurance companies, on the other hand, are restructuring as a result of suffering earlier real estate investment losses. In Business Services as well as Information and Media Services the Region is losing business due to industry decentralization and disintermediation as producers begin to market through new channels to consumers. The Arts, Culture and Tourism cluster in the Region face challenges from competing regions and rapidly expanding home and community entertainment innovations. Export/Entrepot Services (transportation and distribution) are facing competition from a mixture of growing regional centers and are constrained by capacity and access limits.

Region's Response to Industry

The region's education system is not set up to meet the challenges of retraining displaced financial services workers. Also, despite a concentration of leading edge telecommunications technology, the Region has had modest development of leading edge suppliers in telemedia. The Region's telecommunications and transportation systems have yet to create a comparative advantage for clients in business services, such as advertising. Finally, the financial system in the Region has not powered the growth of Arts, Culture and Tourism in new media-based entertainment, as has occurred in other regions.

Science-Based Production and Services Group

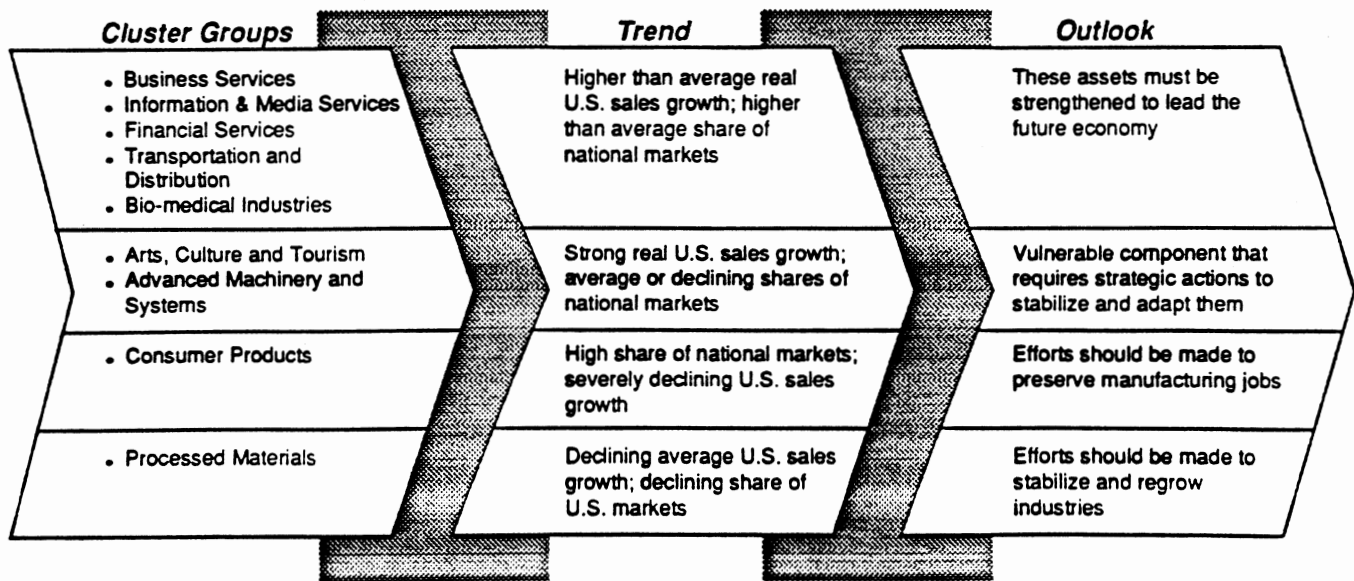
This group comprises 14% of the Region's employment. The Bio-Medical cluster has been increasing national share and sales steadily. In contrast, the Advanced Machinery and Systems cluster has been

losing share and has experienced little growth, while increasing productivity through downsizing.

Position in Global Markets

The Region's Bio-Medical cluster is facing a crisis as health services restructure due to new cost containment efforts. These efforts will hurt service providers and many of the Region's medical instruments and related suppliers more than in regions where health service restructuring has taken place and managed care finance systems have been extensively adopted. Pharmaceutical companies in the Region face a global reconfiguration as patent protection for drugs are phased out, and the discovery, development, testing and distribution process decentralizes to include actively competing centers of excellence where new biomedical capabilities are concentrated. The Region's Advanced Machinery and Systems cluster, too, faces major restructuring due to major defense cutbacks and slow international sales. The computer and electronics industry is recovering from a seven year recession and adapting its formerly top-heavy corporate structure to more nimble operations.

Chart 2: Cluster Overview



Region's Response to Industry

The Region's education system is not equipped to face the retraining of health care workers and the transition of aerospace and defense workers to new markets. Moreover, the Region's technology system does not have the ability to bring technological innovations from inventors to the marketplace as rapidly as the region's competitors. Also, the Region's transportation infrastructure does not enable just-in-time distribution required by emerging nodes of electronics and bio-medical enterprise across the Region.

