Meeting

of

THE ASSEMBLY SPEAKER'S NORTHERN REGIONAL BUSINESS SUMMIT

"Exploring the Region's Industry Sectoral Growth: Legislative and Economic Development Strategies to Build a Strong State Business Climate"

LOCATION: Drew University
University Center
Madison, New Jersey

DATE: October 25, 2000
9:00 a.m.

MEMBERS OF SUMMIT PRESENT:

Assembly Speaker Jack Collins
Assemblyman Joseph Azzolina
Nora Colton, Moderator
Joseph Seneca
James W. Hughes
George M. Taber
M. Brian Maher
Barbara Amen
Barbara Zaccone
Joseph Wilson
Patrick Wardell
Kenneth I. Moch
Donald Weiss
Eugene Simko

ALSO PRESENT:

Deborah K. Smarth
Tasha M. Kersey
Assembly Majority

Hearing Recorded and Transcribed by
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ASSEMBLY SPEAKER COLLINS: Ladies and gentlemen, if we could get started--

Thank you very much, and welcome to our Northern Regional Business Summit. I'm sorry to say that I am not Assemblyman Joe Azzolina. Unfortunately, I am Jack Collins, Speaker of the Assembly. But Joe Azzolina, the key to why we're here today, is en route, and when he gets here, his topic will be transportation in the 21st century -- (laughter) how it impacts the business community.

Joe -- and this is even easier for me to speak in his absence, because he's such a shy man but such a competent man and such a committed person -- that he is the driving force between these business summits. We have had them a number of times over the last couple years. He's been kind enough to allow me to be in the title -- but really, the title of business driver in the New Jersey Assembly is Assemblyman Joe Azzolina. And he will be with us shortly and will make the closing remarks.

First let me say, on behalf of all of us involved in today's summit, but even more so, all of the individuals who we believe will benefit by what takes place here today -- that's citizens of this state, this country, and literally, the world, and all of those employed by the business and corporations that are impacted by what we in government try to do, which, and I'll make comments about this in a moment or two -- really, to use a term that is often tied to one of our services' branches -- to be all that you can be.

Today, the moderator of this summit is Dr. Nora Colton, who is an associate professor of economics here at Drew University, has a Ph.D. from Oxford University in the United Kingdom, is an expert on international economics, is a former visiting professor to the American University of Beirut, and is someone who we are extremely pleased has devoted time to us today to keep us moving forward.

It's my pleasure to bring to the podium Dr. Colton.

Dr. Colton. (applause)

DR. COLTON (Moderator): Good morning.

On behalf of Drew University, I'd like to welcome all of you here this morning -- and particularly to our beautiful campus that is wonderful and very beautiful in the fall. I hope you have a chance to enjoy that, as well, while you're here this morning.

I'm looking forward to a very interesting and informative session this morning.

I would like to ask the audience just one favor, and that is, if we could reserve all the questions for the end -- after all the speakers have finished. And then we're going to have some time for your comments, your thoughts at that point.

All of our speakers have agreed and promised they're going to stay within a 10 minute framework so that we can move forward so that we can have that time at the end.

Without any kind of further ado, I'd like to introduce our first speakers this morning. They are Dr. Joseph Seneca, Vice President of Academic Affairs at Rutgers University; and Dr. James Hughes, Dean of the School of Planning and Public Policy at Rutgers. They will be addressing the topic "Economic Outlook, Business Climate Trends, and Industry Clusters' Impact on State Economic Development.

Dr. Seneca. (applause)

DR. SENECA: Thank you, Nora.

Good morning, everyone.

This is part of the efficiency drive in State government. The Speaker did give everybody 10 minutes except for the two academic economists. We have five minutes each as part of the public sector drive to raise productivity, right, Jack? So we appreciate that.

So I'm going to be very brief and try to cover three things: the current economic conditions in New Jersey; the United States economic environment in which the State finds itself at the current time; and then some strategic policy issues for the clusters of industries that have driven the New Jersey economy over the last eight years.

First, a summary statement. Borrowing from Charles Dickens, and with apologies to Charles Dickens -- "It was the best of times." This has been a phenomenal economy for New Jersey. We are now in our 101st month of economic expansion -- that is, October marks the 101st month of economic expansion of this state, the second longest expansion ever in the history of New Jersey. The United States economy is in the 115th month of expansion, the longest expansion ever in United States history. The previous expansion length was the record '61-'69 economic expansion, but that was war, this is peace. That was Federal deficits, this is Federal surpluses. That was rising interest rates and rising inflation. Up until very recently, this was relatively low interest rates and stable prices.

New Jersey's unemployment rate -- 3.8 percent in September -- a remarkable number given the State's past history -- the seventh consecutive month this year where the unemployment rate has been below 4 percent. The employment gain in September -- almost 15,000 new jobs, 8000 of them in the private sector -- New Jersey economy recovering in September after a summer in the doldrums when employment was mostly flat. We're on pace for an employment gain in the area of 55,000 to 60,000 again this year. That's slower than the last several years, but very, very solid.

Nonresidential construction, office, commercial, and industrial space remains strong. Building permits over the last two years have been over 12 million square feet over the last several years annually. Low vacancy rates implies that there's not a lot of speculative building out there, avoiding the pitfalls and the bubble phenomena of the 1980s.

Relocations to New Jersey -- business relocations remain strong -- 105 in 1997, 116 in 1998, and the surveys into 1999 and 2000 indicate continued strong relocation trends to New Jersey for pharmaceuticals and financial firms, particularly along the Hudson River waterfront areas, absorbing over 5 million square feet of commercial space last year.

Income gains remain very strong -- 6 percent growth of personal income driven by strong employment and also strong capital gains and other nonlabor income.

The U.S. economy is slowing, but it is slowing from a remarkably strong and blistering pace. I mean, gross domestic product rose 5.9 percent in the second quarter. That's a remarkable number given the length of the recovery. But we do see signs of flowing consumption spending, slowing business investment spending, particularly in computerization and technology, which had driven the economy for so long, and slowing spending in durable sales of vehicles and housing.

Exports have picked up recently, and the Fed, with its six interest rates increases over the last year and a half, has definitely tried to reengineer a second soft landing in this expansion. And it looks like they are pretty well going to achieve it, which is remarkable.

In the context of the election -- just some comments. There is a projection -- not the word forecast -- a projection of a $2.1 trillion surplus over the next 10 years at the Federal level. I use the word projection because it is just that. It is subject to very, very many forces. It is fragile in its nature, but it is unique in certainly our last 25-year experience to have that surplus before us. Then you have, in the context of the current campaign, Governor Bush proposing a massive tax cut, along with modest spending increases in education, health, and the environment, and you have Vice President Gore proposing, out of the surplus, to pay down the debt and much larger spending increases in education, health, and the environment.

The bad news is that both candidates' proposals, if you fully cost them out, would more than exhaust the surplus. The good news is there's not a snowball's chance in hell that they will be implemented -- (laughter) because the likely outcome of the election will be a divided government. The fact that this will be very hard-- Each of their policies will be very hard to get congressional approval.

However, tax cuts, spending increases -- the both of them -- both of those are stimulating effects on the national economy. So you have monetary policy and potentially fiscal policy working across purposes in a full employment economy. And it does present a rather clear choice for the electorate this year in terms of at least the economic philosophies of each candidate.

Caveats to the whole environment -- energy, oil prices, war potentially -- that type of shock is what characterized the last three recessions. So that is the unknown on the horizon and certainly a very major caveat.

For New Jersey, employment growth has been dominated in five cluster areas. And that is what we were charged to talk about -- the high-technology industries in New Jersey, health care, the financial sector, logistics -- that is the distribution of goods and services and people, and entertainment. Those five clusters have accounted for more than 50 percent of New Jersey's job growth. So State policy aimed at supporting those areas of New Jersey's economy is very, very critical -- policies aimed at education and training, at basic research, at infrastructure improvement, at business climate, and of keeping New Jersey's students in New Jersey.

We're at a university today. I work for a university. Universities, colleges, and schools are represented in the room. We loose 20,000 students a year to out-of-state schools -- 20,000 students. That's 80,000 in the course of one graduating class. And they don't come back. In this labor market, there are 31 states that have unemployment rates lower than 4 percent. There's no excess labor anywhere. It is so very, very important to keep New Jersey's best and brightest and its students in New Jersey. And I applaud the efforts of State government, particularly the scholarships that are now available to students based on grade point averages and SAT scores to remain in New

Jersey. It is one of the key factors that will determine the future economic well-being of New Jersey.

So there, Mr. Speaker, Dr. Colton, in five minutes -- a little bit more -- a little bit over time, over budget, Jack, but basically an overview of the economy.

Thank you. (applause)

DR. HUGHES: First, since we have two economists in a row, an observation on economists so that we don't get too carried away this morning. The first law of economists-- For every economist, there exists an equal and opposite economist. The second law of economists, they're usually both wrong. (laughter) So you are forewarned.

I'm simply going to partition my presentation this morning into three baseline economic factoids and then a conclusion.

Number one: the great transmillennial New Jersey economic expansion, our current economic era. The current upcycle in New Jersey began in May of 1992, fully 14 months after the national recession came to a close. We initially had to call this period the long road back, because it took us a record amount of time, fully five years, to fully recover all of our recessionary job losses. Then, as the economy accelerated toward the end of the decade, we had to relabel it the glorious post-recession '90s in order to reflect its unanticipated strength and unanticipated duration.

For better or for worse, this label, too, was then rendered obsolete, as the relentless odometer of history ultimately prevailed. It swept us right out of the 1990s into a new decade, century, and millennium, requiring another redesignation. So we are now pompously calling our current era the great transmillennial economic expansion -- somewhat grandiose but certainly quite accurate and quite necessary. The expansion has now propelled across the millennium, has propelled us fully into the new information-age economy.

In essence, the core economic competency of New Jersey has been completely redefined, and this is nothing less than an interplanetary economic success story.

Factoid two: the new, improved long boom. As Joe noted, the expansion in New Jersey is now 101 months long. We have long since surpassed in length the fabled boom of the 1980s, which lasted only 83 months. Now, more people in New Jersey have reported Elvis sightings than believed the '90s could ever have eclipsed the 1980s, but eclipse it we did.

During this up cycle, we have added nearly 485,000 jobs. That is-- There are nearly one-half million more jobs in New Jersey today than there were in 1992. We are now fully nestled in a speed-of-light economy, an era driven by the impact of information flowing through fiber-optic cables at the speed of light.

Factoid three: latest benchmarks and milestones. Now, we have experienced such extraordinary economic times for such a long period that the passing of milestones has now become somewhat commonplace, usually eliciting yawns and boredom. Nonetheless, I do believe we should enjoy them while they are available. Let me review their steady accumulations since 1997.

In 1997, as I noted before -- full job recovery. And in April of 1997, total employment in New Jersey surpassed 3.7 million. That meant we have finally exceeded the record employment high that had been achieved in

March of 1989, which was the peak of the boom years of the 1980s. So it took us eight full years to advance beyond where we were in 1989.

Then, in 1998, we had full home price recovery. Now, as you remember during the great boom of the 1980s, home prices increased nationally by 45 percent between 1980 and 1988 -- 45 percent. In New Jersey, home prices increased by 145 percent between 1980 and 1988. People who owned their own homes between the boom made more money going to sleep at night than they did going to work during the day. (laughter) But just when real estate and real property ownership were about to replace sex as the everyday fantasy of most New Jerseyians, prices plateaued and then subsequently plummeted as the real estate bubble burst. But they did eventually trough out, and slow price recovery then ensued during the 1990s.

But in 1998-- It took us until 1998 to finally match the price peak of 1988, 10 years earlier. Prices then skyrocketed to new record levels. In 1999, a new income peak-- Between 1994 and 1999, we had five straight years where our per capita income growth exceeded that of the nation. As a result, today, New Jersey's per capita income is now fully 27 percent higher than that of the United States. And this is a new postwar record.

Finally, the year 2000 record expansion benchmarks. February 2000 -- the national expansion reached 107 months in length, making it the longest expansion in history. And as Joe noted, this month, the national expansion is 115 months long, halfway through its 10th year.

