MEETING

of

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

"Public and private sector initiatives and programs aimed at business retention and expansion, foreign investment, and export promotion and financing"

LOCATION: Room 319
State House
Trenton, New Jersey

DATE: May 18, 1994
10:00 a.m.

MEMBERS OF TASK FORCE PRESENT:

Assemblyman Joseph Azzolina, Chairman
Leo Beebe
Robert Coackley
Dr. Patrick A. Diassi
Nicholas Gallinaro
Dr. Richard Klein
Joseph McNamara
John Pell
Eugene Simko, Ph.D.
Frederick S. Tipson
Al Angrisani
Anastasius Efstratiades
Steven Van Campen
Neil Sheridan

ALSO PRESENT:

Deborah Smarth
Project Manager and
Task Force Coordinator

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, CN 068, Trenton, New Jersey 08625

GENERAL ASSEMBLY OF NEW JERSEY

GARABED "CHUCK" HAYTAIAN
SPEAKER

MAJORITY OFFICE
STATE HOUSE
CN-098
TRENTON, NEW JERSEY 08625-0098
(609) 292-5339

DONALD SICO
EXECUTIVE DIRECTOR

MEETING NOTICE

TO: MEMBERS OF THE ASSEMBLY TASK FORCE ON BUSINESS RETENTION, EXPANSION, AND EXPORT OPPORTUNITIES

FROM: ASSEMBLYMAN JOSEPH AZZOLINA, CHAIRMAN

SUBJECT: **TASK FORCE MEETING - May 18, 1994**

The public may address comments and questions to Deb Smarth, Project Manager and Task Force Aide, at (609) 292-5339.

The Assembly Task Force on Business Retention, Expansion, and Export Opportunities will meet on **Wednesday, May 18, 1994 at 10:00 AM in Room 319, State House, Trenton, New Jersey.**

The Task Force will hear from companies that will discuss the specific factors of the business climate in New Jersey that affect their retention, expansion, or relocation decisions. The Task Force will hear from academia on the state of NJ's economy and future industry sector patterns of growth or decline. The Task Force will hear from county economic development offices about county efforts in retention and expansions as well as linkage with State commerce agencies, and recommendations to improve State programs.

The Department of Labor will provide information that was requested by the Task Force relating to types of companies that have exited the State, and a ranking of the reasons for their departure over the past 2-4 years.

The Office of Ombudsman in the Secretary of State's has been invited to provide the Task Force with some specific examples of how that office is helping businesses in relocating to the State as well as existing businesses that need assistance with problems they may confront.

Issued 05/13/94

Assistive listening devices available upon 24 hours prior notice
by calling (609) 292-4661

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

APPENDIX (continued):

mjz: 1-37
hw: 38-45
ses: 46-68
hw: 69-95

ASSEMBLYMAN JOSEPH AZZOLINA (Chairman): Welcome to our third formal Task Force meeting. It is a pleasure to have you all here today. It is a wonderful turnout.

We last met on March 29 at the Chubb Corporation in Warren. We heard from entrepreneurs, as well as representatives of the Departments of Commerce and Labor and the New Jersey Economic Development Authority. Since then, we have agreed that it is extremely important to find out reasons as to why companies relocate to other states and ways to retain them.

Many of you know that the Department of Labor and the Department of Commerce and Economic Development offer outreach services to companies which may be in the process of considering relocating to another state. As a Task Force that is focusing attention on retention, expansion, and global opportunities, it is vital that we identify the specific reasons behind companies' decisions to relocate elsewhere. Otherwise, we will not be able to attract new businesses or keep those currently here in this State. Conditions are continually changing, and we need an effective and consistent way of monitoring the factors that affect New Jersey companies.

We have only a few representatives here from private industry participating today. We had several last-minute cancellations that stopped us from getting replacements on such short notice. However, those companies that had to cancel have pledged to participate in the future, so that their input can educate us further on this subject matter. I expect to continue the study of the issue at future Task Force meetings, with many more firms participating in this process.

Our economic development policies must respond to tailored circumstances, not to bureaucratic designs or whims. After reviewing some of the literature and talking with various representatives of State agencies and firms, it seems that a lot more has to be done in bolstering grassroots field activity in many regions of New Jersey, as we will miss out on important opportunities.

Let me add that since our last meeting, we have added several new members, two of whom are here. So would you please introduce yourselves to the Committee? Also, who wasn't here at the last meeting?

MR. BECKER: George Becker, from Red Bank, New Jersey, former President of Kaiser International, which is a New York Stock Exchange Company based in Michigan, and they have operations around the world.

MR. EFSTRATINDES: Tsassos Efstratindes. I am a lawyer. I live in Cherry Hill, New Jersey. I am with the law firm of Obermayer Rebmann Maxwell & Hippel, and I practice international trade law.

ASSEMBLYMAN AZZOLINA: Are there any who were not here last time? Neil?

MR. SHERIDAN: I am Neil Sheridan. I am an Executive Aide to Mayor Schundler in Jersey City. I also act as a Project Manager in the area of economic development there.

ASSEMBLYMAN AZZOLINA: Is there anyone else who was not here last time? (no response)

I am grateful to the Task Force members who are in attendance. I remind you that questions may be asked after each speaker. Thank you, and we will get to the speakers pretty quickly here.

We have Professor Norman Glickman, Center for Urban Policy Research, Rutgers University, to talk about the State of New Jersey's economy and future growth patterns. Professor, welcome.

PROFESSOR NORMAN GLICKMAN: Mr. Azzolina, thank you for having me here today. I welcome this opportunity to speak about the future of New Jersey's economy and some elements in terms of policy that could help to keep firms, attract firms, and make firms more profitable.

I direct the Center for Urban Policy Research at Rutgers University in New Brunswick and head up the Rutgers Economic Advisory Service, which is a service which provides forecasts and other economic analysis to companies in the public sector. We have been doing this for the last several years.

Let me talk first about economic conditions and where we see them going. Very clearly, the economy is on the mend after a very long and deep recession beginning in the middle of 1989. Although unemployment remains too high, employment, in fact, has been growing since March of 1992, a little bit more than two years ago. But that growth has been slow. It has produced about 77,000 jobs over those two years, which, on a base of 3.4 million jobs in the State's economy, is rather a small number.

Most of the measures we look at in terms of the economy seem to be moving forward nicely. When we look at retail sales, new car registrations, most of the construction industry, building permits, and things like that, we see things moving forward. They are all up, particularly in the last year or so.

Keeping this momentum going, I think, will, in large part, depend on changes in the national economy, which has been growing pretty fast, although on the employment side not so fast. Actions by the Fed to slow things down may, in fact, slow the national economy -- will likely slow the national economy -- so we will have to see what happens over the next few months.

We crank up our econometric models several times a year to look at the future. We are sort of going to take a long look today. We see rather slow growth for the rest of the decade in this State, for a variety of reasons I want to talk about in a couple of minutes. Most of that growth is likely to be in the southern and central parts of the State. Most of that growth will be in, broadly speaking, the services; not all of the services, but many of the service industries, particularly: health care, business services, wholesale trade, and finance. We expect the decline in manufacturing -- which is a long-term decline -- to continue as we move out into the rest of the decade.

There are a number of, kind of, locomotives of growth that have propelled this economy over the years. I am just going to talk about a few of them to give you a sense of where we are now and where we are likely to be in the future.

One of the reasons we have grown in the past has been the kind of regional setting where we find ourselves; that is, we sell and buy from other states in the region: Pennsylvania, New York, and Connecticut. In fact, down the road, it looks as if we will not get much help from that corridor for our economy; that is, those states, in fact, are growing slower than New Jersey at this time, and look like they are going to continue to grow in a slow way, so we won't be getting much help from them.

A second area where we have grown spectacularly at times is in the service sector. What has happened in the last few years, very positive for companies, has been the tremendous growth of productivity in the service sector, getting more out of each worker. What that means, however, in terms of economic growth, is relatively slow employment increases, since we are getting more out of each worker because of higher productivity.

George Construction was a major mover of the economy during the 1980s. We are now very much overbilled, and are likely to remain overbilled for quite awhile, so it is not likely to get much help there. If I may get more positive about this -- and I will a little bit later -- we have some very serious problems here. The blue-collar blues continue. As I mentioned earlier, the manufacturing sector is declining dramatically. It is a long-term trend that began, really, in the late 1960s. Even in periods of boom, manufacturing grew only a little bit, during the '80s, for example. But it has been falling very seriously in the last few years.

The casinos-- The Atlantic City part of our economy is coming under great pressure from competition growing on nearly every river you can name nearby. That is hurting Atlantic City considerably, with riverboat gambling and other events like that. There was a big force of growth there in the 1980s. There is unlikely to be a force of growth during the 1990s. It is now restructuring itself, but there are still some serious problems in Atlantic City itself and they are affecting tourism in ways that are quite negative.

We have always had old standbys in this State, large corporations -- AT&T, the pharmaceuticals -- all of which are downsizing, and downsizing quite significantly. We have a representative from AT&T here today who can speak about that. That is not likely to help the economy during the future.

This is a relatively high-cost State in terms of doing business. Wages are high. Although when you take wages related to productivity, it is a rather high productivity State as well. It is not quite as bad as the wage numbers might tell you. There are a number of things like this that have been going on that have helped the economy in the past, but they may or may not help the economy in the future.

Let me just say a few things about the kinds of policies that could be followed that you could consider during your time on this Task Force. We have to ask ourselves: What are the key factors that will propel this particular economy, meaning maintaining good economic health, attracting firms from the outside, and keeping the firms that are here healthy and in place? I think the first is quality of life, which has a lot of pieces to it. It is something that New Jersey is not given enough credit for -- a rather high quality of life -- which is not always recognized. I am talking here about air and water -- clean air and water -- trying to reduce sprawl, providing more and better recreational opportunities, things like that that are very important to companies and to workers, and to small company presidents looking for a location who want a good quality of life nearby.

Related to this is the whole issue of education. We need an educational system second to none in order to turn out good quality workers to educate the future citizens of this State and the like. We cannot succeed economically unless we have that in place. I am talking about from K-12 through higher education in this regard. Firms demand -- and I do not have to tell you this -- well-educated workers, and good schools provide them.

Related to that is the quality of the labor force. We need to be able to do better training, attract more workers, and move them up the skill ladder to make them better trained workers and more productive workers as they go to work for different companies. In terms of training, I think there are lots of different models which have been used in different states at the national level, and I think it would be worth your while to look into some of the training programs that have been in place over the last few years.

The big emphasis coming out of Washington now is the transition from school to work; taking the large number of kids coming out of high school who do not go to college and getting them into meaningful jobs and productive jobs in the economy.

Another issue is infrastructure, a word that is used a lot. Different pieces of infrastructure are important, the certain traditional ones like roads, sewers, and the like, but I mean, you have to be able to get goods and services. Also State workers have to be able to get to work, and the like. But more importantly, I think, something that would not be considered a traditional infrastructure, but it will be in the future, and that is the electronic infrastructure that needs to be in place. We are well ahead of much of the country in this regard, fiber optics, and the like. I hope this continues and, in fact, accelerates, because that is going to be an important element in bringing firms to this State and keeping firms here that want to stay here.

We at Rutgers have been involved-- I was talking to Dr. Klein a little earlier today about some of the high technology centers that the State helped to set up at Rutgers and other places during the 1980s, which are making a contribution to another element of this, which is research and development. There are a number of firms here -- representatives of high technology firms. I think you understand, and most of the world understands how important R&D is in generating new jobs and new products and profits down the road.

There are a number of strategies that could be followed -- sectors to look at more carefully as you continue your deliberations. One, of course, is small businesses. It is very difficult to try to aid small businesses from the standpoint of the State. There are so many. They have such wide and diverging problems that it is very tough to do, but we need to look at the small businesses, because they are most of the businesses we have, and try to help them to become more profitable.

The second issue, and one I have dealt with quite a bit in the past, is the area of international trade and development, trying to increase the exporting of our firms, again very hard, particularly with the small firms that do not have contacts overseas and don't have sources of information about foreign markets. But that is something I think is critically important as we look down the road.

Another is strategies to try to attract foreign investors, who also can create jobs in this State. We have many in the State. There is a long history of foreign investment here, and we need to look at more about that.

Most important, as I mentioned earlier, is retention of the firms that are here and helping them to expand. I think this is really the key to the development of businesses in the State. That requires, more than anything else, all those quality of life issues I mentioned earlier -- better education, better recreation, clean air, clean water, those sorts of things which really do make a difference to firms.

There has to be kind of a dual strategy. One is to focus on high-technology jobs in biomedical, electronic, and pharmaceutical areas, but also those that provide entry level jobs, because I think that is a key problem in this economy, nationally, not just in the State. Not enough jobs are available at decent wages for people beginning on the job ladder and beginning careers in their late teens or early 20s, whenever they get out of school.

Tourism is another area where we have not done enough and need to do more. Atlantic City provides one example where most of the people there come in as day-trippers from either other parts of New Jersey or from Pennsylvania or New York. They are not bringing families. They are not staying overnight very much. This is a problem not only there, but elsewhere in our tourist areas, like the other places at the shore.

Finally, take advantage of the potential for a transfer of technology from the laboratory to the marketplace, some of which is done through universities like Rutgers, like Princeton, that could provide more companies with products to sell and to move forward that way.

I would like to mention one other issue that is quite important -- and I am sure you know this -- which is taxation. We need to take a fresh look at the tax system in the State with the growth of industry in mind and try to consider what mix of taxes will best help to propel the economy. There are lots of kinds of things we could do, raising some and lowering others, but get the mix that produces growth in jobs. I think that is very important.

Let me suggest to you some looking back at a Commission that Governor Kean started in about 1985, I guess. It was called the SLERP Commission. I forget what the letters stand for. "State" and "Local" were the first two letters. It made some very interesting recommendations about the way the tax system could be altered to provide growth, equity, and those sorts of things.

Those are the few things I just wanted to mention to you today. I wish you well on your deliberations. I would be happy to answer questions now, or later if anyone wants to call me to raise questions over the phone.

ASSEMBLYMAN AZZOLINA: We will ask questions now. Thank you very much, Professor.

PROFESSOR GLICKMAN: Sure.

ASSEMBLYMAN AZZOLINA: You are right on, on a lot of topics here today.

I would just like to ask you one question, and then the rest of the panel will ask questions. I am a small businessman myself. What bothers me is the prime rate going up. It went up another half a point. They say it is going to help business. I don't understand, because it is going to hurt me. It hurt my expansion and everything else. It is going to hurt jobs. They said, "Well, the economy is already-- There is no inflation." In my business it is deflation, and in a lot of other businesses, it is almost flat.

So I do not understand the economics of this whole program.

PROFESSOR GLICKMAN: I don't understand them either, then, because I agree with what you just said. There is a sense within the Fed, which is a rather mystical organization in many ways, that there is potential investment out there --

I'm sorry, potential inflation out there. It is not visible now, but if we don't do something, which means raise rates, we will have inflation down the road, and that will be bad for business.

I don't happen to agree with that. I don't see any evidence of serious inflation. You get a little bit of tick in wages, for example, when there is more employment. Employment has been growing, but quite slowly, nationally. The unemployment rate is down to 6.4 percent, I believe, nationally. That is decent, but that is certainly not a very low unemployment rate, where we would, in fact, expect a great deal of inflation to turn up. Many of the markets are quite deflationary, particularly in the commodities markets and elsewhere, where we are not seeing any inflation there. We are not seeing much change in the CRB and other closely watched measures of inflation. But Greenspan and company seem to think otherwise. Whatever it is they see, they have acted yesterday with a 50 basis point increase in the prime. I think that is going to do some damage to the recovery, maybe serious damage -- I don't know yet -- particularly for small firms. In the construction industry, any industry that is interest sensitive, this could be very bad news. We will just have to see down the road.

ASSEMBLYMAN AZZOLINA: In consumer goods -- I am in the consumer business, retail food -- it is deflation or flat, and that is with most consumer goods. I think most of your inflation has been, probably, in the price of lumber for construction, because--

PROFESSOR GLICKMAN: Yes, but there is not much to see, particularly in the area you are talking about -- very little increase in prices. Almost any industry that is operating in this country that has some exposure to foreign markets just simply can't raise prices the way they used to be able to do it. There is just too much competition out there. It is really bringing down prices or holding them rather steady.

ASSEMBLYMAN AZZOLINA: Are there any questions from the panel? Yes, George?

MR. BECKER: Joe, I would like to make one comment on that since, as you know, my field is foreign trade.

PROFESSOR GLICKMAN: Right, I was looking at you.

MR. BECKER: Well, with respect to commodities, you know commodities, unlike consumer products, are a precursor of inflation. The raw material basic commodity Price Index has been rising for the last three months. This has been certainly one of the red flags spotted by the Feds.

Just to give you one example: The United States is a major producer of sulfur, and from sulfur you make various types of fertilizer -- DAP, as well as other types of sulfur. The cost of sulfur and DAP fertilizer has gone from $100 a ton to $140 a ton in less than six months. Now, $100 a ton was close to a 20-year low. But this is the kind of price pressure that is out there now that affects us both domestically and internationally, because not only are we a large consumer of fertilizers in the United States; we are a major exporter of fertilizers as well.

Joe, could I ask Professor Glickman another question, because you will obviously track foreign trade?

Yesterday -- you know this is World Trade Week -- Governor Whitman was in Whippany at a conference I attended on China. In her remarks, she said that New Jersey now ranks 11th in the nation in terms of exports. Actually, for the last few years, it has been either 12th or 13th. Do you have any current figures to substantiate the 11th ranking she gave? I bring it up because if we are 11th now, that is a big increase over last year, which is extremely positive. I wonder if you could comment on that.

PROFESSOR GLICKMAN: I actually don't know. Where the numbers came from I couldn't tell you.

MR. BECKER: We have not been in the number 11 spot for quite a few years, and I just wondered.

PROFESSOR GLICKMAN: I don't really have the numbers.

MR. BECKER: Okay.

ASSEMBLYMAN AZZOLINA: Are there any other questions? Yes, Joe?

MR. McNAMARA: Actually, in one magazine, "The World Trade Magazine," New Jersey is now ranked 9th. That is $11.5 million in exports. Exports since '89 have increased 32 percent from New Jersey, according to the U.S. Department of Commerce. So actually, we have outpaced the national average since '88-'89 in terms of exports.

MR. BECKER: Yes, right, but then I saw other figures only a few months ago where we were ranked 12; then yesterday the reference was that it was 11.

PROFESSOR GLICKMAN: Well, that's good news, isn't it? I don't have the basis for the Governors' Conference. I don't know what it is.

MR. McNAMARA: A question in terms of-- You know, we are talking about the economy and the effect from what the Feds have done. There has been some pressure -- Mr. Becker mentioned this also -- in the automobile industry. Chrysler and others are almost at capacity for the first time in a long time. But our models basically look at the domestic market, and look at plant capacity in the domestic market.

PROFESSOR GLICKMAN: Domestic.

MR. McNAMARA: Would you recommend that the Fed be looking at, say, automobile manufacturing capacity in the international market, the whole market? The pressure they are seeing from Chrysler and maybe GM and some others who have had some -- you know, which have been doing very, very well competitively-- But should they be looking at the total capacity, since it is a global market we are dealing with? What happens in Japan and Germany is going to affect us, and that makes it--

PROFESSOR GLICKMAN: I think it is essential that they look at the worldwide market, because that is really what we are competing in. Whether they do or not is unclear. I don't know what goes on at those funny meetings they have every month -- the Open Market Committee meetings. But they should be, and they should for other commodities, you know, see where they are going.

