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# *Public Hearing*

before

ASSEMBLY COMMERCE, TOURISM, GAMING AND  
MILITARY AND VETERANS' AFFAIRS COMMITTEE  
AND  
ASSEMBLY TASK FORCE ON BUSINESS RETENTION,  
EXPANSION AND EXPORT OPPORTUNITIES

*"To consider the recently proposed plan to restructure the Department of Commerce  
and Economic Development into a 'public-private commission'"*

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**LOCATION:** Room 319  
State House  
Trenton, New Jersey

**DATE:** March 12, 1998  
1:00 p.m.

**MEMBERS OF COMMITTEE AND TASK FORCE PRESENT:**

Assemblyman Joseph Azzolina, Chairman  
Assemblyman Nicholas Asselta, Vice-Chairman  
Assemblyman George F. Geist  
Assemblyman Guy R. Gregg  
Assemblyman Kenneth C. LeFevre  
Assemblyman Jack Connors  
Assemblyman Louis D. Greenwald  
Nicholas Gallinaro  
Joseph McNamara  
Pat Branigen  
John Pell  
Neil Sheridan  
Steve Van Campen



**ALSO PRESENT:**

Edward P. Westreich  
Carrie Anne Calvo-Hahn  
*Office of Legislative Services  
Committee Aides*

Deborah K. Smarth  
Tasha M. Kersey  
*Assembly Majority  
Committee Aides*

Yolette Ross  
*Assembly Democratic  
Committee Aide*

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

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**ASSEMBLYMAN JOSEPH AZZOLINA (Chairman):** I'd like to get started now.

I'm the Chairman of the Commerce Committee and a lot of other words with it and the Task Force. I won't go into that long title either. Before we start, I would like each person to identify themselves as either a Task Force member or member of the Commerce Committee and what your title is or what you did before, like John Pell.

John, will you start.

MR. PELL: I'm a member of the Task Force and Chairman of Advisory Council to form a State-sponsored, but privately controlled, export financing company. Background is commercial banking. I was with Chase Atlantic. I ran a merchant bank in London, and I wound up my career in Hong Kong. End of story.

ASSEMBLYMAN AZZOLINA: Ken.

ASSEMBLYMAN LeFEVRE: I'm Ken LeFevre. I'm a State Assemblyman from the 2nd Legislative District, and I am a member of the Assembly Commerce Committee.

ASSEMBLYMAN AZZOLINA: And also former Assistant Commissioner, or Deputy Commissioner.

ASSEMBLYMAN LeFEVRE: Yes.

ASSEMBLYMAN AZZOLINA: Next.

MR. VAN CAMPEN: I'm Steve Van Campen. I'm a businessman in New Jersey. I have been a member of the Task Force for a number of years. I've served on a number of committees.

ASSEMBLYMAN GREGG: Guy Gregg, New Jersey Assemblyman, District 24, and member of the Commerce Committee.

ASSEMBLYMAN ASSELTA: Nicholas Asselta, Assemblyman, 1st District, and also a Vice-Chairman of Commerce, Tourism, and Gaming.

ASSEMBLYMAN AZZOLINA: George, introduce yourself as a member of the Commerce Committee and whatever.

ASSEMBLYMAN GEIST: Thank you, Chairman.

Good afternoon. Assemblyman George Geist. I represent District 4, Camden County and Gloucester County. And I also serve as Chair to the Labor Committee. So I look forward to this hearing.

Thank you, Chairman.

ASSEMBLYMAN AZZOLINA: Thank you.

MR. McNAMARA: I'm Joe McNamara. I'm also a member of the Task Force. Currently, the Chairman mentioned, I had been with the Port Authority for a number of years. I had also been Deputy Commissioner. So I guess we have two former deputy commissioners on the panel today.

Currently now I head a Labor Management Trust Fund. As a labor management group, our role is to promote economic development in New Jersey and help create business for our region. So it ties into the work of being on the Task Force.

MR. BRANIGEN: Pat Branigen, NJIT, representing Saul Fenster. NJIT includes economic development as one of its key mission elements, and we have been happy to work with the Task Force.

MR. SHERIDAN: My name is Neil Sheridan. I'm an aide to Mayor Schundler in Jersey City. Jersey City has enjoyed a tremendous economic boom in the last several decades, particularly in the last 10 years. I'm here today to hear about these important plans for the Department.

ASSEMBLYMAN AZZOLINA: Nick.

MR. GALLINARO: I'm Nick Gallinaro. I'm Chairman and Chief Executive Officer of GAR International. My involvement with the Task Force has to do with export opportunities, and our company is heavily involved in international business.

ASSEMBLYMAN CONNERS: Good afternoon. I'm Jack Conners. I'm an Assemblyman in the 7th District. That is part of Camden and Burlington Counties, and I am a member of the Commerce Committee.

ASSEMBLYMAN GREENWALD: My name is Lou Greenwald. I am an Assemblyman representing the 6th District, which is 17 towns in Camden County, and I am also a member of the Commerce Committee.

ASSEMBLYMAN AZZOLINA: That's everybody.

Thank you very much and good afternoon. Today's hearing is an important one. It gives us the opportunity to participate in charting the course of business investment and expansion in our state. This hearing will allow us to build on the successes of blueprint plans that were presented by this Task Force and our Commerce Committee in '94 and '95. It builds on recommendations and groundwork laid by the Governor's Economic Master Plan Commission and the rigorous efforts of Commissioner Medina, his Department, and Prosperity New Jersey.

I want to personally thank the Commissioner for sharing his time and thoughts with us today concerning the proposed restructuring of the Department of Commerce into a public-private commission. I also want to thank the representatives of business groups here today for taking an interest in this issue and share your thoughts and ideas with us.

One element that the legislative and executive blueprint ribbon panels have in common is concurrence that we must effectively implement business-friendly programs that are customer service driven. We also agree that the best means to the goal depends on industry sector focus, regional business networks, and innovative public-private partnerships.

We have come a long way at initiating an aggressive, effective legislative-private sector partnership to make the Garden State premiere in its open for business campaign. We have been successful, to a great extent, in retooling government to make our campaign an outreach to businesses more proactive, but there is no doubt that we must continue to work harder to carry on the State sales and service goals and providing more customer satisfaction. That's what it's all about.

The Department of Commerce and Economic Development was established by statute to encourage business investment and expansion within our state. For the proposed restructuring to occur, the Legislature must approve the enabling legislation. It is our hope that this public hearing and other similar discussions will aid us in assessing the cost benefits of creating a proposed Commission on Commerce and Economic Growth.

I look forward to working with the Commissioner and his Department to obtaining answers to questions important to the future of New Jersey's business promotion policies.

I thank all of you, and I would like to call on Commissioner Medina for his comments.

**COMMISSIONER GUALBERTO MEDINA:** Mr. Chairman, before I make my comments, I thought it would be very instructive to see a very

short video of a Dick Forney (phonetic spelling) program, New Jersey Inc., in which former Deputy Commissioner LeFevre, former Commissioner George Zoffinger, and I discussed what this reorganization was about and why we thought it was important to do it.

The interesting thing, obviously, is that the Department of Commerce was created by Governor Kean. As a consequence, Ken and George and I represented the three administrations that have managed the Department of Commerce. Two of these administrations were Republican, one Democratic, and I believe that the sediments that were expressed in this program are also shared by Barbara McConnell, who also served as Commissioner of Commerce under Jim Florio.

So I would like to see if we could just look at this video. I apologize to the members of the public that our television screen isn't too large, but I suggested to them that if they wish, they could move to be able to get a better view of the screen.

Kelly, make sure the volume is high because there is a tendency to put the volume low.

(witness plays videotape) Just a little dialogue here so you can make sure Assemblyman LeFevre gets a chance to show you his ability to perform in front of a camera. (laughter)

ASSEMBLYMAN LeFEVRE: Is that what you call that?

COMMISSIONER MEDINA: The Assemblyman had to deal with turbulent winds and traffic. He did well.

(witness shuts of videotape) We'd end this at this point. It was about to finish. What I wanted to demonstrate with this video, first of all, was the cross

section of support that this proposal has received within the business community, people like Finn Caspersen and people like Kurt Macysyn from the New Jersey Federation of Independent Businesses.

The other thing I wanted to, I guess, impress upon this Task Force is the fact that the support that we are developing for this proposal is obviously nonpartisan. When you have people like George Zoffinger, who was a Secretary of Commerce under Governor Florio, when you have people like Sam Crane who was the State Treasurer under Governor Florio, it is pretty obvious that this proposal is receiving support from large-business interests, from small-business interest, from Democrats and Republicans.

Mr. Chairman, I don't have to tell you that last year was a milestone year for the economy of our state. We finally recovered all the jobs that we had lost during the recession. Our state gained more than 87,500 jobs, the largest annual increase since 1984. Manufacturing actually gains 3400 jobs, also for the first time in 14 years. But, in 1984, our economy only gained 1800 manufacturing jobs as compared to 3400 last year. Our gross state product grew by nearly \$20 billion up to \$293 billion. The personal income of New Jerseyans rose by 5.5 percent.

In 1997, New Jersey, again, was the selection of choice by an increasing number of the world's most prominent companies. World leaders like Pharmacia and Upjohn, AT&T, Hewlett-Packard, Bristol-Myers Squibb, Merrill Lynch, and Raytheon all announced plans to relocate or expand in New Jersey, adding thousands of good, high-paying jobs for our citizens.

Our Business Employment Incentive Program, which you helped enact into law, has been an unqualified success. Since the Governor signed the bill into law in May 1996, more than 100 companies have decided to relocate or expand in

the State of New Jersey, leading to the creation of more than 28,000 jobs -- jobs that might have gone to some other state if it had not been for the Business Employment Incentive Program.