So the bottom line -- an impressive set of economic milestones that deserves reiteration:

1997, employment -- full employment recovery in New Jersey and the start of a string of record-setting employment months;

’98, home prices returned to the home price peak of 1988 and the start of the great transmillenial home price surge;

1999, a record high ratio of New Jersey’s per capita income to that of the nation;

the year 2000, economic expansion, a new U.S. record and an impressive State benchmark.

Finally, an old presentation proverb says that any old place in a presentation is a good place to stop. So, if at this point I’ve given a good presentation, this is a good place to stop. But if at this point I’ve given a bad presentation, then this is a heck of a good place to stop. (laughter) Whatever the case, I’m soon going to stop.

So let me briefly sum up with a guaranteed forecast. The next recession in New Jersey will be the first recession of the new millennium and the first new information age economy recession. (laughter) In fact, at some point, the new economy boom is destined to be followed by a new economy bust. But the next recession is not going to be a repeat of the 1989-92 downturn in New Jersey, which was a unique, once-in-a-lifetime economic debacle. The New Jersey economy is now in tight lockstep with the U.S. economy. There are no unique statewide excesses that have developed that are anywhere near comparable to those of the late 1980s.

Thus, our next recession will closely parallel the nation’s, which is exactly what happened during eight of the nine postwar downturns. And there’s a good probability that it will be milder. And after doing economic forecasts for the past two decades, I think you can now take such projections as gospel.

You have my personal guarantee that they will occasionally be right.

Earlier, I was instructed not to forget that it's better to leave your audience before your audience leaves you, so I'm leaving now.

Thank you.

DR. COLTON: Thank you, Dr. Seneca and Dr. Hughes. I think we now have a kind of outlook for the economy.

Now, it's my great pleasure to introduce Assembly Speaker Jack Collins of the New Jersey General Assembly. He's our keynote speaker who will be speaking about building a business-friendly state.

ASSEMBLY SPEAKER COLLINS: Thank you very much. It's always a pleasure to follow the two doctors. Usually, and today was no exception, I never understand what they are saying when they talk about the economy and so on. Of course, as Dr. Hughes always points out, he doesn't understand it either. But there is one thing I do have at least a little bit of experience on, and I would like to comment to Dr. Seneca.

There will not be divided government in Washington after November 7th. I will not be a partisan and tell you which party will control both branches. (laughter) But I picked up that little line, Joe, of there will be divided government. And even if there were to be a split in "the parties in control," I do think -- and I think we've shown it in New Jersey -- that when it comes to opportunity for people to improve their quality of life, and I, over 15 years, have discovered, as a State legislator, that quality of life improvement is so often anchored in job opportunity, because when people are working, the other opportunities fall into place. That does not mean that just having a job makes every day just an utopian experience. But it gives you the opportunity to experience so many other pleasures of life, whatever you determine them to be.

And when I saw on this program that I was the keynote speaker, I always smile. The only part of that that would be accurate is that I am the Speaker. But the keynote aspect, no. What we will have happening over these next two hours or so is really key to why you're here. And very honestly, it will be noteworthy, because what we have here today is a cross section of the New Jersey business community in its broadest sense, not just here on the panel, but out there.

Dr. Seneca touched on it, in my judgement, when he mentioned we have the educational community, the business community. We have those whose business is tied to environmental issues and on and on and on. And as many of you noted, joining us at the head table is the man who you will hear from eventually, Joe Azzolina. And if you'll remember, what he was working on today was transportation issues. (laughter) He will resolve them, because they are one more aspect of what impacts on the business community -- the climate in this state.

But I'll tell you who else impacts on it, and that's the Legislature. And we're very proud that the Legislature has the opportunity, when we do it right, to allow you, and these individuals, to take your expertise and improve opportunities for the improvement of quality of life in this state.

I would like to, as I continue my remarks, point out that a number of my colleagues are with us today. They are Assemblyman Bateman, Assemblyman Garrett, Assemblyman Merkt, and Assemblyman Carroll, and many staff members of other Assembly persons. Now, not to denigrate the six of us who are legislators who are here, but really, it's more important to have the staff members here, because they tell us what to do. And so those members who are not here and have sent staff representatives -- they will fare even better than those of us here.

But why are we here? We are here, my colleagues and I, to learn. I'm an educator by past profession. And the greatest education that I've gotten has taken place in the 15 years that I've been in the Legislature. And what happens in your world has been the greatest part of that education. I remember the first business summit that we had at Gloucester County College. And unemployment at that time was just under 5 percent. As someone who was a coach and a science teacher, I thought, "This is great. Everyone is working, almost." Well, then I found out, yes it is great, and probably even greater at 3.8 percent, but Jack, that means that some companies in business are having new challenges -- getting enough qualified people, getting the opportunity to do what they want to do in their business. Well, what an education.

It has been something that has impacted on me in other decisions that I've made over the last year. Oh, no. I, nor my colleagues, want to have employment rise, but we also have to be alerted to the fact that when we reach a certain point, whatever that number to be determined by the experts -- we really have full employment. And when we have full employment, other challenges take place.

Now, it's surely much better than people looking for jobs, because, and I tell you, ladies and gentlemen, without question, what the Legislature wants to do is to allow the citizens of this state to again improve their quality of life. So we want opportunity there, but we also realize that what appears to be an opportunity often is one that is not as positive as one might think at first blush. So our basic intent is to allow those who determine such opportunities the right to do that.

And I will point out -- and staff gave me all of the successes that we can point to over the last decade of control of the legislature by my particular party. But it hasn't been done by one party, it's been done by the unification of ideas of legislators, and during that decade, two different governors from different parties. To be able to point to 480,000 more jobs, as Dr. Hughes said -- and an expanding economy and opportunities in the education area, of expansions of our higher education institutions, and what we anticipate is going to happen in K-12 education with new facilities or rehabilitated facilities -- all of those things that we hope will produce in the future, more workers, more individuals with skills that can help so many of the new and expanding businesses as we move into this new millennium.

So our goal -- and we have tried this, and I have said this many times-- I remember when Governor Whitman first said, "New Jersey is open for business." And there were some who jumped up shrieking in horror, "What a statement." And I laughed to myself, thinking what the Governor means, anyone who really wants to understand it is, the business is the business of business -- to allow companies, large and small, the opportunity to give opportunity. And that's what we tried to do. We've looked at so many aspects, and some, I am not totally naive, sitting right in this audience are saying, "Yeah, but you haven't done enough. We're still having a battle with this bureaucracy or this aspect of the bureaucracy." We're trying to do what we can. But as a 15-year veteran of the New Jersey Legislature, I know one thing: It's a lot easier to put something into law than it is to pull it out of law. And we've tried to slow that down. We've tried, and will continue to give you the opportunity to be all you can be.

But there are two areas that I think, in my limited scope of what's going on -- two areas that I think we have to put particular efforts into. One, because of our great successes within this state and within the borders of this great nation, is to reach out, to export. Right now, New Jersey's the ninth largest exporter among the states to foreign countries. Seven percent, roughly, of our gross state product is tied to export. If we could increase that to 11 percent, we would increase our economic expansion to $1 billion more and with as many as 15,000 more jobs just tied to that, something that's new, something that's an opportunity.

We have a group of bills in a package. I'm honored to be a sponsor of a number of them with the Chairman of our economic committee, Joe Azzolina. And we're going to be moving them forward. And those who have interest in this, please give us your opinions and expertise as you see this winding its way through.

But something that is even more important to me personally, because of personal experiences that I have had in my lifetime, beyond and before this legislative experience, is what has been going on in our cities. And I particularly focus on one in the southern part of the state that I grew up right next to, and that is the city of Camden. And I use it as the basis for so many other challenges of our cities. It is one that has been pointed out as one of the poorest cities in the nation.

I don't look at it that way, but I do look at it as what I knew growing up through the 1950s and what is there today. And the biggest change has been, opportunity has gone, the opportunity of businesses. They're gone unless, in this humble opinion, we bring business back to Camden and therefore all of the other urban communities. We can stand and pound on podia all over the state and say, "We care. We must rebuild the cities." We legislators can't rebuild the cities. Citizens can, with your help. And the area that we must, and it is a challenge in certain ways, to bring back the cities, is to look continually at brownfield expansion, brownfield legislation -- not at all to denigrate the environmental challenges in those urban areas and say, "Well, they're just cities. We can build here, there, wherever," which we wouldn't do in a county as beautiful as Morris. But we must face that challenge, because unless we can get you and all of your appendages to say, "I want to rebuild this city through my company, my business, through opportunity," we'll be pounding on podia.

So there is continual effort there, and we will continue to make it. Now, if those things make us a more business-friendly state, then my keynote address was keynote. If they fail, it was just another politician babbling.

I will join Dr. Hughes in saying, I don't know when to stop. If I am right and we can do these things, this is a good time to stop. If it's just political babble, it's a better time to stop. But I really will stop for one other reason. I, unlike Dr. Seneca, will stay to the allotted time. (laughter) I just had to get him for that.

And let me tell you about the allotted time. Of all the things, and this is as a 35-year teacher-- Of all the things that I think are creative about these business summits is the 10-minute time. Do you know why, because it's good in both ways. One, it makes the speaker concentrate on saying something in 10 minutes, but for the audience, if you don't like the speaker, you know you only have to wait 10 minutes. (laughter)

Thank you very much for being here. We appreciate it. (applause)

DR. COLTON: I'd like to thank Assembly Speaker Jack Collins for those remarks. I think he's raised a number of very important issues. And hopefully when we get to questions and answers, there will be some further discussion on some of those issues.

Next, I'd like to introduce George Taber, founder and president of *Business News New Jersey*. And he will be addressing covering the business beat, emerging business issues.

MR. TABER: Thank you very much.

I think I'm going to remain seated in view of the august people who spoke before me standing.

It was a towering political leader who said many years ago that journalists are nattering nabobs of negativism. (laughter) Lest I be called that. What I've tried to do today is to fight my basic instincts and look at, really, the five reasons that I think to be very optimistic about the New Jersey economy and then just three reasons to be pessimistic about it.

By the way, the towering politico was Spiro Agnew. Nobody ever seems to quote Spiro Agnew anymore. (laughter)

Anyway, reason number one: We've got the location. We're right in the greatest conglomeration of wealth in the world. We're halfway between New York City and Philadelphia and between Boston and Washington. The logistics industry, which we'll be hearing about immediately after me, and Joe Seneca cited in his talk about the five sectors of growth, logistics industry in particular, will be strong into the future just because we've got the location.

Secondly, we've got the strong industries of the future. telecommunications, and pharmaceuticals in particular. People want to be connected at all times anywhere. It's one of the great stories of our generation. And that field is clearly going to continue. And companies in telecommunications are going to grow along with it. With our aging baby boomers, drugs and health care will be more important than ever. So pharmaceuticals, again, will be a very strong field.

We have a reasonably strong and skilled workforce. I say reasonably for a reason, and I'll get back to that in just a minute. But certainly, when you compare it to other parts of the country, we're not in a bad situation.

New Jersey was the most industrialized state in the country. In 1943, 55 percent of the people worked in industry in the state. Now, only about 12 percent do. But we still have a long tradition and a strong basis of trained workers.

There was a very interesting case that we did some stories on involving a company called Silver Line. They make replacement windows or windows for new buildings. And they were in the process of moving the company out of New Jersey. They had gone down to Georgia -- set up the first plant. And I had an interview with the President, who was called Ken Silverman, before he had gone down to Georgia. He called me about six months later, and he said, “George, we’re coming back.” And I said, “Why?” They offered him training, wage rates were lower, people had houses on golf courses that had little shacks in New Jersey. And he said, we’re coming back because of the workforce. He said, “They don’t have as good a workforce as we have in New Jersey.” So Silver Line set up a huge facility that I believe now runs 24 hours a day on Route 1 in North Brunswick. And I think it’s just proof that we do have the skilled workforce.

Another point, I think, of optimism is that we have a strong appeal to immigrants. The population in New Jersey has been growing very slowly in total, despite a big outflux to the west and southern parts of our country. The reason is that there has been a heavy influence of -- influx of immigrants to balance off that outflux, in particular Hispanics and Indians -- Asian Indians.

These are talented, ambitious people who contribute a tremendous amount to our economy. The head of a New Jersey technology council says that more than 25 percent of all tech workers in this state are foreign born. When Joe talks about the importance of technology, I think it’s really important to remember that 25 percent of tech workers are foreign born.