The Conventional Production and Services Group

This group, comprising 6% of employment, represents the Region's most troubled economic component. In this group, the Processed Materials cluster is the most troubled with its chemicals, plastics, and metals forming businesses having below national average share and declining sales. This cluster once exported heavily, but lost its cost advantage and was unable to replace it with innovations. Instead it has become increasingly dependent on regional buyers, themselves declining or changing. The Consumer Products cluster—garment and apparel, toys, musical instruments, and cosmetics—has had a high national share, but has continued to decline while other regions have increased share and sales.

Position in Global Markets

Processed Materials have lagged in investment and innovation in production techniques while other regions have both recapitalized and developed specialized capabilities for existing and new markets. Consumer Products industries have lost share, despite innovation in products, primarily due to loss of production cost-advantages to other regions with modern capacity.

Region's Response to Industry

Here, the mismatch begins with the lag in financing for production modernization required by the small and medium-sized industries in this group. This mismatch extends to the gap between the training system and the companies who need advanced production techniques. These industries have historically had problems with environmental waste for which Regional solutions have yet to become affordable. Moreover, as the Region has developed, the transportation and distribution system has ceased to provide advantages to small and medium-size producers.

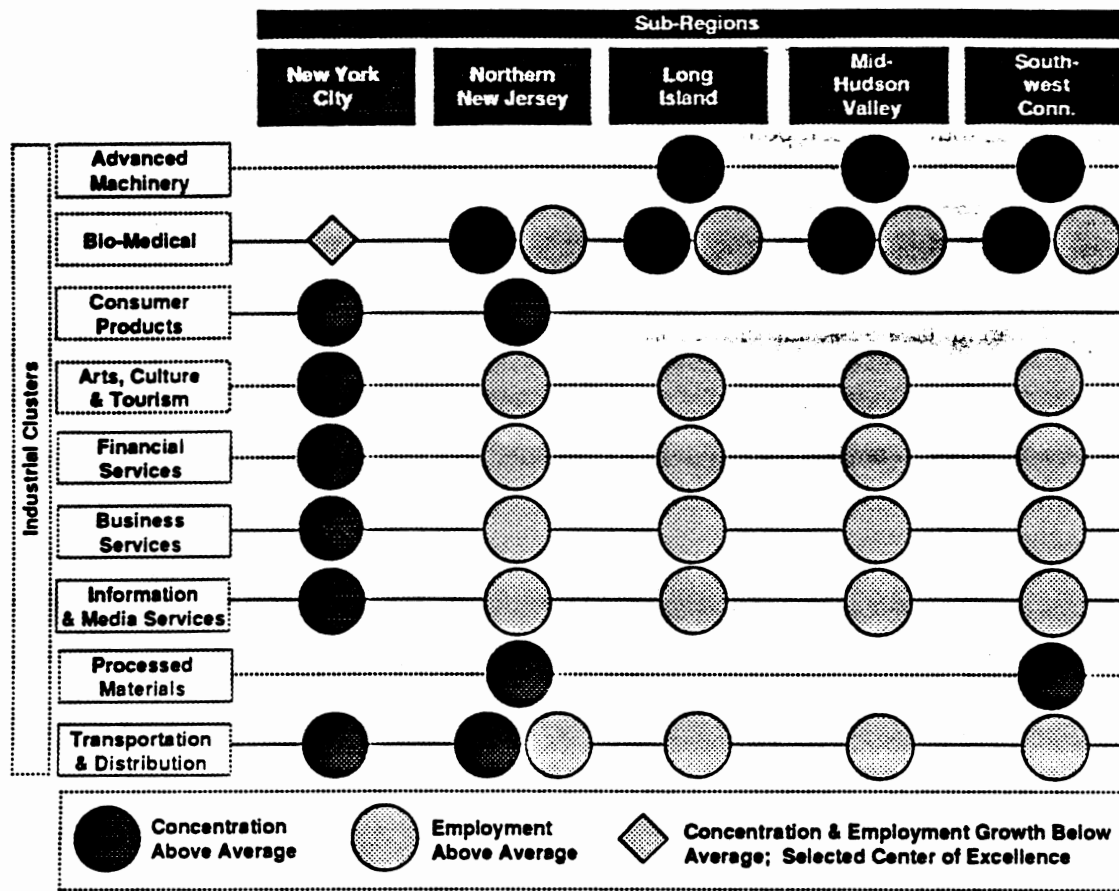
Regional Cluster Breakdown

Each of the sub-areas of the Tri-State Region has a different set of industries that make up its segment of the economy. Moreover, each cluster in the Region's sub-areas have a different national share and rate of growth of industrial clusters. Chart 3 shows which sub-regional areas have high concentrations or sales growth rates for the same industry.

The New York City sub-area has above average concentration, but flat employment growth, in Business Services, Information and Media Services, Financial Services, Consumer Products, Export/Entrepot Services and Arts, Culture and Tourism. However, employment growth in these same clusters is above average in many of the surrounding sub-areas, such as northern New Jersey, Long Island, Mid-Hudson and southwest Connecticut, suggesting that a process of redistribution of industry activity is underway.

The Bio-Medical industry is most concentrated and growing along an "archipelago" of sub-areas from northern New Jersey through the mid-Hudson Valley and southwest Connecticut. Despite New York City's excellence in this area, Bio-Medical is a small part of its economy.