I think the case for sulfur is a good one, but I think most of the commodities are not going up any 40 percent in six months, as you mentioned earlier. I would like to argue the point.

MR. BECKER: You're right. Worldwide there is continuing pressure to keep prices down.

PROFESSOR GLICKMAN: That's right.

MR. BECKER: Maybe the Fed is looking, primarily, at what is happening domestically because there is greater price pressure here than elsewhere, but there is great underutilization worldwide in terms of most items that are being produced. That is why the cost pressures are not as great.

PROFESSOR GLICKMAN: I agree with you, yes.

ASSEMBLYMAN AZZOLINA: Two more questions. Fred?

MR. TIPSON: Thank you, Mr. Chairman.

You mentioned that the tax system is one of the critical factors, obviously, in the cost of doing business here. Do you or the Center have any comparative statistics about how New Jersey compares versus neighboring states or other states in the Union?

PROFESSOR GLICKMAN: Well, they are easy to get. I mean, there are a number of sources which I could supply. I do not have them here, needless to say. There are a number of comparisons that are made. We are a relatively high tax State. There is no doubt about that.

The question is: What is the mix-- The issue I was raising, really, was the mix of taxes. That is something that needs to be discussed.

MR. TIPSON: What has the trend been? Is New Jersey generally leveling off, or are we continuing to be--

PROFESSOR GLICKMAN: I think we have certainly leveled off in the last couple of years. Certainly, if there is an income tax, we will definitely level off, or fall, as the rates go down with the Governor's program.

MR. TIPSON: Will that alone make a significant dent in the overall mix, do you think?

PROFESSOR GLICKMAN: Well, you all may disagree with this, but I don't think that taxes matter as much as many of the other things in a firm's decision whether to employ another person or relocate in another state. I think that is part of the calculus, but not the deciding one. Maybe, you know, at the margin that would be important, but the quality of life and the quality of labor force issues, I think, are more important to firms.

ASSEMBLYMAN AZZOLINA: Dr. Klein?

DR. KLEIN: You noted the very substantial drop in manufacturing employment activity over the past 10 years or so, and also the rise in the service industries. How critical do you think it is to the State's future economy that manufacturing get more support and start moving back up the scale versus focusing on service or small industry activities?

PROFESSOR GLICKMAN: Well, I think it would be very important for this to happen. I think it is quite unlikely for it to happen, because I think all the trends around the country -- not just in this State, but all the industrial states in the Northeast, and a good deal of the rest of the country as well -- are still down, or flat, at best.

I think the question is: What could government do, or others do to support it? Well, there are a number of things, but the question is: Is it worth the candle? You may be fighting a trend that is not going to change. I think this certainly needs to be looked at. Frankly, maybe there are some good things to be done in this area.

ASSEMBLYMAN AZZOLINA: Pat?

MR. DIASSI: In regard to the last question, and other things as well, could you give us your comments on what the environmental policy of this State is compared with neighboring states and other states? We have heard some criticism of organizations like the DEPE and how that is going to affect the economy.

PROFESSOR GLICKMAN: Right.

MR. DIASSI: How do we stand?

PROFESSOR GLICKMAN: I am really not an expert on environmental issues. I know the DEPE has been criticized, but the equivalent agencies in other states are also criticized. I moved here five years ago from the State of Texas, where there are virtually no regulations, and I heard the same kinds of comments about the regulatory beasts down in Austin. So I don't know, really, how it compares. It is clearly an adversarial issue, a situation which needs to end. We need to work out a--

MR. DIASSI: I am sure this has a great effect on the economy of this State -- it will have a great effect.

PROFESSOR GLICKMAN: You will be hearing more about that later, I gather from--

ASSEMBLYMAN AZZOLINA: I spoke to Mr. Shinn yesterday, and tried to get him today at the last minute. I couldn't, but he did say he would come to our next meeting.

PROFESSOR GLICKMAN: I saw his name on the list.

ASSEMBLYMAN AZZOLINA: He is the Commissioner of the Department of Environmental Protection. He will be here at our next meeting.

MR. VAN CAMPEN: Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Yes?

MR. VAN CAMPEN: I would like a point of order, if I may. No questions, but I would like to ask-- Well, I am going to ask one question, and that is: Is Professor Glickman familiar with the New Jersey Department of Transportation's study that has just been released that highlights many of these facts and figures?

PROFESSOR GLICKMAN: I'm not sure which study--

MR. VAN CAMPEN: What I would like to do, Mr. Chairman, is to give Professor Glickman this study, with perhaps a view that maybe we could recall him later.

ASSEMBLYMAN AZZOLINA: Sure.

MR. VAN CAMPEN: I would be curious to see--

PROFESSOR GLICKMAN: What study was this? Do you have it there?

MR. VAN CAMPEN: I am going to give you a copy of it, and then I would like to know your thoughts on it, if I might. It is very revealing. Okay?

Thank you.

PROFESSOR GLICKMAN: There may be a problem with my schedule, however. I did not plan to be back here. But let me take a look at it anyway. I would be happy to do that.

ASSEMBLYMAN AZZOLINA: Last call, because we have six more speakers.

PROFESSOR GLICKMAN: Yes.

MR. EFSTRATINDES: Professor Glickman, one of the strategies you did not mention is providing incentives for companies to locate here. As you know, we have to compete quite often with some states that do this. What is your opinion on that issue?

PROFESSOR GLICKMAN: Well, my opinion is fairly strong that we shouldn't be doing it, but I also understand that we have to do it because others do it. Looking at it from the standpoint of overall public policy and the way businesses work and the way government ought to work, those are largely wasted resources that could be used better, I think, by government.

On the other hand, when you are fighting an across-the-river battle with New York and another battle with Philadelphia -- Pennsylvania -- those are things that happen. It is a fact of life. We sign agreements not to fight anymore and we break them. Somebody breaks them, either us or somebody else, and it is true in every other battle among states for jobs, and the like. Maybe it is just a necessary cost of doing business. I do not approve of it, but it has to be done, I think.

MR. EFSTRATINDES: Are there studies that show those are wasted dollars?

PROFESSOR GLICKMAN: Yes, many.

ASSEMBLYMAN AZZOLINA: Deb has one question, and then we will go on to the next speaker.

PROFESSOR GLICKMAN: Yes, Debra?

MS. SMARTH (Task Force Coordinator): Professor, can you give us an idea on how New Jersey rates in comparison to the other states with regard to growth -- projected growth -- and per capita income?

PROFESSOR GLICKMAN: Slow, probably in the second third of the states.

ASSEMBLYMAN AZZOLINA: Thank you very much.

PROFESSOR GLICKMAN: Thank you.

ASSEMBLYMAN AZZOLINA: I call Henry Blekicki, Vice President of Economic Development, New Jersey Institute of Technology, designee for Dr. Saul Fenster. He will give us an overview of the NJIT report concerning environmental regulations' impact on businesses.

H E N R Y B L E K I C K I: Thank you, good morning. Dr. Fenster very much wanted to be here, but unfortunately a conflict in his schedule did not permit that, so I am substituting for him today.

Sometime last year, Senator Littell suggested that it would be beneficial to develop an analysis on the impact -- the economic impact -- of environmental regulations and statutes and rules on New Jersey industry. We were asked to perform that analysis. As some of you may know, the New Jersey Institute of Technology has the largest university-based Environmental Research Center in the country. It is supported by the EPA, NSF, and of course, the Commission on Science and Technology of the State of New Jersey.

We were pleased to undertake that study. The study basically had a couple of premises: One, that environmental goals and objectives are, and have been very, very beneficial to the quality of life in the State of New Jersey; that there is evidence -- strong evidence -- of an improvement in the quality of life and in the environmental quality in the State of New Jersey. So New Jersey is leading in that sense, and should continue to do so.

Second of all, that the goods-producing sector of the economy is terribly important; that New Jersey has been a major manufacturing State for decades, well, from the 1800s; and that while manufacturing as an employment sector has decreased from 26 percent about 30 years ago down to in the teens now, it is still an important element of our economy because manufacturing has a tremendous magnifying, or multiplier effect. A recent study by the Federal government indicates that for every manufacturing job created, four and a half other jobs are created primarily in the service sector. Therefore, we should encourage manufacturing.

The third concept is that basically those two objectives are not inconsistent; that, in fact, we are not faced with a zero sum gain; that a benefit in our environment does not necessarily mean that it is harmful to manufacturing, and vice versa. In fact, both can, and should be growing and working together.

So it was with those concepts in mind that we began a study. After extensive panel discussions using experts from the environmental community, from industry, from government, from universities, a report was presented in March of this year. Basically, there were 24 critical crosscut issues which shall include 9 categories. Those 9 categories basically deal with implementation, so we have not dealt with trying to change the purpose and the goals of the environmental regulations, but really how we implement.

Let me just list for you those nine categories that are problem areas:

1) excessive fees and fines;

2) overly adversarial relationship to business and industry;

3) high compliance costs;

4) burdensome paperwork;

5) overlapping and redundant regulations;

6) unnecessary state-of-the-art technology requirements;

7) obstacles to research and development activities;

8) right-to-know labeling and reporting requirements;

9) compliance assistance for small businesses and manufacturers. So that was an area of recommendation.

In these areas of issues -- or I should say there were 46 recommendations made. The report goes into detail as to those recommendations. Rather than reciting those recommendations today, I am sure you will have an opportunity to review this report in some detail. Then, if you have questions later on to ask Dr. Fenster or others at NJIT, we will give you some additional input.

What we felt was that there are other states that are doing a better job of dealing with the joint issue of a healthier environment as well as a healthier economy; and that we should be gaining some insight from those other states as to how to do a better job.

We were very pleased during the process as we were developing findings to share those with the DEPE and, in most cases, they were very, very responsive and took action on some of those recommendations immediately. So it was a very good give and take between the study group and the DEPE. However, it was felt that a lot more needed to be done, or certainly some quick actions had to be taken, but there were some more that were endemic that were structural changes that needed more time.

The NJIT study team found that the complex collection of environmental laws, rules, and regulations is, in part, the product of the public demanding legislative and executive action in response to contamination or pollution incidents. Environmental standards should not be mirror reflections of how low a level can be measured. That issue deals with the fact that as technology advances, we are able to detect lower and lower levels of chemicals in the air, in the water, and in the soil.

Now, should we, as we are currently, require that the best available technology, as far as analysis, be the standard which industry should meet, or should we deal with the issue of what are the risks, and apply our resources -- and we all have limited resources -- to those risks that are of the greatest significance in harming the environment or the safety of our society? So that was one of the issues.

Also, environmental standards should not be just a response to a public perception factor based upon a contamination or a pollution incident. Now, that is a natural thing to happen, that as a problem becomes recognized, there is a response by the public through their elected officials to that problem. Sometimes that does not provide, in the long run, a comprehensive plan of action dealing with all the environmental issues.

So one of the conclusions of the study was that there should be an environmental master plan which tries to make sense of all of the various needs, all of the various risks, and tries to ascertain, using the latest technical capabilities of the scientists and engineers, what are the scope managers of these risks, and then try to focus our resources on those most important risks.

I have taught for a number of years in universities, primarily in schools of business, even though I am a chemical engineer by basic training. There is a rule that we always teach our students in freshman -- in Management 101; that is the old 80/20 rule, which is that basically 80 percent of your problems or your costs are going to create about 20 percent of your costs status. Therefore, focus your limited resources where it does the most good. This is simply what we are recommending in this study.

In summary, the report recommends a new approach for New Jersey, an approach that begins with an open and unbiased dialogue about risk; incorporates education on risk as an essential component of the environmental protection infrastructure; assists citizens, governmental agencies, and businesses to comply with environmental laws, rules, and regulations; and enforces laws and sets penalties for violators that relate to the seriousness of the violations.

With that, we believe there will be an enhanced opportunity to improve the environment, as well as the economy and the creation of additional jobs.

Thank you. If you have any questions, I would be glad to answer them.

ASSEMBLYMAN AZZOLINA: Are there any questions from the panel? Yes, Gene?

DR. SIMKO: Hi. I am Gene Simko, from Monmouth College.

MR. BLEKICKI: Hi, Gene.

DR. SIMKO: A fellow businessperson and academician.

Does the report that calls for the strategic plan-- Does it reflect the differences that organizations have in size and structure in their specific locations? For example, our previous speaker alluded to AT&T. Perhaps another person could allude to a smaller business. It seems to me that when you identify such a broad variable as risk in environmental pollution or, you know, destruction, you have to take into account that the potential for risk is different among and between different businesses.

In your panel of experts, did that ever come up?

MR. BLEKICKI: Yes. We certainly recognize not only that small businesses perhaps do not offer the same degree of risk, in most instances, that larger entities may, but also we recognize that small businesses do not have the capability to deal with all of the environmental rules and regulations as well as the large corporation does, because they do not have the staff to support that sort of activity.

We believe that manufacturing, especially small business manufacturing, is where the growth is going to be in the economy in the future. In fact, there was a study of this done by the National Center for Manufacturing Systems, I believe. They came up with the astounding fact that in the next decade, 90 percent of all net job creation in the U.S. will be created by small manufacturers. I could believe small business, but they said "small manufacturers." The rationale behind that is that there is such a tremendous multiplier effect -- it is four and a half to one, which is the greatest of any segment -- that by helping small manufacturers to grow, we are going to be creating jobs.

At the same time, small manufacturers have the least capability of dealing with environmental issues. That is why I say it was good for the DEPE to have instituted the New Jersey Technical Assistance Program to help small manufacturers to comply with environmental regulations. They do need that sort of assistance. So, yes, we were very sensitive to both the impact and the needs of small versus large organizations.

ASSEMBLYMAN AZZOLINA: Yes?

MR. COACKLEY: I liked your thesis that quality of life and manufacturing is not an oxymoron, and I agree with you. But unfortunately, in many circumstances, it works out the opposite way round. I would be particularly interested to learn if the Institute has made any considerations as to what the negative aspects of the Trip Reduction Program might be for manufacturing in New Jersey?

MR. BLEKICKI: I do not believe so. I am not familiar with such a study. I cannot really answer, but to my knowledge, no.

ASSEMBLYMAN AZZOLINA: Neil?

MR. SHERIDAN: Did the study stress the redevelopment or reuse of environmentally damaged facilities and land?

MR. BLEKICKI: Yes. We are very sensitive to the fact that our urban communities, which have housed manufacturing for, you know, centuries, really are in a very, very difficult position as far as trying to meet current rules and regulations to allow their land to be now reused for whatever purposes, be it commercial/industrial, housing, whatever. I am not sure that in this study we dealt with it in great detail, but certainly the university has been very supportive of Senator Littell's initiative to try to provide special consideration for urban centers where there is basically land frozen in time, it cannot be developed and will not be developed because it is just not cost-effective for anyone to try to clean up that site and then put it into new productive use.

So we certainly are supportive of many of the recommendations that Senator Littell has brought forth.

ASSEMBLYMAN AZZOLINA: Nick?

MR. GALLINARO: We were recently informed of the fact that in the State of Texas the Department of Environmental Protection of the State of Texas combined its two districts, and that the total number of people working for the Texas Department of Environmental Protection now amounts to about 7000 people. With a population of 24 million, the land mass of Texas, and it basically being the hubbub of the petrochemical industry, the question has been raised -- and I would like to challenge the Task Force to find out about this -- why it is that the New Jersey Department of Environmental Protection in a State the size of New Jersey, with what we have in manufacturing-- I am not sure of the figures, but I would like to know why we have twice as many people in the New Jersey Department of Environmental Protection?

MR. BLEKICKI: I am not in a position to answer that question. That is a very difficult one.

ASSEMBLYMAN AZZOLINA: We can save that one until we have the Commissioner here.

MR. GALLINARO: Okay.

ASSEMBLYMAN AZZOLINA: Yes?

MR. VAN CAMPEN: Mr. Chairman, the same request to Mr. Blekicki, if I could present him with this. If you are available to make comments on it-- I am referring again to this just-released New Jersey Department of Transportation study.

Thank you.

MR. BECKER: Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Yes?

MR. BECKER: Good morning, Henry. It is nice to see you again.

MR. BLEKICKI: Good to see you again, George.

MR. BECKER: In your study did you take a look at the impact of environmental regulations on the export competitiveness of New Jersey firms, particularly as NAFTA unfolds?

MR. BLEKICKI: No, we really didn't. What we did try to do was to analyze the cost of regulatory compliance in terms of the required technology a company would have to bring on board, the costs of modifying existing systems, capital improvements, the paperwork costs, fees, fines, additional personnel costs, and the cost of abandoning products or locations because of environmental considerations. But we did not deal with the costs of a loss of export capability. No, we did not.

MR. BECKER: Okay. Thank you.

MR. EFSTRATINDES: Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Yes?

MR. EFSTRATINDES: I have a comment with respect to the point about the creation of an environmental master plan, which I think is a great idea. My comment is, we are creating master plans in different areas. We have one for land use planning. The Governor has called for an economic master plan. Those master plans are going to have conflicting provisions. I think the approach should be, on an intergovernmental basis, to find one master plan, with all of those components being put into it. Maybe the Governor can put all the master plans in the right place, but we should put everything together. Otherwise, we are going to end up with master plans which are not going to be effective.

MR. BLEKICKI: I think you are correct. NJIT has been active in a support group helping Senator Wallwork in his efforts to develop an economic strategic plan for the State of New Jersey. So there is overlap between the various efforts.

Part of the desire to have an environmental master plan deals with the fact that we do have a number of laws which have been promulgated based upon a reaction to an incident; that in many cases there is overlap, there is conflict, there is a grayness in this pattern of law. It would be extremely helpful just to, you know, internalize and make all of these various laws and regulations consistent, so that there is less confusion on the part of industry, as well as on the part of the regulators in implementing the intent of the public as expressed by the Legislature.

ASSEMBLYMAN AZZOLINA: Okay. Thank you very much.

We will now move on to the next speaker, Mr. Joseph Spadaford, Senior Vice President, First Chicago Trust Company of New York.

J O S E P H S P A D A F O R D: Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: I had a lot of fun last night kidding one of your branch managers. I had to go to an affair, and I said, "What are you doing here in New Jersey?" He said, "We took over the State." I said, "Why don't you call yourselves New Jersey of New York?" I was only kidding, though.

MR. SPADAFORD: I will tell a little bit of our story. The First Chicago Trust Company is a wholly owned subsidiary of First Chicago, the 12th largest bank holding company in the United States. It is in the stock transfer business. We are the largest stock transfer agent in the United States. We have 13 million shareowners, over 400 corporations that we support, and 100 of the Fortune 500 corporations are our clients.

We are very committed to this business. It is a difficult business, a very low margin, and still fairly paper intensive, given the nature of the securities transactions and the issuance of stock certificates. So despite technology, we are still fairly labor intensive on how we manage the business.

Our biggest drive in seeking a new location in Jersey City, where we have now been since July of 1993, was to drive down our operating expenses and hopefully tap a more productive workforce in New Jersey. I will talk a little bit about the kind of process we went through and some observations. I was not directly involved in the negotiations at the time, but have talked to all the principals who were at First Chicago.

The key issue, I think, for us was, again, financial. The quality of life issues were, I guess, in the back of our minds, but we really had to come up with a financial alternative to the location we had in Manhattan. We were based at 30 West Broadway in Lower Manhattan, and between the tax impact of that location and the rental scenario we had within that location, it was really putting a strain on our finances.