These people have the personality characteristics that made them venture outside of their home country. And they often start new companies because of that same spirit of venture.

Finally, a strong reason to be optimistic is that we're wired, as my sons would say. We have a high concentration in the highway of the future in fiber optics. And certainly, when you talk to companies that are moving over from New York City -- in Manhattan, going into Jersey City and other places -- the fiber-optic network we have is usually one of the most important reasons.

That having been said, and just to maintain my reputation as being a nattering nabob of negativism, I think here are three reasons to be a little bit pessimistic. We are a high-tech economy. As I said before, there's no question about it. We're no longer an industrial economy, but we're not training the new high-tech workforce. The shortage of trained workers is really what I think is going to perhaps end this period of economic recovery. In the past, periods of economic recovery were usually stopped by an outburst of inflation. Federal reserve would come in, slap down the economy. As William McChesney Martin said, they take away the punch bowl just when the party started getting good. And the economy would tip over into recession.

I think what we have now is a very different type of economy, where the shortage of trained workers is the most pressing problem we have. Companies cannot expand-- The economy cannot expand if we don't have the trained workers.

Second, our economic infrastructure is, unfortunately, not in very good shape. We are a state that lives by being a crossroad state. Think of that point in the Jersey Turnpike and what modes of transportation are all around you. At one point, you can stand there and on the -- depending if you're going north or south-- If you're going south, on your right-hand side is Newark International Airport. On your left-hand side, you have the port, and you can see the cranes of the port. Right next to the port, you've got the railroad line. You're on a major highway. And if I'm not mistaken, and my colleague who will be following me next can confirm this, I believe there is a pipeline under that road so that you have-- That is the story of New Jersey -- is that infrastructure that we have that is so strong. Unfortunately, we have been letting our infrastructure of roads, bridges, and rails deteriorate. We need to spend more money to keep that infrastructure strong and working.

Finally, I think one reason to be very pessimistic about the State of New Jersey's economy is our heritage of home rule. It is out of date, and it's killing us. New Jersey is a high-cost-of-doing-business state. And when you look deeper, you realize that it's so many of the business and political problems that we have in the state-- You scratch them a little bit, you'll find the face of home rule. We have 566 separate communities. And I believe it is 612 school districts. With a population of 8 million, we have more taxing authorities than California, a state that is four times our size. If you could consolidate our communities down to just 200, the average population would still be about 50,000.

I was fortunate enough to have talked to one of Speaker Collins's predecessors, Alan Karcher, shortly before he died. He was just working on finishing a book about home rule, which he thought with almost his last dying breath was the most serious problem facing New Jersey. And he said if we could just get a more rational set of political systems in this state, how much stronger we would be.

If I could close with just a question-- I'd like to ask, how many problems, from schooling to business, will we have to sacrifice at the altar of home rule?

Thank you. (applause)

DR. COLTON: I'd like to thank Mr. Taber for those interesting comments and insights.

Now, to address the future of the Port of New York and New Jersey, we have M. Brian Maher, Chairman and CEO of Maher Terminals, Inc., a major marine terminal operator in the Port of New York and New Jersey. (applause)

MR. MAHER: I'm going to take the opportunity to stand, because these seats are a little uncomfortable. (laughter)

Thank you, Dr. Colton, and thank you, Mr. Speaker, for including me in this panel.

Unfortunately, the first question I've been asked I don't know the answer to. I don't know if there's a pipeline there. (laughter) But I can tell you that there's a spot in one of our terminals where you -- and this goes to what Mr. Taber was saying -- where you can stand next to the trains being loaded for Chicago and right near the 2500 trucks being loaded for regional distribution that day and 500 feet from a ship being unloaded and look down the road and see the planes taking off at Newark Airport, right at the point where they go off. So there's no question but that that area is a center for transportation, not only in New Jersey, but in the region.

In this most political of seasons, we debate the major issues facing our State and our nation. This year, we have heard plans to reform Social Security, expand Medicare, improve education, and reduce taxes. We've heard precious little about investing in our infrastructure, even less about improving the transportation of goods to meet the demands of the new world marketplace. For New Jersey, this is a critical issue. While we are recognized as the home of the worldwide pharmaceutical and telecommunications industries, little noticed is the important role our state plays in the movement of goods into and out of the state and the nation. With both national and international demand growing, New Jersey's goods movement industry is a growth business.

Just last week, the Port Authority of New York and New Jersey reported a 7 percent increase in containers handled in the first half of this year, with a 21.8 percent increase in the handling of automobiles. In fact, cargo movement through the Port of New York-New Jersey is projected to triple by the year 2020.

New Jersey is the hub of a transportation system that employs ports, roads, and rail to connect foreign and domestic goods with factories, warehouses, assembly plants, and then on to consumers. We employ hundreds of thousands of people, usually at wages far in excess of the minimum wage. Our coastal location, historic infrastructure, and huge consumer market have made us a leader in handling and transporting things we use every day, such as orange juice, automobiles, and electronic devices, and of course, many, many more.

It is time for policy makers to recognize the import industry and invest in the infrastructure necessary to meet the demands and opportunities of the global economy and increased trade.

There are three key components of our goods movement system. One is maritime, which is composed of our ports and our access channels. The second is railroads and the rail infrastructure and the rail terminals that are supported, and of course, trucking, and the roadway infrastructure that's necessary for that.

Let me spend a few moments outlining some commonsense ideas in these areas for your consideration. In the area of ports, channels, and terminals, we are experiencing unprecedented growth in the number of containers and automobiles moving through our port. At the same time, the shipping industry is changing the way we move goods over the water highways of the world. Ships are getting larger. Container ships capable of carrying 6000 to 8000 containers are already in service. These new vessels require deeper channels and modern, high-tech terminal facilities. Shippers are also reducing the number of ports they call on on the East Coast. Hub ports with both land and water based feeder service to other locations will replace multiple port calls. The Port of New York and New Jersey has the needed land-side services, and thus, the potential to be a hub port.

To succeed, we must first deepen our channels to accommodate the larger ships. And second, expand the capacity of our terminals by more efficiently using the land that's available to us.

The port community has developed plans to meet this challenge. The major channels are currently being deepened to 45 feet. We are also currently engaged in a concentrated effort to get Congress to pass word at 2000 before it recesses, which-- We're down to the wire here.

Word at 2000, if passed, will authorize the next step, taking the channels to 50 feet. The Federal government shares the cost of these deepening projects with a local sponsor. In our case, the local sponsor is the Port Authority. The states of New York and New Jersey approved the Port Authority's sponsorship of these projects last summer.

The money needed for the local share is available. The job now is to get Congress and the White House to appropriate sufficient funding each year to have these projects completed within the next decade.

There's been much discussion about dredging, ocean disposal of dredge material, and the cost of finding and using alternatives to ocean disposal during the last few years. The fact is, there are alternatives to ocean disposal: capping landfills, building highways and parking lots, and filling abandoned mines, to name just a few. It is also a fact that all of these alternatives are four to five times more expensive than ocean disposal. So, on 5 million cubic yards of material dredged every year, that raises the cost from $50 million to $200 million.

It is now pretty clear, at least to me, that public policy and public will are to use these alternatives for all but the cleanest material. That being the case, we now need a predictable regulatory system to make these beneficial uses available, and we need the Federal and State governments to recognize that sufficient moneys must be appropriated in order to keep the ports and channels viable and to achieve these very stringent environmental standards.

More effective use of existing marine terminal land is also critical to becoming a successful hub port. Maher Terminals has entered into a 30-year lease with the Port Authority of New York and New Jersey to develop a new, $250 million terminal. This facility will have about the same acreage as our current facilities, but will increase the container throughput per acre from 1200 containers per year to an excess of 2500 containers. We will purchase new cranes capable of serving the larger ships, deepen berths to 50 feet, and install state-of-the-art terminal equipment and systems.

Within three years, we will have one of the largest and most technologically advanced privately operated terminals in the world. At the same time, Maersk Sealand and P&O Ports, two other tenants in the port, will likewise invest in their facilities, bringing the public-private investment in Port Elizabeth and Port Newark to well over $750 million in the next five to seven or eight years.

But even with the increased efficiency of existing terminals, some new facilities will be needed. The now abandoned military ocean terminal located in Bayonne offers a unique opportunity to create additional terminal space near the main shipping channels. The Federal, State, county and municipal governments need to work together to make this new terminal available within five years.

What needs to be done to support these deeper channels serving larger ships and new terminals? The land-side transportation system needs to keep pace with waterside improvements. Fifteen percent of the goods arriving at the Port of New York-New Jersey are destined for locations outside the port region. The most efficient and environmentally friendly method of moving these goods is rail.

New Jersey is blessed with some of the largest freight yards on the East Coast, located within minutes of the port. These facilities bring goods from as far away as the West Coast and deliver goods on a regular basis to Boston, Cleveland, and Chicago. Since 1989, Maher Terminals has operated an on-dock rail facility called Express Rail, which permits the movement of containers directly between ships and trains without leaving the terminal facilities. Express Rail handled 28,000 containers in 1991. By 1999, volume had grown to 159,000 containers. Intermodal traffic, as this is known, has tremendous potential for our harbor. But it clearly relies on efficient rail access and adequate port facilities.

Within the next two years, the Port Authority of New York and New Jersey will build a new, expanded express rail. This new facility will be able to handle the anticipated volume, which could well triple within 10 years.

Our rail access, however, currently has some challenges which must be addressed. While double stacking of containers has impproved rail efficiency, our reliance on many single-track routes and the same tracks shared by freight and passenger trains is inhibiting the growth in the use of rail for goods movement. Freight trains heading south have to wait for the passing of a northbound train. Freight train use is severely restricted on tracks shared with public transit. In most cases, the needed track beds are there, but the track is gone. The solution is to restore these missing tracks. The rail freight carriers, principally CSX and the Norfolk Southern, have put forward detailed proposals that will enhance rail freight services and at the same time permit expanded public transit. These private carriers are willing to bear some of the cost if the public sector will fund improvements needed for public transit purposes. This is a reasonable approach to solving this problem.

And lastly, I want to talk a minute about trucking. At the end of the day, rail and ships can only do so much, particularly moving goods within a regional market. We need, and will continue to need, trucks to deliver goods to local warehouses and directly to consumers. The challenge is to make them more efficient -- something I guess Assemblyman Azzolina is going to address later on.

As I already mentioned, major rail yards are within minutes of the Port, but trucks must navigate aging roadways, going miles out of the way to deliver containers. These extra miles, coupled with waiting time on congested highways, is inefficient and damaging to the environment.

One solution is to build port way, a dedicated truck highway that will connect the Port with the major rail yards in Hudson and Bergen counties. The New Jersey Department of Transportation has begun the first phase of this project. State and Federal governments should fund the balance of the port way project.

Another commonsense idea is the effective use of brownfield sites close to the port. Waterfront land is precious. We need every square foot devoted to terminal operations. Everything else, truck terminals, warehouses, and empty container storage facilities, need to be located near but not at the water's edge. The development of hotel and retail establishments within the port region is consuming valuable land needed to support port operations.

While these are important projects, we need this land to support our goods movement industry. Today, warehousing and truck terminals are being pushed further out into New Jersey, even into Pennsylvania, requiring long truck runs from the Port to the warehouse, then back to the consumer. By reclaiming brownfield sites within minutes of the Port for these facilities, the number and distance of truck moves can be reduced.

The North Jersey Transportation Planning Authority and NJIT have undertaken a study of brownfield sites in the port region. They have identified over 100 that could be reclaimed for use to support the goods movement industry. We need to aggressively work with State and local officials to make these sites available for industry use.

These are just a few ideas on improving aspects of our goods movement system. I know that there are many, many others. The real need is leadership. Those of us in the transportation industry are ready to invest. We need matching public sector investments to ensure the continued success of this important industry in New Jersey.

Thank you. (applause)

DR. COLTON: Thank you, Mr. Maher, for those interesting comments about an extremely important sector of our economy.

Dr. Barbara Amen, Chief Operating Officer for Ballantrae International, an international management consulting firm with offices here in New Jersey and worldwide, will make a presentation on going beyond domestic: global markets to be captured.

Dr. Amen. (applause)

DR. AMEN: Moving over to this side of the room.

And if I remember the correct instructions-- Control F8, is that right? Control F8. (referring to slide machine)

MS. ZACCONE: Function F8.