Chart 3: Intra-Regional Cluster Themes



Long-Island, the mid-Hudson and southwest Connecticut are the Region's centers for Advanced Machinery and Systems industries. As a result, they also share in common the difficulties of adapting to the impact of restructuring.

Northern New Jersey and southwest Connecticut, and to some extent, New York City, are where the Processed Materials Industry and Consumer Products Industries are still based. Consequently, these sub-areas share the challenges of modernizing these industries to retain their important job-generating potential for regional citizens.

Based on these commonalities, public and private leaders across sub-areas may find that they can collaborate in supporting initiatives for their economies that cut-across jurisdictional boundaries.

THE COMPETITIVE REGION PROCESS

The Competitive Region Initiative will take place during 1994 and has four major components:

1. Economic Diagnosis

This diagnosis was completed at the start of 1993 and included an initial assessment of the competitive position of the region, including regional industries and sub-areas, that sets the stage for regional strategy development. The purpose was to identify the Region's key industry clusters, benchmark their performance, forecast growth and show whether or not these industries were in sync with market trends and competitiveness requirements. This diagnosis will result in a summary report on the regional economy, industry cluster fact books and Regional sub-area economic overviews. These findings will be used as working materials for the regional strategy process.

2. Collaborative Strategy Process

This is a demand-driven process in which Industry Working Groups and geographic Area Working Groups develop action priorities. Two parallel, but interconnected, sets of working groups—Industry and Area—will be established and will create the inputs to the Economic Element of RPA's Third Plan over the next nine months. This process will be managed by RPA and DRI/McGraw-Hill and will be carried out in the first three quarters of 1994.

Industry Working Groups

Groups comprising leaders of each industry cluster will develop a shared image of their future prospects in the region, their competitiveness requirements and actions that need to be taken by industry members and government

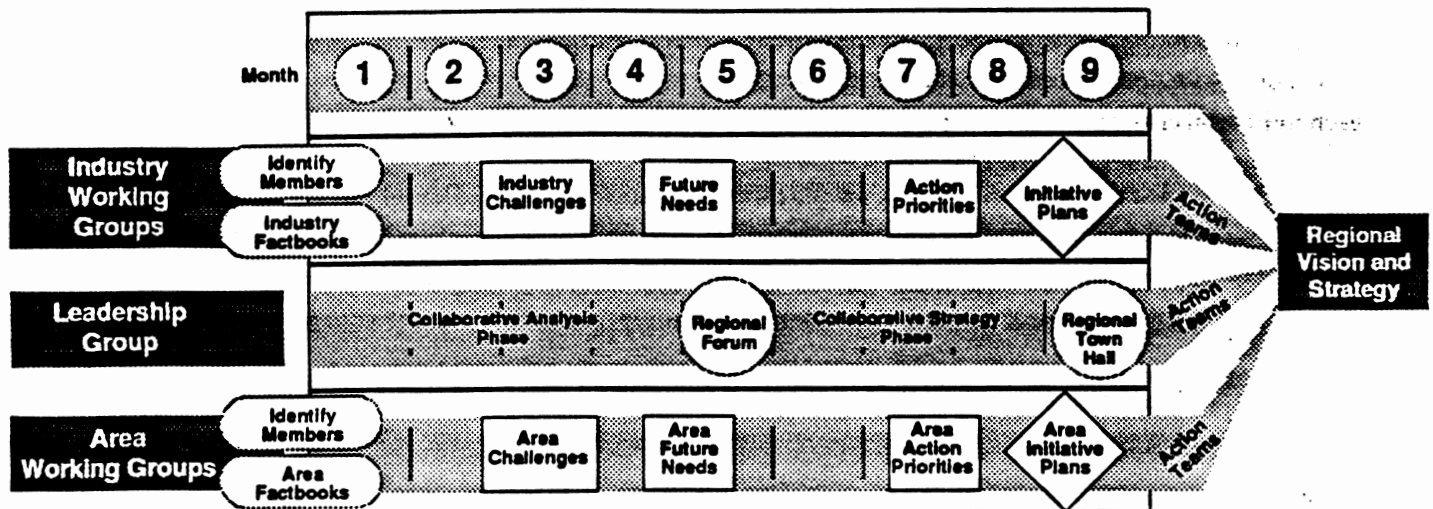
institutions to achieve competitiveness goals. Nine Industry Working Groups will be established each comprising 15 to 25 industry leaders, each with two co-chairs. Co-chairs will work together as the stewards of the overall strategy process. Industry Working Groups will meet four times between March and November.

The objective of this process is to help industries bring themselves into better sync with their markets through their own collaborative efforts *and* by making the public and private economic infrastructure of the region more responsive to industry needs. Business plans will be prepared by "champions" in each working group which will propose actions for their industry, including cross-cutting regional "flagships" and cluster specific initiatives. These initiatives may focus on technology solutions, new approaches to workforce development, enterprise financing, improvement of telecommunications, transportation, and environmental systems, as well as enhancing the tax and regulatory climate. These business plans will be the building blocks of a Regional Vision and Strategy that will shape the Economic Element of the Third Plan.