So we had discussions underway with both the City of New York, as well as New Jersey. I can tell you that the City of New York is a pretty aggressive marketer in terms of keeping companies in-house and not losing them to New Jersey or other places. They had a real campaign, I think, with many of our clients. For instance, the Chairman of our corporation was contacted by many chairmen of our clients who are New York based, asking us not to leave the City. There was a very well-coordinated communications process between New York and our company. That was all positive. I mean, obviously the City of New York is trying to retain and improve their situation.

If it came down to strictly a marketing campaign, New York probably would have won. What was the real draw for us in Jersey City was, there was a building in the ground. The Newport Tower facility where we currently are based was in place. We were the first tenants to move into that building. The size of our workforce-- We have about 1200 people. A little over 1000 of those people are in the Newport Tower. The remainder are in a facility in Edison where we do our enclosing and mailing operation.

So the real attraction-- I mean, it was New York with promises and willingness to meet the financial conditions of New Jersey, but the fact that there was a building ready for us was really one of the major deciding factors. With New York, we were looking at sites in Brooklyn, and there were some issues with just how much tax relief we could get if we stayed in Manhattan. So it looked like we had to move out to Brooklyn. But again, the factor was that New Jersey had someplace for us to move in a time frame that met with our needs.

So it has been a very good move for us. Again, In July of 1993, our workforce-- We thought we would have some attrition coming across the river. That proved not to be a real issue. We perhaps had 1 percent or 2 percent attrition as a result of the move. We have lost some key people because a fairly sizable percentage of our workforce is Long Island based or Bronx, Brooklyn, Westchester County based, and there is an added commute cost and a little more commuting time. But in general it has been a very good move for us, helping us financially, as well as helping to build the quality of the workforce.

So we are pleased. It has been a good story. We are looking to work through some issues with New Jersey at this time. With banks, you have to deal with the State Banking Departments. I know our charter within the State of New Jersey is being reviewed with the New Jersey State Banking Department. We are working the issues through, but if that could be somehow streamlined going forward, I think everybody would benefit from that. And there are some issues surrounding capitalization that are required.

Those are gnats in the grand scheme of things. I think we felt very well supported by those we dealt with in New Jersey, and it has been a successful move.

ASSEMBLYMAN AZZOLINA: How many employees came over?

MR. SPADAFORD: All of them. We do have a presence on Wall Street, a small contingent workforce of less than 10 people. So basically all 1200 came over.

ASSEMBLYMAN AZZOLINA: Yes?

MR. COACKLEY: You said the prime objective was to reduce operating expense. Do you have any metrics as to what you achieved in actual operating expense, either percent or dollars?

MR. SPADAFORD: Well, I will give you one metric. Most of the savings so far-- Of course, there were various incentives coming into an enterprise zone -- an urban enterprise zone. But rental expense was a major cost for us at 30 West Broadway. I guess we were paying, believe it or not, in the $57-a-square-foot range, and now our rental is $13 per square foot, so it is a sizable-- Part of that, again, is the situation we had with the owner of the building and being the first tenants, but certainly that was a sizable savings for us. We have over 250,000 square feet of space.

ASSEMBLYMAN AZZOLINA: Al?

MR. ANGRISANI: Mr. Chairman, I think Mr. Spadaford's testimony represents a real opportunity for this Task Force. I spent 10 years at Chase in the banking business and, as a matter of fact, your old boss, Barry Sullivan, was my old boss when I was at Chase. I know a little bit about the back office business in banks. I know a number of my colleagues at Chase who moved over to the Brooklyn site are very, very unhappy. To hear Mr. Spadaford's testimony about how excited they are and how happy they are to be in New Jersey really accentuates the point that no one is really talking about one of the big heartbeats in this metropolitan community, which is the banking business and the opportunities that can be created for economic development and job growth in New Jersey if we can really accentuate moving that banking back office sector over to the Jersey side.

I know a lot of stuff has gone on at Exchange Place in Jersey City and a lot is going on. It seems to me that in terms of targeting priority areas where we can have an impact, particularly because the experience of New York banks that have moved out to the Brooklyn side is already so bad, that we could sort of win that mini skirmish if we could figure out a way to duplicate Mr. Spadaford's experience for many of the other banks in New York that I know are going through the same financial dynamics that he went through right now.

ASSEMBLYMAN AZZOLINA: How are we going to do this when the Governor and the Mayor are at peace now?

MR. ANGRISANI: I'll leave that up to you, Mr. Chairman. You are much more adept at politics than any of us here.

MR. PELL: Joe, if you want to do something with Chase, I point out the fact that Tom McGregor, the Chairman, is a resident of the State of New Jersey, in your district, so go to work.

ASSEMBLYMAN AZZOLINA: Yes, I know him. They want to head up there to Holmdel. They tried to put their operation up there.

Yes, Neil?

MR. SHERIDAN: I am just curious about-- You mentioned how effective the New York marketing approach was in trying to counterbalance your initiative to move to New Jersey. When you were approached by the New Jersey side, what kind of mix was there between the State of New Jersey, either the Commerce Department or the EDA, the City of Jersey City -- also right after you made your decision to move -- and the building's owner? Who was the primary communication from, and what was it like?

MR. SPADAFORD: Well, I was not directly involved in the negotiations, so all the departments of New Jersey that were involved-- I would have to get back to you, Neil, on that. I would say, though, that the general comments made were that New Jersey was extremely cooperative, very cordial, very supportive, but not-- For instance, New York would ask for information: "Tell me what the conditions are. Tell me what the parameters are." They were more aggressive at requesting from us information, whereas New Jersey took a more passive approach to us coming to them, and then they would respond.

So again, I don't know if that is the New Yorker versus, you know, those outside of New York, but that was the big difference. New York was very aggressive, very organized, did very well in internally communicating, and they had a battle plan; whereas, New Jersey was helpful, thoughtful, responsive. But had it not been for the building being in the ground, New Jersey probably would have lost First Chicago.

MR. McNAMARA: I was with the Department of Commerce at the time, but I was not involved directly in that. The EDA package that was put together was the factor, from the financial standpoint, that brought First Chicago to Jersey City. It was a very substantial-- It really went to the bottom line, but it was a very interesting package that was put together by them. That was the deciding factor.

MR. SPADAFORD: My understanding is that New York was willing to kind of match most of that, if not all of it. It really came down to, again, the physical site, plus the financial package.

ASSEMBLYMAN AZZOLINA: Yes, Dr. Simko?

DR. SIMKO: If I could create an artificial dichotomy, you mentioned two variables: on one hand, financial, on the other hand, quality of life. You mentioned as an extenuating variable the fact that the building was in the ground.

As you know, we in New Jersey, for the past several years, have had problems with manufacturing people moving out of the State. You know, you do not need a master's degree in economics to look at the bottom line and figure out why, in terms of variable costs and even long-term fixed costs, or fixed costs over a short, limited range of production.

How can we, from your experience, emphasize, or turn around this quality of life variable that we have been hearing about all morning? You said it wasn't really stressed in your decision. It was there, but in the background. Is there anything that would have been different, that might not have put so much emphasis on that building being in the ground? As you know, we do suffer nationwide from the quality of life perception that is not always what it should be.

MR. SPADAFORD: I don't know if this will answer your question. I know looking at the East Coast from Chicago, our Chairman had a lot better image of New Jersey than he did of New York in terms of quality of life. So it is not as big a negative the further away you get. That was one observation. I think our Chairman favored the move to New Jersey.

Locally -- I have to give that a little more thought. I feel we have not had a lot of turnover, so people are willing to sacrifice a little more to get to our work site, and even at a little more personal expense. It has worked out well. We are still in an enterprise zone, so you have issues with security. The infrastructure is not yet where it needs to be. Things may seem a little more expensive, even despite the sales tax thing.

DR. SIMKO: I guess what I am asking is: Had that building not "been ready," the decision, as you pointed out, might have gone a different way?

MR. SPADAFORD: Again, the financial side was the key. Speed was the other issue. How quickly could we make the move? These decisions frequently get teed up at an annual planning session, and then everybody wants to act quickly.

DR. SIMKO: How long did that take you? That is an interesting observation. What would you estimate to be a median time perhaps, at least in the service sector, for a move like that?

MR. SPADAFORD: I think from the initial discussions through the move was probably a little more than a year in duration. So it was very quick. New York had agreed to have a building built in 11 months. (laughter) So, you know, we discounted that a bit.

ASSEMBLYMAN AZZOLINA: I think you're right. New Jersey looks, as you get further away, a lot better than New York. New York does have a terrible reputation, for whatever reasons.

MR. SPADAFORD: Somebody said in Chicago recently that the biggest advantage Jersey has is that they are not New York, and they ought to advertise that. (laughter)

ASSEMBLYMAN AZZOLINA: A good point; good point.

MR. SPADAFORD: And I am a New Yorker at heart, so--

MR. GALLINARO: Just one question: Coming from Chicago -- I guess that is your home base-- Your home is Chicago?

MR. SPADAFORD: Yes, sir.

MR. GALLINARO: I can remember 25 years ago when Chicago had the same reputation that New York has today. And yet today, Chicago is probably one of the greatest cities in the United States from the standpoint of what it has done.

What is your perception of what is wrong between New York -- in comparing it with what you have done in Chicago?

MR. SPADAFORD: I certainly do not feel qualified to answer that question. I will give you some opinion on that.

New York: I worked there at City Bank for many years, in Manhattan, and it is just the whole infrastructure issue. Primarily, it is so large to deal with. There are just too many problems to easily solve in a lifetime, it seems to me, in New York. I think Mayor Guilianni is doing all he probably can do. I think he is going to make some things happen.

It is a little bit easier to get your arms around Chicago and help improve the situation in Chicago, I think. I guess it is size that is the problem. I guess that would be the biggest factor. You know, there is a Midwest approach to things, which might be a little different culturally in these kinds of issues. I would just say that New York has very difficult circumstances to manage out of. Who is going to invest-- Where is the money going to come from, basically, to alter the subway system, the roads system dramatically, and improve the quality of life? I don't even know the answer. I don't know if anybody has the answer to that, and it is not getting better.

ASSEMBLYMAN AZZOLINA: Thank you very much.

Pat?

MR. DIASSI: Just one comment that actually was already mentioned before, I think. The opportunity for New Jersey to attract the financial community that now resides mostly in New York, to New Jersey, is quite real. In your experience, what can you tell us in New Jersey that can be done most effectively to-- Are there more buildings in Jersey City? Are there more buildings along the waterfront?

MR. SPADAFORD: I think Jersey City has a tremendous advantage. It is the proximity to Manhattan. Manhattan is still the financial capital of the world in most major respects. Having access to Manhattan in 10 minutes by a PATH train is very important to us, and I am sure very important to most financial organizations.

The other issue is, I do think you have a workforce capability, which we have heard a little bit about today, that we have not fully exploited in the State of New Jersey. We are trying to do that, and we are willing to take on a lot of the training burden ourselves to bring up the quality of that workforce. But the more we can capitalize on the technical skills and the availability of the workforce in New Jersey-- That is there. We just have not used that yet as a marketing tool, I don't think. So it would be the physical location in proximity to Manhattan and tapping the workforce that is already in the suburbs and in the communities surrounding the Jersey City area. Those would be the two biggest things, I think.

ASSEMBLYMAN AZZOLINA: Yes. The Transportation Master Plan-- I was just reading it the other day. I think the trolley system, or whatever it is, along the waterfront that they are building now--

MR. SHERIDAN: Light rail.

ASSEMBLYMAN AZZOLINA: Light rail, I'm sorry. The interconnecting systems they are going to work on are going to help to develop that whole area, I think. Rather than go to New York, people are going to want to work over here, also.

MR. SPADAFORD: Right.

ASSEMBLYMAN AZZOLINA: Thank you very much.

MR. SPADAFORD: Okay. Thank you.

ASSEMBLYMAN AZZOLINA: I would like to now call on Joan McGinnis-Knorr, President, The Presidents Forum. She has with her-- Will you please introduce your colleague?

JOAN McGINNIS-KNORR: Mr. Michael Katz.

Mr. Chairman, thank you. This is a delight and quite a pleasure for me. I thank you all very much for the invitation.

My company is The Presidents Forum. I am President of The Presidents Forum. I founded this company five years ago, in 1989, just at the time that companies were beginning to feel the pressure of downsizing, right sizing, cutting back, and really looking at their strategic plans again. So The Presidents Forum, I guess, was timely, because we provided an opportunity for CEOs of closely held firms, small and not so small, to come together and share their issues and concerns. But much better than that, we provided them with some educational input for themselves.

So first it is a peer relationship, not just to be in contact with one another, but to provide them with a focus, a direction, and a network of other strategic alliances through which they can really reinforce the plans of their companies.

My role here today-- I get very excited and happy when I can talk about my business, because it is not me; it is the companies that are in my network that are incredible and working very hard.

I took the title of this Task Force and I began to call the network. I just got word the day before yesterday. So yesterday we had to tear up the road and the telephone wires and talk to quite a few people. There was tremendous excitement among every CEO there at their telephones to tell me some of their issues. I would like to just run through these issues for a moment, because I think it will give you a perspective coming from growth companies.

We had a session last week. Michael and I shared this day. The whole theme of the session was management, but managing growth. Every single company -- there were about-- At this one table there was a total of $800 million in sales -- around this table. They reported: Strato Corporation in Piscataway, a manufacturer, a 30 percent growth in the past year and a half; ISO Commercial Risk, up in Parsippany, a 35 percent growth. MainTech Corporation -- they are a vendor for Federal Express, Eli Lilly. They can be anywhere in the country, but they are focused in South Plainfield. They have a 30 percent growth this year.

Supply Management Partners is a vendor. They supply large companies like BASF with everything they need, except the contents of their product -- gloves, oils, soaps, etc. They become the purchasing element in large companies. He had 100 percent growth this past year. Cel Wave, which is really a subsidiary of Radio Frequency-- They are also at 40 percent growth, because they produce all the fiber optics and all the frequencies for telephones.

Rob Milo, Universal Valve, manufactures petroleum devices for the gas industry. They are 25 percent growth. Interesting. And I would like to mention this while I mention

Rob. The Chairman wanted to be here in the worst way. He said, "Please tell them that every day" -- and he read to me from his desk -- "I have a letter from the Louisiana Power & Light, the Mississippi Power & Light, Wisconsin, begging me to move my business there." They will give all kinds of incentives to the business if they move out of New Jersey. He said, "I could do that. The only tie I have is my own family. But the legal costs would be cheaper. My market is global and domestic." Most of these markets I mentioned are both domestic and global.

Don Rankin, Beachwood Data Systems. He is competing with AT&T Bellcore in fiber optics. All his people that he hires have to be Ph.D.s, highly skilled, degreed, educated people. He has 100 percent growth, he told me. He said he would be able to move his company, and he's growing. He is in Clark. He started with three rooms four years ago, and he has four floors on Walnut Avenue in Clark. He gave me quite a number of issues and they list like: taxes, the high rate of labor, real estate, etc., etc. He said he gets offers from North Carolina and Florida frequently. He said, "I can do very, very well in another state. Just because I am high-tech does not mean that I have to live in the high-tech State of New Jersey."

Tom White, Office Interiors, in Somerville, very happy in New Jersey. They are Malcom Baldige winners through Steelcase Furniture. They have been noted as their number four distributor out of 600 distributors, so they are doing very well. Innovative Folding Carton, South Plainfield -- you probably see them on 287 when you pass, a big red sign. He is only eight years old and he is just doing very, very well. He manufactures cartons for Johnson & Johnson and all the cosmetic industries, a 20 percent growth.

Alan Goeltz, Insurance Restoration Specialists, had a devastating year. Good for him, because he restores companies and homes after disasters, and we have had many disasters. Then last, but not least on my list, is Michael Katz of Cenogenics. He is, as you will hear in a moment, incredibly resourceful. He will be to you, and he certainly is to The Forum.

We are only in New Jersey with the local forums. I started The Presidents Forum on an international level because my background, experience, and my contacts gave me that opportunity to open it internationally. But when the economy kicked in, many CEOs were looking for local help that we were giving internationally, so we started the New Jersey Chapter 15 months ago. I'm really proud of it because we already have this number of companies that are so committed to The Forum that they invite each other into it.

I'd like to stop there. There are significant issues that each company has given to us with regard to taxes, wages, and environmental issues, incentives by the State of New Jersey, the attitude of the State Legislature toward the position of businesses in the State, and the encouragement that small and closely held firms need from a group like this to stay here and to create jobs. Thank you.

Michael is much more important than anything I could say right now.

MICHAEL KATZ: Thank you, Joan.

For the business community that represents small businesses, I thank you for allowing me to be present.

We are directly successful because of the activities of the State of New Jersey, primarily the New Jersey Division of International Trade, the Commerce Department, a variety of programs, and their very strong outreach programs.

About seven years ago, we were discovered by that Division as a small company manufacturing biotechnology and medical diagnostic products. They led us to a variety of State programs that allowed us to train our people in handling export sales, and the rise of our export growth led to our being appointed -- or actually, a jury award -- that was the United States National Exporter of the year 1990.

We found New Jersey, and this is the issue of the day, to be an environment that allowed us to compete in every market worldwide, and there are several reasons for it. I want to just get right to those issues.

We, too, are under intense competition by other states: Alabama, Florida, North Carolina, and Georgia. Certainly, now Virginia, who with the noticed movement of New Jersey companies southward has certainly looked for every opportunity to make it attractive. And these attractive features include lower energy costs. We function in the central New Jersey area, where there is a 40 percent surcharge on corporations over domestic users for electric rates.

But even facing a variety of what the business community considers to be higher operating costs in New Jersey, we find it, nevertheless, to be the most productive state to operate, and just about the most productive area for a technology company to operate anywhere in the world. Though I've spoken on these issues at Commerce Department programs nationwide, I'd like to go over about two or three of the issues that are significant.

We can reach, competitively, any market in the world more easily from either the Newark Airport, JFK, and perhaps, even as I hear now, Atlantic City with its 10,000 foot runway could be another global, international hub. But right now, as it exists, we have more freight forwarders ready to help companies with the documentation that is necessary to access those markets. They make it available for free or at no charge.

The other is, the inland freight costs to these foreign ports, through our own port services, are minimal. We've looked at costs in most of the major port areas around the United States. Even the Miami port, now, which I'm sure you're aware, is extremely aggressive and looking for business everywhere and is making a big deal out of the fact that they can access the South American markets more cheaply than, perhaps, any other port area, we found still cannot compete with the rates that we can get from Kennedy or from -- well, basically, from Kennedy.

The other issue is that we truly are a manufacturing group, and we rely on the technical infrastructure that exists between Long Island City and Philadelphia -- primarily, that's centered in the northern aspects of New Jersey -- for machinists and machinist style companies, for the access to the chemicals we need, even by our own drivers within an hour or two. It all exists here. We have more box manufacturers who can compete with anybody from Indianapolis or Taiwan right now. Our rates are amazingly low for the purchase prices that we are getting. We observe, even with our joint venture partners in various aspects of the country and the world, that we still are buying our materials for less money than they are able to buy their materials for.

The important thing, then, is that we have searched for these business alliances within our own State and our area to minimize the freighting costs and to tap this expertise that exists here. The big dilemma that we've always had is not knowing where these wonderful companies are in New Jersey. I've spoken to the Commerce Department; we're looking for some better guides to the resources that exist, even around the table.

We have an excellent example. We were buying foil envelopes from a group that was manufacturing these things in Minnesota, to find out that one of the largest manufacturers in the world exists in Jersey City, and their costs were one third.