DR. AMEN: Function F8.

Perfecting the image, please wait.

Terrific.

Do we have a high-tech person in the house? (laughter)

MR. MOCH: Why don't you just go to your next slide and see if it's the slide?

DR. AMEN: As any great consultant, I have backup. I have transparencies.

There we go.

How many in this room are businesses who are currently exporting? It would be of great interest to me to see-- Say 5 percent or more of your revenues.

Thank you.

Part of the purpose of addressing export markets, and it almost seems like, "Gee, do we have to do even more--" As stated earlier, we don't have a workforce. We can't get enough employees. Issues with our transportation need help. But I think if you look at the benefits of exporting, new markets, increased sales, increased revenues, potential elimination of seasonal cycles in your business, you become more competitive, and your business grows. Really, you cannot afford to ignore exporting as a function of your business.

We are a company. And the reason I put this up is because we assist people to export. We are ourselves exporters this year. I anticipate probably 70 percent of our revenues will come from our own sales to overseas firms. So we are exporters. We're in that hazy gray sector. How do you tabulate service exports? Products -- you can measure shipping, you can measure port movement, customs movement. We're a service provider. We export our services overseas. Our services include sales effectiveness, global expansion, strategy, and customer service.

Where are New Jersey companies currently exporting? Historically, the top 10 markets for New Jersey companies-- One is Canada. Do think of Canada as an export market. It is a different country. They have a different culture. And if you start to forget the important things about doing business internationally, you won't succeed in Canada. Don't go there just because they speak English. Make sure there's a reason you're exporting there.

Next, New Jersey companies are exporting to Europe, specifically these four countries. (indicating) New Jersey companies are also exporting to Latin America, with these being the top two. In Asia, and also Israel, there is a lot of export activity going on. Businesses here need to recognize there is a viable export market probably for your product and service. The question is how to get there.

What are the key factors for success when you're moving internationally? It's important to understand, "Yes, my markets will grow." But just like if you're heading out to California -- someone says there's a great market for your product in California, you have to approach it logically. Same kind of key factors for success -- you must plan.

As Uncle Dieter in Vienna says, “Boy, I’ve got people who will buy your stuff.” They may or may not be the right market for you. Take a look at it. Make sure you plan. Know your company. What is important to you? Can you actually manage 15 different distributors? Should you license your technology versus signing up distributors? Know what you can do and what kind of commitment you have in your company. And for goodness sakes, get an understanding of the market before you jump in.

Research the sales channels. Just because your sales channels here work a certain way, it doesn’t mean that in Argentina they work the same way. I can give you story after story. A company that was owned in Europe had a subsidiary in the U.S. They wanted to export to South America. They took the product that they were successful with. They took the same sales channels they were successful with. They went into South America. They didn’t take a look at what was different there. After $400,000 to $600,000 and two years of effort, they pulled out. We did some research. We worked with one of their competitors, which is how we know what happened to them. And within six months, they were exporting. And those are the items that we helped them with. They are the items that the other company had failed to look at. Make sure you select the right partner. And find the best location for you.

We speak to European companies, and we say, “Just because the managing director took a vacation in Vail and loved it, that’s not where you should put your U.S. headquarters. Maybe, maybe not. But use different reasoning processes to figure out how to get there.”

Understanding your market. You’ve got to identify target market -- target population. Who are you selling to? Confirm it. Does it exist.

Identify your competition. If you're HP and you're competing with IBM here, you may be competing with some local competitors in Mexico that you don't even know of here that are going to be in your market doing what you need to do. Identify who the competition is. Research the local market issues. And what are the barriers to your getting into that market? I think people speaking here are speaking to these issues. As they apply to New Jersey, they apply to overseas markets. Transportation, financial, technology--

Understand and work with the local culture as much as you can do over the wire by E-mail. There's nothing like forming a relationship. I firmly believe business is a relationship kind of process. And when push comes to shove, you need to lean on those relationships, or they need to lean on the relationships with you. And you better know more than just what their E-mail address is.

Each country is different. For goodness sakes, don't go to Europe and say, "Well, I'm in Europe." The French, the Italians, the Brits, the Polish-- They all would like for you to work with them the way they're used to doing business.

Many cultures work on trust, particularly in these areas. Basically, you form a relationship. If it sours, you're going to have a very hard time getting back into that same market with a new relationship. Relationship-based business is key in most overseas markets. When you're working with Asian cultures, wipe the slate clean and approach it from a new point of view.

Good communications are vital. We're working right now with some finished companies, and our E-mail seems to be going into a black hole. I finally, very politely, said, "You know, if you can answer E-mail within two to three days, American companies will know that you've gotten what they sent you." They said, "Well, we don't answer until we have something substantial to tell them." And the American companies are calling and saying, "Gee, I guess they're not interested. We haven't heard back." They're meanwhile over there busy, working, getting the answers, figuring -- small things like that. Make sure you communicate well and try to understand the other culture.

Use your resources. Plan your entry into new markets. Everybody says, why do you put up exit plan? Well, you know, sometimes it doesn't work, does it? Know how to extricate yourself from an impossible situation and move on to the next. That should be part of your planning.

Use sources that know the markets and will tailor services for you.

Take advantage of incentives here and abroad. And I do want to point out that the New Jersey-- There are proposals in front of the New Jersey Legislature for export assistance. And Chairman Azzolina can talk more to that if you have questions about it. There are also incentives in countries abroad to assist you to enter their markets just as New Jersey is attracting business. Combine what we can do here for you with what other markets abroad will do for you, because they're also interested in growing their business. So you have a nice balance of incentives available to you. It may take a little paperwork to find out what they are, but generally, it's very worthwhile doing that.

The whole point will be in new markets. You will increase your sales, should increase your revenues. Potential elimination of seasonal cycles-- Some people, if you're not aware of that, it-- There's a manufacturer here in this area -- clothing manufacturer that does back-to-school -- big-time back-to-school business. Back-to-school time in South America is March. So they can run the September sales cycle here, gear up, hit the March sales cycle there, and they don't have to lay off 40 percent of their workforce in between.

You will become more competitive because you know the world is going this way. You can only keep your head in the sand for so long. And your business will grow.

Thank you. I look forward to your questions. (applause)

DR. COLTON: Thank you, Dr. Amen.

We now have Barbara Zaccone, founder of Barbara Zaccone Associates, which is a Web design, E-commerce, and marketing communications business. She will address E-commerce, changing the face of business.

MS. ZACCONE: Now I can breathe a sigh of relief.

Good morning. Thank you for having me here today.

To talk about E-commerce in 10 minutes, as you can imagine -- and the Internet -- is even more challenging. So I will focus, focus, focus.

I thought I'd share with you a few of the trends that we see in our company in terms of competing with New Jersey businesses. Our target markets are manufacturing business, services, and nonprofit companies.

One of the areas that we see in manufacturing--

Yes?

UNIDENTIFIED SPEAKER FROM AUDIENCE: You're not on the screen. (referring to overhead projector screen)

MS. ZACCONE: Oh, I'm not on the screen. Thank you.

MR. MOCH: I didn't touch it.

MS. ZACCONE: Did you not touch it?

MR. MOCH: Didn't touch a thing.

DR. AMEN: Hit the top button again.

MR. MOCH: When it was in the standby mode, I thought you weren't using it.

DR. AMEN: The last button on the right at the top.

MR. MOCH: The standby?

DR. AMEN: Yeah.

MS. ZACCONE: Did you press the standby button?

DR. AMEN: I did.

MS. ZACCONE: You did?

DR. AMEN: I did?

MS. ZACCONE: You touched the button.

Is it on now?

MR. MOCH: It is now on.

MS. ZACCONE: Thank you for pointing-- I would have talked here the whole time.

We call on a lot-- We meet with a lot of small and midsize manufacturing companies, manufacturing companies that are located in Paterson, Passaic, Newark. And I see they're facing quite a lot of challenges. They're receiving a lot of pressure from foreign imports. Their margins are shrinking. They have to reduce their prices to become more competitive. They find that their competitors are on-line -- some of the larger or midsize manufacturing companies. They see a shortage of skilled factory workers. And there's a challenge of distribution. They're looking at the ways they're selling their products now, through catalogs, through manufacturing reps, through distributors. And they're beginning to look to see is that really working and what kind of return they're getting.

And many of these small companies are family owned businesses. They're second and third generation. These are companies that were started by their fathers and their grandfathers, some of which are still involved in the business. And typically, many times, they've done little or no marketing, which is like -- having a marketing background -- amazed how companies -- they've been so successful for all these years, now they find all these pressures, and they realize they have to do some marketing. They have to think about how they communicate their products and services and what they do and how they can reach out, not only to businesses in New Jersey, but to reach out to businesses outside their geography. And this is where the Internet and E-commerce comes in.

Manufacturing companies are looking at areas of selling directly to their users and suppliers. They're using the Internet to make their company even more attractive. How can this help the shortage of labor? How can you attract new talent into your business? Having a professional Web site, communicating what you do, showing the benefits of working with your company can really -- is truly an advantage that manufacturing companies can take advantage of.

Business and professional services. These are small and medium size companies that are lawyers, technology companies, professional services, doctors in the medical field. These people have taken advantage of the Internet quite quickly. They're small companies. They can move quickly.

They have office technology built into their organization, so they're familiar with technology. And many times they're small. They're entrepreneurial in nature. They're also familiar with communicating and marketing their services, so they've taken advantage of the Internet.

The nonprofit sector. These are -- can be anywhere from museums, organizations, support organizations, and so forth. They've used the Internet to communicate their cause. These organizations have very limited funds. They feel the pressure of needing corporate sponsorship, donors. They need sources of revenues to communicate their cause and do all the good things that they do. And the Internet has really allowed them to reach out beyond their four walls, especially in the area of museums and cultural institutions.

It also facilitates membership and donations. You can now donate funds and moneys through credit cards. And many of these organizations have taken advantage of this and have been doing it on-line. It also allows organizations to give exposure to their corporate supporters by promoting -- their corporate sponsors on their Web sites.

Okay. The Internet. A couple of quotes-- "The Internet waits for no one, no company, no country. If you don't keep up with the pace, you will quickly be overtaken," from the CEO of Cisco Systems.

The next quote is a great one. "When the rate of change outside your business exceeds the rate of change inside your business, the end is near." And so we all really need to look at our businesses and make change.

What has this all done? This truly has given the consumer the power to find products and services, shop on-line, get the best price, use efficiency. You can go on-- When I purchase some computer products, I go on-line to CNET.com. I press a button. Give me all the prices of this software product for maybe 10 different items -- for 10 different suppliers. I pick the lowest price. Does it include delivery? Does it not include delivery? It's all there. I press a button. I link to that, and I can order that product on-line. It is so fast, and it has given the consumer an incredible amount of power. And the consumers are becoming more and more demanding. Consumers want to be able to go on-line and shop, to get detailed product information, to find out if you distribute your product through distributors, where are those distributors. Link me from the manufacturing Web site to the distributor Web site so I can get the information and possibly place an order or pick up the phone.

Taking a look at some of the growth numbers from-- I thought, being that we're sort of approaching the holiday season, we'd look back and see what happened last year. And even though we're in -- as everybody said, we're in a great economy -- look at some of these numbers. U.S. retail sales from '98 to '99 grew 5 percent; catalog sales, 9.2 percent -- 132 percent in terms of people buying products and services on-line. All the major forecasters predict that chart up and to the right. That's all I'm going to say.

One other thing I forgot to say. This presentation is located on-line. So if you're quickly jotting notes, you can see it on-line. The address is bzanet.com/nj. And because of Bill Gates and Microsoft -- and this is a Microsoft PowerPoint project -- it will only work on Internet Explorer. So thank you, Microsoft.

So all the numbers point up and to the right.

But let's take a look at holiday sales. Pressures from our local retailers -- our downtown areas that are trying so hard, that have these economic development groups, that are trying to bring shoppers to stay in their community-- Take a look at what they're facing.

On-line holiday sales grew 300 percent to $7.3 billion. This is last year. Twenty-four to twenty-five million people shopped on-line last holiday season. This year, the projection has almost doubled that. So there's a lot of-- Our local stores and our local retail establishments -- the mom-and-pop shops are in a -- are under a lot of pressure.