Area Working Groups

RPA will convene an Area Working Group for each of the Region's five geographic areas—Connecticut, New Jersey, New York City, mid-Hudson Valley, and Long Island. These five groups will meet four times in the next nine months to specify economic issues facing their part of the Tri-State Region and define actions they can both take and support. Area Working Groups will examine regional economic issues, including those identified by industry working groups. Thereafter, they will identify the actions *specific to their sub-area* as well as actions that are cross-cutting between other regions. These work groups will also build *cross-region* constituencies for action.

Chart 4: A Collaborative Problem Solving Approach



The Area Working Group priorities will also be building blocks for the Regional Vision and Strategy which will be integrated into the Economic Element of the Third Plan. Area Working Group meetings will be convened *immediately after* each Industry Working Group meeting to enable participants from industry groups to participate in the Area Working Group process and vice-versa.

3. Development of a Regional Vision and Strategy

This will include integration of Industry and Area Working Group action agendas into a "blueprint" for the region's economic future. The Industry Working Group process and the Area Working Group process will each produce a set of future challenges and action business plans for the Region. These will be used to create a Regional Vision and Strategy built on the priority actions identified by industry and regional participants. This action-oriented strategy will provide public and private sector flagship and individual cluster initiatives for the Tri-State

Region. The integrated set of strategies from the Industry and Area Working Groups will be used to develop the Economic Element of the Third RPA Plan. The Regional Vision and Strategy will be completed in the fourth quarter of 1994.

4. Implementation of Action Initiatives

The objective of the Competitive Region Initiative is action. Shortly after the business plans are completed, "champions" from Industry Working Groups and Area Working Groups, as well as participants from the Region's public and private sector institutions, will begin to put their action priorities into effect. This will be achieved by building teams and securing broader business or government participation for each initiative. This action process will be supported by an ongoing implementation mechanism to bring the regional economy back into sync with its competitiveness requirements and build a "vital cycle" for the future. In this way the Competitive Region Initiative will be a living process that informs and shapes the Regional economy. This implementation will begin in 1995.

Next Steps

This preliminary diagnosis, supported by a summary report on the Regional economy, its five areas and each industrial cluster, sets the stage for the collaborative strategy phase of the Competitive Region Initiative. Industry leaders are now asked to join the working group process for their cluster; the five RPA geographic areas are asked to work together to explore their sub-area's cluster needs and economic infrastructure needs. RPA and DRI/McGraw-Hill will serve as facilitators and support resources, coordinating and managing the strategy process.

In the coming months this action-oriented process will look towards stakeholders in the Region to assert their priorities and take responsibility for new collaborative actions for the Region's future.

Experiences of Other Regions

Joint Venture - Silicon Valley: This was a collaborative economic strategy initiative sponsored by Silicon Valley. Business and Government leaders diagnosed economic challenges facing Silicon Valley, assessed the requirements of regional industrial clusters, and is designing and implementing regional flagship initiatives. These initiatives include rapid building of an information highway for the region, a business-education initiative to promote innovation in education and to link training to rapidly evolving industries, and a defense-aerospace restructuring initiative to improve the performance of defense-oriented companies through spin-offs and retraining. Over 1,000 local business executives have been involved in the process in the past nine months.

Arizona Strategic Economic Development Initiative: An overall strategy for the state and each of its regions was developed by a public-private leadership group. The initiative identified specific cluster strategies and action recommendations to improve cross-border trade, regional transportation, and cluster innovation. The state government has since adopted the initiative and is continuing implementation on a broad variety of fronts including technology development, transportation improvements, and new cross-border linkages with the Mexican state of Sonora.

Florida Cornerstone: The Florida State Chamber of Commerce sponsored a series of projects to address the state's declining economic competitiveness. The initiative began with a major analysis of the state economy and the responsiveness of regional economic infrastructure and proposed a statewide investment strategy that was adopted by the new governor. A second initiative examined the organization of economic development in the state and proposed a new public-private strategy to foster enterprise development across the state. A third initiative focused on evaluating alternative tax strategies for the state and proposed a new integrated business tax. As a consequence of the project, a new public-private corporation to promote economic development in Florida has been established by the state and the private sector. A new initiative is now underway to evaluate the state's progress since the initial project.

The Transforming Region Project - Los Angeles: A major California corporation sponsored a series of ongoing projects to analyze the evolution of the greater Los Angeles regional economy, including identifying key industrial clusters, forecasting their probable evolution, and identifying innovative new approaches for the utility in assisting industry directly. These included transferring electrotechnologies for enhanced productivity, and supporting cluster strategy development for the garment and apparel industry and other regional business group. A group of other local firms have joined in supporting many of these initiatives which are now underway.

RPA

The Regional Plan Association is an independent, non-profit organization that seeks to improve the quality of life in the New York/New Jersey/Connecticut region by creating a long-term plan and promoting its implementation across political boundaries. In the 1920's and 1960's, RPA developed comprehensive plans for the Region, both of which had powerful impacts on public policies affecting the economy, land use and transportation. By the 1980s, however, three decades of urban sprawl and dramatic economic and demographic change were creating a new generation of problems. RPA is now preparing a new plan to guide the region into the 21st century. This new plan is focusing on seven areas of action, including competitiveness, attractiveness, sustainability, accessibility, housing, management structure and overall equity.