It is clear that the New Jersey economy and, by extension, the New Jersey Department of Commerce and Economic Development have had a very good year. So good, in fact, that some might wonder why are we proposing transforming the Department of Commerce and Economic Development into this new Commission. Frankly, we are doing so because we want New Jersey to continue having economic success and we want New Jersey citizens to continue to have increased opportunities for prosperity at good, high-paying jobs created by world-class companies. We believe that the best way for us to do that is to be innovative, to think like a business, and be ready to act and react as quickly as businesses do.

Now, I know that some people think we are being radical, but I disagree. Like Assemblyman LeFevre, I don't think we are being radical. I think we are being smart. New Jersey's economy has been called a lot of things in the last year, everything from remarkable, to an economic dynamo, to an economic engine. But no matter how finely tuned, all engines have to be retuned. And that's what I think we are doing here, retooling the engine of New Jersey Commerce with turbopower.

Alex de Tocqueville once wrote "In democracies, nothing is greater or more brilliant than commerce. It attracts the attention of the public and fills the imagination of the multitude." After this proposal came out I certainly am finding out that he was right.

In asking you to consider our proposal, I, too, am asking you to, once again, use imagination. None of us know what the economy of New Jersey will look

like in 25 years. We can only be trying to imagine how it will look. To accomplish our duties, to be trustees for the public, we have to make projections and assumptions into the future and that's what we are doing with this proposal. We don't know what trends and innovations will take place in business, but we know we have to be ready for them and we want to put New Jersey in the best possible position to meet those challenges.

This transformation is designed to enhance Commerce's effectiveness and strengthen New Jersey's position in the world marketplace. Through this Commission, Commerce will now be elevated to a unique role in government.

I would like to say a word about our State employees, Mr. Chairman. Many of the economic development results that were achieved over the last four years were directly attributable to Department employees. We value them and their advice. And I have pledged that I will work with those employees who do not join us at the new Commission to find jobs for them at other State agencies. I am taking affirmative steps, including meeting with the Commissioner of Personnel and other steps, to make certain that this commitment becomes a reality.

What we are proposing, in terms of the change in Commerce, is to make it like no other State agency. To give it the flexibility to respond because business will continue to rapidly change, to develop new industries, to leap on new trends. As you well know, as a department, we can only make changes either through legislation or through executive order. For example, when we wanted to focus on maritime resources or on sustainable business we couldn't just put resources in those areas. We needed an executive order to do it. If I want to deploy staff in a new emerging market, I don't currently have the ability to do so. Our structure is too rigidly set in place.

When we decided to institute an accounts management system, allowing us to hire industry specialists, we could only do so on a two-year pilot basis. And it took us months in order to get the necessary approvals in order to do it. That won't be the case with the New Jersey Commerce and Economic Growth Commission. We will be able to change as businesses change, to stay ahead of the pack, to be ready with experts in the newest growth industries.

As a commission, we will be able to bring a corporate culture to government. If I believe that New Jersey needs an office to solely focus on telecommunications or high technology in order to bring more of those jobs to our state, I can do so tomorrow in a commission. As a department, I would have to wait weeks, if not months, and I simply do not have the flexibility to deploy my staff or organize my department as required by conditions.

What I'm talking about is a critical loss of time -- delays that can translate into lost jobs and lost opportunities. The truth is we are in a fierce battle with other states and other countries for investments. And this competition for jobs cannot wait for bureaucratic responses. One of the key factors in a company deciding to move or expand in New Jersey, rather than somewhere else, is the speed with which we can deliver the necessary services. We need the flexibility to react immediately to trends and to hire specialized staff. Because, I'll be honest with you, the states that have that capability are the ones that are leading in the economic development race, and this is a race that New Jersey plans on winning.

Let me take a few moments to tell you about the Commission concept. By transforming the Department into this new Commission, the State is reorganizing its economic development efforts under one umbrella organization which will set policy, oversee implementation, and measure results for the

Commission and its related entities. These related entities include the Economic Development Authority, the Urban Enterprise Zone Authority, Prosperity New Jersey, the New Jersey Development Authority for Small Businesses, and the Commission on Science Technology. Although EDA and the Commission on Science Technology will be in but not of Treasury, they are there for statutory reasons only. I will continue to closely monitor and coordinate and direct the activities of those agencies.

The Commission will be client focused and market driven. The new structure will allow us to replace our outmoded department structure and will also allow us to rapidly respond to the changing business climate. The New Jersey Commerce and Economic Growth Commission will retain the functions that it currently has of business advocacy, customer service, international trade, accounts management, economic development, maritime resources, sustainable business, and the development of small businesses.

As you know, Travel and Tourism would move to the Department of State under a reallocation of functions. Travel and Tourism will continue to focus on New Jersey's strongest tourism draws, like our beautiful shore. There should be no fear that our major attractions will be overshadowed or ignored by the Department of State.

The Commission structure will allow the state to more sharply focus its economic development vision. As CEO of the Commission and Secretary of Commerce, I will continue to be a member of Governor Whitman's cabinet, reporting directly to her. The Governor will be the chairperson of this board. The Commission's board will set the economic development policy for all of the units that are part of commerce to follow, giving one policy voice to New Jersey's

economic development efforts and ensuring that all commerce agencies are working in unison and with a common purpose.

The Commission structure will also enable the State government to more effectively partner with the private sector. As we have worked to improve economic development in New Jersey, through agencies like Prosperity New Jersey, we have heard from the business community that they thought our State economic development efforts needed to be more responsive. That is why we are creating this Commission. It will allow us to respond to the needs of the business community with flexibility and agility, and give our State's economic policy a more focused, businesslike approach.

I don't have to tell any of you that businesspeople are among our most demanding constituents. This new Commission will allow our state to respond to their needs by approaching economic development in a market driven fashion. We believe this is a powerful tool which will give New Jersey a decided edge in our competition with other states to create jobs and attract business.

And let me be clear. More and more states, including some of our most successful competitors, like Michigan, Florida, and Tennessee have moved in this direction. States and regions that create new, more flexible economic development efforts that are customer driven and involve the private sector are getting results and, more importantly, continue to attract companies. We want those jobs and those companies in New Jersey.

We thought briefly about privatizing the function, but in New Jersey we believe that it is important to keep economic development inside government as a key and crucial mission of the state. So the concept we have developed is uniquely New Jersey and allows us to combine the best of the private sector with the

special attributes of government. This way, Commerce will be a stronger entity and a more visible agency.

New Jersey has made significant strides in the economic development mission in the past four years due, in no small part, to the work of each of you. I know that this is a change from which we are used to, but as a business consultant by the name of Tom Peters used to tell his clients, “Companies have got to learn to eat change for breakfast.” If our state is going to be successful in the global fight for jobs, I think we do, too.

I hope that you will be as excited by this concept as I am, especially for the opportunities that it creates for economic development in New Jersey. I can promise each of you that with your help we will continue to make New Jersey the economic leader of the region and the envy of other states.

Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: I understand the speed with which you have to operate to compete with these other states. I do it with my business all the time: myself verses the big chains that have to go somewhere else to get permission, I can do it overnight. I think that’s what you are trying to do.

COMMISSIONER MEDINA: Absolutely, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: But the problem is that you’re going to need money. Now, where is the money going to come from? You have a \$17 million budget now, which half of it or more of it goes to Tourism and some other departments probably that you’re spinning off.

COMMISSIONER MEDINA: Yes, to--

ASSEMBLYMAN AZZOLINA: How much money are you going to have left, and where are you going to get the rest of it? You’re going to need a lot

more money to operate the way you are talking about.

COMMISSIONER MEDINA: To, I guess, clarify my good friend Dick Forney's assessment of our budget, our budget actually is approximately \$50 million. Much of these funds go to entities that are in but not of the Department of Commerce because of constitutional reasons, and he mentioned a couple, the NJN, which is obviously a very good investment on the part of the State, the South Jersey Port Corporations, and others.

If you take the Commerce Department's budget today and you subtract all of the entities that we will no longer have responsibility for, today in 1998, our budget for economic development purposes is about \$7.5 million. That budget will remain the same in Fiscal Year 1999.

ASSEMBLYMAN AZZOLINA: But don't you think you are going to need more money to operate as independently as you want to operate?

COMMISSIONER MEDINA: I must say, Mr. Chairman, that one of the challenges of being a public sector manager is trying to distinguish between needs and wants. Obviously, there is not one cabinet member in this administration that would not want more money for many very good programs. However, we are dealing with a situation where resources are limited and each of us is given the resources that we need to do a good job. We could always use more money, but I think that with the budget that I will be allocated for Fiscal Year 1999, Mr. Chairman, I will be able to carry out the mission of the Department.

ASSEMBLYMAN AZZOLINA: Because during Governor Kean's period, I believe the budget was over double what yours is today -- for your part of the operation. I am just wondering if you are going to be able to raise money. In addition to \$7 million, I think what you're saying is the \$7.5 million the State will

continue to put into the budget -- your budget -- and you are going to have to seek other funds so you can operate.

COMMISSIONER MEDINA: Mr. Chairman, one of the concerns that I had with the Commission seeking and receiving contributions is always the issue of the appearance of conflicts of interests, because, obviously, we are a business service organization that helps negotiate business assistance packages for business people and for firms.

Prosperity New Jersey, which has been a very successful organization -- public-private partnership -- will continue to exist. Prosperity New Jersey will continue to focus attention on the broad business climate issues that affect the competitiveness of the State of New Jersey. The new Commission that we are proposing to be formed will, in essence, be a Board of Directors that will focus its attention on the business delivery system of the State of New Jersey. It will not accept funds. Prosperity New Jersey will continue to do fund-raising to supplement whatever budget that the government gives to the Commission. It will take on activities like its very successful image marketing campaign, which I believe was one of the most successful economical development campaigns that the state has ever had.

So, yes, we will have support from the private sector through Prosperity New Jersey to supplement the commitments that the State makes going forward.

ASSEMBLYMAN AZZOLINA: Like I told you the other day when I spoke to you on the phone, I want to bring forth what I hear in the field, not to zap the program. We're not here to take a position today, either way, but to tell you what we hear.