The consumer on-line shopping experience-- What type of complaints do they have? So, if you are planning on selling your products on-line, these are some of the things that people complained about when they shop on-line: lack of site functionality, they can't navigate, they can't find order status, something's out of stock, poor customer service. And a lot of companies and some of the large companies are working towards improving their systems to handle the on-line shopping experience.

Why do people shop on-line? Why are consumers shopping on-line? They want to avoid crowds. They want to save money. They want to get product availability. They want to get a better source of products -- a larger variety. They like the one-stop shopping.

Why don't people shop on-line? They like to touch and feel a product. They're concerned about credit card information over on-line, which as we go through time, if you remember back a couple of years ago, everybody was so concerned about putting their credit cards available on-line. And I think now it's become so accepted that that concern, most likely, will be much smaller.

So what does this mean to you? What does this mean to your business, and what can you expect? Similar to the international market experience, you can reach a broader market. You can target your market. We find that companies that are in a very -- a niche business will get a tremendous amount of resources, revenue leads from the Internet. They're using it to reduce costs, possibly go direct to the end user. They want to use it to improve the efficiencies of their organization, and they want to be able to expand without time and space barriers. And it's interesting, because even in my own business, and there has to be like 30,000 Web developers on-line-- And I say if I can do it, you can do it. But I continually get leads from my Web site on-line. People will find me. They're looking for New Jersey Web designers. They're looking for New Jersey E-commerce. And they will find me. And they can find you if you do it right.

So what are some of the things you need to do? You can rethink your business, look at your competitors. The Internet is an open book. Use it. Think outside the box. Build upon your strengths.

One of the things that the Internet is doing-- It's allowing companies to really establish a relationship. You talked about the one-on-one relationship with people. Well, building relationships over the Internet, creating a pleasurable experience, being customer focused, thinking about what the customer is going to be looking for, defining your market, being responsive to your customer, and monitor your site-- Make sure it's updated. Make sure you know where your hits are coming from. Make sure you know how people are finding you and so forth. It's not something that you put on once and then it just goes away.

These are some critical design issues in terms of designing products on-line, making it user friendly, making sure that there is a logical organization to the products that you're selling on-line, and so forth. And obviously you want the fewest clicks possible.

And there's a lot of things you need to do when you're planning your store. You have to decide on how you're going to process your payments. Are you going to process them the way you do now, or are you going to use electronic processing? How are you going to handle shipping? What is your sales tax liability? And how are you going to organize your store?

And there's all different areas of functionality you can look at when you're developing an on-line store. What type of back-office integration-- How is it going to integrate into your current order processing procedures? How are you going to handle existing accounts? Are you going to send confirmations? Make sure it's easy to use. Can people still fax orders? So there's a lot of issues that you need to look at when planning to see on-line.

These are some resources that are really excellent -- that if you want more information on E-commerce. You can look at CyberCash, Card Services International, which is a payment processing. And this *E-Commerce Times* is an on-line publication that offers a wealth of information.

I'm not going to go through this right now because I'm sure I'm running out of time, but you can look at this on-line. This is taken from *E-Commerce Times*. It talks about the seven deadly sins of E-commerce in terms of what you can do to plan your store -- things like-- Believe it or not, people neglect to put their telephone number on their Web site. For all of you who -- that have Web sites, make sure your phone number is almost on every page.

And here's the key: driving traffic to your store. You can have the best designed Web site, the best looking Web site. If people can't find it and they're not using it, then you're really missing an opportunity.

And these are some of the things we do for our clients -- really give them good positions in the search engines and directories, making sure they communicate what they do so people can find them. You need to integrate your print to your press and so forth. You can partner with companies, form strategic alliances. You can list with industry directories. You can advertise in Business News of New Jersey or link to them in terms of getting a geographical connection. You also need to measure your success.

I thank you very much for your time, and I look forward to your questions. (applause)

DR. COLTON: Thank you, Ms. Zaccone, for that information about E-commerce.

Just a quick announcement. If Jack Howard could call Pat.

Next, to address enhancing entrepreneurial spirit in New Jersey, is Joe Wilson, President and CEO of Integrated Packaging Corporation, which is the only African-American owned and operated corrugated manufacturing company in the U.S.

Mr. Wilson.

MR. WILSON: Good morning, and pardon my tardiness this morning. I hadn't been up in this area in a while, and I went right by the exit. I had to come back.

And when I was asked to speak here about six weeks ago, I was pondering about what am I going to talk about at this forum. What's the forum about? And as I sit here and listen, I come to find that they got one of the right people here to speak, because they want to talk about entrepreneurship. And I've been an entrepreneur just about all of my adult life and part of my teenage life. I was in business as a child.

Let me go back-- I have 10 minutes, so I'm not going to go all the way back 35 years. I'm going to talk about the last five years of my career.

In 1995, my partner, Al Fuller, and I acquisitioned a corrugated manufacturing facility in New Brunswick, New Jersey, from Jefferson Smurfit Corporation, which was losing $3.5 million a year. We entered into due diligence in 1994. And in 1995, due to the fact that my partner was the production manager at the facility and I was the largest customer, we were able to understand the needs to turn that facility around and make it profitable. And we were able to do that before we actually took ownership of the assets. We had to make sure that a lot of things were put down and documented so that owners wouldn't change their mind. They thought they were dumping something on us, but what we did was, as a small entrepreneur, we were able to see problems that a large, integrated, international company couldn't solve as quick as we could solve them.

That led us to realize that this facility sits right in the middle of a low-income housing -- in New Brunswick. And that's why I mentioned that I'm the right speaker to be here for entrepreneurship, because we are really concerned about, and our goals are, to open up facilities in inner city -- in the urban areas. That's where the markets are today in this state, in this country, for entrepreneurs, we feel.

I also listened to the Assemblyman speak about the fact that the politicians have not turned this economy around. Entrepreneurs turned this economy around. Entrepreneurs hire people that are, in some cases, not hireable by corporate America, because they can't meet all the criteria -- people that have to be trained, people that are coming off of welfare, people that are immigrants coming into the country and don't speak the language fluently. Those are the people that entrepreneurs hire. When you look around, you see a lot of our politicians -- and this is no knock on any of you politicians in the room -- talking about crime being down. There are jobs. That's why crime is down. And entrepreneurs provide jobs. That's why the economy is up. That's why crime is down. And it's good for the country. It's good for the State of New Jersey.

I'm pleased to see a panel of distinction here. I'm pleased to see the people here in the audience concerned about our economy in the State of New Jersey. And I strongly feel that the direction for us to go is into the inner-city areas.

As some of the speakers had mentioned before, all the infrastructure is there. It was put there for a reason. You have rivers, you have ports, you have airports. Now what we need to do is go back there and restructure the environment there. And you have workforce there that needs to be trained. They're willing and able to work.

I'm going to read part of an article that I took out of a magazine, which was the *Inc.* Magazine. My partner was quoted in it. And it's about the inner cities. The key to rebuilding inner cities-- I mean, economically distressed urban areas suffering from unemployment and poverty-- Inner cities contain about 12 percent of U.S. urban households. Competitive advantage inner cities offer: one, the strategic location at the core of major urban areas, highways, communication knolls, and logistic advantages; two, an underutilized workforce with high retention aimed -- omits a tight overall national labor force; three, an underserved local market with substantial purchasing power that can support more retail service businesses; four, opportunities for companies to link up with and provide outsourcing for competitive clusters such as health care and tourism in regional economies.

In the inner city today-- You look into Cleveland, Ohio. Cleveland went through a period. Newark went through a period. Today, Cleveland put a brand-new football field, baseball field-- What's that bring? That brings hotels, that brings restaurants, that brings business. There are more opportunities in the urban areas today than anyplace else in this country.

George had mentioned, and I believe Assemblyman Collins had mentioned the fact that Camden, Newark-- Look at Jersey City, how it's come back and how strong it is now. New York is fighting to keep businesses from coming into Jersey City. In this State of New Jersey, we have some of the best cities that are located in the most strategic areas in the country. And anybody that's concerned about business, please consider looking into opportunities that urban cities give.

Let me give you another example of what Integrated Packaging is doing today. Five years ago, we started in New Brunswick. We had sales of $10 million. Today we should exceed sales of $86 million. We are, right now, in negotiations and final stages of a definitive agreement to buy a box plant in Detroit. It's the only corrugated plant in the city of Detroit. As a matter of fact, we're buying it from Bill Laimbeer, the former Piston center. And this facility has 100 employees. And I'd say about 90 percent of them are African-American, Hispanic. They will retain their jobs. We're going to do the same thing in Detroit that we did in New Brunswick. And one of the nice things we did in New Brunswick was just this past year -- we have an EOSP, Employee Ownership Stock Plan. And today, our employees own 44 percent of our facility that we purchased five years ago. Our plan in Detroit is to do the same thing. Jobs are retained. Tax bases are retained. And people are trained to go from one level work to another. We have to be patient with them, give them an opportunity to learn, to understand what you want them to do. All of our facilities are also ISO certified.

Who hires the unhireable? Entrepreneurs. Who trains them? Entrepreneurs. And where are they at? In urban areas. And I'm stressing this because I strongly feel that our country needs the infrastructure of our cities brought back. It will keep the country strong. It will keep all of our immigrants having jobs and keep them off the welfare rolls. As a matter of fact, at some point, we hope to eliminate welfare. It's something that we feel shouldn't even be a need for. Naturally, we have systems in our country to help people that are in need, but welfare, we don't feel, should be one, because you have people that are able, willing to work and to succeed, they just need the opportunities.

I'm not going to go much further, because I had talked to my attorney before I came in here, and I was going to read a statement. And he told me I couldn't read it today. (laughter) He said I was too premature about it. So I had to just alter everything that I was going to say.

I'll tell you a little bit more about Integrated Packaging. We, in five years-- We are the largest supplier to Pepsi-Cola Corporation. We supply them with 90 percent of their corrugated requirements throughout the United States and Canada. We supply all of Pizza Hut's boxes from New England down to Florida. So all of you have touched some of our product. I hope you've been buying pizza and Pepsi. (laughter) Kraft Food to Procter and Gamble-- In fact, we were just awarded the supplier of the year with Schering-Plough. So our services are wide, high-tech food and beverage and the pharmaceutical industry.

We also work very close with the community and with churches to work with different groups in the churches so we can teach people how to grow businesses, how to look at investing. We've worked very close with our Secretary of State Soaries and his economic development organization in Somerset, New Jersey.

All of this is about entrepreneurship. Some people have it as entrepreneurs and some don't. A lot of people want to go into business that shouldn't go into business. And we very carefully show them where they can put their talents, if it's not to be in business.

When going into business, you're taking, as an entrepreneur, major risks. Entrepreneurs are people that manage, organize businesses and take the risk of doing so. And I've done it for 35 years. And I've had my good times and my bad times. And that's why I'm only telling you about the past five years. They've been very good. (laughter) We don't want to go back. It's another time. And who wants to talk about something negative anyway?

Truthfully, I'm just happy to be in the State of New Jersey. When there was an announcement about our acquisition in '95-- About six months later, I got a call from Governor Whitman's office. She wanted to come down and pay a visit to the facility that she was reading about in the Sunday paper. I said, "Sure, she can come down." I thought they were joking, to tell you the truth. I said if I had time. I don't know if we have time to see her. And then she calls and says she was serious. I said okay. She came down and paid us a visit. As we were walking through the plant, I asked her if this was something she does on a regular basis -- every time she gets an opportunity -- because she thought what we had done was something very unique. And that was make a win, win, win for all parties. We bought a facility that was losing money. Jefferson Smurfit was going to shut it down, 100 people were going to lose their jobs, the city was going to lose revenue, the State was going to lose revenue. We were able to acquisition it by negotiating with Pepsi-Cola to give us a $75 million contract. That was $75 million in '95 for five years. Today, the plant is doing $86 million. And that's because of people that we employ and train that work hard to make sure that we win a profitable business -- we have a profitable business that they can be a part of.

We promised to them that if they did this, worked harder and smarter, we would share it with them. And last year we formed an EOSP, and they're sharing it. And we feel we can do this in other parts of the country. And we are going to it because we're determined to do it, and we have the format to do it in.