DRI/McGraw-Hill

RPA's partner in this initiative is DRI/McGraw-Hill, a Lexington, Massachusetts-based economic consulting firm and member of the McGraw-Hill business information services company, headquartered in New York City. DRI has over twenty-five years of experience in economic analysis and planning, modeling and strategy development at the international, national and regional level. DRI's economic competitiveness framework, developed and refined over the years, is used by business and government groups to improve their economies. This framework links three key factors—the competitive performance of the regional economy, its industry cluster strengths and the competitive advantage of its economic infrastructure—to assess the economic assets of a region and determine how well its public and private sectors support economic competitiveness. This analysis is critical in setting the stage for developing and implementing a region's future economic strategy.

Founding Competitive Region Initiative Supporters

- NYNEX/NY
- Consolidated Edison
- Port Authority
- AT&T
- Brooklyn Union Gas
- Sloan Foundation

TESTIMONY OF JOHN J. WHITE
BELL ATLANTIC-NEW JERSEY, MANAGER EXTERNAL AFFAIRS
BEFORE THE SENATE NATURAL RESOURCES, TRADE
AND ECONOMIC DEVELOPMENT COMMITTEE
TRENTON, NEW JERSEY
MARCH 14, 1994

Thank-you Mr. Chairman and members of the Senate Natural Resources, Trade and Economic Development Committee for the opportunity to share with you Bell Atlantic-New Jersey's views regarding the need for a central economic development plan, and strategies regarding business attraction and retention in the State of New Jersey.

But first I must commend Governor Whitman on her first Executive order creating the Commission which will create a Strategic Economic Master Plan for the state. Additionally, I feel it appropriate to commend the efforts of the Economic Development Strategy Planning Team, which Bell Atlantic-New Jersey has participated in whose objective it has been to stress the need for and generate grass roots support for the development of a strategic economic development plan. This plan would serve to coordinate the efforts of the disparate public and private entities that have or plan to develop their own economic development initiatives.

Bell Atlantic-New Jersey currently serves 97 percent of New Jersey's local exchange customers. When it comes to New Jersey, we're literally wired to the ground!

From our vantage point, we see reason for concern regarding the economic climate in New Jersey. We worry that a loss of jobs will lead to a loss of population which could very well occur if statewide strategic planning is not done which accurately reflects the increasing competition between states regarding retaining and attracting business. On a local/municipal level, Bell Atlantic-New Jersey has participated with the Department of Commerce, in the Business Retention and Expansion Program. This program reaches into the business community and helps to identify local strengths and weaknesses - thus stimulating greater cooperation between business and government. This program has shown that business retention is a key to increasing employment, maintaining a stable tax base and attracting new business. The mechanism has been actually going out and individually interviewing business people. When you think about it, what more effective way is there for determining, then rectifying, problems that could result in the loss of business to the municipality, or to the State for that matter.

There has been some indication of increasing economic activity in the State of late, however, we know that New Jersey is in a competitive environment vis-a-vis other states and needs to insure that those improvements continue.

In the past, economic recoveries fueled employment growth. This recovery, however, is being ushered in with significant gains in productivity, but, without commensurate increases in employment.

Every week there are news reports of companies which, on one hand may have just reported good earnings for the prior year. Yet, prospectively, they are reporting the need to reduce employment levels by the thousands. Many of this State's large business markets are national or even international -- so too are the sources of their competition.

Every business looks towards continuing its profitability. Locational decisions are driven by the cost, availability, access, etc., of key inputs/outputs regarding its product and or service mix. Larger business, whose operations and markets are national or international in scope, are continually sought and relocate/expand in those areas from which they gain some relative advantage -- or at least are not subjected to relative disadvantages.

New Jersey must compete with other states to retain these businesses, as well as to attract and develop new ones. Despite some problems that others have covered, the State has numerous assets to be capitalized upon and marketed -- not the least of which is its telecommunications network.

We are moving into the information age...

Look at reports published 20 or more years ago -- the typical indexes of progress that were cited were the number of miles of railways, or highways, or annual steel, or coal output. And this makes sense because in an economy where the production and distribution of goods serves as the cornerstone of wealth and progress, transportation facilities and core manufacturing output are very important.

If you look at many of those same national reports now, they talk of telecommunications facilities, or computer populations, or the volume of financial services trade. This also makes sense because much of today's economic growth has occurred in the "information economy." Just as the machine became the extension of our limbs and muscles for producing and distributing goods, so has the computer become the extension of our mind for assembling and sharing knowledge.

In the article "Into The Telecosm," George Gilder identified image-processing computers, or "telecomputers" that will not only receive but also store, manipulate, create, and transmit digital video programming. According to Gilder, these telecomputers will harness the full imaginative and sensory facilities that allow people to be most intuitive and creative. When networked via fiber technology -- which explodes the communications spectrum -- the bandwidth requirements of these workstations can be satisfied.

Bell Atlantic-New Jersey, through its Opportunity New Jersey initiative, has committed to the accelerated ubiquitous deployment of a fiber-based Broadband network throughout its service territory. New Jersey's telecommunications network will facilitate the realization of the visions of Gilder and others. Deployment of this network provides the capabilities -- its utilization, by small and large businesses will provide an important key to economic prosperity in New Jersey.