I went to a breakfast, MODC, Monmouth Ocean Development

Council, and those involved in Tourism were vehemently objecting to Tourism being spun away into Department of State. They feel that it will falter there and it has nothing to do with the cabinet member or anything like that. But they felt that tourism is a large business, as was said on the screen before, and they felt that it should be under the umbrella of your new Commission.

Also, we heard about EDA. They do not like that, going over to Treasury. For what reason, I do not know. But I have heard enough of it, and I think we ought to explore all of these negatives before we bring the bill up for a vote. Eventually, the bill is coming before our Committee and other committees probably, also. Today is just to get an overview from yourself and from the members here. We have a combination of businessmen and legislators that are going to be voting on this legislation. And it's just to give you a feel and for us and to hear a feel from the public.

COMMISSIONER MEDINA: I would just like to comment on that, Chairman, because I think you have made some very important points. I think what we have to understand that what we are proposing consists of two components. One is the creation of the Commission, the reorganization of the Department of Commerce and most of its core activities.

The second issue that we are discussing is the allocation of certain functions. Although the Commission and the New Jersey Economic Development Authority and other entities that are currently related with the Department of Commerce will be in but not of Treasury, through the legislation we are going to propose that you create fire walls so that Treasury really has no operating responsibility or influence on those organizations.

What we are proposing is that the CEO or Secretary of Commerce of

the new Commission will continue to appoint the chairperson of the New Jersey Economic Development Authority and will continue to have the primary responsibility for overseeing its affairs as it currently does on behalf of the administration. So I think in terms of EDA and the other related entities, we are hoping that you will support legislation that will continue many of the prerogatives that the Department of Commerce currently has in regards to them.

Now, in terms of allocation of functions, there are two major functions that are being reallocated out of the economic development function. One of them is obviously Tourism. The other is the New Jersey Redevelopment Authority. We do understand that there is concern by leaders of the tourism industry about this. We feel that you could rationalize the allocation of Tourism either in the new Commission or in the Department of State, and we as an administration have chosen to recommend to the Legislature that it be allocated to the Department of State.

ASSEMBLYMAN AZZOLINA: Thank you.

Any other members?

ASSEMBLYMAN ASSELTA: Thank you, Mr. Chairman, and through you.

Welcome, Commissioner. I just want to preface my remarks by saying we have had a great relationship, and for the last four years you have done a fantastic job for the State of New Jersey all across this particular country and internationally.

A couple of quick questions. First of all, I want to start out by asking you, as this board and Commission is set up, does the Governor plan to get personally involved in the promotion and marketing and the selling aspect, being

the chairman of the board?

COMMISSIONER MEDINA: Yes, Assemblyman. The Governor will serve as a chairperson of this new Commission. She will also continue to play an active role in Prosperity New Jersey. She will continue, and we hope that she will increase, her role as a salesperson for the State of New Jersey. We felt that during the early years of our administration the Governor was an effective salesperson on our ad campaigns. Obviously, because of campaign considerations, the Governor wanted not to appear on ads for the state during the last one and a half years of her last term. But she is going to play a very active role in the promotion of the State of New Jersey in every regard, whether it be to promote it as a place to visit, to do business in, or to invest in.

ASSEMBLYMAN ASSELTA: I think that's critical, and as you and I well know, that when she gets personally involved or any governor, it usually means that you can close a deal.

COMMISSIONER MEDINA: Assemblyman, I would like to say that in regards to any major deal that we had going, the Governor played a role at the appropriate moment. Just to give you an example, in regards to Microsoft NBC. In regards to Microsoft NBC, the Governor personally met with Bob Wright, with Andy Lack, or the key people at NBC to help close the deal.

During her campaign, in fact, the last week and a half of her campaign, negotiations with Pharmacia and Upjohn heated up in a very substantial fashion. I was advised by the leaders of Pharmacia and Upjohn that it would be critical for the CEO of Pharmacia and Upjohn to get a sense from the Governor herself that she was committed to them and wanted them in the State of New Jersey.

I have to tell you that the Governor got me on her campaign bus, and

in the middle of a very difficult and busy campaign, she was on the phone with Mr. Fred Hassan (phonetic spelling) to sell the State of New Jersey. They subsequently met before the election. So she has played a very, very active role. I believe that sometimes the Governor has not done this as visibly as perhaps people would like her to do, but she has been very much engaged.

ASSEMBLYMAN ASSELTA: And closure is the key here because we all know whoever is involved in sales and marketing. And that leads me to what Chairman Azzolina has just mentioned about dollars and increased funding. Once you create this Commission and peel away some of your budget, I believe you need some more money for incentives.

Now, let's take it to the next step, which I think this Department -- and as in my experience trying to promote business in my district and being successful in some instances and not too successful, some of the reasons tend to be other departments that interact with your department. Now, if you set up your department and Commission and you're out there being aggressive and some of the other departments say, "Let's talk about that" -- one being DEP -- maybe we should have made that a Commission, also -- Department of Transportation and the Department of Labor. Those three commissions and Departments interact very critically when you begin to try to bring a big huge investor into this state.

And I know Department of Labor has been very supportive with some of the things we've been trying to do. But I also-- I think the tie-in between DOT, which infrastructure means so much in encouraging development, and the DEP, having some of their plans restrictions okayed in a timely manner, how will that play into this new Commission, and will it help facilitate those other Departments in development?

COMMISSIONER MEDINA: Well, Assemblyman, I apologize that you have the impression that you do of some of the other departments of State government. But I must tell you, under Commissioner Shinn's leadership, DEP has really been transformed and they have become incredibly responsive. Commissioner Shinn, early on, created an accounts management system within the New Jersey Department of Environmental Protection. That concept, that program has made an incredible difference in terms of how businesses feel about their interactions with DEP.

Frankly, when I first came into office with Governor Whitman in 1994, the number one department that businesspeople complained about was the New Jersey Department of Environmental Protection. I have to tell you, Assemblyman, I don't hear any complaints anymore about DEP. I have to tell you that the Commissioner and his staff have been very responsive to my request for support.

In terms of the Department of Transportation, Commissioner Haley has a very large budget and he has a very complicated department to manage. In spite of that, I feel that Commissioner Haley and his staff have also succeeded in being very responsive to my request. You and the Chairman have indicated my department is not one that has a lot of resources; therefore, we have become very adept at spending other people's money. If you look at State government, there is a lot of it at DOT, there is a lot of it at Department of Labor. Frankly, those two Departments have been incredibly supportive of our efforts to do economic development in the state.

ASSEMBLYMAN ASSELTA: So my fear, Commissioner -- and you're absolutely right, there has been improvement. My fear is the acceleration process that we just talked about. Commerce is going to be way out front on some of this

development and marketing. If those three particular Departments, that are critical in playing a role, does not accelerate with you, is it going to be effective? That's my question.

COMMISSIONER MEDINA: Well, Assemblyman, I can promise you that we will make certain that other departments in State government will continue to support what we are doing. I have been very pleased with the support that I have received and I promise you -- and you are absolutely right, Assemblyman. You have been very much engaged in the economic development in your district. Because of you, we have had some pretty good successes. I think we are going to have many good successes in the future.

ASSEMBLYMAN ASSELTA: We hope.

COMMISSIONER MEDINA: As you know, we are working on some very exciting projects that we hope come to fruition. I promise you that on those projects, Assemblyman, we will have the full support of DEP, of DOT, and the Department of Labor, and any other State entity that we need to bring in.

ASSEMBLYMAN ASSELTA: Thank you.

ASSEMBLYMAN AZZOLINA: I and the Vice-Chairman have taken a lot of question time. We'd like to now move on and make the questions shorter.

COMMISSIONER MEDINA: How about the answers, Mr. Chairman?

ASSEMBLYMAN AZZOLINA: Lesser questions so others can have-- They all have questions to ask you.

COMMISSIONER MEDINA: The questions shorter and the answers longer, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Guy Gregg.

ASSEMBLYMAN GREGG: Good afternoon, Commissioner. I'll be brief. We chatted before the meeting and the Chairman has already brought up the issue of tourism. I can share with you why I think it could be a question and I hope we'll be able to resolve it before the process completes is-- I read from the press release released by the administration. It says, "Under the new reorganization certain programs which are not central to the Commission's core economic development mission" -- and I'll say that again, which are not central to the Commission's core economic development mission -- "will be shifted." One of those happens to be Tourism, which is virtually the largest economic resource in the state today with its collateral businesses that are revolving around its profit-and-loss situation.

It goes on to say that Tourism will shift to the Department of State will focus on showcasing New Jersey's cultural and historic treasures, which sounds very much like the Department of State and not much like a beach, if you happen to be from the shore. I am just going to reiterate my concern, and I hope as we go through the process, we look at options to ensure that while we are enticing new businesses to come into the State of New Jersey, we don't forget the ones that are here, we don't forget the resources that are here, and we don't forget where the economic power of the state really lies. I certainly support the concept, dramatically, of streamlining things, and I share my colleague's viewpoint on it. It will be an interrelational issue as you become a public-private partnership, which I do completely support.

Speaking about your budget and having it shrink from \$50 million to \$7.5 million, which I'm sure it does, when you used those numbers, just for the Committee's point of view and, quite frankly, for the guests here, that does not take

into consideration any incentives that are provided through legislation or through, quite frankly, the Budget and Appropriations Committee, which I sit on. So when we give incentives to businesses that comes from the general revenue.

COMMISSIONER MEDINA: Let me clarify that. What has happened is that because of the constitutional requirement that every entity be in but not of a state department, there were a lot of functions that were made in but not of the Department of Commerce. In regards to the budget for those groups, my department really had no oversight responsibility for those funds. You can look at this as there being different profit centers, and I was responsible for managing only one profit center. My role was basically to serve the constitutional responsibility of permitting tax dollars to go to these various activities.