We were just awarded, from Procter and Gamble, a lot of business throughout the United States, which has given us an opportunity now to look at other locations in other parts of the country. And all of them are in urban areas that we're looking at. We're very proud that we are given the opportunities by major corporations because of our quality, our service, and our pricing, and no other factor than that. And they're very proud to be working with us, as we're helping to grow and maintain jobs in the urban areas.

I'm going to sit down and let you ask questions. I know you probably have a lot of them for me.

Thank you very much. (applause)

DR. COLTON: Thank you, Mr. Wilson, for those comments.

Next we have Patrick Wardell, who is President and CEO of St. Joseph's Hospital and Medical Center and St. Joseph's Health Care System in Paterson, New Jersey. He will speak on the health sector, consolidations impact on the quality and cost of health care.

MR. WARDELL: Thank you. (applause)

Good morning.

From the standpoint of quality of life, and I think also in terms of the growth of business in New Jersey, there are many positive things we could say about health care and about health-care delivery.

Certainly, in terms of competency and technology, there's no state that can rival New Jersey. However, there are several issues that I feel are extremely important for both our legislators and our business community to be aware of and to mobilize around. The first is the importance and the need for effective cost reduction strategies and to improve the financial performance of different entities within the delivery system.

The second is to enhance the capabilities around things like disease prevention and health maintenance. The system does a marvelous job of taking care of someone, once they get sick. Unfortunately, we've not been as successful in investing in their health maintenance.

And the third is to expand the coverage, especially to the working poor. In fact, despite fundamental changes in the health-care delivery system over the last 10 years -- that is to say -- when I say delivery system -- hospitals and how physicians are organized. These issues have really become the intractable ones for health care.

Many of you, I'm sure, are experiencing 8 to 10 percent increases in your premiums this year. Hospitals last year had the second lowest operating margins of any other set of hospitals in the United States. And 65 percent of hospitals lost money.

There's also been a dramatic increase in the number of people, during this time of unprecedented growth, who have no health insurance. Currently, there are more than 41 million people living in this country who have no health insurance whatsoever.

Aside from a dip that it took this year, that tracks a period of more than eight years where there was an increase in those numbers. And despite all the promises of managed care to begin to emphasize prevention and maintenance, much of this is really unrealized gain.

I'd like to talk about how it is that we've not really moved the needle enough on these three issues. The need to control benefit costs and improving community health and health maintenance, and the creation of a health workforce.

The trend that has most shaped health-care delivery over the last decade has been the increase in managed care in the anticipation that managed care would eventually replace all other means of health-care reimbursement.

There are many definitions of managed care. The one that we all took as the correct one, back 10 years ago, was a system where hospitals and physicians would be compensated, not based on the care they render on a particular day, but they would be capitated. They would receive a lump sum fund. And from that lump sum, they could spend it in a way that made the most sense in terms of the health of the people they were caring for. The belief was that there would end up being a few large managed-care companies and that they would partner with large, integrated delivery systems -- doctors and hospitals coming together, which would mean that many small players in health care would end up getting closed out. Also, there was a belief that there would be limited choice, that patients would not have the option of going to any doctor they chose, but only the ones who were in a very limited panel.

The health industry reacted very vigorously to these assumptions. First, we went from having many individual hospitals to having, almost exclusively in the state now, multihospital systems. In fact, within six miles of Paterson, where my hospital is, there are 20 hospitals. Virtually all of them, over the last six years, have formed a close relationship or formed systems in order to meet what they saw as being the challenges of managed care. Doctors moved from being in solo practice to being in groups. And further, doctors and hospitals came together in organizations so that they could manage risk.

This was truly a fundamental shift in the way that health care was organized. Unfortunately, in many respects, it proved to be a distraction from addressing the three problems that I started with, because the anticipated rapid shift to managed care never occurred.

In fact, I would go so far as to say that what we currently call managed care is only a pale reflection of what all of us in the beginning of the ’90s thought managed care would be. There is capitation. In fact, virtually all reimbursement is on fee for service or discounted fee for service. Choice is back. It’s somewhat limited, but nevertheless, people do have many more options than were predicted earlier on.

In the managed-care companies, which for a while seemed to be making incredible amounts of money, have been losing money at a very rapid rate. Just to give one example of something that happened to us at St. Joseph’s, within a 12-month period, we had two bankrupt HMOs that left us holding the bag for $12 million in receivables. And shortly after that, we recognized the need to write off an additional $18 million in revenue that in any prior year we would have expected, given the relationship that exists between managed-care companies and hospitals -- a $30 million loss for one institution over a 12-month period. All of this happened without the forecast of decreasing utilization.

If a managed-care revolution had followed the course that had been anticipated, there would have been huge reductions in utilization. This would have allowed for lower costs, lower premiums, and it would have made health care more affordable to more Americans and more businesses. And health-care status would have been improved because of the implicit funding of prevention and maintenance.

There are, really, as I see it, three issues that the Legislature and the business community need to take on vigorously if they wish to make an impact on these three critical areas for business, for employees, and for quality of life. The first is to become very aggressive about reducing needless duplication of services. There are far too many hospital beds. There are far too many facilities that exist that have occupancy rates that are hovering at half or less than half of their total capacity.

If you have two small hospitals that have 50 percent occupancy, believe me, it is much more economical, and ultimately, those savings get passed along if a consolidation occurs. It's going to be important, I think both in terms of you, when you are talking to your insurer to renew your contracts every year, and for the Legislature to aggressively address issues that will encourage hospital consolidation and closure.

The fact that people have formed systems does not mean that any of the capacity has been taken out of the system. In fact, this past year, when many hospitals received a one-time shot in the arm, many merger discussions that were under way were scuttled because the feeling was that they could hold on a little longer.

It reminds me very much of Mr. Taber's comment about home rule. Every community has a hospital, and whether it's small and inefficient or it's running at capacity, there's a tremendous desire to maintain it, even if it flies in the face of common sense.

The second is, although all of us have our favorite HMO jokes, and I could tell you very many, there has been plenty of HMO bashing that has been going on. I have to admit, I enjoy it from time to time. But I think what we really need to do is to encourage a new atmosphere that will foster a collaboration so that we can move back in the direction of reducing utilization.

Having more disease management-- You know, we have, on average-- Thirty-five percent of our patients at my hospital come in with diabetes. Diabetes is a very treatable disease. If someone is given the proper supports and education, they can be managed long-term without serious morbidity. Unfortunately, those services, generally, are not paid for. So we have to find ways that someone who's a diabetic or someone with hypertension gets the early care that they need to reduce the possibility of them becoming sick at a later point.

Another example-- We talked earlier about what a large immigrant community we have in New Jersey. At one point, poor immigrant mothers were told that they could not receive funding for the care that they were provided prenatally. However, once that child was born, if the child required a long-term stay in the neonatal intensive care unit or long-term institutionalization, that was something that we could afford. So I think that our priorities clearly need to be skewed much more in favor of working with our community to keep them healthy.

And the last for me is a major quality of life issue for all of us in the state. If we talk about increasing -- making New Jersey a more hospitable place to all immigrants-- When you think about who is the uninsured -- in this state, to a large extent, it is recent immigrants. We have been suffering, as so has the rest of the nation, in terms of this increase.

As the national debate goes on as to what we should do in terms of making certain that the most vulnerable of us does have some form of support, it is important that the Legislature does continue its support of Charity Care, which currently provides $330 million a year to hospitals that serve the most needed in our community.

And in closing, I wanted to comment on something that Mr. Wilson said in terms of the importance of investing in the inner city. We have 4000 employees at St. Joseph's. Fifteen hundred of them live in Paterson. Many of them are people who have bootstrapped themselves up, who've become nurse aides, to LPNs, to RNs, to nurse practitioners. We also have another 1000 people who used to live in Paterson but moved to other places, because the hospital ends up being a place where they can get their economic lives together and move on.

I think that the urban hospitals, which have had tremendous pressure placed upon them over the last few years, are one of the sources of that bootstrapping. And it's very important that whether we're talking about the investment in the biotechnology industries or we're talking about what we want to do, in terms of the quality of life for our cities, to reflect that our hospitals, by and large, are the largest high-tech providers that exist -- or largest high-tech businesses that exist in most cities.

Thank you. (applause)

DR. COLTON: I'd like to thank Mr. Wardell for addressing a sector of the economy that we all feel very passionate about.

Next, I'd like to introduce Kenneth Moch, President and CEO of Alteon. He will make a presentation on pharmaceutical biowizards, unraveling nature's secrets.

MR. MOCH: Well, it's supposed to be doing something, but it's not. (referring to slide machine)

I don't have backup slides, but--

I apologize for being a monotone, but Monday night, until about 1:30, I was doing a little cheering in Giants Stadium, and I can hardly speak.

I have two thoughts before I start -- without slides. One is, I'm reminded of the groom at a wedding, standing there with a glass of champagne about to toast his bride, speechless, and quite for a few moments. And finally he says, "I just realized now, I can't give any presentations without my slides. (laughter) So I hope I do a little better tonight -- today.

I also want to thank everybody for the invitation today and to note that my title is incredibly overreaching, and perhaps in the Halloween spirit, because biowizards and unraveling nature's secrets is kind of a wonderful thing to be, but a little beyond what we're -- I think we're going to do today.

What I wanted to do was give a little bit of a case study on the biopharmaceutical industry as it fits into the overall perspective of the State of New Jersey and then perhaps a few comments on the entrepreneurial culture and structure of this state from a biopharmaceutical-high-tech perspective.

I've had the advantage of being involved with the State for many years, both as a student here and then, in 1982, as a founder of a company called the Liposome Company that was in Princeton. That was one of the early biotech companies here. It used to be-- They talked about the Princeton

Forrestal Center as the home of high-tech entrepreneurial companies like Exxon, Mobil, RCA, and the Liposome Company, which, at the time, had about 20 employees and was developing drugs for cancer and infectious diseases.

So I've watched the entrepreneurial culture, here from the biotech perspective, for almost two decades. And the one thing I can tell you is, when we have a lot of successes in the state-- But when you look at the rate of growth of entrepreneurialism from high-tech biotech versus the rate of growth in California or Boston or the Washington area, we are fundamentally nowhere. We have some interesting success stories, but we lag dramatically. And a lot of that has to do with things I'll talk about today, but particularly capital and culture. It's not technology. There's a lot of technology around here. And I think with the problems of AT&T and Lucent, there will be a lot more technology freeing itself up. It has to do with something more fundamental, which is how people think about entrepreneurialism in this region.

From Alteon's perspective, we are a biopharmaceutical firm developing drugs for cardiovascular and kidney disease in diabetes and aging.

Is there a glass of water around here? I'm sorry.

In addition to losing my voice--

Thank you.

And I'm going to wander through these things.

Our technology, basically, is that glucose in the body, which drives the brain, reacts with proteins in our body and globs together -- forms molecular glue-like clumps we call AGEs, which you don't need to know about, except that those things cause all of our tissues to stiffen. So, as we get older, we stiffen. And to give you a little mental image, it's the same thing that happens when you cook turkeys -- cook meat. Do you ever wonder why that stuff gets tough and why it browns? It's the glucose and protein interacting. So we are all cooking at 98.6 and we are all stiffening. And while that is funny, that is also true.

Our job as a biopharmaceutical firm is to develop drugs that slow down the rate at which we cook and stiffen. And if we do things correctly to actually reverse that stiffening process and to reverse the loss of flexibility and function in our tissues and vessels and organs that happens as we age--

I'm moving fast through these slides. You would love them, by the way. They were just wonderful. In fact, they're even better now that you can't see them.

And we're addressing very important markets.

I was going to show you some wonderful slides on how we restore function to the heart -- worked on at the University of Medicine and Dentistry by the head of cardiology. And we're in Phase 2 trials, which means that we're in the point now of knowing about the activity of our drug, which we'll know, I think, sometime in the next 90 days.

The point of all that, however, is that we're approximately, between Alteon and our partners -- approximately $200 million into the development cycle for new pharmaceuticals. If the trials that we currently have ongoing are -- or continue to be successful, we have somewhere between another $100 and $200 million to go.

I can tell you that if they continue to be successful and positive and we can raise money from the financial markets -- we're a public company -- that a time will come, probably in late 2000 -- sometime in 2002, 2003, whatever, where we will unblind what is called a pivotal trial -- a Phase 3 clinical trial. And there will be a moment -- one afternoon, probably on a Friday after the close of the market -- where a bunch of us will go in a room. And the statistician will hand us some reports. And at that moment only will we know if that $300 or $400 million was wisely spent. So it is a very complex and difficult business.