What's important is establishing/maintaining an environment that will be conducive to business, and, knowing that telecommunications is a key part of the environment. In terms of telecommunications, we see opportunities to improve the state's business climate. Providing Bell Atlantic-New Jersey increased flexibility, in terms of pricing and packaging its service offerings to business, would enhance the State's appeal.

Small businesses rely heavily upon telecommunications' Directories for advertising their products and services. All businesses rely upon telecommunications for ordering, selling, and data processing, etc. Repeal of the taxes levied on these services would help to improve this state's business climate by reducing the cost of doing business here.

Given the importance of the creation and development of new/small business, more must be done to nurture the entrepreneurial spirit. A company named Cognetics, Inc., publishes "ENTREPRENEURIAL HOT SPOTS: The best Places in America to Start and Grow a Company," (1993). In the publication five hard determinants were identified in addressing the question, Why are entrepreneurs starting and growing companies in some places much more than in others? These five hard determinants are:

1. Universities (source of new ideas, creative people and technology),
2. Interstate Highways,
3. Airports,
4. Advanced Telecommunications, and
5. A nice place to live (re local education, recreational and cultural opportunities).

There are also "soft determinants" which have more to do with the culture of a place. Overall, in terms of ranking by state, New Jersey was ranked #22. Since telecommunications is one of the key determinants, improvements in telecommunications will go a long way in improving the state's overall ranking.

In closing, Bell Atlantic believes that the necessary ingredients exists for New Jersey to become this nations economic powerhouse. Telecommunications, Energy, Education, Banking/Financing, as well as a host of public and private sector initiatives are all parts of a broad economic development strategy mosaic for which a common public/private focus or plan must be developed. If we all work together, we can make New Jersey work for the benefit of all.

Thank-you for this opportunity to testify.

***Remarks to the New Jersey Senate
Subcommittee on:***

***State Economic Development
Strategies***

***Dennis J. Donovan,
Senior Managing Director***

***The Wadley-Donovan Group
One Madison Avenue
Morristown, NJ 07960
Tel. (201) 540-0012***

March 14, 1994

**The
WADLEY-DONOVAN
GROUP, Ltd.**

505

Qualifications

- 1. Corporate location specialists since 1975*
- 2. I have been in the business 18 years*
- 3. Our practice is international and focuses on office, mfg., and distribution*

5/12

Qualifications

4. Have evaluated NJ numerous times

o Companies moving to the state

o Companies moving within the state

o Companies moving from NJ to other areas

5. During these locational evaluations, have interfaced closely with state and local economic development groups

6. Hence, my remarks today are from the end-users' or customers' perspective

52X

C *ontent*

- 1. *Brief review of corporate location trends***
- 2. *Role of economic development in a corporation's decision of:***
 - o Where to place new capacity*
 - o Where to relocate existing capacity*
- 3. *Competition: Economic development thrusts of other states***

53x

C *ontent*

4. *Necessity for a well conceived, pro-active, competitively superior economic development plan for our state*

5. *Questions and answers*

525
X

Trends

- 1. Activity, i.e., New facility announcements involving 20 or more employees, down 40% in 1992 vs. peak year of 1988**
- 2. Location activity rebounded an estimated 5% in 1993**
- 3. Projecting 6%-8% growth rate for next several years**
- 4. Will be late in this decade before we reach zenith recorded in 1988**

554

T*rends*

5. Drivers behind location

- o Cost*
- o Change*
- o Efficiency*
- o New capacity*

6. Key factors

- o Human resource base*
- o Business costs*
- o Infrastructure*
- o Then other factors based upon individual company requirements*

56x

Trends

7. NJ based company option

o *Expand on site*

o *Expand elsewhere in NJ*

o *Expand out-of-state*

- US - Overseas

X25

Oral Testimony
starts here



Economic Development Role

1. Foster a competitive business climate. This is legislative/administrative aspect of economic development

2. Create and effectively implement programs designed to:

o Retain existing jobs

o Expand existing job base

o Create new jobs via business start-up

585

E ***conomic Development Role***

2. Create and effectively implement programs designed to: (Cont'd.)

- o Generate new jobs by attracting businesses from outside the state***

programatic
This is the pragmatic dimension of economic development

3. Provide responsive, expeditious, high quality information and services to firms seeking to

- o Stay in NJ*** ***o Start in NJ***
- o Expand in NJ*** ***o Move to NJ***

This is the customer service aspect of economic development

59x

Economic Development Role

- 4. Economic development entities, therefore, play a critical role in influencing corporate facility location decisions***

- 5. Economic development represents the most direct vehicle for the public sector to stimulate job creation***

609

N *J Competition*

1. Acute, intensifying, smarter

o Within Mid-Atlantic region, e.g.,

- CT - PA - DE - MD

o In states where northeast based companies, including many from NJ, relocated to:

- VA - GA - NC - FL - TX - CO

619

NJ Competition

1. Acute, intensifying, smarter (Cont'd.)

o Foreign countries who actively recruit US business to place new international capacity in their countries or relocate portions of a business to their countries. Countries with US industry recruiting offices, many in NYC include:

- Germany* *- Netherlands* *- United Kingdom*
- Canada* *- Ireland* *- Mexico*
- Singapore* *- Malaysia*

62X

N ***J Competition***

2. NJ especially exposed

o Encourage retention, expansion, start-up

o Defend from prevailing raids by other states and their metro areas, including some within the region

68x

N ***J Competition***

3. Historically, our state has turned in economic development performances which I would rate poor to slightly below average

o Business climate improvement/maintenance rating--fairly poor

o Programs to encourage job formation--mediocre to slightly below average

o Customer service for expanding and relocating business--poor

64X

N *J Competition*

4. In my view, the State's economic prosperity occurred despite weak economic development initiatives both at the State and local levels

5. Competitor states which have done a far better job include

o Connecticut

- 180 degree turnaround in recent years*
- Top priority in administration*
- Recruited highly qualified people*
- Rationalized the tax situation*
- Reduced regulatory burden*

65-X

NJ Competition

5. Competitor states which have done a far better job include (Cont'd.)

o Connecticut (Cont'd.)

- Improved permitting process***
- Instituted impressive incentives***
- Created effective industry contact program***
- Launched targeted marketing effort in US***
- Greatly expanded overseas marketing***

XX

NJ Competition

5. Competitor states which have done a far better job include (Cont'd.)

o Pennsylvania

- Model programs for industry retention:

**** Ben Franklin***

**** Mfg. extension centers***

**** Incentives***

- Long track record of impressive incentives not just geared to depressed areas

- Workforce preparedness

- Targeted marketing in US

- International marketing

- Added staff for customer service

N *J Competition*

5. Competitor states which have done a far better job include (Cont'd.)

o SE states like Virginia and North Carolina

- Favorable business climate a top priority of elected officials, irrespective of political party***
- Fiscal stability***
- Extensive programs for:***
 - * Industry retention (e.g. NC 9 regional offices)***
 - * Business start-up (e.g. ^{VA's} technology transfer)***

68x

NJ Competition

o SE states like Virginia and North Carolina (Cont'd.)

- Extensive programs for: (Cont'd.)

** Target marketing*

a. Industry

b. Geo. area (including NJ)

*c. International (e.g. multiple overseas offices,
frequent investment missions, touching base with
the foreign network in US).*

d. Aggressive programs

69X

NJ Competition

o SE states like Virginia and North Carolina (Cont'd.)

- Extensive programs for: (Cont'd.)

** Limited incentives, but that is changing, e.g., NC*

a. Industrial access road program

b. Governor's \$5 million incentive fund

*c. \$2,800 corp. income tax credit per job created in 50
of the state's counties*

d. Free pre-employment training

70X

New Jersey State Library

NJ Competition

o SE states like Virginia and North Carolina (Cont'd.)

- Superior customer service

- * Extensive, pertinent, up to date information*
- * Information attractively packaged and user friendly*
- * Strong custom research capabilities*
- * Quick response to information requests*
- * Arrange complete prospect itineraries including interviews with companies*
- * Accompany prospects while visiting area*
- * Frequent follow-up with prospects*
- * Widespread call programs on existing business*

NJ Competition

o SE states like Virginia and North Carolina (Cont'd.)

- Superior customer service (Cont'd.)

** Headquarters call program*

** Appreciation events*

a. In state

b. Out-of-state

6. Why has NJ lagged behind

o Unappreciative of the importance of economic development entities

o Periods of relative prosperity have dampened sense of urgency

NJ Competition

6. Why has NJ lagged behind (Cont'd.)

o Lack of commitment from States' chief executives

o Under funding

o Under staffing

7. There have been some good people and good programs, but overall haven't cut the mustard

8. Utilities have tried to fill void to the best of their abilities

78x

What's Needed

1. Belief by Governor & Legislature that economic development is integral to the State's long-range vitality

2. Economic development strategy

o Business climate (i.e. product improvement)

74X

What's Needed

2. Economic development strategy

o Programs

- Retention/expansion

- Start-up

- Recruiting

** Domestic*

** International*

- Customer service

** Information*

** Responsiveness to prospects*

25x

What's Needed

2. Economic development strategy (Cont'd.)

o Maximize effectiveness of public/private sector roles

o Coordination of key players

- State

- Local

- Utilities

- Other

3. Commission has been formed. Asked to tender recommendations by Oct. But we don't have to wait until Oct. to improve one aspect of economic development--customer service. That can begin quickly.

25X

What's Needed

4. We must put together an effective strategy. Different playing field

o Less active market

o Greater competition

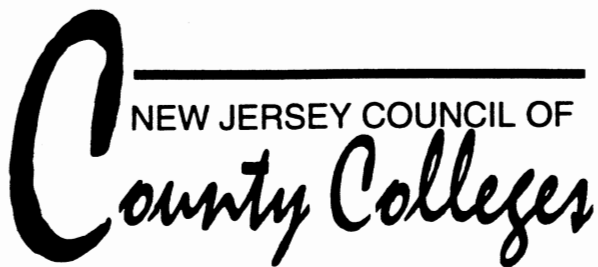
o Companies more mobile than ever

o Other states & countries target our companies

o Limited funds

***o Failure to do so will cost us many higher paying &
better quality jobs***

77X



MR. DONALD J. LOFF - Chairman

DR. LAWRENCE A. NESPOLI - Executive Director

**TESTIMONY FOR THE SENATE COMMITTEE ON
NATURAL RESOURCES, TRADE AND ECONOMIC DEVELOPMENT
MARCH 14, 1994**

Good morning, and thank you for permitting me to testify today.