The points that I would like to make that have helped us, specifically, and could continue to help us in greater detail regard more in the financial area; that is, some of the programs that the State has initiated are of direct value for us. There is no more important program right now than the Job Training Act which allows us to train through the State, and the State's financing the subsidies of some of these programs are workers.

It is not news to say that the New Jersey worker really requires a tremendous amount of education to leap into this 21st century and to alter the work ethic attitude that the majority of the forces that we depend on currently have. We're fortunate in finding, out of the local universities, people who are coming to us a little better trained than they were 10 years ago or 12 years ago, when we started in this area. I have been speaking to universities, as I would like this group to, to raise those standards. We need those standards higher, both for the managers within the international trade area, as well as within the science disciplines.

Secondly, we, as every other company, operate with people who are line workers. They are in our packaging departments or in some of our support areas. They're not coming to us with great educations out of their high school programs. We have taken on the obligation of training them within little school programs that we have within our own places.

I'll give you an example of this. We interviewed an individual for a supervisory position in our shipping department. Before we start the formal interviews with some of the other managers, we give a test. We have found that we can't rely on interviews -- excuse me, on recommendations -- because of some of the special laws that concern what you can say these days, so the testing program has become quite important to us. We start with a simple little math exam. It's adding, first two columns of figures, then three and four and five. It's a multiplication, you know, first two columns of numbers, 10 times 10, or make it a little more difficult, 10 times 11 -- division, percentages, subtraction, you know, the basic fundamentals.

Well, this individual got as far as multiplication, where 10 times 11 gave him 21. I said to him, "You know"-- Or he said to me, "As soon as I knew that there was a math exam, I knew that I wasn't going to be hired, but I thought I'd give it a try anyway." Now this fellow came to us from a Fortune 100 company where he was an assistant supervisor. I said, "How did you get there?" This was on the West Coast; he was moving back East. He said, "Well, fortunately, they didn't give me an exam," and I said to myself, "Well, fortunately, we do."

Within the people who we do hire, even the people who come to us from our university programs in science, they have a poor concept of proportions or percentages. So the fundamentals -- not to digress too far -- are important to us. And the training programs that our State has fostered in the past administration, which I understand still continue, and of which we are a part, are fundamental. For our managers, for the people who came into our company without all the specific training in Windows or some of the basic software programing, these are invaluable functions now for companies that want to use these formats and speak to our people in a common language and see them grow in their own expertise and the efficiencies that we can build. So we are looking at these training programs to build both technical knowledge and efficiencies in our corporation that will make us more able to compete worldwide.

There is another program that is extremely valuable that is coming through the Economic Development Authority. They are real troopers. They are going out and they are finding companies that can participate. And their mission now is toward manufacturing. We understand that a manufacturing base really does have a tumble effect and builds distribution employment and a variety of other employments. We know that within our industry that for every $1 million of sales that we grow, we can hire another eight to ten people. And with the new factor that I received today, another four and a half people on top of that.

The important thing then, is, how to use this money and how to acquire it, especially when all economies are in an austere mode. And they are doing it in a couple of ways which are quite valuable. One is, there is a loan program now for companies that are exporting that help them finance these export receivables.

Number two, and a side issue to that, we have been very fortunate that within our Commerce Department over the last few years, and including the current Commissioner, there are strong ties, or growing ties, to the banking industry. Without a strong banking industry-- Not strong, financially, they certainly are recovering. But without a strong banking interest in the midsized and small sized company attempting to do exports, who will look in addition to the strength of an asset-based balance sheet to, perhaps-- Programs that can be made available either through bonding programs that will help the banks then take a position, perhaps even greater than the 25 percent that is available now, would be extremely important for New Jersey manufacturers to access the overseas market. Let me tell you why.

Right now, we are facing competition from every country. Anytime the world economy goes a little bit negative-- We're all competing for the markets that can tell and bring us some business. But the Japanese now have raised their terms from 270 days to a year and a half. And then recently, when I returned from Mexico on a session there on a marketing program, to even two and a half years.

We are facing competition from Spain, who, without a blink, gives 180 days as a start. France, now the same. Germany, who was always austere in these kinds of net term programs, who at one point was at 90 days, is now competing at 270 days, and even a year and a half.

They are facing us in every one of these markets. What do we do? We've been able to build a company that really fights with tight belts. There is no other way, because we're operating basically with our cash flow and loan lines, loan lines against our own assets. And these assets do include receivables. But these assets are modified; that is, that receivable leveraged package is declined for receivables that exceed, by whatever their rules could be, 90 days. A little bit austere in terms of the situations that we face now.

So the loan program -- the loan subsidy program -- or the ability to make these loans because the banks feel a little bit more secure in the overseas markets if they are somewhat supported either by a bond issue or some other financing program that allows, then, these moneys to flow to the companies, allows them to borrow against their overseas receivables, doesn't take away any of the credit terms that anybody would look at, both for the overseas receivables are fine, because the people that you have in this State that we have met, both in your -- especially in this group and certainly in the Commerce Department group, are among the brightest that we have seen, nationwide. This is our competitive force.

What exists here, within what I call the government infrastructure, are very talented and dedicated people. People who are at their desks at 10:00 at night, and I am calling them then, and at 8:00 p.m and at 6:00 p.m. They're not going home. They are really doing their jobs. And they are not just doing it because their staffs have been reduced from 200 people to 20 people, or from 40 people to 5 people, as exists in both of these areas. They're out there, maybe now being a little bit more conservative of their own resources, and looking for the companies that can profit from the links that they can make, and they are doing that. I would like to see those resources expanded somewhat. At least facilitate it.

There is no where New Jersey can go, unless companies that are not currently accessing these overseas markets are taught to do it. And that the finances, if nothing else, from their own sales ledger, be made available to them for their working capital needs. There are no two more important issues than those.

ASSEMBLYMAN AZZOLINA: Any questions from the panel? They were very good statements.

MR. BECKER: Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Yes, George.

MR. BECKER: Just a comment here. I've known Mike for a number of years and had the pleasure of working with his company when I was Chairman of the New Jersey District Export Council. He failed to mention that a few years ago, he was the New Jersey Exporter of the Year and got the Small Business Administration Award at that time.

I had a chance to talk to Mike briefly before the meeting started today, about the project that John Pell and I are working on, in connection with a new twist -- a new direction, perhaps -- for export financing in New Jersey. Mike said he would be happy to work with us, Mr. Chairman, on that, as a typical example of a small company that could benefit from the kinds of things that we discussed at our subcommittee meeting earlier this week.

ASSEMBLYMAN AZZOLINA: Okay.

Any other questions?

Joe.

MR. McNAMARA: Yes. I feel having been in Commerce the last two years, I should make a little comment on--

ASSEMBLYMAN AZZOLINA: Like taking a pat on the back, huh? (laughter)

MR. McNAMARA: No, not that.

I think the point that Mr. Katz has made--

ASSEMBLYMAN AZZOLINA: I knew you were going to get on that.

MR. KATZ: I have not really worked directly--

MR. McNAMARA: More so, you've worked with the Division of International Trade and some of the people in the investment area. I am familiar with your company and some of the background. I have been briefed on that.

I think your point about resources is very, very key. We often forget about some of the positive factors which you outlined very well: that we do have a good product and we do market the best we can. The key is the resources to get that message to not only this region, but internationally and domestically. I think that point is one to underscore, that you mentioned, how critical that is, because even in terms of technology development and our competitiveness, in almost every area this State ranks very, very well, and you don't often look at that.

MR. KATZ: That's true, Joseph. I'm involved in trade programs and missions all over the world. I commonly see California there and some of the other states that, basically, are competing for companies and gathering that image.

But, quite frankly, the New Jersey Division of International Trade has one of the most respected positions worldwide that exists within our country. It's come from their hard work, but, most importantly, from their results. Their results have implications even within the Federal government, within the missions, and all of the embassies throughout the United States.

As an example, we had a very difficult trade issue in South Korea. Not because our goods were restricted or because there were any kinds of trade problems, a la the Japanese problems that we hear so much about, but from a particular law that was formulated many years ago that required that manufacturers reveal the trade secrets of their manufacturing, that is, detail the manufacturing process.

Then, in addition to two government -- Federal regulators, equivalent to the FDA -- there was a trade committee. So what they would do is they would take this application and they would hand it to a panel like yours: all people who have made their living making these kinds of products, and say, "Do you want to make these?" Well, if somebody handed me a nice profile like this and said, "Would you like to make this," here I am in manufacturing, looking at the whole Asian market, and I say, "Of course, why not?"

But the strength of New Jersey, calling that Division, who then put me in touch with the people in the State Department and within the Commerce Department, then got the weight of their support to call our embassy, and arranged a meeting with the highest ranking officials within their controlling bodies, together with the company that we were working with. The net result was that the law changed. The law changed so that that provision was eliminated. The law changed to bring it more in line with the FDA regulations that exist here in the United States. So what we see now is a great opportunity for medical diagnostic products or other manufactured products and a change to those markets.

That came from the strength of the New Jersey Division on International Trade, and their contacts both in Washington and worldwide. We see this constantly. When I call up a trade official in any country and I tell him, "I am from New Jersey," I get first-class treatment and a priority. That is important. That image, I am hopeful, can be maintained. It is a powerful asset.

ASSEMBLYMAN AZZOLINA: Thank you very much.

John.

MR. PELL: I just had a quick question, Mike. This sort of continues the conversation we were having over coffee. On the competition from the Japanese, etc., offering extended terms: I'm curious as to-- You know the Eximbank indicated they have a program where they can make loans available through local banks in those countries, either in dollars or in local currency. Is that of any help in fending off this competition?

MR. KATZ: It is, and they even have an emergency fund of about $125 million to meet some short-term -- that is, crisis -- events where these kinds of competitive pressures would come up at the last moment. The Eximbank financing has not been particularly effective for small companies, or to put it differently, not small companies but small invoice values: invoice values of less than $100,000 or so. The typical overseas receivable for a diagnostic shipment -- even if it is from Johnson & Johnson, as well as from us because of the short shelf life of some of the materials and, therefore, the more frequent shipments that might be required -- might be in the $35,000 to $75,000 range.

In the past, the invoices were discounted -- that is, should there be a calamity of one sort or another, or a failure of the overseas account to pay -- which in the case of one bank in New Jersey is discounted 60 percent -- they would pay a maximum of 40 percent, even though under the terms of the Eximbank financing program it could be as much as 70 percent.

The banks still have their own individual rules, as I'm sure you know, on what they discount these overseas receivables to be. On top of that, there is a fairly high fee, that would average close to $7000. Of course, it would cover then the portfolio of overseas business that existed. Then there are percentage fees on top of that that tend then to bring the value of a small receivable below the point where that program makes sense. That program was originally designed for high capital goods expenses in the $500,000 to $1,000,000 range and it still exists.

Now, I am familiar that just recently -- within the last six months -- a new program, which would favor invoices even as low as $25,000, is available and the rules and regulations for that are now being promulgated through the various administrative divisions. For example, we would go to New York to get more of those details. Overall, it has not been a productive program, because our invoice values are too little. For us to spend that kind of money, to take that kind of risk -- for that risk, we're below cost.

ASSEMBLYMAN AZZOLINA: Joan.

MS. McGINNIS-KNORR: Just a tag on what Mike said before, and the comment over here on access to resources. This is the strength of a group like the Forum; people like Michael, and other CEOs, who are doing nuts and bolts work right from the hours that he mentions. That's our job, to get these resources, share them and exchange them, and it's constantly being done.

I thank Gene Simpko, and you, Mr. Chairman, for your invitation.

ASSEMBLYMAN AZZOLINA: Henry, one last question, because we want to keep moving.

MR. BLEKICKI: You appear to be very successful in overseas markets, yet New Jersey has, I think, only one office overseas, whereas many other states have offices in Asia, in Europe, and some of them have 10 or 15 offices overseas. Do you think that states' foreign offices play an important role in supporting small business, or do you think that, basically, the way that New Jersey has been doing it for the last 10 or 15 years is adequate for your purposes?

MR. KATZ: The world has definitely changed and these outreach programs, I think, have now come to their day. The reason is-- There are two reasons. First, we are the only country right now that has a significant foreign service commercial officer program connected with every embassy in every country. In addition to that, I have seen that when we place an individual from New Jersey, for example, in Japan, relatively, a very difficult market, that they work very closely together. They function to integrate themselves into that business community and find resources for American companies.

I benefited that way. I knew that we would need somebody who spoke Japanese to help us search for a suitable marketing partner, and I knew that trying to do it through JETRA -- because I even attended one of the first programs that JETRA developed to train people worldwide in how to access their markets -- that you still need, even under some of the laws, an agent in Japan in order to sell, for example, medical or diagnostic products and perhaps other things.

Secondly, we needed someone who could clearly understand the regulations that we would have to follow in order to register our products in a very difficult country like that. I would say, not every country, but there are some hot spots now that economic figures show will have higher GNPs than the United States and Europe combined. That's the entire Asian crescent, from South Korea, through Japan, to Singapore and Malaysia. As I have traveled there, I saw that these are not backward economies. They are aggressive, knowledgeable business communities, and we need to find those resources efficiently who we can connect with right now.

This window, for United States exporters to access these world markets is rapidly closing. It's been closing now for eight years, and it's more than halfway closed at this point. The fine point that we have right now is that U.S. products are favored, and New Jersey products are favored worldwide.

But the big problem is that -- and it's a problem that has been expressed to me repeatedly in every country that I go to, which has been addressed by both the New Jersey Division of International Trade and our Commerce Department with new directories which they have now formulated over the last four or five years, a very valuable program -- no one in these foreign countries knows how to find somebody that they are looking for in business in the United States.

New Jersey can get out there and direct people to a manufacturing resource before France does, Germany does, or even, right now, Japan does, then we are going to get more of that business here. Maybe we'll even get-- Though that's a very active program within the group anyway, a lot of business settling in New Jersey. They happen to like it. We've talked to them. The style of life after we get past the Turnpike and they learn that there is more to New Jersey, as we all smile and laugh about down the Turnpike, is almost incomparable. We find that our technical people love the beach, love the mountains, and they love the access that they get here. The rest is up to us.

There have been other task forces on business infrastructure, and I think the worldwide business community needs to know that that business structure is further along here than, perhaps, a few other states, and they may want to be in these other states because there are no earthquakes.

ASSEMBLYMAN AZZOLINA: Okay.

Yes. I have to keep it moving because there are four more speakers. Can it hold? (affirmative response)

Thank you very much, Mike and Joan.

Okay. Bill Healey, Director of the Office of Business Ombudsman, Secretary of State's Office. He will discuss the Office's role in retention and attraction of businesses in New Jersey in coordination with the Department of Commerce.

Of course, you were with the Chamber--

WILLIAM R. HEALEY: Chamber of Commerce. That was my previous life, Mr. Chairman. I've spoken in this room many times in that previous life, legislative forums, quasi-legislative forums. This Task Force is certainly a forum

I'm very comfortable with, and the advocacy of the Legislature of this group is certainly going to be crucial to the economic development efforts overall in the State.

I'm very pleased to see that a number of the faces around this table are people with whom I am familiar from that previous life as well. If I could try to put a capstone on my presentation -- which is kind of an odd thing to do before one starts -- it is that I see the efforts of Office of the Business Ombudsman as an important supplement to the, call them traditional, and what we hope will be the creative economic development efforts of this administration, indeed of all of New Jersey State government.

The Office of the Business Ombudsman, as probably most of you are aware, was established on April 5 by Executive Order No. 15 of Governor Whitman. That responsibility was designated to the Secretary of State, and I am really here this morning representing Secretary of State Lonna Hooks. She is the Business Ombudsman. I am there to direct the operations of this new division and facilitate that role, or I guess, as one magazine put it in an article last week talking about the establishment of our office, the Secretary of State is the quarterback and I'm the running back. I'm very, very happy with that role.

I have been on the job now, officially, for eight weeks. (beeper goes off)

How do you like that?

ASSEMBLYMAN AZZOLINA: Lonna Hooks wants you. (laughter)

MR. HEALEY: This is what you call instantly accessible. (laughter)

ASSEMBLYMAN AZZOLINA: Thank you very much, Mr. Healey. (laughter)

MR. HEALEY: No, actually, I think my battery is low on this and I'll have to replace it. I apologize that went off in the midst of my testimony. It is not a phone call.

Some have asked -- some members of the Legislature -- in my first few weeks here -- we've had the opportunity to speak before both the Assembly and the Senate Appropriations Committees-- The question has been, "Why was this particular responsibility put in the New Jersey Department of State rather than, perhaps, in the Department of Commerce?" Very simply, the way we answer that: There was a need, as I'm sure, Mr. Chairman, you have heard as a State legislator -- as the business leaders around this table, whether you be from business, academia, government -- that the regulatory system in this State needs some work. The problem wasn't created overnight and it's not going to be fixed overnight, but there are some things we can do, I believe, rather quickly to make sure that some of the most pressing needs are addressed. We're going to be doing that in conjunction with each of the Departments. Moving it to the Department of State, I think, was a special recognition of a very special problem.

I go back to a very traditional role of the Department of State when giving my second part of that answer. When a business incorporates in this State, when you file your annual report, you do it with our Division of Commercial Recording. A very traditional responsibility of the Department of State and a traditional role that, I think, we can, quite frankly, beef up and improve to the betterment of business.

How might we beef that up? This is a State that is supposedly at the vanguard of the information age, the information superhighway. A good long-term goal of our operation -- and, indeed, much of our work will be long term -- is, why not get all the permit information, all the business resources from all these diverse sources -- whether they be from in government, the utilities who are doing outreach, what have you -- all on one database that could be externally accessible by businesses? If we're going to be at the forefront of the information age, we ought to practice what we preach.

There are probably two main charges to the Office of the Business Ombudsman:

1) A very immediate one in fighting fires. Another press report of our establishment said that our office ought to have the ability to direct the Department to drop everything and answer our question. Indeed, Governor Whitman's Executive Order specifically addressed that, and gave our office the ability to designate and point out the need for the resources when we need them, as we need them, and we have the cooperation of each member of the Cabinet in that regard. Quite frankly, I think that's where this effort is going to be successful, where, perhaps, previous business liaison efforts were less than successful.

My first few weeks on the job, I've been fighting a lot of fires. Attitudinal changes are very important, and I think that comes from Governor Whitman on down, facilitated by my boss, the Secretary of State, and my responsibility, quite frankly, is to keep that momentum going. I talk to a lot of frustrated businesses, a lot of businesses who are, quite frankly, relieved that they now have a "go to" person -- being yours truly. The staff, I will bring on board very shortly, then the "go to" people that we, in turn, have within each of the Departments designated by the Commissioners.

We have a very strong working relationship with the New Jersey Department of Commerce. I have a great deal of respect for it. Former Assistant-- Deputy Commissioner, excuse me -- Mr. McNamara, who is a member of this Task Force-- Secretary of State Hooks has an excellent working relationship with Commissioner Medina, and I understand -- correct me if I'm wrong -- that he will be appearing at a future meeting of this Task Force. Our job, certainly, is in the area of permits, permit facilitation, recommendation of long-term goals, and how we can fix the system. I'll go into some details of some observations of mine in this first few weeks on the job.

The Department of Commerce is the business marketer, and will be specifically directing businesses to the financial and technical resources available from State government. But, neither our office, or any other office in State government, is going to make the statement akin to, "I don't do windows." If somebody comes to me with a permit problem, they're probably going to also be in inquiring about financial assistance. I'll put them in touch with Commissioner Medina's "go to" people.