I have all these slides about hostile environments and complexities. But from an entrepreneurial perspective, the risk of the businesses is dramatic. And to a large extent, you don't know until a very late moment in time, if you're going to get there. And that's true not only for biotechnology, it's true for some of the things you heard today about the complexities of business. You can start these things up. It's true, clearly, for the high-tech businesses.

That's one of the issues, if you will, with New Jersey. There's a cultural issue that I don't know how exactly to address. And I'm not sure you can do it legislatively, necessarily. But people would rather-- Now that a couple of regions have gotten the technological or the entrepreneurial momentum, if you will-- What I see very often is the technologies developed around this region go to those regions. So rather than leave a safe, secure job, theoretically, with some large company or with a university and start up your own company, which is very risky, and the downside can be dramatic, it's better to put that technology in the hands of somebody you know or a company that's already thriving, theoretically, in Boston or California. That is a self-fulfilling prophecy. It's a laxly-- When that happens, and that spiral is going on, what you find is it's hard to catch up.

So part of what I was going to talk about today, and I guess I'm going to now, is what do you do to reestablish that lead? I mean, there's technology dripping from the trees around here -- not necessarily all New Jersey, there's certainly a lot in New York City and a lot in Philadelphia. And that could be drawn into the state. So we have the technology. And Mr. Collins, as a former science teacher, I think, can see that from all the things he's looking at.

We lack a couple of things, though. One, as I said before, is the culture. Prosperity New Jersey is about to undertake a wonderful advertising campaign called the Innovation Garden State. And they made a presentation to the board of the Biotechnology Council of New Jersey a couple of weeks ago. And they showed advertisements and radio spots -- television and radio spots that were going to be put on the air in San Antonio and Chicago and wherever they were going to put them on. And I turned to the person who was running it and said, "Are you running them in New Jersey?" He said no. I said, "Well, the problem is that getting people to come here with our full employment economy and with all that's going on, with the technology dripping from the trees, isn't as much of an issue as getting it to stay here and that the culture here--

And as an entrepreneur, I felt this for 20 years. When I go to a cocktail party and say, "Well, I run a biotechnology company. I'm an entrepreneur," the investment bankers' eyes glaze over -- the lawyers' eyes glaze over. And that's because they don't speak the language. And it's very difficult, because it’s not an entrepreneurial culture. And that, from a standpoint of all we’ve accomplished as a state, isn’t bad today. But for where we’re going as an economy, and where we’re going as a culture, I think that’s really dangerous.

So we lack an intensive entrepreneurial culture. And I think New Jersey clearly lags. There are pockets, but there’s not really the level of activity here that there ought to be.

I was going to give a dramatic-- I had a wonderful slide with a zebra that looked very funny to talk about doing things differently. I don’t know how many of you are familiar with the New Jersey net operating loss transfer legislation, which was passed last year. But I think every person involved with that ought to stand up and take a bow.

Alteon is a poster child for why that program was put in place. We have been through-- We went through a period two years ago where we unblinded a clinical trial one Friday afternoon after the close of market. And the statistician looked at us and said, “Close, but no cigar.” And within a couple of weeks, the CEO -- the then CEO resigned. The stock price crashed. Our partner left us. We went into a frozen doghouse. My job was to dig us out.

In that type environment, you can’t raise money. But we happen to have $125 million or so of net operating losses -- and last December traded some of those for about $2.5 million -- trading with PSE&G, along with a number of other biotechnology companies. So during the course of this year, when I was trying to raise money -- and our burn rate’s about $2 million a quarter -- I had a little more cushion than I would have had otherwise. In fact, we came down to about $6 million in the bank at the bottom. And if we'd been down to about $4 million, which is six months, people would have been looking about how to turn off the light switches and shoot us all.

Instead, we raised about $6 million a month ago. I think that we've now gotten to the point where we can talk about our next clinical trial. And our stock price has gone from fifty cents to five dollars, which is from a $0 million market cap to $100 million market cap. And so we'll see. Again, I don't know the answer. But it's a lot different a position to be in. And a lot of that has to do with the cushion provided by one piece of innovative legislation.

And I can tell you that people I know in California who put out a press release and said Alteon has done this nonequity financing -- people I know in California were calling me up and going, "Is that a Federal program? How did you do that? Where did it come from? It's fabulous. It's very innovative." It was an absolute win/win situation. And at the end of the day, if our drug works, I think that we can stand up and say that single piece of legislation right at the bottom caught us perfectly to make it go through.

Now, there was a wonderful old speaker I remember standing up at a fund-raising conference for Princeton years ago. He said, "Thanks for all you've done and all you're going to do." There's a lot more to be done to catch up.

Many states have now allowed their investments in venture capital funds. There are ways to do that that really promote economic development and also provide a return to the State across a portfolio. New Jersey lags in that dramatically, allowing investment and venture funds and allowing some investments in companies directly. And it's been done very successfully in other states. I think that's an important thing to think about not only for biotechnology, but also the high-tech industry. And I think you've got to look at what's going on right now with consolidations like Warner-Lambert consolidating away, if you will, with American Home Products looking to merge at some point. Who knows who the leading company's going to be?

With the issues at AT&T and Lucent, there are going to be-- There's going to be a freeing up of sophisticated managers in the high-tech businesses over the next coming years, if not decades. We as a state need to be prepared to capture those entrepreneurs before they leave the state, because the companies really aren't here to absorb them at the level that they're going to be freed up. And that's going to be a problem. The technology will go, the people will go. We'll be standing around saying, "It's been wonderful. We have a very full employment economy, but we're losing people at certain levels that we shouldn't be losing.

So allowing, in a rational way, for the investment in venture capital funds that, maybe as a percentage of those funds, can invest in State-oriented activities, State-oriented companies -- is going to be very important in the future.

Technology job training-- I can't say enough about that. We've heard about it this morning. There are many, many seasoned people who could be better at what they do or have more -- or college students who really want to get into this business. But we don't really have as many programs as we should as a state.

The tobacco settlement fund is another interesting one, because that's been, I guess, allocated generally in the State of New Jersey. I can tell you that many states, Pennsylvania being the best example, have allocated a percentage of that to companies that are going to help develop drugs for those diseases that are caused by tobacco. So, over the life cycle, you're going to get a return on that investment that actually has fewer people dying. And that's just one thing, I think, that ought to be considered rather dramatically and directly by the State.

So there's a lot more to talk about, but I think that we've accomplished a lot. And I can tell you from my perspective, it's not enough, because when I try and look out at the next two decades of entrepreneurialism in the State of New Jersey, I have concerns. It's not that we haven't accomplished a lot, it's that we're in a very competitive environment, and others are accomplishing more.

Thank you. (applause)

DR. COLTON: Thank you, Mr. Moch.

Next, we have Donald Weiss, founder and chairman of the Board of Standard MEMS. He founded the company in 1995 to research and develop novel fiber-optic and micromachined silicon sensor products. He will address manufacturing and high technology at crossroads. (applause)

MR. WEISS: Thank you.

High-technology businesses seem to fall in and out of fashion on a regular basis. Telecommunications today, Internet yesterday, biotech and photonics later this afternoon. These gee-whiz businesses that dominate the business press are not really the whole story.

But what is high tech? We have approximately 50,000 high-tech businesses in 17 industrial categories in our country. And they're all well-represented here in the State of New Jersey. The common thread that holds these companies together is really that they invest an exceptionally high percentage of their sales dollars in research and development. And by this definition, it's possible for mature and traditional manufacturing companies to join the ranks of the high-tech if they embrace the wisdom of high investment and research and development.

My own anecdotal observations lead me to believe that, as our economy rapidly transitions from an industrial base to a knowledge base, all manufacturing companies uprating in our economy will have to migrate to a high-tech investment strategy or risk failure.

We are, I believe, at a crossroad. Both the entrepreneur and government are challenged to choose the right path. Manufacturers will increasingly have to meet the global competition by effectively gathering and applying technical knowledge to control the production and distribution process. This need will impact the behavior of management and the organizational structure of the firm. We will live in a world where knowledge is king and information rules. However, a firm cannot control what it cannot produce and distribute competitively. Technical innovation cannot sustain a firm that holds a weak manufacturing or poor distribution position. A weakness in production or distribution erodes technological breakthroughs. Government policy should be supportive of the traditional manufacturing sector to help it through this necessary transition.

A caution though: Firms have to take care that they do not become too reliant on their information systems in the decision making process. These systems should be seen for what they are: tools to aid decision making by the human network.

Information is not useful if people in possession of that information do not personally interact with each other. Distributed on-line network information systems are becoming so massive in scope that they may be self-limiting as effective tools by their very scale. There may be, in fact, an overinvestment in information technologies that may be failing because employees are unwilling and regrettably unable to fully employ the technology.

Here is a challenge for government in our educational system. Make the computer an integral part of the earliest educational experience, not just an add-on to an enrichment program. Every child must have a computer as much as he or she is entitled to textbooks. Ownership is very different than mere access.

We are undertaking the formidable task of changing a culture. At this crossroad -- is a very large requirement for risk capital. Is government prepared to keep up? Government lacking the imperative of economic Darwinism that seems to rule free enterprise may, from time to time, stand leaning into the winds of change. On occasions, initiatives, such as Speaker Collins's and Assemblyman Azzolina's, gives me hope that this paradigm is changing for the better.

My further hope is that State government will take the lead in eliminating tax on capital gains, reducing State and local taxes on business to free up capital for research and development. I would like to see more support for incubator programs for high-technology content enterprises. Government could perhaps legislate away the impediments that have stood in the way of bringing broadband telecommunications to every community in the state.

We created the prosperity that we now enjoy by making the right choices at crossroads. We have another such opportunity at hand.

Thank you. (applause)

DR. COLTON: Thank you, Mr. Weiss.

Our final speaker for the morning is Dr. Eugene Simko, Associate Professor of Management at Monmouth University and member of the Assembly Task Force on Business Retention, Expansion, and Export Opportunities. He will discuss the state government's role in promoting economic development. (applause)

DR. SIMKO: Thank you. Good morning, everyone.

I'd just like to start out by saying, nowhere are my comments posted on the Web, so all of you will have to stay awake, take notes, and you can't leave the room. (laughter)

I'm also going say something that you probably won't hear for a very long time from a college professor. I'll be brief, very brief.

I was asked to give a summary of the role of state government in economic development. And I just want to briefly share with you, I guess, what's going to amount to some philosophical thoughts, as I thought about this over the previous two weeks, and even as late as last night. One of them is historical, and one of them really has to do with this morning's headlines.

The historical note-- I was fortunate about a year ago this month to travel, as a member of the *U.S.S. New Jersey* Battleship Commission, through the Panama Canal. And I remember thinking at the time that if this canal wasn't here, the captain sailing the ships of commerce centuries ago, as they did, had to travel all the way around the Tierra del Fuego. And it took the initiative of a president of the United States, Theodore Roosevelt -- of all the support that he had through all of his constituencies, both political and economic, to create, with one bold stroke that took almost over a decade, to dig a canal that would help commerce and provide security for the Western Hemisphere.

The State of New Jersey and other states, as well, should be in the position to echo the words of Theodore Roosevelt that I tell my class at the beginning of every semester. And those words are, to paraphrase, if there are honest businesspeople out there, if there are businesses who are willing to provide a square deal -- his term -- for the economy, then the government should also provide a square deal for business.

And it's this essence-- It's a shame. Sometimes we have to go back to the previous century to identify historical standards. But they exist as beacons to help, hopefully, the captains of corporate industry today so that they don't have to go around the Tierra del Fuego, and they can cut right through the red tape, go through the equivalent of a Panama Canal and make the oceans meet.

The other quick analogy, as far as the role of the government in promoting economic development, is a little bit more whimsical than it is analytical, so it's nice for a professor, such as myself, to talk whimsy, especially when I was told to cut my time by nine-tenths.