So, for example, the South Jersey Port Corporation received, historically, approximately \$5 million a year, but I have very little, if no, control of the management of the South Jersey Port Corporation. It has a Board of Directors to which the administration appoints people, and they were the ones who had the fiduciary responsibility for that profit center. So it is important to understand that I never controlled that \$50 million budget. I controlled approximately \$13 million, as Dick Forney indicated in the television program, and about \$5.9 million of which was for Travel and Tourism. Some of that budget went to hire staff, approximately 14 people, and the balance of it went to do advertising and promotion for the state.

So we end up with a \$7.5 million budget. None of that budget is used for incentive programs. The incentive programs, the way we created them, will come from other sources largely, either the Department of Labor, New Jersey Economic Development Authority Financing, the Business Employment Incentive Program Grant Program, which is money that Treasury collects, the personal income

withholdings, and then makes a contribution to the company back reflecting a percentage of the personal income taxes generated by the employees of this company.

ASSEMBLYMAN GREGG: I thought it was important to clarify that.

COMMISSIONER MEDINA: Very critical, Assemblyman. Very, very critical because, if I were to compete with \$7.5 million and have to use that for incentives, that would probably give me two projects and one commissioner as the full staff of the department. But, no, the \$7.5 million will be used largely for staffing, for the resources that are needed for travel, for equipment, and all the types of things that are needed to run an organization.

ASSEMBLYMAN GREGG: Two quick last questions following up with your statement on your inability to control certain dollars in your present position. Do you believe that this new Commission will give you more control over the potential for incentives under the new structure?

COMMISSIONER MEDINA: I would say that would not change greatly because I, in many ways, am designated by groups like the Department of Labor and the Department of Transportation and EDA to be the point person to negotiate packages of support for businesses. That's not going to change.

I have to stress again that I understand Assemblyman Asselta's frustration sometimes with how we in government work. But I cannot complain of not having gotten the full support of my colleagues in this administration. And I anticipate that that will continue to be the same, if not even more so.

ASSEMBLYMAN GREGG: Last but not least, I will follow with Assemblyman Asselta because I think his point was very valid about the interaction between the Departments. Do you foresee this Commission being active or in

recommending reforms to the Legislature to achieve your goals? And I'm speaking of things that I think we all know when we are trying to create an environment of economic development. The things that come to mind immediately are regulatory forum, tax structures, labor laws, transportation and infrastructure, and certainly not last but not least, the quality of life, one of the things that New Jersey offers at the top of the list when studied. Some of the other aforementioned items we do not always fall at the top of the list in being competitive with other states. Do you look at your commission being able to be more dynamic or more effective in being clear to the Legislature and the state and the administration that there needs to be these kinds of changes if we're really going to achieve a true economic boom and compete with states like South Carolina, Arizona, Texas, and areas of that nature?

COMMISSIONER MEDINA: Our hope is that the Commission board will continue to focus on business service delivery issues. In other words, to make certain that our business service delivery apparatus is customer focused and market driven. We will continue to rely on Prosperity New Jersey to take on these broad business climate issues that you mentioned, Assemblyman. And as you know, Prosperity New Jersey has done an outstanding job in terms of precisely focusing on those issues. Because of Prosperity New Jersey, the State of New Jersey received its first Tourism Master Plan, which was funded by Prosperity New Jersey. For the first time in 10 years we got one. Because of Prosperity New Jersey, we have done some work on regulatory reform and we have addressed many issues.

We are working on a business resource center that will create an Internet database for the State of New Jersey that will be second to none. In fact, it will be a leader in the country. So we anticipate that Prosperity New Jersey will continue to focus on those broad business climate issues. The Commission's board,

we anticipate, will focus on how we provide services to businesses and is the quality of the services and how we provide them acceptable to the business communities.

So that is how we are going to continue to provide that support that you asked for, Assemblyman.

ASSEMBLYMAN GREGG: Thank you, Mr. Chairman.

ASSEMBLYMAN GEIST: Thank you, Chairman.

Good afternoon, Commissioner.

COMMISSIONER MEDINA: Hello, Assemblyman. How are you?

ASSEMBLYMAN GEIST: Commissioner, I am going to ask short questions seeking specific answers.

COMMISSIONER MEDINA: I give nothing but specific answers, Assemblyman.

ASSEMBLYMAN GEIST: Commissioner, what do you envision will be the size and makeup of the Commission and the methodology of a appointment? Size, makeup, and methodology of appointment.

COMMISSIONER MEDINA: Assemblyman, we are still working on that, but the way I envision it at this juncture is that it will be a smaller, rather than larger, board, that it will be representative of businesses of all sizes. We hope that we will be able to have businesses representing most of our key industry sectors, and we anticipate that the Governor will appoint the commissioners, the board.

ASSEMBLYMAN GEIST: Do you envision that being subject to advice and consent of the Senate?

COMMISSIONER MEDINA: I would believe that it should not be, simply because Commerce right now is an executive function and I really view this Commission as continuing to be an executive function.

ASSEMBLYMAN GEIST: Next question. Will this Commission be subject to the sunshine law?

COMMISSIONER MEDINA: Yes, it would be, and I'm glad. I strongly believe that the purposes that are promoted by the sunshine law are very critical, which is providing information to citizens about decisions that are being made that affect their tax dollars and the policy that affects their lives. So I am happy to report that yes, the sunshine law will apply, and if it didn't, we still would comply with the sunshine law requirements.

ASSEMBLYMAN GEIST: Do you envision any adverse jobs impact on the career public servants that are already under your leadership?

COMMISSIONER MEDINA: Assemblyman, you know, because you and I are, besides the fact that we spend time together here in Trenton -- we are friends on a personal level-- As you know, that is a very big concern of mine because you and I have had a chance to discuss how my department functioned over the past four years and you have been very helpful to me with insights on things that we could do better. My expectation is that many of the current employees will go to the new Commission, but we also have to be aware that there are people in the Department of Commerce, currently, who will not want to give up their Civil Service protection in order to go to this Commission. For those people, I have made a commitment that I will work diligently to place every one of them in comparable jobs in other State departments. I am, at this juncture, Assemblyman, optimistic that I will be able to deliver on that pledge, but I will be working extremely hard to make certain that those workers are protected.

ASSEMBLYMAN GEIST: Thank you.

Thank you, Chairman.

ASSEMBLYMAN AZZOLINA: Joe McNamara, former Deputy Commissioner.

MR. McNAMARA: Good afternoon, Commissioner.

COMMISSIONER MEDINA: Hello, Deputy Commissioner, how are you?

MR. McNAMARA: I'm doing fine.

The focus of the Commission -- the public-private partnership -- I think is a positive step. I mean, having spent some time there, I think the most difficult task often was that the economic development network seemed to be fragmented. You had State, local, county, utilities, private sector working to promote business in New Jersey, but often the marketing wasn't coordinated because each had their own perspective. I think if the Commission is designed to try to bring those elements together in a more coordinated way, then I think that's a positive.

But my question is-- Over the past few years, the Task Force, working with Chairman Azzolina -- we've put some recommendations in place. I think your department has been making some effective reforms in terms of organizing on an industry basis and regionally. So again you could help with that coordination that is required. Does this Commission and the makeup look to use more private utilization? Does it enhance those reforms, or does it obviate the need for them?

COMMISSIONER MEDINA: Joe, that's a very good question, and I believe that this Commission is a natural evolution of that entire process. This Task Force has, as you know, been instrumental in providing us with guidance on how best to service the business community. We have taken many of the ideas and recommendations that this Task Force has made. Some of them went into statute,

some of them we just implemented without statutory direction. We feel that this is an evolution that includes many of the reforms that this Task Force recommended.

MR. McNAMARA: In terms of funding, I was hopeful that the Commission, perhaps utilizing better private resources, might come up with greater resources. Seven and a half million dollars-- I know when Assemblyman LeFevre was Deputy Commissioner I had more resources to work with than we had when I was there and certainly that you have now, perhaps through the relationship with Prosperity New Jersey. Because we, this state, really does need more resources, more marketing to--

We are doing a good job. We have great location, but other states are outspending us. I am hopeful that somewhere down the line that, through this Commission, more utilization of public-private resources can give us a bigger bite because we've got to increase the market share.

COMMISSIONER MEDINA: Joe, I think there is two steps in the process. One is making better utilization of existing resources. We've done that through a very vigorous return on investment analysis process that we have instituted in the Department of Commerce. You don't know how many times I have people come to me and tell me that we should spend \$35 million in having a trade mission to X country. Frankly, when you look at the economy of X country, it's 10 percent of the size of the economy of the State of New Jersey. You have other states, which I will not mention, that spend tons of money sending people there. So I think there is one concern, which is how we utilize funds. I think that we have done everything we can to make sure that our funds are being utilized as efficiently as possible.

The second concern is what we could do if we had additional resources. Again I have to say that Prosperity New Jersey has done an outstanding job in terms of mobilizing resources to supplement what government was doing that we anticipate that that will continue.

MR. McNAMARA: Thank you.

ASSEMBLYMAN AZZOLINA: Ken, one question. You had your day in the sun already.

ASSEMBLYMAN LeFEVRE: I don't have a question. I just have a comment. I think it is important to again commend Commissioner Medina for pursuing this initiative. I think this is long overdue. I am obviously an advocate of where you are going with this. It's probably safe to say that the current, or the proposed structure, is still evolving. I do have questions about Travel and Tourism.

I just wanted to comment, quickly. Back in the early '80s when New Jersey and You Perfect Together was introduced, it really wrapped around economic development, international trade, and tourism. We had one agency and one theme, and I think that is where it ought to stay.

I can remember the days back when Steve Cougin (phonetic spelling) was with Public Service and when we had clients that we needed a helicopter-- We had a fleet of State Police helicopters sitting over here nearby. We weren't allowed to use them, but we would have to go to Public Service to use their helicopter to take clients around New Jersey. Hopefully that will change some day, but that was the consequences of working in the environment that we used to work in. Hopefully under this Commission it will change.