What I think has been very effective, and, again, it goes back to the cooperative relationship between not only State, Commerce-- I know Assistant Commissioner White is here from the Department of Labor. I saw him in the audience, and I guess he will be speaking in a few moments. We have been very successful in putting all the resources around the table. When somebody is interested in relocating or expanding an operation, we put all the players around the table. This way, when a business comes in and is interested, they can get their questions answered at one meeting. I think that's a lesson that we've learned from some of our competitors, quite frankly, who have been doing a better job at that.

I know the Task Force was also interested in some specific examples of how I think we've been able to make a difference. The first one I'll relate to you is; a company came to me my second week on the job -- this was the first week of April.

A company by the name of Paramount Communications -- which should not be unfamiliar to most of you -- had 1000 employees on a site in Englewood Cliffs at the moment. They wanted to relocate not only those employees, but to make a consolidation of the number of facilities to the former Western Union headquarters in Upper Saddle River.

Now, there was a question of a treatment works permit involving the cooperation of two municipalities. Sometimes, as we hear, it's easier for Departments not to make a decision, and the Department wasn't willing, traditionally, to make a decision. They said, "We'll let the municipalities work it out, because there is a contract back and forth. One municipality owns the sewer line, but it's located in the other municipality."

Meanwhile, this company is starting to get offers -- as I'm sure the people have intimated this morning -- from other states, and they are starting to look very attractive. What we did working with the DEPE -- some creating thinking, I'd like to think -- is to review an alternate formula that would allow this treatment works permit to be approved because the formula is based on the number of people in the facility and not the square footage of the facility, as had been the case in the past. Making a long story short -- bottom line -- that permit was worked through within a 10-day period.

Not only will those 1000 employees be transferred from Englewood Cliffs over to Upper Saddle River -- hopefully by this fall -- some employees will be coming out of Manhattan and from other facilities in the Midwest. This move is also contingent on the company making an additional relocation of 900 employees to a second site that they have identified in Parsippany, in Morris County. Twenty-two hundred jobs protected; net impact, 1200 jobs created here in New Jersey.

I noted some comments made about the issue of retention. I think an important working principle for our office and, indeed, upon the whole economic development team in State government, is that the biggest potential is taking care of those businesses that are located here in New Jersey -- keeping a diverse mix. I certainly think manufacturing is very important in that mix.

Right now, we're working with a Central New Jersey company that -- I'll say for exclamation, "gadzooks," -- wants to locate a new manufacturing facility here in New Jersey. They make cooling equipment for electronics. Again, if we are at the vanguard of the information age, this industry -- this particular company -- would be a perfect fit, so we have been working with them. Again, putting all the players around the table, including the Department of Transportation, where they had some questions about site access costs and improvement costs for highway access, I think we've helped reduce those costs, and that's going to be a big encouragement for this company to locate two manufacturing operations: one that is already here, one that is in a state on the West Coast. I'll leave it at that since we're still in the discussion stage here in the State of New Jersey.

Maybe just some random observations of the laws, regulations -- again, these are my own observations and let me preface them as such. One of the best things I think I can do -- and I did this in my days with the Chamber -- is sit and listen. When I was in the private sector, I sat and listened to our members. Now that I am a representative of the Secretary of State, indeed, of the Governor, and in the public sector, I think we need to listen to the businesses. I have met with a number of organizations -- a number of businesses -- in my first weeks on the job, and these are just some helpful and random observations that I've made. This is by no means an exhaustive or comprehensive list.

Stream Encroachment Reviews; sometimes they're done jointly by the Soil Conservation Service and by the NJDEPE. The reviews are often similar. Why can't one agency accept the other's review?

Clean Water Enforcement Act; the most recent amendments made in 1991. Why not send that money to improvement of infrastructure, rather than to propagation of additional lawsuits?

There has been discussion in recent days, I know, by both Houses of the Legislature on the Pollution Prevention Act. We ought to focus-- Its original focus and its support by industry, in my estimation, in 1991 was on the end reduction of polluting sources, rather than the reduction of the uses within the system. As long as it doesn't come out the end pipe or the tailpipe, that's what we ought to be focusing on. Quite frankly, it's probably become a paperwork nightmare, and it is discouraging businesses from trying to comply.

Various inspections that are done: this goes to a larger issue of various levels of government and our principle of Home Rule. Where inspections are done on a municipal level, a county level, a regional level, a State level, and sometimes, an interstate level, we ought to focus on some, perhaps, additional coordination. Maybe the smallest microcosm be done on the county level, that's a long-term project that is probably is going to take a great deal of work. We may need to look at extension of the Permit Extension Act.

One of the things, additionally, that was expressed to me by some businesses in older manufacturing sectors; the jobs and manufacturing tax credits that were passed by this Legislature in 1993 are very important, but there was a suggestion made that, perhaps, they could be made even more effective by extending them to the new construction buildings and land. This is especially important where sites are being redeveloped.

Two bills that we are glad to see being considered at the moment, the principle of 30 days to fix the violation and remediate it before any actions are taken, and why does New Jersey constantly have to go beyond Federal standards?

In any effort to promote economic development -- whether it be more from the regulatory bailiwick, which is what I am emersed in at the moment, or whatever actions we're taking -- I think it is also important to stress our good points.

Nobody can take away our geographic location. We've done a very good job at our infrastructure -- not just our roads -- but we should pay attention to our ports, our airports, anything that helps bring goods and services in and out of this State.

Certainly, our education system -- if I could finish on this note. All of us should focus on the fact that business, and jobs, are the end user of our educational system.

I hope, Mr. Chairman, I have been successful in providing an overview of our office. I'd be happy to try and answer any specific questions. If I'm not able to answer them in detail, I'd be happy to answer them in writing.

ASSEMBLYMAN AZZOLINA: Bill, thank you very much.

Do we have any questions? Try to make everything fast, because we have a couple more speakers.

Pat.

MR. DIASSI: Just a quick question. We're now undergoing the possibility of Federal legislation -- health care -- that threatens the possibility of research, especially as it applies to New Jersey. Research in pharmaceutical concerns in New Jersey involves some 40,000 positions. What does your office do in this regard to the retention of research in New Jersey?

MR. HEALEY: This is something, quite frankly, we are working on with the Governor's Washington office. They have already assembled an effective team, I believe, on Capitol Hill. That issue is being addressed and we are keeping a close monitoring watch on it. That is extremely important. New Jersey stands to lose more from that, by far, than any other state. But we are working cooperatively with the Governor's Washington office.

MR. DIASSI: As we've heard from previous speakers, technology is one of the prime keys of economic success in New

Jersey, and this would threaten not only the pharmaceutical industry, but technology in general.

MR. HEALEY: We're aware of that, and the advocacy for the protection of those jobs comes from Governor Whitman on down.

ASSEMBLYMAN AZZOLINA: Yes, Steve.

MR. VAN CAMPEN: Hi, Bill. Congratulations. It's nice to see you again.

MR. HEALEY: Thank you. No one has offered their condolences, yet, so I think everybody thinks this was a good move. (laughter)

MR. VAN CAMPEN: As the Chair of the Retention piece of this Task Force, we did have scheduled some other high-ranking folks to testify today who are not available. But people have contacted me with regard to the work of this Task Force, because it's obviously very visible. They contacted me somewhat out of frustration, and basically have said to me-- These are representatives of two top manufacturing folks, of two major corporations headquartered here in this State, who have explained to me, basically, that they have gone through the process of right sizing, downsizing, and all of the other business, and have more or less decidedly put into place a kind of exit program that is not visible. Whereby, they will be relocating quietly into other locations, and the reasons for that -- and we've heard of lot of those--

I guess my question to you in your new job-- It seems a shame that this is happening, or maybe can't be stopped, but if it could, would you be the point person that these people might contact?

MR. HEALEY: Absolutely. I take that responsibility very, very seriously. If somebody comes to me -- as I said in my statement -- with permitting problems, or if somebody were to come to, say, Commissioner Medina, with permitting problems, we would work cooperatively together. But regarding trying to negotiate the regulatory hurdles -- framework -- absolutely.

MR. VAN CAMPEN: These are primarily cost issues, issues that they feel are not reconcilable within the current framework of the State. Again, these decisions appear to have been made. It's a question of whether or not that particular exit strategy, or relocation strategy, can be interrupted at this stage of the game. I think there are a lot of companies in New Jersey that may be in that kind of position. I think that we need to tee that up very quickly.

MR. HEALEY: Even if there is one that is thinking about that, that's one too many. I would be happy to personally discuss those two with you.

ASSEMBLYMAN AZZOLINA: Yes.

Quick, okay?

DR. SIMKO: Bill, let me offer my condolences. I'll be the first. (laughter)

Quick question. The previous speaker, Bill, mentioned that perhaps we need a traffic cop, internationally, to direct people in New Jersey that really don't know about New Jersey and what we have to offer. Do you see your particular office, or some kind of a -- what should I call it -- joint venture or an integral type of relationship between your office and the Department of Commerce to do that?

MR. HEALEY: Absolutely.

DR. SIMKO: Do you have a capability to do that?

MR. HEALEY: Yes, and I'm glad you brought up that point. It's something we are already doing. Commissioner Medina and Secretary of State Hooks are jointly acting as -- as I'll call them -- ambassadors for business. So you have not only one, traditionally, that you would think of, the Commerce Commissioner -- and even, of course, all the other Commissioners; the Labor Commissioner, the Transportation Commissioner, what have you, all with that focus on business attraction -- but Secretary of State Hooks, Commissioner

Medina; the two primary efforts-- We have met with a score of international business delegations already from Austria, from China, from South Korea. So that is already ongoing.

ASSEMBLYMAN AZZOLINA: Neil, that's the last question for now.

MR. SHERIDAN: A quick question. Echoing an earlier comment, one of the concerns that people considering relocating in New Jersey have mentioned, particularly developers, is the high cost of the permitting process -- not only the State but local levels as well. Have you any plans to address that issue?

MR. HEALEY: One of the groups that I have met with previously are the various commercial real estate associations. They kind of walked me through a time line of how, 10 years ago, it took maybe three years to get-- Once you went through the local, through the State, then interregional or interstate approvals needed, it would take three years, and now that's up to five to seven years. Probably even more onerous than the cost of the actual permits is the time -- the time lost. Again, that goes to the larger issue of how many reviews of the same ilk do we have to have? If we improve that, we're going to substantially reduce that time line. But I'm not going to say that is going to be changed overnight. That's an attitudinal change that has to be made -- a basic change -- in the relationship of government. In fact, there was a very good article, I think, in the most recent Conference of Mayors' magazine. I'm not sure if it was written by the -- I should remember this -- Senate President or the Speaker, looking at the new state/municipal relationship. But that is going to be absolutely crucial, because the old adage, "Time is money," is very true in this case.

ASSEMBLYMAN AZZOLINA: Thanks, Bill. Good Luck.

MR. HEALEY: Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Okay. I'm going to call two speakers at once on this one. George Fekete, is from the Burlington County Economic Development Department. He will speak about county efforts in retention and expansion, as well as linkage with State commerce agencies and recommendations to improve State programs. I'd like to also call, Don Sciolaro. He's the Regional Manager of the National Association of Manufacturers. He'll discuss the specific factors of business climate in New Jersey that affect their retention, expansion, or relocation decisions.

G E O R G E F E K E T E: Good afternoon, or good morning.

ASSEMBLYMAN AZZOLINA: Good morning.

MR. FEKETE: I'm sorry, good afternoon.

ASSEMBLYMAN AZZOLINA: No, it's almost, it's after noon.

MR. FEKETE: Thank you for giving me the opportunity to be here. I guess it's a little unique. As I listened to the earlier speakers and the problems of doing business, I thought I was living in a different state. Maybe Burlington County, being in South Jersey, is a different state, or maybe I work in a totally different environment.

Let me just tell you a little bit about county economic development and how it relates to locating businesses or helping expansions. Dr. Klein sat on a Committee 13 years ago that suggested that Burlington County expand their Office of Economic Development. A good friend of the Legislature, who was a Freeholder then, Bob Shinn, in his ultimate wisdom hired Lou Nagy and myself. Lou became the Director, and I became the Assistant Director. He told us a couple of things at that time. He said, "Get it done and KISS. Keep It Simple, Stupid." (laughter) We have tried to live by that. The last thing he said was, "Try to act like business. Run the Office of Economic Development like a business, like you have a bottom line, like you have a final result, like you need a profit." We've lived by that for the last 13 years.

The other thing that Dr. Klein and that Committee did is, they took a Director with a part-time secretary and an operations budget of $10,000, and gave us two full-time administrative assistants, a Director, an Assistant Director, and an operating budget of approximately $150,000. It does make a big difference when you have an operating budget. In the early stages, during the day, we ran Economic Development. At night, we ran the Pinelands Preservation Program and developed the Pinelands Credit Bank for Burlington County. We also ran the Farmland Preservation Program.

The Pinelands was a negative, it took away land -- developable land -- it made farmland permanently into farmland that could no longer be developed. We took that negative and sold it to companies coming in, as we will always have open space. We will always have clean water because our aquifers will recharge. Your children will always see a cow. You can stop at a market on your way home from work and buy fresh vegetables grown in New Jersey. That Department became too big, they hired an assistant, and that left us.

But in Bob Shinn's ultimate wisdom, he did another thing. He now gave us the Job Training Partnership Act. We now control, as the Office of Economic Development -- I think we're unique to the State -- the job training needs for our County. Out of our office, we managed that entire budget and operations.

He also gave us the Community Development Block Grant Program. Let me tell you why that is so important. We're funded by a Community Development Block Grant. We now became the corporation, the subsidiaries, for job training and community development. The people who supply money for our budget, we manage. It's very easy to get your budget when you're managing the people who give it to you.

Because of that we were able to create a loan program. When we had companies that had problems -- small companies getting loans, banks were not receptive -- we got Community Development Block Grants, and we created small loan programs. On fixed assets we would do $40,000 at 1 percent, up to 10 years. In cooperation with a bank, we would do working capital up to five years at $10,000, all in cooperation with a bank. We only did a portion, we always required that there be the private sector funding into it.

Another major step we took when we took over; we had no recognition -- at least, we felt we had no recognition -- we had an advertising budget. The previous Director had kept pretty accurate records of prospects that came in and out of the county, and who brought those prospects. We reviewed his files and found that 85 percent of the prospects coming into Burlington County or the South Jersey area were from the Greater Delaware Valley. We also found that 95 percent of those prospect/suspect companies that were looking came from real estate-related people.

Therefore, when we created our advertising program, it was a no-brainer. We advertised in the Delaware Valley and we advertised to the real estate community. We developed all our promotional materials to assist the real estate community in doing their job. If you have a real estate office of 15 people, those 15 people in industrial real estate are knocking on someone's door, or talking to one of their tenants every day. If that tenant wants to move, relocate, or has a problem, we wanted that real estate broker to think of us: It worked. We now have the confidence of every real estate broker. Not only do they call and ask us, and reveal their client -- which they didn't do in the beginning -- they actually have us send our package and customize it to the proposals that they are making to that real estate company.

We've created that same relationship with the banking industry. I can have a meeting of a company and a bank, a meeting of a company and the EDA. I can have a meeting of a company and any real estate developer, and my time is not important, it is scheduled on their time, their availability. I know that all those parties will keep me apprised of everything that is going on. That is the working relationship -- the networking -- that we have done with that business community that are the movers and shakers that create the growth and development.

With our advertising program -- and we spent $70,000 the first year, which went into the Delaware Valley -- we found that we really had the inability to service all the inquiries that were coming in. So we developed a network in the real estate and brokerage community that was working with us, and we now, on a weekly basis, send them all the leads. We send out a basic information package. The development community, the real estate community, the banking community, and some engineers, also, now get copies of the leads of people who are looking to come into the area.

Because funding ran short the second or third year, we got a little innovative. We took that part of our charge early on to operate like business. We said to the company we had hired to put together our advertising program, "We can't afford you any more. We've paid for that advertising, that material is ours. We're going to take it and we are going to create our own agency." And we became our own advertising agency. We took the 15 percent discount on everything, so we maximized our total dollars. We reduced our budget, but we maximized our dollars because we didn't pay an agency, and then we took the agency fee that they earned.

We didn't feel that was enough. We felt we were a sleeping giant. We went out to the public sector, we talked to -- I'm sorry, the private sector. We talked to real estate developers, brokers, bankers, engineers and said, "We're a sleeping giant. No one knows about us. We're prime for growth. We're in the transportation corridors. We have a workforce. We have available housing. We have a high quality of life." They said, "What do you think we should do?" We got them to put up $15,000. We rented two helicopters and we invited every press, every newspaper, every periodical, and every freelance writer that would attend, and we flew them for the entire day over the entire county showing them our transportation networks, the growth that we were looking at, the housing projects that were underway. We got editorials for that $15,000 that you probably could not buy for $100,000, in almost every major newspaper, from The New York Times to the Philadelphia Inquirer, The Newark Star-Ledger, the Asbury Park Press and so on, and so on.

We were smart enough to keep that group alive, and we eventually turned that into our advertising budget of $40,000 -- their advertising budget of $40,000. We had another group that put in $10,000. For years we ran an advertising budget of $90,000 -- a lot of buying power -- and we acted as the agency, and we took all the agency fees and put it right back into advertising.

I listened to someone talk about incentives. Are deals driven by incentives? Yes and no. I guess that's a political answer. I can tell you that if a company calls, or if a real estate developer or broker calls, in or outside the area, and all they want to know is, what incentives can Burlington County offer them to locate there or to stay there, then my first question is: "If this deal is totally incentive driven, that's the only way you're going to make a decision, you're looking in the wrong county, because we don't have enough incentives to give you. We have a high quality of life. We have all the other amenities that go with business." So we won't give into incentives.

Do we use them? Sure, we use them when we can. Do we take advantage of the State's programs? Yes, we do. But it is not our primary goal. We sell our other attributes more than we do an incentive program.

We offer one of the best workforces. We offer transportation; we offer quality buildings. We have developers who have taken monumental risk in dollars to develop properties.

ASSEMBLYMAN AZZOLINA: May I interrupt you a minute? How do you tie in with the State? Or, does the State help you, or do you help the State?

MR. FEKETE: How do we help the State?

ASSEMBLYMAN AZZOLINA: Do they help you, or do you help them?

MR. FEKETE: Let me say, I think maybe we help the State. We do find with the State-- We work with Commerce and Economic Development; they bring us prospects. We hope that when they bring the prospects, because we're the experts in the area, they let us do it.

We take advantage of their programs. They gave us information on taxes. We took that information, had it printed, and mailed it out to various companies in Pennsylvania, showing the tax incentives of locating in New Jersey.

With the Economic Development Authority, we had a bankrupt company that was going into receivership. Between the Authority, our county and local government, in 40 days we put together a $2.1 million financing package for someone to bid that company out of bankruptcy. It's not a success story; we lost it. The judge overruled and gave it to the liquidator, but that was the cooperation that we received from the EDA.

The EDA has been in Burlington County often. We have two or three projects working now. I'd like to put it that we work with the grunts -- and we consider ourselves grunts. We're the people who grind it and work it. We get right to the loan officer and bring him right out to the company and sit and review the company and meet the individuals, and not only look at paper. We then formulate the deal and put it together and make it workable. Almost 95 percent of the occasions, when we've been with the Authority, we've been able to structure some type of financing package. It may not always be what the company needed, but it was a financing package.