Last night I was watching something on TV that maybe some of you saw. There were a group of 18 men out on a field; two teams vying for a championship. And I'm thinking-- I'm always trying to think in terms of an analogy. And I'm thinking, in a sense, a game of baseball is very similar to a game of business. You are the players. You are the team. And I was searching for an analogy for the role of government, whether it's at the state level, the Federal level, or at the local level. And as I looked around that field, I thought, the equipment is there, we have the technology. The team has the bats, the balls, the automatic pitching machines, everything it needs to get in shape for the game. Business has its inventories, has its technology, has the Net, has all kinds of access to information processing as it never had before. It also has a stadium and a playing field on which to play, just as business does. We have problems, true, with our infrastructure, and yet, consider the infrastructure that existed 50 or 60 years ago -- in some areas of the state, even 10 years ago. We have, also, umpires. And the one thing I thought of, and I dismissed that -- the last thing we need are more umpires. We have enough regulations to go by.

But there was a time in that game last night, and even in the games that preceded it in the other part of the city -- I think it's called the Bronx, right, where the other team plays (laughter) -- where the team came alive. It had its tools throughout the whole game. It had the rules and regulations. It had its inventory from which to draw on. It had its bench. It had its bullpen. All of you have your management team, from which you can draw on. But when do they really come alive? The teams come alive when that intangible support from that tenth player out in the seats, out in the bleachers, out in the box seats -- when they start cheering on and becoming supporters and fans. And you can't measure that.

This, in a way, is my analogy. We need to send the message to the Legislature. And I know there are many Assemblymen here who would agree with me. We need to project the message to Trenton and to governments in general that we need that support. You need that support in order to not necessarily hit the home run -- home runs come far and few between -- but incrementally, piece by piece, get the hits. Deal with that outside world. And eventually, we're going to be able to live up to those standards -- the letters on the bridge where I grew up in Trenton -- fishing right under the bridge-- Instead of Trenton makes the world takes, New Jersey makes and the world takes.

Ladies and gentlemen, thank you very much. Have a good night.

DR. COLTON: I'd like to thank all our speakers this morning. And I think they've discussed a lot of issues.

We're really short on time, but I would like to have a couple of questions -- a few questions from the audience. And then I'd also like to encourage all of you to speak informally, after this session, with our various speakers.

So I would like to open up the floor. Are there any comments or questions?

Yes, please.

UNIDENTIFIED SPEAKER FROM AUDIENCE: To the Assembly guests-- Will the urban enterprise zones be extended, and will other states be added? We've heard panelists mention how cities were important.

ASSEMBLYMAN AZZOLINA: The bill's in my Committee right now. The problem we've got with it is, the administration is not for the bill in its current form. We've been trying to get an answer from the administration so we can move the bill.

Now, I know the Senate just moved the bill. I don't think we're going to add any more urban enterprise zones, because at that point, you might just make the whole state urban enterprise and lower the sales tax for everybody and then put more sales tax on everything else. That's what I'm told by Treasury.

So something will be done this year to extend the present zones. How they're going to be extended, I'm not sure yet.

DR. COLTON: Any other questions or comments?

UNIDENTIFIED SPEAKER FROM AUDIENCE: I guess to Dr. Seneca--

Is he still here?

ASSEMBLYMAN AZZOLINA: He left.

DR. COLTON: Would you like to go ahead and make the comments and maybe one of the other panelists--

UNIDENTIFIED SPEAKER FROM AUDIENCE: There was a comment made earlier that we're losing a lot of high school kids to out-of-state colleges. And I had heard something the other day that a lot of the in-state colleges don't have facilities and classroom space anymore. So it just sounded contradictory.

DR. SIMKO: I could address it from a viewpoint of a private, independent college. I teach at Monmouth University in West Long Branch.

The dilemma, I think, exists in the fact that the public schools -- the public colleges and universities have such a tremendous base of support from which to draw on that they now have entered competitively with external schools and universities which were not considered competitors many, many years ago -- why high school students -- looking at the portfolio of colleges and universities from which you can choose.

That is changing, and it's evolving. And the problem is, as with any business, universities and colleges reach a limit to growth. We at Monmouth, for example, have been faced with, I guess, what businesses would call, a very, very pleasant strategic planning problem. And that is overcapacity. In the inventory course that I teach, when I put the aggregate plan up -- materials requirement plan, I always say let's plan for backorders. It's better to deal with that problem than -- no business than falling business.

And so we, for example, with West Long Branch, have had to put up students. We progressively marketed our enrollment -- our programs to the fact -- where we ran out of dorm space. And we had to put them up in local hotels. To some extent, the students I've talked with are more happy at the hotels, because they get ferried back and forth and they have access to cell phones and everything else. Plus they get to listen to 101.5, George.

I was counting on that to wake me up this morning.

Anyway, to get back to the issue--

I think what has to happen is that the State of New Jersey has to realize that all of its institutions, whether private or public, contribute in an unique way to the business environment. And there isn't any business faculty member that I've talked to -- or other faculty members for that matter -- that hasn't realized that if we're going to succeed in this century, it's to partnership with business.

Every one of our business students, for example, starting this year, has to have an experiential component. And this was relegated to schools in previous years that had access to funds that would support them to do that -- faculty members getting research grants, working with businesses, going off on sabbaticals, working in companies. Now, for the first time, thanks to the efforts of such things as the Assembly Task Force on Business Retention here in New Jersey, of which Assemblyman Azzolina is the Chair, we're able to seek out these partnerships and do the kinds of things that we can -- attract students from a more proximate area than we have before.

I started at the college 24 years ago. At that time, 96 percent of our students came from within a 50-mile radius. Today, that's down to 70 percent. So we're doing things to try to change that.

DR. COLTON: George.

MR. TABER: If I could just add one more statistic to that. Joe mentioned that New Jersey exports -- we have a net export of 20,000 students per year per class. So we have, over a four-year program, 80,000 students. That is the highest level in the United States of any state. The second highest level state of net export is Illinois, and it exports only 8000. So we are way, way above. We export more of our brain-- We have a brain drain that is unequaled in this country.

DR. COLTON: I would again like to encourage to speak informally with any of our speakers.

I now want to just turn it over to Assemblyman Azzolina to make some closing remarks.

Thank you. (applause)

ASSEMBLYMAN AZZOLINA: Thank you, Dr. Colton.

I want to thank the panel for being here today. And I want to thank everyone for coming.

Just a few remarks-- I was examining the parkways and roads coming up. And we were stalled in many spots. And that's the bottlenecks we have in New Jersey.

But I'd just like to refer-- I'm in the supermarket business, also. So I have 13 supermarkets -- about 1400 employees. I'll tell you about that in a minute.

I want to thank Brian, because he brings in merchandise that we sell in the supermarkets.

And, Joe, we do use Pepsi-Cola. I see them everyday whenever I walk in the supermarkets. I touch it a lot.

MR. WILSON: Great. Good product.

ASSEMBLYMAN AZZOLINA: And Kenneth, hurry up with that research. Guys like us are going to need some of that information.

And Donald also, the two of you brought up ideas about legislation. And we're going to look into it.

Right, Deb?

MS. SMARTH: Right.

ASSEMBLYMAN AZZOLINA: I want to thank Deb, who has done one great job in putting this group together. (applause) Tasha is back there somewhere. Maybe she is outside. They both did a great job putting this together.

But Deb said she wanted me to say something. We talked about the Task Force that we have. And we develop legislation from that. And the ideas we pick up here today and from-- This is the third one we've had -- we had one in South Jersey, Central Jersey, and North Jersey -- of this kind of a conference -- and ideas we pick up -- we do develop legislation. And as far as the education goes--

I go back four decades in the Legislature. I was in three different times. I have 19 years-- The Speaker, by the way, had to go to Atlantic City to an education conference.

So when I was in my first round, we did double most of the State schools -- the size of them. And it was funny. There was a guy called Hap Farley from Atlantic City. Some of you may never have heard of him. Maybe you may have. But he was a Senator that really had control in Atlantic County and the State. We had 21 senators then.

I remember we had a Republican conference somewhere with both the Republican senators and assemblymen. And we proposed -- all the State colleges -- New College of Bergen County. Well, he stood up with his brogue -- "No way are we going to have any more colleges in the State unless we have one by Atlantic City." We said, "You got it." That's the way it happened.

And I know George is going to write in his column about legislation that's needed to help some of you here -- some of the things you brought up. George has a great paper in New Jersey. And it's New Jersey

Business. And I really enjoy reading it, because I scan it lots of times. We have a lot of read. I read certain articles I think are very important.

But we talked about-- George wrote a nice article -- or his staff did -- about my family business. And what happened was-- I have 10 children between the two families. Seven are in the business. And I get offers to sell all the time. I can become a rich guy, walk away, and never worry about anything. But the thing is, I'm always in debt. I keep being in debt. I keep growing, because my children love the business. They want to be in it. I didn't ask them. They want to be in it. They enjoy it. They do a great job. So we can promote several of them to vice presidents. And that's the way it happened.

But it's very unique that we're here at Drew today, because my career really started at Drew. I joined the Navy when I was a junior in high school. They said I had to graduate. So I pushed my last half a year to do it during the summer and the fall -- my senior year. So I got out of high school in three-and-a-half years. So here I thought I was going to be a fighter pilot. I wanted to fight the Japanese. Maybe it's a good thing that happened. I probably would have been dead right now. But anyway, I get orders to Drew University. I said, "Where's Drew? What is that?"

And I was in my father's corner grocery store. I grew up and learned the business there. I asked a salesman, "Where's Drew?" "I don't know." "Where's Drew?" Finally, somebody said, "I think it's up in Madison. I think they have seminaries there. They train ministers." I said, "Why the hell am I going up there for?" So I didn't know-- They did have a small school here. The Navy took most of it over. They had 200 or 300 here. It was all woods then. Maybe there were six buildings. We had one for a dorm. And there was a chow hall. But we ran in the morning. And we exercised all over the woods. So this is where my training started.

So what happened-- I kept saying, “When am I going to get that airplane training?” It was supposed to be nine months. Real training is really 23 months. But that nine months-- They needed guys fast. The crazy guys that at age -- want to do things.

So finally they went on to eight months. I said, “When am I getting out of here? I want to get out. I want to flunk out.” The guy said, “You flunk out--” He said, “Do you think I like it here?” He said, “I’ll make you scrub this office with a toothbrush in your month and really punish -- court-martial you.” So he scared me.

So finally I got out of here. And they moved me on. They gave us a choice: flight or become a naval officer -- surface. I said, “Which is the shortest?” “Become a naval officer -- board the ships.” So that’s the track I took. And they moved me to another school. And that’s when my career started. And I stayed in the Navy reserves -- active duty for -- 42 years in active duty and active reserve -- native or active duty.

So I really learned, starting here -- beginning of my career. And when I got out of the Navy the first time, I decided I wanted to get a master’s degree -- work towards a master’s. And I went to graduate school at New York University. So then I decided I don’t want this commute into New York.

I said to my father, “Let’s open a small superette.” He said, “You’re crazy. You hated this business.” I said, “I hate commuting.” So I said, “The whole future has changed to self-service stores.” So he agreed with me, and we open a store -- partnership -- small store.

The Korean War broke out, and I went off. I brought my sister in. That’s how she got in the business. She never would have been in. And I came back. I learned a lot of things in California. I fought in the Korean War. I came back from Korea. I learned a lot more about supermarkets there. So I started moving ahead. So, over the years, we developed a supermarket chain of 1400 people, 13 markets.

But at the same time I got poor, because I wasn’t growing fast enough. I decided I wanted to get into politics. Somebody talked to me. And I got into local politics, and then I got into the Legislature. So I did all three at once.

I talked to a little class of two-year-olds. I was telling them the story about all these three things. The kids -- “Mr. Azzolina, how did you do all three at once?” I said, “I don’t know, but I did it.”

So, anyway, the point of the story is try, don’t give up. I could have given up the whole time in my naval career. I almost did many times. It was hard. It was hard developing a small business. It was tough in politics at times. In fact, I lost twice. So I’ve been back three times -- 19 out of 35 years. I was in, out, in, out, and back in again, because I never give up.

So, in all my careers, there was a time that I never gave up. I had a chance to have seven children -- not me, my wife at the time -- seven children. So I really had four careers. I don’t know how I did it, but the thing is entrepreneurship-- If you want to do something, you work hard at it and never give up.

When I talk to students at schools -- never give up. And I tell them the story, because I say you succeed at one, it's good. I still don't know how the hell I did them all. But anyway, I did it.

And I want to thank everybody for being here. (applause)

(MEETING CONCLUDED)