COMMISSIONER MEDINA: I'll tell you something that is very

interesting. Tonight, I'm leaving here to fly to go to Philadelphia Airport to fly with a number of Congressmen and Secretary of Commerce of Pennsylvania to Seattle to discuss the closing of the Boeing plant in Pennsylvania. This Boeing plant hires a lot of workers from the State of New Jersey. This trip was put together at the last minute. It was put at the last minute because it's a critical decision point. Congressman Curt Weldon and Secretary McKulliff (phonetic spelling) thought it was critical to go now.

I personally-- If I had to do that, it would take me weeks in terms of requisitions and procedures to assemble a team and get all the necessary approvals, and by then Boeing would have made their decision and they would have been gone. We hope that this new Commission is going to give us the flexibility that will allow us to respond to those kinds of crises and opportunities.

Assemblyman, you know that we put the video on to make sure that we had more say than anybody else, and I think we did.

ASSEMBLYMAN AZZOLINA: Yes, you kind of hurt us here a little bit.

Lou.

ASSEMBLYMAN LeFEVRE: If you stay around, everybody, we are going to run it again. (laughter)

ASSEMBLYMAN AZZOLINA: I told him he had his day in the sun. That's all he is going to get today. (laughter)

COMMISSIONER MEDINA: But I agree with Assemblyman LeFevre. Maybe we should run the tape again to make sure that everybody got it. (laughter)

ASSEMBLYMAN AZZOLINA: Go ahead, Lou.

ASSEMBLYMAN GREENWALD: Commissioner, I have a few

questions for you.

ASSEMBLYMAN AZZOLINA: South Jersey, I think.

ASSEMBLYMAN GREENWALD: South Jersey.

COMMISSIONER MEDINA: He's my Assemblyman, so I am very, very aware of that.

ASSEMBLYMAN GREENWALD: Commissioner, I guess one of my concerns is, being from South Jersey, I'm impressed to see that our Committee actually is made up of so many South Jersey representatives. But so often, in South Jersey, we hear the argument of north verses south. What will be done to protect the interest of South Jersey under a commission formed like this -- to protect those interests of the South Jersey development and south Jersey business?

COMMISSIONER MEDINA: I think, Assemblyman, there is a natural progression and evolution in South Jersey that will, to a large extent, take care of that. The reality is that if you look at South Jersey, it's almost like our South Carolina. If you look at the land cost, if you look at the labor cost, if you look at the quality of life, if you look at the cost of housing, if you look at the quality of education, if you look at the cost of doing business, it really has a lot of natural advantages. I certainly, over the past four years, have been seeing a stronger demand for sights in South Jersey than I saw in 1994 when we first took office. We have had a number of major expansions and relocations in South Jersey, and I can provide you with a list of those so you can get a sense of how many and how big.

We will continue to try to take advantage of the fact that some of New Jersey offers some advantages that simply sometimes aren't available in other parts of the state. Our goal is to try to take advantage of all of our assets and some of New Jersey is a major asset for us in the state. We plan to fully take advantage of

that asset.

ASSEMBLYMAN GREENWALD: Commissioner, I would ask you to, if you can, follow up with that list. I share your opinion. My concern, I guess, is that the Commission be equally represented to also share that opinion to make that development happen.

COMMISSIONER MEDINA: We started with the-- The first CEO of the Commission will be a boy from Camden County. So we are starting on the right foot in regards to South Jersey.

ASSEMBLYMAN GREENWALD: That takes me to my next question. Who will be chosen to sit on the Commission, and how will we select that process?

COMMISSIONER MEDINA: Assemblyman, we have not, honestly, worked out all of those details. We hope by the end of the month to have proposed legislation to you to look at and to begin to consider. But my hope -- and we still are working these details through -- is that the board will be relatively small so that we can have productive time with the Governor discussing the business service delivery system of the State of New Jersey. It is my belief that if we have a smaller body, we are going to have a better ability to have a meaningful dialogue with the Governor about what has to be done.

One of the, I think, geniuses of this new reorganization is the fact that the Governor will be chairing this new Commission, which means that at least on a quarterly basis, she will be meeting with key leaders of industry and myself to discuss how our business service delivery system is working.

ASSEMBLYMAN GREENWALD: Philosophically, Commissioner, I have agreed with everything that you have said, and I am very excited about the possibility of this. Let me give you a hypothetical that we are experiencing now

with deregulation in the state. Under this new Commission form, how would deregulation necessarily be affected? And are we concerned at all about a position of conflict where maybe we favor a state, and state like PSE&G, over one of the outside entities that were coming in? Because, ultimately, my concern is going to be to ensure that freedom of competition, which is going to make this take off.

COMMISSIONER MEDINA: Assemblyman, I don't think you could of stated my department's position more clearly. Our role in this whole deregulation process is to try to encourage the administration to introduce as much competition and quality service as possible. I have played a very active, if silent, role because we don't discuss conversations we have internally publicly, but I have been and my department has been engaged on many, many, many, many matters affecting precisely those kinds of choices.

My role will be, and will continue to be, to recommend to the Governor that she pursue those policies which will, in essence, introduce the most competition and the highest quality service, which is I think what we need to strive for in New Jersey. The cost of energy in New Jersey is extremely high, and we believe -- I believe that one of the ways we can begin to bring that cost down is through significant and real competition.

So I believe that New Jersey is poised to do that, Assemblyman, and it's going to be a huge challenge because there are a lot of issues in the deregulation process that we have to address -- issues of stranded cost, exit fees, and others that have to be discussed and resolved fairly. But I think that the goal of this administration has been from the beginning and will continue to be -- and certainly my role in advising the administration -- to try to promote that situation which increases competition and the quality of services.

ASSEMBLYMAN GREENWALD: You know, Commissioner, but following up on what you said, right now you have great influence in this, and I think members of business and industry in my community who supported me know that you -- not because you're in my district -- are only a phone call away. Will your influence remain the same, or are we going to bifurcate that?

COMMISSIONER MEDINA: But keep in mind, Assemblyman, that my influence in this administration flows from the Governor. I have the influence that the Governor provides me. I can tell you that there have been times, without mentioning administrations, where not just the Commerce Commissioner, but other cabinet members simply did not have very much influence at all.

Under this administration the Governor has been very concerned about economic development. I would say that it is one of the areas that concerns her the most, job creation. I don't think a day goes by when the Governor does not think about how this day could create more jobs for our citizens. So really my authority flows from the Governor, and what is going to happen with the new organization is it is going to be similar to what happened with the Board of Public Utilities where the Commission -- or President of the Board of Public Utilities has cabinet status. He attends cabinet meetings. If he needs to talk to the Governor directly, he does. He, in essence, is in every regard a cabinet member. I will continue to have that after this reorganization. I will be a cabinet member.

In fact, Assemblyman, one of the least-- One of the aspects of the legislation we are working on that, I guess, made me the least happy is the fact that my salary will be keyed into that of cabinet members. So I am going to be treated in every way, including with pay -- salary -- just as every other cabinet member will be treated.

ASSEMBLYMAN GREENWALD: So we are saving taxpayers' money already.

COMMISSIONER MEDINA: So the Governor made certain of that--

ASSEMBLYMAN AZZOLINA: The same \$7.5 million is going to be there though.

COMMISSIONER MEDINA: It's love of labor.

ASSEMBLYMAN GREENWALD: Commissioner--

ASSEMBLYMAN AZZOLINA: We have to move on.

ASSEMBLYMAN GREENWALD: I only have a couple of more.

ASSEMBLYMAN AZZOLINA: I only got five more minutes for him. So if you want to ask and nobody else--

ASSEMBLYMAN GREENWALD: In 1995 we passed comprehensive package of business incentives, which I think led to the success that we've experienced. It authorized or directed the Commerce Department to undertake a series of new program initiatives to improve business. How do you envision these new initiatives will be continued if the Department is changed into this independent Commission?

COMMISSIONER MEDINA: We will continue to play the role we've played as the entity that will negotiate those services, those incentives. I have to tell you, Assemblyman, that you and your colleagues have probably instituted more economic development legislation than probably very few legislatures in the country, and all of it has been extremely good. You have made substantial changes in the business climate in the State of New Jersey. I won't catalog them now, but the changes have been significant and have changed our competitive posture.

I will continue-- We will continue-- The Commission will continue to

play the central role in assembling and negotiating with businesses and putting together incentive packages for them.

ASSEMBLYMAN GREENWALD: Is there anything else that we need to do as a legislative body to address the continuity of these enactments? And are you going to present those to us over the next month as you present this one bill that is going to go to this Commission?

COMMISSIONER MEDINA: I believe that the bill that we will present to you is going to address a lot the concerns that you as a Legislature legitimately have and a lot of the concerns that other people have. I think that we are striving -- we're listening and we're striving to address those issues so that when you get a bill, it will be a bill that will be substantially one that you will be in agreement with. I know that there is always going to be some areas where we will have some disagreement. I think that's natural. But we are striving for a bill that's really going to minimize the areas of disagreement between us and representatives of various regions in the state in the Legislature.

ASSEMBLYMAN GREENWALD: Commissioner, my last question.

ASSEMBLYMAN AZZOLINA: For the legislators we will have another bite at the apple. Is it important?

ASSEMBLYMAN GREENWALD: Well, I think it is important because--

ASSEMBLYMAN AZZOLINA: You're going to get a bite at the apple again with him.

ASSEMBLYMAN GREENWALD: Well, it's one that everyone has asked.

COMMISSIONER MEDINA: Who's the apple here, Mr. Chairman?

(laughter)

ASSEMBLYMAN GREENWALD: I guess my last question would be involving tourism. Again which is something that everyone, I think, raised a concern to some extent with.

Last night I met with George Geist and members of the 4th, 5th, and 6th Legislative Districts with Education Association Members. Obviously they were petitioning for money for their specific needs as you said all agencies do and departments do. But there was one woman -- and I'm sure George will remember this -- who raised a very specific question. She, in her bid for more money, said, "Stop spending money on all this sand down along the beaches because this isn't helping the future of our state. It goes away every year and we have to just keep reinvesting in sand."