ASSEMBLYMAN AZZOLINA: Thank you. We're running late. Get onto Donovan, and then we'll ask questions.

MR. BEEBE: May I ask a question?

ASSEMBLYMAN AZZOLINA: Sure.

MR. BEEBE: You've got a lot of interesting activities going there. How do you measure the results of those activities?

MR. FEKETE: I sort of have a statement. I wasn't going to--.

MR. BEEBE: Just the short form.

MR. FEKETE: We probably experienced the greatest growth in the last 10 years of any county in the State. We were ranked third in the Northeast Corridor in growth. We've had it in all the industries. We presently-- Now we just had Scollnix (phonetic spelling) who is a manufacturer, expand there. We had a small plastic company that is a manufacturer, move across the river. CVS doubled their size from 400,000 to 800,000 feet there. I can give you a few more but--

We measure success by the people being employed, the ratables that-- Unfortunately, it's still a ratables race, and we can understand that.

ASSEMBLYMAN AZZOLINA: Yes, Bob?

MR. COACKLEY: Thank you.

My company is located in Mount Laurel in Burlington County.

MR. FEKETE: Thank you.

MR. COACKLEY: And I have to agree with your remark. Burlington County is a fine county to do business in. It really is.

I'm also looking to grow in Burlington County, but I am very worried about the trip reduction program, and I would like to know from you if you're finding that to be a very adverse program.

ASSEMBLYMAN AZZOLINA: Bob, welcome aboard. I have the same problem.

MR. COACKLEY: Yes.

Are you finding that to have an adverse effect on employers in the county?

MR. FEKETE: I haven't heard much of it yet, but yesterday I did meet with the transportation coordinator for the county, and I understand that the first survey that was done was done in Mount Laurel. They found that we now-- Our work place-- The people live where they work, and there is a short commute. They are setting up a commuter line that is going to service the employees in the Mount Laurel area, not only bringing them to and from work, guaranteeing them rides to the doctors or if they have to go home early. I think that's the first pilot project that's going to be in that Mount Laurel area.

MR. COACKLEY: But not until 1995.

MR. FEKETE: I don't remember the time frame. I met with her yesterday, and I'm sorry, I don't have all the details. We still are discussing a high-speed line. I think that's still on the books.

A real quick sidelight about transportation: A company that is locating there, that is coming in from Illinois, is building a building there. They're one-quarter to one-half mile off of a New Jersey Transit bus route. At the meeting that we had with the company, we brought New Jersey Transit in. If they get the ridership, they are going to adjust their line to go into this company, drop the employees off, and pick them up, because the two major shifts are the second and third shifts. They will adjust their schedule and their route to accommodate that company. So we get really good cooperation from the various State agencies.

MR. EFSTRATIADES: Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Yes.

MR. EFSTRATIADES: Sir, I'm a resident of Camden County, and I see Burlington County's economic development efforts as being the envy of the State. You've done a great job.

MR. FEKETE: Thank you.

MR. EFSTRATIADES: But I would like to ask you, how can we use your example, and with the leadership of the State government and the Legislature, repeat it throughout the State? Do you have any ideas on that?

MR. FEKETE: Well, I have the same problems with the various agencies, in what I call our business retention, that everyone else has with the DEPE, with the Department of Transportation. I think it is when the Legislature takes actions and they go into the departments, they have to make sure that they're looking at the overall good, and if there is an adjustment to be made, or a correction to be made, that it be made where they have maybe, even some input into the regulations that are formulated.

A prime example: I had the soil conservation stop a project of a major manufacturer. They could not move earth. It tied him up for a week, when he had his contractor and everyone sitting -- dollars -- because of a seeding plan. They disagreed with the seeding plan. We had to go to the head of that department that ran that soil conservation district to override it, because they have a long review period. Yet we had equipment sitting at the site, and people being paid, and that company carrying that expense, and they couldn't move the project forward. You have to make sure that the State's response-- They have to respond to us.

When I get a company, I jump through hoops. I do what it takes. When I come up here, believe me, they don't jump through hoops.

ASSEMBLYMAN AZZOLINA: We're going to have some other county EDAs at the next meeting. Some of them indicated some of the same problems. We want to dig into that.

DR. KLEIN: Mr. Chair, may I just make one comment, since I've witnessed the performance of these people over the last 13 years.

ASSEMBLYMAN AZZOLINA: Yes.

DR. KLEIN: George, I think, is a bit modest. We talk here in this Committee about the need for more resources and the success of different programs. The success, I think, of the programs of resource utilization is dependent on having a business attitude toward running the department. You can hear from what George is saying, what kind of business attitude-- They have a results-driven organization, highly resourceful, expeditious, cutting through whatever red tape they have to cut through to get the results. Wherever we set up resources, I think, in this State or for these economic programs, we have to keep that in mind; that the people who do these things have to have the same mentality that the people in Burlington County have had.

ASSEMBLYMAN AZZOLINA: Hopefully, Bill Healey will be able to help us in that area, I hope.

DR. KLEIN: It sounds that way to me.

ASSEMBLYMAN AZZOLINA: We need to really coordinate the county and the State together. That's got to be one of our major focuses, I think.

MR. EFSTRATIADES: That was my question, how can we do that better?

ASSEMBLYMAN AZZOLINA: That's one of the things we've been talking about.

Okay, Don?

D O N A L D S C I O L A R O: Mr. Chairman and members of the Task Force, as a representative for the National Association of Manufacturers, I appreciate the opportunity to speak today. I was pleased to hear several of the earlier speakers stress the importance of manufacturing, and I'd like to reinforce some of the things that they have said earlier to help give you a perspective of why that is so important, and, perhaps, answer some questions that were raised earlier.

Most of my figures are national statistics because we're a national group, and then I'll narrow that down to New Jersey.

ASSEMBLYMAN AZZOLINA: Would you comment also on what the professor said, that manufacturing-- I think he said, "Manufacturing is--"

MR. SCIOLARO: I will, yes.

Basically, my organization represents 80 percent to 85 percent of the manufacturing workforce in the country, and 80 percent or so of the manufactured goods in the country. Manufacturing companies -- 98 percent provide health benefits for their workers. Manufacturers spend $30 billion a year on education and training. Compensation for manufacturing employees is 15 percent higher than other sectors, and as was mentioned earlier, manufacturing jobs create three times more secondary jobs as the service sector.

In New Jersey -- the last information I have available is for 1992, and New Jersey was the eighth largest manufacturing state in the country-- It employed about 658,000 manufacturing jobs.

There is a certain myth about manufacturing in the country. Since 1980, manufacturing has comprised about 20 percent -- or just a little higher than 20 percent -- of the gross domestic product. That holds true today. So nationally, manufacturing is not in decline. In terms of employment, manufacturing jobs may be in decline, but that's because productivity is up as in other sectors, perhaps. But over the past 12 years, productivity in the manufacturing sector has grown 3 percent a year, and last year it grew at a rate of 5 percent.

In New Jersey, I recall over the past year or so seeing that manufacturing unemployment fell to, I think, 17 percent, which for the first time in its history put it-- Manufacturing employed less people than State and local governments in the State of New Jersey.

I mention some of these things just to stress the importance of manufacturing to the economic status of the State. It's not something to be taken lightly. I spend a great deal of my time traveling around the region talking to manufacturing companies, primarily larger manufacturers. I was asked to talk about some of the things that they talk about, when I address staying in New Jersey or expanding in New Jersey.

Some of these problems are national problems, but because they're also perceived problems in New Jersey, they're compounded. So what they'll choose to do is go to other states where they only have to deal with the Federal government, and not have the dual obligation of dealing with State regulation and compliance.

When I ask companies if they're thinking of relocating new facilities here or expanding here, none of the companies -- the major corporations -- I've talked to in New Jersey are even considering that at the present time. They cite government regulation, taxes, high labor costs, high costs of living, and lack of capital as reasons why.

In terms of expanding or relocating corporate offices or research and development facilities, they're not doing that. The thinking in that area is actually to move them out of New Jersey to where their manufacturing is. I suspect that's probably the next thing -- talking about the technology in New Jersey earlier -- that New Jersey has to fear, is losing the strength that it has here in research and development, and corporate and administrative offices. Companies are starting to look at themselves and ask themselves, why are their administrative offices and research and development here, when their manufacturing is in the Southeast or the Southwest? So I think we need to keep our eyes on that situation.

My fear is, once companies start moving out, that the rest may follow. As the pharmaceutical and biotech companies cluster here, they may start to cluster elsewhere.

I'm going to cite you some specifics that companies have told me about recently. I'm trying to streamline this in the interest of time. One company told me, in terms of their tax department, since 1975 to today, in constant dollars, their company grew five fold. Their tax department grew from a staff of two to a staff of thirty-eight.

One company told me that in terms of litigation costs, that they-- Their number one concern is in terms of litigation streamlining, I guess. They have recently spent nearly $500,000 in costs to litigate a case where the reward will probably be about $60,000. The cost of litigation for environment, labor, and other areas doesn't include the cost of litigation in the health care field, which is an added burden to them. Of course, that's a national problem, but again, it gets compounded here because of the regulations in New Jersey and the taxes in New Jersey.

To answer a question that was raised earlier about New Jersey's taxes versus others, I have a report issued by the Edward S. Gordon Company, in New Jersey, that the New Jersey corporate tax rate is 1.5 percent to 4.5 percent greater than other areas of the country.

I guess what I wanted to stress is the importance of keeping manufacturing here and, perhaps, attracting it here.

Just to address exports for one moment. What we find in the importance of exports is in supporting jobs here. For every $1 billion in exports, there are 20,000 jobs created.

ASSEMBLYMAN AZZOLINA: Every what?

MR. SCIOLARO: For every $1 billion in exports, there are 20,000 jobs created.

MR. BECKER: That's a Federal figure that they use all the time.

MR. SCIOLARO: That's correct.

Just a general survey of some of our small to large companies that we talk to:

* 88 percent of manufacturers believe that government policies over the past five years discourage employment;

* 64 percent delay hiring due to government mandates and regulations;

* 86 percent are more likely to rely on overtime and temporary help than hiring new employees;

* 84 percent are more likely to stay below 50 employees, because that's usually the cutoff with complying with many mandates, like the trip reduction that everyone is talking about. As an example, if you employ less than 50 people, you don't have to comply with a lot of these mandates.

Everywhere I go when I talk to companies, and I ask them what their concerns are, the first thing they tell me is compliance with government regulation. Companies would rather be spending their dollars on expanding facilities, hiring engineers, putting money into research and development, and production. And they have to spend more and more money, year after year, on compliance and litigation.

They talk about concerns over health care costs, and they talk about concerns for taxes, but every company that I have talked to for the past couple of years talks about the increase in cost to their business of compliance and litigation. That's the area they really would like to see government address on the State and the Federal level.

One of the things I'd like to offer to the group is that my organization has put together an outline of some of the things that government can do to help support manufacturing and to encourage manufacturers. We've been working with a congressional task force as well. It's called the Northeast/Midwest Coalition on Manufacturing. Congressman Franks from New Jersey is a co-chair, with Congressman Meehan from Boston.

At the end of this month they'll be issuing their findings that very closely mirror what my organization has been saying for years. If it would be helpful to the Task Force, I'd be happy to provide that information as well.

ASSEMBLYMAN AZZOLINA: If you would forward it on to Deb, it would be helpful.

What I'd like to do, if you don't mind, is limit the questions or have no questions until Bob White gets up here. He has a lot of good information, and that will be it, okay?

MR. VAN CAMPEN: One quick question.

ASSEMBLYMAN AZZOLINA: Sure.

MR. VAN CAMPEN: Don, in this report that I referred to that's just been released from the New Jersey Department of Transportation, which states: "New Jersey ranks 50th among the 50 states in 1993 with regard to employment growth." True or false?

MR. SCIOLARO: I don't know that as a firm statistic. But I do know that we have been losing jobs to other areas of the country. And the companies that I talk to, they don't even just narrow the relocations to the Southeast any longer. They look to the Southwest and the Midwest. So I imagine that is a factor in that statistic.

ASSEMBLYMAN AZZOLINA: Thank you very much.

I didn't realize we were going to have so many questions of the first witness. We're a little delayed.

Bob is the Director of the Office of Field Support in the Employment Security and Job Training Division of the Department of Labor. He will be presenting a report on the types of companies exiting the State and the major reasons for their departure.

J. R O B E R T W H I T E: Good afternoon, everybody, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Thank you very much for being patient.

MR. WHITE: Oh, that's all right.

I just have a couple of comments, and I'll be really brief. I was at the First Chicago office with the president and CEO the day the deal was done. The Economic Development Authority of the State of New Jersey had a very big role, together with the people in Jersey City, of getting the First Chicago people to move to Jersey City. I was sitting with the president of the company while calls were being made to the Governor's office here, and to the Governor's office and the Mayor's office in the City and State of New York. It was really a bargaining thing between the two states. New Jersey won, I guess, mainly -- we didn't know at the time -- the fact that the building was ready to be occupied.

I also was at Mr. Katz's firm last year. Hopefully, I was of some help to him in his success in business in New Jersey. I was there to talk about training programs. He had already been getting some assistance from the Commerce Department with things dealing with foreign trade.

Basically, there were three questions that were asked by this Committee as a result of the testimony of our commissioner up at Chubb & Son. One of the questions was the number of companies that had approached us, possibly with the idea of leaving the State. As of yesterday -- I got a computer printout this morning -- we were working with 484 companies. I'm pleased to say that most of the 484 companies weren't companies that we approached. Most of the 484 companies were companies that approached us, either through the Commerce Department, through the Secretary of State, through the public utilities, which we work with very closely in the State of New Jersey, or through other State agencies, or even our own department.

The companies are coming to us to ask us for help in meeting their needs to try to stay in the State of New Jersey. Frequently, it's representatives of the companies that call up. The labor union -- which is a very good thing if you think about it, that the labor union is concerned about the health and welfare of the employer -- will call the State of New Jersey to say, "What can you do to help my employer stay here -- stay in New Jersey -- and keep our jobs?"

So we have been working with about 484 companies, and this is since we started tracking them through our business resource network two years ago. Out of the 484 companies so far, we've only lost a handful, maybe five or six manufacturing companies, and that was due to different reasons. Several went under. I mean, companies do go bankrupt; there is world competition, and we are competing with the whole world, not just with other states. Our companies are competing worldwide, and some of them -- maybe because of the recession or other factors -- just go under or go bankrupt, and there is not much you can do when a company goes under, to save the company. It's just one of those things that happens.

Quite frankly, we've lost some companies to other states because of the incentives that they've offered. They've put together packages. You talk about the southern states; you talk about other states, even nearby states, they have tax incentive programs, new jobs tax credit. We have one too, but theirs is very simple: they pay a certain amount of money for every new job the company brings into their state. Ours is a little bit more complex.

Some states provide buildings to companies for a very low cost, maybe a dollar -- build a building and give it to the company for a dollar. They're very aggressive, so we have lost a couple of companies to that kind of thing.

We also lost a company to a merger. When I get into the percentages of what companies give us as reasons why they leave or close down, you'll see that that's one of the biggest things. But usually it's a merger where a company out of state takes over a New Jersey company, and you can understand that. You have redundant facilities. They are going to close the company's facilities that they took over. We had one company in New Jersey that bought somebody else out, and they closed the New Jersey company and went with the company they bought out.

So of the 484 companies -- as of yesterday -- working with us, we have lost only a handful. I would guess that out of the 484, maybe about 10 percent are in danger of being lost -- immediate danger. Of manufacturing, the kinds of things that other speakers talked about here that I feel -- just a sense that I have -- that we may be in danger, and are working very hard with them to provide them with services to keep them in the State of New Jersey. But probably maybe half of them in the long run, because of different things, might be in danger of being out of business in the State of New Jersey.

Now let's get to the reasons. These are the reasons that the companies tell us. Some of you are from the private sector, and you can imagine that sometimes companies are reluctant to give us all the reasons that go into a decision. So maybe we get the main one or the one that gets in the newspaper, but these are the reasons.

Eighty-one percent of the companies that we're losing are due to mergers, consolidations of services or facilities, acquisitions, or as they say, "to streamline company operations."

Now for manufacturing, if it's a merger, usually that involves a plant closing or a relocation. But we have other kinds of mergers going on in our State and in our economy. Every time you read in the paper that there is a takeover or merger, our people and my response team tell me that within two years, there will be layoffs, dislocations, and maybe a closing.

Some of the mergers happen with the banking industry where one bank takes over another bank. You'll read that in the paper. The stock of the bank that is being taken over, maybe it goes up a little bit, the stock of the company that took it over goes up a little bit, but within maybe six months, you'll hear branches are being closed and people are being let go because they have to streamline. In order to take over a company, they have to make money. So they have to save money. And who gets hurt? So branches are closed -- redundant branches. People lose their jobs, and sometimes these are people who are trained and educated where we say they should be trained and educated -- high tech, high educational levels, sometimes the middle managers, sometimes the higher managers. Sometimes the presidents and CEOs of companies lose their jobs when there are mergers and acquisitions.

Six percent of the companies tell us it's economic reasons. What they're saying is, "It's cheaper to operate elsewhere." We've heard that from the other witnesses here today. Cheaper to operate elsewhere means a whole bunch of things. It means some of the things that are down on my list that are smaller percentages, but together they add up to the economic decision that's made; and that's high wages, high cost of utilities, and perhaps high taxes. Although nationally we may be high, but if you compare us with the nearby states, we're in pretty good shape as far as our tax structure.

ASSEMBLYMAN AZZOLINA: Mike was referring to that before, that it isn't high when you add everything together, I guess, compared to other areas.

MR. WHITE: Yes, but nearby states--

ASSEMBLYMAN AZZOLINA: And yet, as we keep hearing, "It's a high-cost state, and that's why we're moving out." There are confusing statements here.

MR. WHITE: Yes. Four percent, it's a condition of the New Jersey facility. The facility may be outdated, it may be old, it may be too small, and then they look elsewhere. It had something to do-- Somebody asked a question before about urban areas and the DEPE, and when a company closes down, it's awfully hard to get somebody to build a new company on the land, because if they take over the land they may be responsible for cleaning it up, and it might cost a lot of money to do that.

These are the kinds of things-- When you get a manufacturer, especially in an urban area, when they outgrow their facility, their facility becomes too old or is too obsolete for what they want to do, you would think maybe they could do something in the same community or the same city -- get some land, build a new place. We did that with GE down in Camden. We helped them build a new factory -- Martin Marietta, now. But often it's DEPE regulation -- not that you can see on the surface, but beneath the surface -- that would cause a company to go someplace else. Maybe it's easier to build a factory on farmland that never had anything on it before, because they don't have to worry about oil on the ground or pollutants in the ground from the previous owner and things like that, and maybe that's not what we want.

Three percent said they lost their lease where they were at in New Jersey, so they left. Three percent said the high New Jersey labor cost. Two percent cited environmental concerns. Less than 1 percent said they wanted to be closer to their customer base. Less than 1 percent said closer to resources. Less than 1 percent cited New Jersey high taxes as the main reason for leaving, and less than 1 percent cited the high cost of land in New Jersey.

So these are the reasons that they have given us. But as I said, the 81 percent and the 6 percent may contain a lot of the other reasons that are cumulative. When we're dealing with trying to keep businesses in New Jersey, I always feel there are a lot of other states and areas that are trying to draw them with incentive programs. What we have to do to keep companies here is to stress positive things that New Jersey has to offer and not give them reasons -- not give them additional reasons to make the move out of the State. You know, let's not put other nails in the coffin of the employer in the way that we approach them.