I represent New Jersey's 19 community colleges, which have been involved in the economic development of their counties since their inception more than 25 years ago. Today I'm here to tell you that this dynamic system of training, retraining and business services can and wants to do more to help grow the economy through statewide economic development initiatives.

I'd like to build on much of the testimony that this committee has heard today. First, we've heard from nearly every speaker how successful North Carolina has been in attracting new business. That state has used its community college system as the primary provider of workforce training and retraining. In North Carolina, state programs for customized training and retraining are administered and funded through their community colleges. Here in New Jersey, our community college system has at least 40 campuses or extension centers providing the same services.

New Jersey community college personnel go to the workplace to assess needs specific to each company, design programs to fill those needs, and then deliver the appropriate training or education on site. Last year New Jersey's community colleges filled approximately 650 contracts for customized training. Our clients enjoyed positive, measurable results such as higher productivity, greater employee satisfaction, and lower employee turnover rates.

Other services to business and industry provided by our colleges include small business and entrepreneurial support, seminars and workshops approved by the American Management Association, and assistance in entering into international trade. We have Small Business Development Centers (SBDC) on five campuses and SBDC extensions on several others. Eleven New Jersey community colleges have chapters of the Service Corps of Retired Executives (SCORE), who offer one-on-one business counseling to entrepreneurs. I have a handout for the Committee that lists most of the economic development activities of New Jersey's community colleges.

Another subject we've heard in today's testimony has been the value of research technology transfer carried on at New Jersey's fine universities. I'd like to point out that for every researcher or engineer who graduates from those universities, our state will need 10 to 20 highly skilled technicians to run the process or machinery designed by the researchers or engineers. Community college training and education is designed in cooperation with 2,000 representatives from specific industries to help New Jersey businesses get employees with the skills they need.

New Jersey's 19 community colleges respectfully request that this committee utilize our expertise and experience when designing a state economic development plan. We could do a great deal to attract and retain businesses in New Jersey, and it won't cost any more money, just some time for planning and communicating.

Respectfully submitted,



SaraLee Pindar
Research & Planning Officer
New Jersey Council of County Colleges

**NEW JERSEY
COMMUNITY COLLEGE PROGRAMS & SERVICES
SUPPORTING ECONOMIC DEVELOPMENT**

***DEGREE AND CERTIFICATE CAREER PROGRAMS DESIGNED IN COOPERATION WITH
ADVISORY BOARDS FROM BUSINESS AND INDUSTRY***

- ▶ HIGH TECHNOLOGY OCCUPATIONS
- ▶ NURSING AND ALLIED HEALTH
- ▶ PROTECTIVE AND HUMAN SERVICES

CONTINUING EDUCATION/NON-CREDIT COURSES, SEMINARS, WORKSHOPS

- MANAGEMENT SEMINARS ACCREDITED BY THE AMERICAN MANAGEMENT ASSOCIATION
- COURSES TO PREPARE FOR OR RENEW LICENSURE
- COMPUTER PROGRAMS, FROM BEGINNERS TO ADVANCED

CUSTOMIZED TRAINING AND RETRAINING

- ▶ WORK SKILLS UPGRADING
- ▶ TECHNOLOGY EXTENSION
- ▶ TOTAL QUALITY MANAGEMENT/CONTINUOUS QUALITY IMPROVEMENT
- ▶ DEFENSE CONVERSION
- ▶ WORKPLACE LITERACY/ENGLISH AS A SECOND LANGUAGE

SMALL BUSINESS AND ENTREPRENEURIAL SUPPORT PROGRAMS

- SMALL BUSINESS DEVELOPMENT CENTERS (SBDCs) ON FIVE CAMPUSES
- ELEVEN CHAPTERS OF THE SERVICE CORE OF RETIRED EXECUTIVES (SCORE)
- ADVICE AND PLANNING ASSISTANCE FROM START-UP THROUGH EXPANSION
- WORKSHOPS AND SEMINARS IN FINANCING AND MARKETING
- INTERNATIONAL BUSINESS SEMINARS, INCLUDING ISO 9000

SPECIAL COURSES AND SERVICES FOR STATE AND FEDERAL PROGRAMS

- ▶ WORKFORCE DEVELOPMENT PARTNERSHIP PROGRAM
- ▶ WELFARE REFORM
- ▶ JOB TRAINING PARTNERSHIP ACT (JTPA)

TRANSITIONS TO WORK PROGRAMS

- TECH PREP
- COOPERATIVE EDUCATION
- YOUTH AND REGISTERED APPRENTICESHIPS
- CAREER AWARENESS PROGRAMS FOR MIDDLE- AND HIGH-SCHOOL STUDENTS
- MATH AND SCIENCE CAREER PROGRAMS FOR URBAN YOUTH

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