COMMISSIONER MEDINA: I would like to ask that lady does she take that same philosophy with her house. She refuses to invest in it and let it fall on her head.

ASSEMBLYMAN GREENWALD: Absolutely.

COMMISSIONER MEDINA: I hate to say this, Assemblyman. I don't usually like to resort to this kind of language, but that is absolutely absurd.

ASSEMBLYMAN GREENWALD: It is.

COMMISSIONER MEDINA: The beach is one of our greatest assets in the State of New Jersey. It draws, literally, million of visitors to the state who leave billions of dollars in the state, all of which pay taxes, all of which employ approximately 400,000 people in the State of New Jersey. If she feels that she is prepared to put 400,000 people out of work, that is a fine thing for her to say, but I believe it is absolutely irresponsible and her feet on that issue are firmly planted

in the clouds.

ASSEMBLYMAN GREENWALD: Commissioner, you have just echoed the understanding and emotions of pretty much both Republicans and Democrats alike who were there last night. But this was a woman, a very intelligent woman, who has concerns about education funding in the state. And I hate to say this, but that is a perception in our state and that perception is reality unless we do something to change it.

I am concerned by moving Tourism out of this Department we are adding to that perception, and I would ask that you consider seriously because I don't understand why we would do this. To me tourism is business. It is huge business. And it is something that should be directed by this Commission and by this Department, and I am not comfortable, as a member of the State Government Committee, moving it to that committee. I would ask that because of what you just said, we give it great consideration. And I don't know if you want to go on as to what the thought process was to remove it from the Commission.

COMMISSIONER MEDINA: Well, I would just say, Assemblyman, the proposal that we have has a number of moving parts. One of them is the creation of the Commission, and the other is the allocation of certain activities, certain functions, and I just hope that when we discuss these issues we keep that in mind that these are a number of separate issues that we are discussing and we should try to focus on the merits of each of these proposals separately.

ASSEMBLYMAN AZZOLINA: This is going to be a decision the Legislature, in conjunction with the executive branch, as we move down the pike-- This is just early stage right now. So it may or may not happen.

One last question and be quick because--

Joe McNamara and then Joe Gonzalez.

MR. McNAMARA: Quick-- Commissioner, you had mentioned the legislation has been passed, some great economic development legislation which I wish I had when I was there. One of the pieces that is not yet in place is a piece that would -- the Export Financing Act -- give greater impetus to banks and some of the interest in financing export development, particularly on a transaction basis, which would make a little bit different than I think has been done in most states. We as a committee thought that that would be a great way to bring medium- and small-size businesses into the international arena.

Is that concept something that -- well, the Department, of course, the Commission is not established yet -- we can still work on to promote and push?

COMMISSIONER MEDINA: One of the things that we are going to be doing with the new Commission is we definitely -- something that I know we want to do -- is give a lot more focus to helping small businesses learn how to engage in international trade. I have to tell you though, Joe, that the New Jersey Economic Development Authority has a lot of programs that are available that could help exporters contract lines of credit and a lot of other programs that are available.

What I would suggest that this Task Force do is work with Caren Franzini to try to see if we can refocus some of her programs, and maybe with your help we can make some of these programs more effective. I can tell you that Caren is a very creative person, and every time that I have asked Caren to rise to a challenge she has more than risen to it. She has come up with solutions that were innovative and creative and normally exceeded my expectations.

What I would strongly suggest, Joe, is that members of the Task Force that are interested in export finance spend some more time with Caren trying to

explore ways of implementing the kind of concept that you are discussing.

ASSEMBLYMAN AZZOLINA: John Pell is chairing that export finance.

Do you want to say a comment?

MR. PELL: Just a brief comment. First of all, I would like to congratulate you on your presentation. It was very much to the point. Basically, as a private citizen most of it made a great deal of sense to me. We did meet with Caren Franzini about two years ago, I guess. Time flies. She was very excited, at the time, about a new program of working to help smaller companies export, working in conjunction with the state banks.

A year ago we were having a meeting with one of the banks, which I won't name. Their executive in charge of trade finance made the comment about that particular program, that it was very ineffective, too detailed, too documentary intensive, and they simply didn't like it.

COMMISSIONER MEDINA: John, let me just tell you that that's a very unusual response from banks because we do business with almost every bank in the State of New Jersey. We do business with a number of foreign banks. What I have heard from all the banks that I have talked to about their work with EDA is quite the contrary. However, I have to tell you, John, that this whole area of export financing for small businesses is very unique, very complex, and I think it is very challenging.

What I would like to do, John, is maybe you and I sit down with Caren and discuss some of the concerns that you've heard to see if maybe the three of us can do some brainstorming to come up with something that really does work and possibly even have a roundtable with bankers in the international division of various

banks, that you could invite, and we can maybe discuss what type of program would work.

ASSEMBLYMAN AZZOLINA: We've got a couple of banks involved, but we need more. John is working on that now. Maybe working together you might get somewhere.

Commissioner, thank you very much.

COMMISSIONER MEDINA: Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: We have a chair up here to sit up here and listen to the rest.

COMMISSIONER MEDINA: Mr. Chairman, is it okay with you if I excuse myself because I have to catch a flight to Seattle and I've got to--

ASSEMBLYMAN AZZOLINA: Seattle?

COMMISSIONER MEDINA: I've got to go pack at home because--

ASSEMBLYMAN AZZOLINA: That's where Battleship New Jersey is. Are you going out to see it? (laughter)

COMMISSIONER MEDINA: Mr. Chairman, I didn't want to tell you this, but with the new Commission, I will be able to bring it back with me. (laughter)

ASSEMBLYMAN AZZOLINA: Okay, thank you very much.

Joe Gonzalez, next, please.

We have five additional speakers. Joe Gonzalez, Brad McDearman, Consultant of Prosperity New Jersey. We have Joan from the present State Chamber and one other person.

Okay, Joe.

**J O S E P H E. G O N Z A L E Z:** Mr. Chairman and members of the

Committee and of the Task Force: it is good to be here today. On behalf of NJBIA's close to 16,000 members, we thank you for this opportunity to share our thoughts on the Governor's proposal to create the New Jersey Commerce and Economic Growth Commission.

First, I think it is important to note that the Governor and a series of Legislatures, really going back to the early '90s, have worked together on a bipartisan basis and contributed significantly to the prosperity of our state's business and the people they employ.

ASSEMBLYMAN AZZOLINA: Is the button on? (referring to PA microphone)

MR. GONZALEZ: Better?

ASSEMBLYMAN AZZOLINA: Yes.

MR. GONZALEZ: I was going to give a kudo to the Legislature, so I am glad that the mike went on at this time. And seriously, you look back at what has been done on a bipartisan basis by the Legislature in recent years, in fact, just go back a couple of months: solution to charity care; cut in UI taxes effective July 1; tax incentives for biotech companies and for hi-tech operations; broadband legislation extremely important in rebuilding our cities and our other areas where we have abandoned plants and factories. There have been a lot that has been done over the last six, seven, eight years that I think has made New Jersey a better place in which to do business.

And really because of what your Committee has done and other committees of the Legislature, we now have more than 3.7 million people employed in the State of New Jersey. As you are all aware, we finally got our unemployment down under 5 percent down to 4.9 percent. I think that's, to a large degree, because

of the number of legislative initiatives that have been enacted.

In fact, those three areas that I mentioned, brounfields, hi-tech, and charity care -- these were all basically legislative initiatives. The Governor signed each of them, conditioned and vetoed some of them, but you look at who the key players were and to a great extent they were members of the Legislature, so we thank you for what you have done.

We are now enjoying such economic affluence because the Governor and the Legislature have made business growth a priority. No matter what the structure of the Department of Commerce finally assumes it's ultimately the commitment of the State's chief executive legislative leadership and committees like this one that will determine whether businesses thrive in a sunny business environment or struggle in a stormy one.

When you think of the evolution of this Commission-- Back in the '60s we had a Department of Conservation and Economic Development. DEP and Commerce together in one department, if you can believe that. Well, that's the way it was for many years. So then they said, "Well, that doesn't work." So in the early '70s, Labor and Industry. In other words, business and labor together in a department. Another shotgun marriage. It didn't work very well either.

So the next idea was in the early '80s to go with the Department of Commerce and Economic Development. As you could recall about eight years ago or so, it became Commerce Energy and Economic Development. That was taken out. So what I'm saying is that we have evolved through the years, and it seems that in each case what happens is that we develop a kind of a structure that represents what the players at the time, the governor, and the legislative leaders, feel is most appropriate.

And I think that is why we have now seen this new proposal for the Commission. And decreeing a special status on the Commission for job retention and creating economic development opportunities really tells the business community that New Jersey is very serious about stimulating economic growth. Having the Governor serve as chair of the Commission, I think, is a good idea. It gives job creation issues a high profile and sends a powerful message to the business community.

I think the thing that is key here is that it wasn't just stuck into the budget message. I picked up a copy of the speech the Governor made to the Southern New Jersey Development Council, actually down in District 2, the other day. And she said that our new Commerce Commission will be a rapid response team for business. This team will be able to keep pace with the change in business climate in ways the government agency can not.

When a new business trend develops, we aren't always able to respond as quickly as we would like. You've heard some of this from Gil today. But as a public-private partnership, the new Commission will be able to hop aboard emerging trends before they pass New Jersey by. Our rapid response will help us attract even more good jobs to the state.

In addition to the Governor's personal involvement, another element of the proposal we like is the integral role. It gives employers, in designing and initiating economic development, policies across the state. It is particularly critical dynamic given the sophisticated, specialized, and practical expertise required to make State economic development policies more productive and effective.

Now when I meet with my colleagues, manufacturers associations, and business associations around the country, I am struck by how important a

governor's personal intervention can be when urging a CEO to relocate his or her business to another state. You heard a couple of very specific examples from the Commissioner before. The Commission obviously proposes, actually institutionalizes, a defined, direct, and proactive role for a Governor in economic development efforts.