I have some suggestions that I have as an individual person, not as a Department of Labor representative. But in dealing with businesses, these are: very quick tax incentives, New Jobs Tax Credit Programs, and tax abatements.

Let's use taxes to keep these companies here. If they stay here, expand here, or come here, let's give them a break.

Training as an incentive: We have a good training program. One of the employers alluded to our training program -- our customized training program. We do work with the counties in the county training programs.

Money: The Economic Development Authority these days often takes the place of banks. For whatever reason, banks have become tight in their lending practices, and we have to expand that.

And help: Our programs that deal with businesses should act as helpers. Certainly, environmental protection people should want to help employers have a cleaner place of doing business, or OSHA people, from the Federal government, help the employer have a safer place of business. Nobody could argue with an approach that says, "Let's help employers do a better job." We should be using--

And that's the carrot. We should be using the stick only as a last resort. Fines and penalties should only be a last resort, not the first resort. We shouldn't be going in and fine somebody and penalize them and then say, "Let's talk about improving your situation." That's the wrong way to get off-- You know, with an employer, we should be going in and saying, "Let's help you. Let's take a look around and see what problems you have. What, as a consultant, can we do to work with you to improve these conditions, and maybe lessen the likelihood that there will be a fine and a penalty?"

Finally, atmosphere: We just have to be more responsive. We have to be more responsive to each other. We're all partners in this. We have to be more responsive in our attitude toward business. As part of State government -- I've been there for 34 years -- the bureaucracy has to be more responsive, more business oriented. As some people have said. "It's just not paper and statistics." We're talking about companies; we're talking about employers; we're talking about employees; we're talking about wages; and then we're talking about taxes that employed people pay. If people aren't employed, they can't pay the taxes. If they can't pay the taxes, then we in government have a problem. We're all tied together; we're all linked together; we all have to work together.

So hopefully, our Department, working with the other departments of State government, is starting to turn around our attitude to be more positive in our responsiveness to employers and to workers in our State, and keep some of the employers here. We won't always win. We don't always win. We can't always win. But certainly, we can improve our batting percentage, and that's what it's all about.

Thank you very much.

ASSEMBLYMAN AZZOLINA: Thank you, Bob.

MR. BLEKICKI: The numbers you gave were for-- The percentages were for how many companies and over what period of time? They're New Jersey firms only?

MR. WHITE: Yes. We have in our State what we call a Rapid Response Team, which the Department put together in 1985 to work with companies that were leaving the State, primarily to work with employees and to help them with their unemployment, their retraining, and finding a new job. I believe these percentages, we've tracked back over three years, which would be hundreds of New Jersey companies and thousands of New Jersey workers. But I've been to a lot of the plant closing meetings, and the first question I always ask is, "Why are you leaving the State? Is there anything we can do to change the decision?" Most of the time we get a warning notice, which is a Federal notification program. By the time we get the 60-day notice, it's usually too late to turn it around. But at least we can ask them, "What happened? What's your reason?" That's where these statistics come from. So it's what the employer told us is the reason that they either lay people off, close down, shrink the size of the business, right size, downsize, or leave the State of New Jersey.

It may not be totally academically accurate, but it's what we were told. It may be more accurate than not. The truth may come out in different ways.

MR. GALLINARO: Can you tell me, do you have a size of company that fits into the statistic that you're working? I mean, do you have a limit of so many people who are going to be unemployed that you're notified by the Federal government?

MR. WHITE: No. The Federal government has a size when-- I think it's 50 or so. But in the State of New Jersey, so far, the response team has worked with every employer that has asked for assistance. Or a spouse or an employee calls up and says, "Can you help us? We're losing our jobs." We have no size limits. We work with small businesses, medium businesses, and of course, the larger businesses. I would say the average size of the employer in these statistics is about 100 employees. That counts the very biggest and the very tiniest employers.

We will, as long as we can, try to be responsive. My feeling is, one person who becomes unemployed because of a shutdown is just as unemployed as 1000 people who become unemployed because of a big shutdown. So we try to respond to everybody's needs.

ASSEMBLYMAN AZZOLINA: Gene?

DR SIMKO: Yes, a question: Once the firm leaves, do you basically consider them gone forever?

MR. WHITE: No. In fact, if you look at the material, you'll see some names of companies where divisions have closed down, or parts of it have closed down and left the State. We never write off a company because they've closed down a facility or a division. We try to work harder to keep the rest of it here, or maybe to get them back in the future. We have companies now moving back to New Jersey, maybe because of bad experiences when they left the State.

DR SIMKO: You see, I firmly believe that 81 percent you cited that used consolidation-- Consolidation is usually a function of a strategic decision, which is made because of all the other categories. If I could pin you down, if you eliminated consolidation as a viable category, which, given your experience, would be the primary reason if you eliminated consolidation? Consolidation really is in a separate kind of a list, as far as I'm concerned. It's a catchall. It's kind of like when you apply for a loan. You're going to consolidate your debt. Why, you know?

MR. WHITE: In manufacturing-- I'll tell you what hurts our manufacturers. When a firm is acquired through a merger with another company, or sometimes there are companies that specialize in buying manufacturing companies up because they've had experience in other states with their other manufacturing divisions or companies that they bought, that's what they bring to the table. They'll come to the table and say, "In Tennessee they gave us a building for a dollar. What are you going to do?"

It's very, very hard. As far as I know, the only really outright grant program that we have is our Customized Training Program, which is a training grant to help train employees. They don't have to pay that back. But I don't think any of our other programs are grant programs, and other states actually pay-- I don't know what they call it or how they do it, but they're paying companies money to move there, per employee. It's very hard to compete with them.

ASSEMBLYMAN AZZOLINA: Al?

MR. ANGRISANI: Mr. Chairman, I guess my question is to Bob, but maybe it's also to you, too.

After sitting here and listening for two and a half hours, I have a fundamental focus question. The question really is: I've heard a lot of suggestions, but is the answer really a tactical one, or is it a strategic one? A tactical one being change the tax code, change in action in reacting to a circumstance. The strategic one being get a focus. What are we? Who are we going to be? What's the identity? And then work down from there.

After listening to almost a dozen speakers today, I haven't seen that issue pop up yet. I've seen mostly tactical issues.

MR. WHITE: I think it's both. And I think New Jersey has gone a long way in the last few months to telling business that we're becoming more friendly to business. That has to come at the very top level. These other states, it's the governor's plane that picks people up at the airport. And it's the governor who meets them at the airport, when they get down south, to sell them on economic development. It has to start at the top.

Our Governor has stated, through her actions and her words, that New Jersey is open for business, and that we're more business friendly, and that's strategic.

Tactical is the game plan. "Okay, now we've announced we're open for business, what will happen when a company says to the Governor, 'I'm interested.'" And then they'll go to Bill Healey, and Bill Healey will put together a team of people and will meet with the company, and we'll put together our package.

MR. ANGRISANI: If I could interrupt for just one second. I hear what you're saying about strategic, but I think there is a higher level of strategic. If you look at what Richmond is doing, Richmond is saying, "We are the gateway to the Southeast." All the development has been going on in North Carolina and Georgia, and Richmond says, "Hey, we've got to get in on this too, so who are we? Well, what we are is, when you cross the bridge in Washington, you're in Richmond. We're the gateway to the Southeast."

Alabama has positioned itself to be spillover from the Cape Kennedy complex and the high-tech aerospace and so on. I'm not getting a feel for any of that in New Jersey.

ASSEMBLYMAN AZZOLINA: New Jersey in the past several years has not been a business friendly State. And here is a statement by Whitman yesterday -- I guess it was at the business conference here -- "Whitman pledges State a business friendly climate."

You need that first. I think then more regulations have to be changed, which we're really working on. I'm on a couple of those committees, too.

What I see in New Jersey with discussions with several members of the panel -- Mr. Parker has been an advocate-- Our growth is in the service industry, whether it's foreign trade or whatever. There are more service industries growing in New Jersey -- and correct me if I'm wrong -- and we keep losing the manufacturing.

Now, do we have a future in manufacturing? In other words, the small companies are starting up in New Jersey, and that's the potential, where, as they grow, we get more manufacturing jobs. But we're losing the big ones. Do we have any hope of ever getting the big ones back?

I know, it was the Board of GM, they were ready to close a plant. Because cars were starting to sell and everything else, they decided not to close for now. I forget where that was.

But do we have a future for the large plants here, or are they all going to go south because the climate is different?

MR. WHITE: No, I don't think they'll all go south.

ASSEMBLYMAN AZZOLINA: No, but can we get any back? I don't know. I don't think so, but--

MR. WHITE: I think we've saved a couple.

ASSEMBLYMAN AZZOLINA: Yes.

MR. WHITE: The GM plant in Linden, which was closed for three years and has reopened and makes trucks, which are very successful. The Ford plant in Edison, which got their quality award last year. We worked with them for about eight years. The Ewing plant is the one you're talking about, where General Motors had announced they would close it. Then they had a buyer, and somehow, even though it was awkward, we were involved in trying to get the buyer and get them in. Time went by and sales got better, and now GM may keep the plant open.

ASSEMBLYMAN AZZOLINA: Well, aren't they working a deal with the union there? Is that what I'm reading about?

MR. WHITE: Yes, the union too.

So we do have successes, but as the previous speaker has said, I'm afraid-- I'm in favor of keeping manufacturing as much as we can. I'm afraid that the services will follow manufacturing.

You know, when you lose a manufacturing--

ASSEMBLYMAN AZZOLINA: You mean services will leave eventually, too? They've been coming in now.

MR. WHITE: Yes, services. Who do they serve? They serve the manufacturers. And when you talk about losing a manufacturer, you're not just talking about the blue-collar people. You know, manufacturers have all sorts of white-collar people at the plant. And when they move, often a good percentage of the people in the factory are the clerical, administrative, management, and support and management of the company, and when they say, "Move the plant," we're not just losing the blue-collar people; we're losing the white-collar people.

ASSEMBLYMAN AZZOLINA: There is a big white-collar service industry out there. It's moving in banking and insurance and others.

DR SIMKO: Joe, I just wanted to mention that, Bob, on your list you had a company, Keptel. (phonetic spelling) And the CEO of Keptel is on the Monmouth School Business Advisory Board. They, as you probably know, had moved a number of years ago, as a function of their operation, and then moved back. One of the reasons they moved back was because of the public relations that they suffered in Monmouth County in terms of the role that they played in the community. There was a lot of pressure that was brought to bear on them, and they're back. Despite higher labor costs, they're back.

MR. WHITE: Yes.

ASSEMBLYMAN AZZOLINA: Despite the education end of it, there is a lot of talent in this State, both for manufacturing, high tech, and white collar.

MR. WHITE: Yes.

MR. GALLINARO: I agree that there has got to be a strategy. I think I gave you copies of an article I picked up yesterday that identifies the states that are in worse condition than the State of New Jersey with regard to their economic outlook, and how they have moved forward. We're talking now about per capita income. I think there are several copies of that there that can be distributed.

But the type of thing we really have to focus on is the strategy that puts the State forward. Regardless of whether it's manufacturing or service, there has got to be a focus. Once that strategy is in place, then you can be proactive and do something with it.

I think that's what we hope that we all accomplish here.

MR. EFSTRATIADES: Mr. White, in terms of the survey that you have -- you just gave us the percentages of reasons why companies leave -- is there any type of a survey as to why companies locate here? Has your Department done any type of work in that area?

MR. WHITE: I don't think we have. I would check with our people in research and development to see if we have done a survey as to why they-- Perhaps the Commerce Department might have information why, they think, the companies that they've dealt with have moved to New Jersey. All I have is, you know, the ones that I've been involved with. Our location has a lot to do with it -- the quality of life. Being nearby to the city and everything that the city offers people after hours is big. Sometimes people don't want to move to the country.

MR. EFSTRATIADES: But one of the reasons in developing a strategy-- I think we have to look at two areas. One is why companies leave; the other one is why do they come here. The way to do it scientifically is to develop a survey by going to the companies that have come here in the last few years. Maybe that's something that we can look into.

I'm on the Governor's Commission on International Trade. That's another thing, one of the things that's proposed to do with foreign companies -- why foreign companies come here. One of the advantages of New Jersey is that we have a lot of foreign companies with U.S. operations. We have the second largest number in the country, after California.

About 1200 foreign companies have located here. Why do they come here? Maybe we could do a survey so we can identify the reasons, and then from then on develop our strategy and develop our marketing, the same way that Burlington County did, as we heard.

MR. PELL: I'd like to make one comment on that. Based on my experience with Atlantic, where in my department, we were targeting foreign companies. We had a rep office in London at that time.

The comment is that, when they come, you'll usually find-- Let's say it's a German company. There are 120 German companies in the State, or so. They talk to other German companies that are already here. So it's very, very important to treat the companies that are already in New Jersey in a pro business way. That will bring more businesses.

ASSEMBLYMAN AZZOLINA: That's why people move from one neighborhood to another, because--

MR. EFSTRATIADES: The other reason-- By the way, I've heard from the CEOs of Korean companies: they want to get away from the high rents in Manhattan.

MR. BLEKICKI: I used to work for Ciba-Geigy many years ago. I understand, after I left, there was consideration of having a new manufacturing, and they looked at three locations where they owned land: Alabama -- I forget the second location; it was down south -- and the third was in Toms River.

ASSEMBLYMAN AZZOLINA: Yes. They had neighbors push them out there.

MR. BLEKICKI: Yes. They chose at that time Toms River because they wanted to be near their research and development center, because it would increase the speed with which they could transfer the technology out of the labs into production, and into the marketplace.

Now we see that in the subsequent years they decided not to actually move the manufacturing there because of the environmental problems. In fact, I believe Ciba no longer has any manufacturing in New Jersey. The fear, therefore-- I forget which speaker made the comment, but it just hit home. If manufacturing is now elsewhere, and the companies are locating their manufacturing to be near R&D, that means that R&D will move to where manufacturing is.

So we cannot really tolerate having manufacturing leave, because then it has some really tremendous negative effects as far as other service industries, including R&D,

which is where we are right now, number one in the number of R&D personnel per capita in the nation. We're the number one state, but we're at risk of losing that.

DR SIMKO: You know, Al mentioned earlier, "the gateway," for Virginia. Perhaps we really need to change that sign on the bridge, "New Jersey Makes, the World Takes."

MR. ANGRISANI: Maybe we should change it to, "Exit from New York." (laughter)

MR. VAN CAMPEN: I think you'll find Hoffmann-La Roche did the same thing. When they built their new manufacturing plant, they built it down south.

MR. BLEKICKI: Sure, and in fact, Dr. Fenster was mentioning a few days ago that he was talking to a president of a major pharmaceutical company. They have a game plan, if things get any worse, to ve out of the State of New Jersey. They've already bought th and.

ASSEMBLYMAN AZZOLINA: Have we told the Governor yet?

MR. BLEKICKI: I don't know if he has or not. (laughter)

ASSEMBLYMAN AZZOLINA: You better get her on it, directly.

MR. BLEKICKI: So that is a real major concern.

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

Thank you very much.

MR. WHITE: Thank you very much.

ASSEMBLYMAN AZZOLINA: I'm sorry we went overtime. The only thing I want to discuss is the subcommittees. We have to get back on the phone again, and Deb will coordinate those. I doubt if we will be able to get the groups together, but one way or another, we should start to continue that.

The next meeting-- The problem is, we're running into July and August. It may be a tough time. I was just wondering if the Committee -- the group here, the Task Force -- wouldn't mind meeting, maybe the third week or so. We have to see who is available in June before we get into the Fourth of July. I don't want to make it too close to the Fourth of July. (confers with aide) Excluding Mondays and Thursdays, we're in session then. That's the budget probably by then. It will probably be Tuesday or Wednesday. Wednesday seems to work out pretty well, I guess.

MR. BECKER: The third week, not the fourth week, Joe, right?

ASSEMBLYMAN AZZOLINA: What?

MR. BLEKICKI: The third week, not the fourth?

ASSEMBLYMAN AZZOLINA: Yes. Not the fourth. We get too close to the holidays. If we can manage to get enough people together for then. I think in July it may be rougher to get everybody together, and we want to get on with our report and recommendations from then on to the fall. When we get back in session, we can see what kind of legislation we may need or recommendations.

I think today we really got a lot of good meat -- a lot of good information. I think we're getting better each time.

MR. BLEKICKI: Do you want to set a date, Joe?

ASSEMBLYMAN AZZOLINA: Well, it's okay with me if we're-- What's that third week?

DR SIMKO: June 15.

ASSEMBLYMAN AZZOLINA: What's the next Wednesday?

MR. BLEKICKI: The 22nd.

ASSEMBLYMAN AZZOLINA: Let's say either the 15th or 22nd. If they're no good, we'll get on the phone right away and maybe Tuesday might be better. I don't know, Wednesday or Tuesday? Are they all right for everyone?

MR. BECKER: The 22nd is okay.

MR. GALLINARO: I can't make it the 22nd.

ASSEMBLYMAN AZZOLINA: What's the 22nd? Is that a Tuesday or a Wednesday?

MR. COACKLEY: That's a Wednesday.

ASSEMBLYMAN AZZOLINA: Maybe Tuesday might be better.

Well, we'll pick all four dates around Tuesday and Wednesday, for both of those weeks.

MR. BECKER: Of the second or third week?

ASSEMBLYMAN AZZOLINA: Yes.

MR. ANGRISANI: Will it be here?

ASSEMBLYMAN AZZOLINA: Yes. I think we ought to have them here. It seems to be centrally located and a good room, if we can get the same room. We're lucky today, Appropriations didn't take it. If not, there are other rooms around across the street. This is the only big room in this building.

Eventually all the committee rooms and meeting rooms will be in that next building, whenever they finish it -- the Annex. Right now we're having a lot of meetings across the street in an old building.

Okay, well, thank you very much. I appreciate everybody coming.

(MEETING CONCLUDED)

APPENDIX

AMERADA HESS CORPORATION

ROBERT T. EHRLICH
Vice President
Corporate Environmental, Safety, Fire and Health

1 HESS PLAZA
WOODBRIDGE, N. J. 07095
(908) 750-7009

April 28, 1994

Mr. N. L. Gallinaro
Chairman & Chief Executive Officer
GAR International
3 Crown Plaza
Hazlet, New Jersey 07730-2441

Re: **"A Review of the Economic Impact of Environmental Statutes, Rules and Regulations On New Jersey Industry - A Report to the New Jersey Legislature"**

Dear Nick:

As previously discussed, I am sending you comments on the referenced information you supplied to Mr. Wright and to me. Some of our comments are as follows:

Excessive Fees and Fines:

Our experience has been consistent with the referenced report. For example:

- Permit maintenance fees for two similar marketing terminals on opposite sides of the Delaware River are five times higher for the terminal on the New Jersey side.
- The State is seeking to impose a $60,000 fine for a waste water permit violation which had resulted in the discharge of loading only several grams/day over the limit. This violation was due to an equipment problem which was found and immediately corrected. However, the State is seeking a maximum fine despite the fact that the system has had an excellent history for past compliance.

Confusing Regulations Which Have Gone Beyond Federal Regulations:

On several occasions, most notably during annual audits of our TCPA program, compliance auditors have determined deficiencies in our program for which a different compliance officer had found acceptable the year before. In some instances, the same auditor has ruled differently on the same issue from one year to the next. This "moving target" approach to compliance is very difficult for industry to cope with and needs to be addressed by the agencies.

Permit Delays:

We have some permit modification applications which have been pending for two to three years.