One thing you heard just a little bit about today was the Michigan proposal. And I just went through the Michigan plan a little bit this morning, and I think it is kind of interesting. Michigan was the economic basket case of the United States. You think we had it bad in the recession in the early '90s. Well, back in 1983 their unemployment out there was 17 percent. That's much higher than we ever had it. Then even by 1994 their unemployment was 35 percent more than the national average.

Now, they set up what they call a jobs commission, which is very much like what you heard about earlier today. Since 1994, this state, which was kind of like the poster child for the Rustbelt (phonetic spelling), just one of the worst states for economic development in the United States. Out of every five manufacturing jobs that have been created in the United States in the last four years, one out of five was created in the State of Michigan.

They have created half a million jobs out there just in the period years from '91 to '96. Unemployment there -- we're doing well, but they are down to 3.7 percent. Now, obviously, you can't say that it all was a result of this new Commission. But one thing I think is quite interesting-- Many of you are familiar with the Fantus group. The Fantus group has credited Michigan with having the best business retention program in the nation. Coopers and Librand says they have the best business attraction program in the country.

So what you have here is an interest to create a lean, efficient, one-stop, business assistance center. One that would provide a seamless system of service delivery to the business community. They have been extremely successful in meeting those goals, and there is no reason to think that we shouldn't be able to achieve a similar result here in New Jersey.

We are viewed, as many of you know, as the economic engine of the Northeast. I hope we can spread out a little bit more than the Northeast and be viewed as competitive with our sister states in the Midwest, the South, and the West.

I just wanted to mention a few other things. We've got so many things going for us in New Jersey. We're at the apple center of the world's economy. We've got a number of industries that, as you know, are world class, everything from telecommunications to pharmaceuticals, financial business sectors. And these are three of the world's most important industries.

Because of our unique position, our economy is evolving as fast as we can transmit information around the globe. Future economic opportunities are as endless and unimaginable today as the proliferation of cellular phones and personal computers was just a decade ago.

For New Jersey to capitalize on these opportunities, we need an economic development policy vehicle that speaks the language of new technology and understands where the opportunities for business growth will emerge in a brave, new economic world, which is one of portability, high technology, and globalization. Most importantly, we need a Commission entrepreneurial in focus, flexible in structure, and streamlined in operation. It should be solution driven, results oriented, viewing government as a partner, not an impediment, to continued

economic prosperity. It should be a Commission that is truly a private-public partnership.

Skipping over a few things. New Jersey does not possess -- I was going to say it's not just leaving something out here -- that New Jersey does not possess competitive advantages not the least of which is our superior quality of life. But these changes strongly suggest New Jersey policy makers have faced, and will face, extraordinary and complex challenges to make sure the jobs we have stay here and new jobs are created.

As you know, we are really in the conceptual stage of this legislation, as the Commissioner mentioned. They haven't really determined how many members would be on the Commission, etc. But I would commend to you that you take a look at what was done in Michigan under Republican Governor Engler, what was done in Florida under Democratic Governor Chiles, to assist you in your deliberations. One clear observation emerges from their experience. The Commission concept does not divide support along partisan lines.

This is certainly a bold and revolutionary proposal. I look forward to hearing more details from the administration as they develop the specifics of the plan.

Again thanks for the opportunity to be here today, and I gladly will try to answer any questions.

ASSEMBLYMAN AZZOLINA: Joe, what I'm concerned about is the workforce. As the unemployment gets lower and lower is that the type of jobs that are moving into the state or that want to be created in this state by these companies wanting to come in -- what's left to the labor pool? The educational level isn't there and I don't know what we can do.

We'd like to hear down the pipe today or other days how we are going to cope with this problem of the hi-tech -- how we are going to educate the rest of the force on these hi-tech jobs or others that are somewhere employed now, but how they can fit in these hi-tech jobs. The only way I see it being filled up, at the moment, is if companies are moving in fast, they are going to have to come from out of state to work here. And if we don't have the workforce here, the companies will not move in. I was reading something about that somewhere along the line in the last couple of months. So that is a problem that we've got to address.

MR. GONZALEZ: Well, there is no question about it. All the surveys show that companies are having a real tough time getting quality employees. We've got three or four fine engineering schools in the state. We have made a commitment to give a lot more money to community colleges, and they provide a lot of the people who come into -- response of a job in the workforce. Education, obviously both the elementary and secondary and also at the college level, is an important ingredient in this, too.

But we are at the point now where it is exceptionally difficult. In fact, I was reading about one of the drug companies that is moving to the state. There is a fear that they are going pirate employees from some of the other drug companies within the area. That's one of the embarrassments of riches that we have that we have so many companies coming here, and as you say, it will provide job opportunities not only for people in the state, but people from other states.

ASSEMBLYMAN AZZOLINA: Any other questions? (no response)

Joe, thank you very much.

MR. GONZALEZ: Thank you, Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Brad McDearman.

Are you the consultant for Prosperity New Jersey.

**BRAD McDEARMAN:** Yes.

ASSEMBLYMAN AZZOLINA: Thank you.

It says here consultant, Site Selection and Economic Development.

MR. McDEARMAN: I'll explain myself.

ASSEMBLYMAN AZZOLINA: Okay.

MR. McDEARMAN: My background and perspective on this is really as a Site Selection and Economic Development Consultant. I spent the bulk of my previous life working for Fantus, which is the largest site selection and economic development consulting firm that is based here in New Jersey. Since going out on my own, I'm down in Baltimore right now.

But the perspective that I bring to this debate really is that of a Site Selection Consultant who has worked with a lot of businesses who are looking at a lot of states, including New Jersey. So I have an insight into how New Jersey fares as opposed to these other locations. Also, I've worked as a consultant in two states and regions that are looking to do a better job of creating marketing messages and programs. I've been working with New Jersey for about three years in that basic capacity.

I wanted to just discuss briefly the economic development marketplace, a kind of brief overview of competitive strategies. We've heard about North Carolina, Ohio, Michigan. I've worked in each of these states from both sides of the fence, so I can bring some perspective from those states for you and then just talk about what I believe this means to New Jersey.

First of all, it was good to hear that people are starting to understand in New Jersey that this is not just about jobs attraction anymore. It's becoming--

A lot of states and regions are focusing a lot more on the retention and expansion portion of this because the vast bulk of your growth is going to come from your existing business space. But I think what's important to realize in the economy right now what's happening in states like New Jersey and other northern and upper midwestern states they have been improving their business climates: tax reductions, regulatory reform, new incentive programs. At the same time, the southern states have been improving their workforce development, infrastructure -- all the things they didn't have that you guys have like their economic base and overall economy.

And what you are starting to have is less differentiation among the states. There is still differentiation in costs and other factors, but there is much less. As you know, in business, what happens when you start having less differentiation is marketing and service becomes key. And this is what states and regions across the country are starting to focus on. Now that the differentiation is working itself out is how do we begin to market ourselves to create a competitive advantage, and it's huge. But I almost rate marketing and service as equal to your product in terms of what is happening out there because of the way the site selection process works.

And I want to talk about that just briefly. I've said this in a lot of talks around New Jersey that this really is becoming less a site selection process than it is a site elimination process. There are hundreds of alternatives for me out there, not just in the U.S., but across the world, and I have to make decisions fairly quickly. So as I am going through this process with a client or a client is going through this process, they are going to start with large varieties of options and slowly eliminate those until they get down to a handful of viable alternatives. That's when the selection starts.

But most locations are kicked out of a lot of great opportunities because

during that site elimination process they hadn't been doing their marketing, and they were unaware that the company is even considering them as a location.

It is important to realize and I think this has been understated in the Northeast, but it is starting to come to fruition here. But these are multimillion dollar business decisions that businesses are making. These businesses and site consultants, you are dealing with the highest level of people out there in terms of these clients and you need to put the highest caliber person out to represent your state. And other states really are starting to do that. Fortunately, the concept is starting to take place here.

Somebody mentioned earlier about how much shorter these time frames are. If you go back about 10 years ago, the average project took about 18 months for development. Now you are down to about a three-month turnaround time. And this means there is no patience for delay and response. None. And I have been on projects and talked about this when we first started the Master Plan when New Jersey was eliminated simply because they couldn't respond in the time frame that was allowed and the client didn't have time for it. We moved on to those places that did want to respond.

Right now the standard turnaround time for an RFP, if you send out a request for proposal, is about 48 hours to 72 hours. So if you can't respond professionally within two to three days -- sometimes you might get more time, but you better be ready to respond with a 20- to 30-page proposal that addresses exactly what they have asked for -- there is a good chance that you will be eliminated unless they have very strong reason to keep considering you.

If you can't respond, it not only shows a lack professionalism in the markets since everybody else is starting to respond that quickly, but it also says

something about your business climate. If you can't respond to a great opportunity to create new jobs, how are you going to respond to me once I'm actually located there? So it does send a message to consultants and businesses.

ASSEMBLYMAN AZZOLINA: Are they looking for the quantity of employees for that industry in that area where they want to go?

MR. McDEARMAN: Yes. We can talk about that in a minute.

Right now, actually, you are moving into a situation where labor -- you brought up the issue -- is becoming one of the key -- probably the key factor -- in the whole economic development equation. But that changes when you go through economic downturn. Costs becomes the key economic factor, so you have to prepare for both.

Another issue that is popping up a lot is mergers and acquisitions. As businesses are going through this, they are turning to site consultants and others to decide where do we consolidate. And a lot of states and people I hear around the country are saying, "Well, we can't control that. It's all a business decision." But I am here to tell you that you can have a lot of influence on that. If you're involved-- If a Georgia location and a New Jersey location are consolidating and merging their efforts, the Georgia knows that business well and is ready in working with that division of the business to convince the new headquarters, whatever that is, that they ought to be placed down in Georgia. They got a much better shot at it than you do. So you need-- This calls for more preemptive strikes and you should be assuming that other states and regions are doing that. They are getting to know their business so that when somebody does come to acquire, they are ready to say let's keep the jobs here and help that plan to justify moving things to their location.