These specific examples are similar to the referenced report findings. I hope this information will help your Task Force to achieve its goals.

Please call me if you have any questions or require further information.

Very truly yours,

AMERADA HESS CORPORATION

Robert T. Ehrlich

RTE:aw

CC: Mr. R. F. Wright
Mr. F. L. Clark
Mr. R. L. Sagebien
Mr. M. J. Klinger
Mr. J. R. Steinhauer

s:\aw\re\gar94.L28

2X

THEME ONE: DEMOGRAPHIC SHIFTS

An extraordinary employment and demographic transformation has occurred in the last 30 years, with huge growth occurring in existing and developing suburbs, and substantial declines in urban areas.

INFORMATION

- Suburban county population growth has been explosive, with the central New Jersey counties of Middlesex, Monmouth, Ocean and Somerset accounting for over half of all population growth between 1960 and 1990.

- Highest rates of recent (1980 to 1990) population growth are found in rural or formerly rural counties in the west (Sussex and Hunterdon), along the shore, (Ocean and Cape May), and outside Philadelphia (Burlington and Gloucester).

- The eight largest core cities have lost over one-quarter million people in the last 30 years, a decline of 27 percent.

- Growth in job locations has largely followed the same pattern as population growth, with Bergen, Middlesex, Morris, Somerset and Ocean, each adding over 100,000 jobs in the last 20 years. Only the four most urban counties in the northeastern part of the state - Essex, Hudson, Union, and Passaic - and the rural counties of Salem and Cumberland have not added at least 50 percent to their job totals in that period.
- The older urban areas have lost over 100,000 jobs over the last 20 years, or 25 percent.

- The number of jobs in Manhattan is down by 5 percent since 1970, although it has grown by 12 percent since 1977. Meanwhile, Philadelphia lost 19 percent since 1970. In contrast, New Jersey jobs grew by 44 percent in that time.

- Retail sales in Newark, Jersey City, Paterson, Trenton and Atlantic City declined from 19 percent to 4 percent of the state's retail sales in the last 30 years. Meanwhile, retail sales in the suburban counties have boomed as shopping has shifted from urban downtowns to suburban shopping malls. For example, the share of the state's retail sales attributed to the four central New Jersey suburban counties of Middlesex, Monmouth, Ocean and Somerset has risen from 16 to 25 percent in the last 30 years.

3x

IMPLICATIONS

- Total travel demand within suburban areas has grown rapidly. Growth has been largely auto dependent, which has led to huge increases in auto traffic.

contributed to

- Growth in travel to work is mostly between suburban locations, which has ~~led~~ to huge increases in auto travel during commuting peak periods.

- The local suburban road network, never designed for high volumes of traffic, has been overwhelmed by traffic increases, which has led to congestion.

- Interstate and toll roads offering high speed and capacity, have attracted the newly emerged auto travel markets, but have also been overwhelmed with additional traffic, slowing speeds and increasing congestion. Examples include the Garden State Parkway, Interstate 287, and Interstate 80.

- Increased suburban travel demands have given rise to requests for more transit services in and to the suburbs, which are difficult to provide efficiently with traditional transit service.

- Long term population and job declines in urban areas have reduced the base market that transit can serve, making it difficult for transit operations to increase ridership.

- The travel markets to New York City and Philadelphia, which are oriented to transit use, remain important, but are becoming less dominant.

4x

THEME TWO: DIVERSE POPULATION

A more heterogeneous population today is creating diverse and competing consumer needs and preferences.

INFORMATION

- High birth rates of the "baby boomer" generation of the twenty years after World War II have declined by almost half in the 1970's and 1980's. Today, baby boomers are producing an "echo" as baby boomers are now having babies.

- More women are participating in the work force. In 1990 almost 60 percent of women are in the labor force, up from 37 percent in 1960.

- The number of New Jerseyans over 70 has increased by 353,000 over the last 30 years. Those in their seventies have grown 77 percent, and those over 80 by 200 percent.

- Two-thirds of all foreign immigrants arriving in New Jersey since 1985 have located in the five northeast and more urban counties of the state. Most originate from Asia and South and Central America.

- Educational attainment among New Jersey residents has improved dramatically in the last 30 years. In 1960 only one in twelve New Jerseyans had graduated college, but by 1990 one in four had graduated. Urban residents, however, have half the proportion of college graduates. Meanwhile, those not graduating high school dropped from 59 to 23 percent of the population in 30 years, but urban areas still have 43 percent of their population without high school diplomas.

- The eight older cities of New Jersey had an average annual income equal to 83% of the State's average in 1960. By 1990, that average had dropped to 60% of the State's average annual household income.

- Since 1960 the average household income of New Jerseyans, correcting for inflation, has increased by 56 percent. Today it rates second in the nation. In contrast, residents of the eight older urban cities of New Jersey have lost ground: average household income in those cities has dropped from 83 percent of the state's average in 1960 to 60 percent in 1990.

5X

IMPLICATIONS

- Just as high birth rates fueled the increase in driving age population of the late 1960's to early 1980's, lower birth rates have slowed the rate of increase in the driving age population for the 1980's and 1990's.

- The baby boom population has now moved into the prime earnings period with expanded mobility needs and high auto use and ownership.

- Women's needs are influencing changes in work hours, work arrangements, travel system safety, and flexibility in travel options. All favor single occupant auto travel. Also, dual career families lead to longer trips by at least one member of the household since it has become more difficult to optimize housing choices to minimize commuting distances.

- The increase in older citizens expands the needs for special services to replace the mobility lost when driving is no longer possible. Also, other needs such as larger signs, on-demand transit services, escalators to replace the need to climb stairs, will grow.

- Immigrants with a transit orientation and without autos can boost transit ridership in areas where transit is already provided. Also, language barriers may limit immigrants' ease of use of the transportation system, necessitating information media in other languages and greater sensitivity of front-line employees.

- The high educational attainment of New Jersey's labor force puts the state in a good position to benefit from the emerging high technology economy.

- The lower income and lower educational attainment in the older cities places demands on other scarce resources.

- The increase in income and education among New Jersey residents leads to higher expectations for quality and individualized services. Greater emphasis on saving time, on leisure travel, and on tailored services and amenities is the result.

- Declining urban incomes have kept autoless households high, reducing opportunities to reach jobs in the high growth suburbs.

- The need for technological skills to operate and maintain high-tech equipment will grow, requiring retraining and additional education of the work force.

6x

THEME THREE: IMPACT OF TECHNOLOGY

The full impact of technology is uncertain, but it will almost certainly enable the transportation agencies to better manage their systems. Technology may also reduce the demands for travel and reduce the environmental and resource consumption impacts of motor vehicles.

INFORMATION

- Electronic toll collection technology, enabling non-stop payment, is being established with compatible systems on all toll facilities in New Jersey and in nearby New York and Pennsylvania.

- Accelerated research and demonstrations are underway to apply advanced technologies to maximize highway capacity; i.e., Intelligent Vehicles and Highway Systems (IVHS) which will reduce congestion, increase throughput and increase safety and to provide new technologies for transit; i.e., payment systems, real time passenger information and operations management.

- The goal of attaining clean air is driving the development of existing low emission vehicles and alternative fuels and the research and development of new technologies.

- Technology is making it possible to conduct business affairs in a decentralized mode. Forty percent of Americans hold jobs susceptible to telecommuting; 6.6 percent already telecommute one or more days per week.

IMPLICATIONS

- Technology has the potential to change the manner in which highway facilities are operated and financed. For example, electronic toll technology can be used to reduce toll plaza congestion, and to install congestion pricing to shift demand from peak periods.

- IVHS has the potential to improve the capacity and quality of the highway system. Real-time monitoring of traffic conditions and effective real-time communication about bottlenecks and alternative routes to auto drivers, transit operators, and truckers can reduce traffic congestion.

- IVHS will tend to make automobile travel more attractive by making an array of information available to the auto traveler, including incident alerts, construction locations, and navigational information.

- Technology improvements for transit are expected to improve service quality with easier fare payment systems, and better, more timely travel information. Maintenance improvements through advanced diagnostic techniques could lower costs and improve reliability.

- Implementation of a fleet of low re-emissions vehicles could allow the attainment of air quality goals without changing travel behavior.

- New industries could emerge as a result of major changes in transport fuel production and distribution. As an example, should hydrogen emerge as the liquid fuel of choice for the vehicle fleet in the 21st century, its production from sea water would afford coastal states, such as New Jersey, the opportunity to create a significant new industrial base.

THEME FOUR:
ROLE OF GOVERNMENT

All levels of government are being increasingly challenged to deliver high quality, cost-effective services to citizens within a political environment of limited public financial resources and competing program priorities.

INFORMATION

- The increasing expectation throughout American society for the delivery of high quality goods and services has now been extended to public sector activities.

- The cost of implementing government programs (including transportation) has increased significantly in order to attain various environmental, social and other goals (e.g., clean-up of transportation facilities sites which are environmentally contaminated).

- Although expectations with regard to government programs and services have increased, there is a continuing reluctance in American society to increase the financial resources provided to the public sector. Further, there are many government programs and projects competing for the limited financial resources available. The increasing social diversity and evolving lifestyles of American society result in a public with a broad range of values, perceptions and needs about government programs; in some cases these are competing and contradictory. Finally, there is an increasing concern in American society about the capacity of the public sector to deliver cost-effective, quality services.

- American society has become increasingly litigious. The number of entities who are involved in developing transportation policy and projects and who must review, approve and issue permits for a project has also grown significantly. The requirements for public participation and legislative oversight of policies, programs and projects has also increased substantially. These trends increase the costs and lengthen the schedule of implementing public sector policies, programs, and projects.

IMPLICATIONS

- The public sector is increasingly challenged to extend the private sector concepts of business process re-engineering to public sector activities, programs, and projects -- that is, to "reinvent government." Further, there is an increasing trend to implement public/private partnerships.

- Public sector organizations (and specifically transportation agencies) will be expected to demonstrate the value of their services, the effectiveness of their management, and to link funding commitments to achievements.

10x

THEME FIVE: FINANCING TRANSPORTATION

The transportation program of the State of New Jersey is experiencing an increasing mismatch of transportation opportunities and requirements and transportation resources.

INFORMATION

- Over the last 35 years, the highway program of the State of New Jersey has focused heavily on constructing new highways on new rights-of-way. Major opportunities are emerging for improving the quality and quantity of highway service provided by existing facilities through improved operations management – these opportunities include incident management and IVHS. Whereas the capital funding of highways in New Jersey has increased in recent years, operations and maintenance funding has decreased – in both absolute terms and when adjusted for inflation.

- While NJ Transit receives a relatively high proportion of its operating revenues from the farebox, obtaining the necessary non-farebox operating revenues poses a continuing major challenge.

- The significant demographic and employment shifts to the suburbs over the last 30 years and the resulting increase in suburb-to-suburb travel have created a mismatch between existing transportation infrastructure as well as current and anticipated travel demands.

- The transportation infrastructure of the State of New Jersey has been deteriorating and continues to deteriorate because it is aging and experiences extremely heavy vehicular usage. The State has significant capital requirements to rehabilitate and restore the New Jersey highway and bridge system to a state of good repair. These capital requirements are further increased by the associated policy requirements of the Federal and State governments – including environmental clean-up requirements.

- Over 60 percent of the limited access highway travel in the State of New Jersey utilizes user fee based (i.e., toll) highway facilities. A much higher proportion of the limited access highway travel in New Jersey is on tolled limited access highway facilities than for any other state. Historically, the management and financing of toll facilities in New Jersey have been separate and apart from the balance of the state transportation system.

- The Transportation Trust Fund Authority (TTFA) will expire on June 30, 1995 and it will not be able to fund new capital projects after that date. Existing appropriation

11X

revenues of $331 million to the TTFA will be needed by 1998 just to finance the debt service for the TTFA.

IMPLICATIONS

- The requirements for delivering and financing transportation facilities and services in the State of New Jersey are expected to change significantly. The institutional structure for delivering and financing the transportation program may require comparable change.

- The State of New Jersey may face a challenge in funding and financing its transportation capital program and the operation and maintenance of the transportation system in the mid to late 1990s.

THEME SIX: COMPETITIVE ECONOMY

New Jersey's capacity to be a "winner" in the emerging highly competitive national/North American/global economy is dependent, in part, on continued investment and other actions to provide high quality transportation facilities and services for both passengers and freight.

INFORMATION

- New Jersey ranks 24th among the 50 states in 1993 in terms of overall economic performance (where 1st is best and 50th is worst).
    - New Jersey ranks second among the 50 states in 1993 with regard to earnings and job quality.
    - New Jersey ranks 26th among the 50 states in 1993 with regard to equity.
    - New Jersey ranks 50th among the 50 states in 1993 with regard to employment growth. Other Northeastern and Mid-Atlantic states also perform poorly with regard to employment growth in 1993.
- New Jersey ranks 11th among the 50 states in 1993 in terms of Overall Development Capacity; the closer to 1st that a state ranks on this index, the more likely it is to achieve higher levels of quality economic growth. The four measures of Development Capacity, as defined by the Corporation for Enterprise Development, are:
    - High quality educational facilities and a skilled high quality labor force - New Jersey ranks 17th among the 50 states in 1993 in terms of human resources.
    - A strong base of technology resources which provides a foundation upon which new businesses (either new entrepreneurial businesses or new lines of business for existing companies) can be built - New Jersey ranks 14th among the 50 states in 1993 in terms of technology resources.
    - A strong base of financial resources to provide the capital required to foster the continued growth of businesses - New Jersey ranks 7th among the 50 states in 1993 in terms of financial resources.

- A high "quality of life" including high quality workplace and recreational accessibility - New Jersey ranks 36th among the 50 states in 1993 in infrastructure and amenity resources.

- Most economic development experts believe that American organizations favor locations which perform well with regard to the criteria listed below (these are in addition to the Development Capacity measures noted above).

  - A tax and regulatory environment which encourages the formation and developm ent of new entrepreneurial businesses - The Advisory Commission on Intergovernmental Relations ranked New Jersey as 17th among the 50 states in terms of its tax effort with the tax burden per capita increasing at 8.67% per year between 1979 and 1988 (the last year for which this data is currently available from the Commission) or 1.1% per year greater than the 7.51% annual increase in per capita income in this same period.

  - A strong base of long term growth industries - New Jersey has a number of industries which have performed well in terms of employment growth over the last decade; these include pharmaceuticals (39% increase in employment from 1980 to 1990),communications services (50% increase), education (32% increase), and health care (133% increase). The State has a number of industries which have experienced significant employment losses over the last decade - including clay and glass (55% employment decrease from 1980 to 1990), electrical/communications equipment (65% decrease), and transportation equipment (73% decrease).

  - High quality accessibility and communications - of particular importance to New Jersey is its geographic proximity and its high quality commuter rail, rail rapid transit, and commuter bus public transportation services to the Central Business Districts (CBDs) of New York (a world class financial and communications center) and Philadelphia.

  - Competitive "world class" intermodal port facilities and services - the Ports of Newark and Elizabeth currently capture over 50% of the market for containerized freight movements through North Atlantic ports.

  - Competitive high quality airport facilities and services (including both air carrier services for passengers and freight and airport access facilities and services) - Newark International Airport (EWR) is a domestic hub for a major U.S. airline (Continental - which, however, is not among the top three U.S. carriers), a major

14x

destination airport for most other major domestic carriers, and a major international gateway (for Continental and other domestic and international airlines).

- New Jersey faces continuing and increasing competitive pressures in retaining existing organizations and attracting new high quality organizations which provide a solid basis for continued high quality economic development and job growth.

  - As the United States economy continues to be transformed from a manufacturing to a service and high technology economy, and with increasing advances in communications technologies, many organizations can relocate relatively quickly and at a relatively low cost. Nearly 60% of the jobs in New Jersey in 1990 were in the services sector, whereas only about 35% of the jobs in 1969 were in this sector; service sector employment sites are typically more easily relocated than manufacturing employment sites.

  - New Jersey faces the challenge of implementing many Federally mandated requirements with no incremental Federal funding being provided to the State to help it comply with these requirements. Examples include the Clean Air Act, hazardous materials clean-up, and access for the disabled requirements. New Jersey must achieve Federally mandated standards without imposing an undue burden which would discourage continued economic development and employment growth. In 1993, New Jersey ranks 48th among the 50 states with regard to air quality, 47th with regard to superfund dump sites, 48th with regard to hazardous waste generation, and 42nd with regard to surface water discharge. New Jersey Transit (NJT) estimates that it will incur an annual operating cost of $17.5 million to provide the paratransit services which it is required to operate by the Americans with Disabilities Act (ADA).

  - The Ports of Newark and Elizabeth are facing increasing competitive pressures from other North Atlantic ports - particularly the Virginia Port Authority and the Maryland Port Authority - both of which are continuing to invest in improved facilities and services. The transportation industry is continuing to focus its intermodal transportation investments and services on a limited number of high capacity, high quality, low cost ports.

  - EWR's position as an international gateway is being challenged by several recent events in the airline industry. Each of the major domestic airlines is operating increasing levels of international services from their major domestic hubs (e.g., United from Chicago, American from Dallas-Ft. Worth and Chicago, Delta from

15X

Atlanta). The global consolidation of the airline industry also increases competitive pressures on EWR. Delta's acquisition of Pan American's North Atlantic Routes enhances the competitive position of JFK in the key New York metropolitan area international air market. Foreign airline investment in U.S. domestic carriers, establishment of code sharing relationships (where a given flight is assigned a flight number by more than one airline), and marketing relationships (which are often tied to frequent flier programs) also increase competitive pressures on EWR.

IMPLICATIONS

- If the State of New Jersey wishes to encourage economic development and growth of high quality employment opportunities for its residents, it must address those factors affecting economic development (as identified above) where the State has a comparative disadvantage relative to other states. Key areas include: (1) fostering a tax and regulatory environment relative to competitive states which encourages businesses and (2) investments to improve the State's infrastructure and amenity resources.

- Key elements of the State's infrastructure which it is challenged to improve in order to enhance its attractiveness include: (1) highways (where New Jersey is ranked 25th among the 50 states in 1993), (2) bridges (where New Jersey ranks 44th), (3) urban mass transit availability (where New Jersey ranks 21st), (4) energy cost (where New Jersey ranks 45th), and (5) sewerage needs (where New Jersey ranks 45th).

- Key areas of the State's environmental quality which it is challenged to improve in order to enhance its attractiveness include: (1) air quality (where New Jersey is ranked 48th among the 50 states in 1993), (2) superfund dump sites (where the State is ranked 47th), (3) hazardous waste generation (where the State is ranked 48th), and (4) surface water discharge (where the state is ranked 42nd).

- Continued investment in multimodal and intermodal facilities and services, particularly the State's key airport (EWR) and the State's key ports (Port of Newark, Port of Elizabeth, and South Jersey Port Corporation) are critical to maintaining and enhancing the competitive position of these facilities and thereby fostering the economic development of the State. The future success of these facilities (and thus their ability to foster the State's economic development) are also critically dependent on continued and increased cooperation and coordination between the public and private sectors and among the various levels of government, involved local governments, and the related independent transportation authorities.

16x

- New telecommunications and computer technologies have and will continue to affect the comparative advantage provided to New Jersey by its geographic proximity to the Central Business Districts (CBDs) of New York and New Jersey. If the State wishes to encourage economic development and thereby foster the growth of high quality employment opportunities for its residents, it must improve its Development Capacity (as discussed above) and it must maintain and enhance the quality of accessibility to the New York and Philadelphia CBDs.