I think another point-- The point of that just says you can't sit and

wait for this to happen to you anymore. You have to be proactive to be successful in this game, and reactive has been the word for most northeastern and upper midwestern operations, historically.

As a site consultant and as business decision makers, you expect the person you are dealing with at the state or regional level to have intimate knowledge of their location. They need to know it up and down, what legislation is coming forward, the labor market, workforce, infrastructure, public schools -- all of it. They need to know everything. They need to provide a single point of contact. They need to be knowledgeable of my industry or my client's industry. So it requires a certain level of education and a certain level of person to be working in this, and they obviously got to be responsive.

Let me review some competitor strategies. I've worked in some of the states that I'm going to be talking about, but just real quickly I want to talk about North Carolina, Ohio, Michigan, and Florida. Because they have all taken three roads at kind of the same crossroads that you guys are finding yourself in. North Carolina and Ohio both decided to maintain their commerce departments, but they have regionalized their efforts statewide. They have broken-- North Carolina has broken down into seven regions that pretty much match. I researched Triangle Park, Charlotte-Ashville area, Piedmont Triad. Those regions already existed, but the state chose to partner with them. They still have their commerce with its basic functions, but they are funneling a lot of money down with these regions. They have an umbrella for the state, but each region does market itself individually.

The same thing has happened in Ohio where the state is putting a workers' compensation representative and an unemployment insurance representative in each of these regions and providing funds for the regions to

operate.

In Florida, you're probably aware of this, but they had both commerce and an organization that was similar to Prosperity New Jersey and they chose to funnel everything into the private-sector group after a year of testing to see what they liked. They ended up going with something called Enterprise Florida. It's a public-private partnership that is primarily private. It has been taken more out of government than what is being proposed here in New Jersey. It does allow you to be highly flexible and to accomplish a lot of the things you are trying to accomplish with the Commission.

The negatives that I see there is that there is still some controversy about having a primarily private-sector driven group negotiate incentives for other businesses and perhaps even for some of the people that are on the board and within the organization. It also often seems like it could be a lobbying group for the private sector rather than really a part of state government, and that's another issue that they are facing down there. How do you get these other state departments to cooperate with something that's primarily from the private sector?

Michigan, I actually worked on that project as part of the Fantus team starting back in '93, and they were really in a tough position back then. But I would say that what-- The changes they have made have had a huge impact on their economy because it changed the culture, and that's really, I think, what you're talking about here. That you need to change the culture to one of more proactive and professional economic development. But they did move it into the Michigan Jobs Commission, which was a part of the state.

The unique thing about Michigan that's pretty unique across the country is that they brought all of their labor force dollars into the mix and all of

their economic development programs. So they have supply and demand all in one location with a no wrong-door policy, which means anywhere you go to try to find labor training or to try to find economic development help you are going to end up in the same spot and you're going to get the same assistance.

One other group that I want to bring up, and this is not a specific, but metro regional partnerships because states tend to compare themselves to other states, but you really need to be aware that these metropolitan regional partnerships, like Carolina's Partnership and Charlotte, Atlanta, Greater Phoenix Economic Council -- these are highly funded efforts. Phoenix has \$5 million a year only for business attraction. That's all they are doing. So they can afford to put some people up here in New Jersey, which they do all the time, hunting through this area trying to find some opportunities.

Like I said, very focused on business attraction, these guys are hiring young MBAs and experienced professionals in the economic development field and from the private sector. So that's your competition. It's not just what states are doing. It's what these tough regions are doing, and more and more of these regions across the country are starting to show up.

Let me just summarize by talking about what I think this means to New Jersey. First of all, these states and regions that I'm talking about still consider you to be fertile hunting grounds. Every client I have has New Jersey on the geographic target as a place that they are going to come trolling looking for business, and they do at least two times to three times a year. They want a piece of what you have.

ASSEMBLYMAN AZZOLINA: Why is that?

MR. McDEARMAN: Next point. Your business base is incredibly strong, and they know that you have it and they want it. But they also see certain

cost advantages that they know they can market directly against your weaknesses. So they are here to try to get a piece of that. You're starting to make it tougher for them.

Michigan was in the same boat, heavy hunting grounds. But it's tougher now for Kentucky and Tennessee to go up there and pull things away because Michigan has a much better relationship with its businesses and because they have improved the business climate dramatically. Even if it's not as good as Tennessee, those relationships are helping to keep business in because most of them would prefer not to relocate.

The other important point about that I think to note is that they know your businesses better than you do. I would tell you that Greater Phoenix probably knows your businesses up and down. They have lists of every kind by industry. They know your hi-tech sectors and they are trying to get them. They know back-office opportunities, and it's much easier to target and attack and go marketing after an attraction set of competitors than it is to protect the thousands of business operations that you have here. So it is an important effort that you're talking about.

I think this Commission provides a real opportunity for you guys because it starts to create the results-driven professional culture that you really haven't had relative to other places. And I think the important thing here, too, is that the government begins to operate like the private sector rather than replacing government with the private sector. That's really what businesses are looking for is for government to streamline itself but not to have to do everything for government.

In terms of a model, the competitors that I mentioned I don't think any

of them provide a perfect model for New Jersey. That's for a number of reasons. One is you're small geographically. You're about the size of the greater Atlanta metropolitan area, so you're not near as big as North Carolina and Ohio. It made sense for them to set up regionally. That may not be the case for you. The other part is these regional efforts have strong anchor metro capitals like a Baltimore or Washington or Charlotte.

You really don't have that user outside of the state in New York and Philadelphia, and you're viewed that way. You're viewed as New York and Philly suburbs, and it is hard to energize regional efforts that way. But I think one of the most important points is that that means that New Jersey needs to organize a state entity that can act like one of these metro regional partnerships. They are as much your competitor as the other states are.

It's important that the Governor leads this effort, not just for the reasons that the other folks mentioned, but I think it's really to -- what you guys were talking about earlier about coordinating all of these different pieces. In other states, the governor is at the table a lot of times and the site selection consultant is there, not the Governor -- the Lieutenant Governor, which is something that you guys don't have. But it does provide emphasis that this means something to the state and that it is important to you.

Let me just close with saying, one, New Jersey is a high-cost state and high cost means customers expect high value and benefit and they want to see that. They see it in your marketing and service. That's where they see it first of all.

You do have a solid labor force, it's known in the marketplace. You have a great infrastructure, tremendous economic base, great access to some of the largest markets in the U.S., but you have to provide impeccable service to get people

to know that. They don't know about your quality of life. They don't know what it's like to live here, so there are some marketing messages that you still need to get out there.

So you do need to continue to position yourself for the future. Right now every state in the country thinks they are doing a great job of this. Everybody is realizing great success in economic development. The question comes when and if we have the next downturn for New Jersey because then cost becomes the issue. And what are you going to do when all of a sudden you are back to not being competitive costwise? Are you going to be positioned to deal with that? And it is highly likely to come to fruition.

Can I just say, as a consultant, if I take the site selection perspective I have to know that New Jersey can manage my projects professionally. It's basically - I have hundreds of alternatives for any project if I'm working with a private-sector client. And if I recommend New Jersey as a finalist location, my name is on the line with them. So they are going to come take a look at New Jersey, and if it's not everything I told it was going to be from what they see from the folks that are representing your state, it's a bad reflection on me. And it's a bad reflection on the business decision makers who have to tell their CEOs about it, and I know that Charlotte and Atlanta are going to give me the response that I want. I know they are going to have the people there. I know it can make me look like a hero. So you have to remember that as you go through this decision making.

In the past -- and I think I have met with a lot of site consultants in this business -- your historic reputation is that you are going to make me look bad and that I have to try really hard and have a good reason to want to place my business in New Jersey. I think that's changed over the past few years, but I think this

provides you a much bigger opportunity to build trust with the outside world and businesses and site selection consultants included.

Let me just close there.

ASSEMBLYMAN AZZOLINA: Questions?

ASSEMBLYMAN LeFEVRE: I'm curious as to how you feel travel and tourism fits in with this whole issue in your experience, your travels, your involvement with other states -- how they blended-- Particularly in Michigan, have they blended that into their economic development?

MR. McDEARMAN: Yes, they have. In most states, tourism has remained in the commerce department, but it's a debate in almost every state that you go to because it's a big industry in almost every one of these states, so they recognize that it needs focus. The problem is you don't market the two at the same way. And I'm an example of that. I'm heavily involved in economic development, but I don't know a thing about tourism. I know business expansion, attraction, and retention. So it's a totally different kind of marketing. It's more one-on-one, personal, direct-targeted marketing than it is the advertising.

So there really is two different pools of people that you need to do those, and states are struggling. They moved tourism all over the place. In almost every state it's moved in and out and all around. In most cases it ends up back in the commerce department.

ASSEMBLYMAN AZZOLINA: Commerce is where it belongs you feel.

MR. McDEARMAN: I'm just not an expert on that, to be honest with you.

ASSEMBLYMAN AZZOLINA: But in the successful ones it's in commerce?

MR. McDEARMAN: You know, I've seen it successful not in commerce and I've seen it successful in commerce. I really wouldn't want to answer the question.

ASSEMBLYMAN GREGG: Simple question, why don't we ask where does Florida put it?

MR. McDEARMAN: You know, I honestly don't know if tourism is in Enterprise Florida or not.

ASSEMBLYMAN GREGG: Mr. Chairman, I recommend to our Committee here that we certainly do find out what the other 50 states do because I think you don't have to be a rocket scientist to look at some of the states that are very successful in tourism and then determine where they may have placed it or at least the structure in how they deal with it.

ASSEMBLYMAN AZZOLINA: Joe.

MR. McNAMARA: You mention as things become equal, which they are, which is a good sign. In the standpoint of what New Jersey spends marketing vis-à-vis North Carolina, Ohio, Florida, where do we stand? I assume with our \$7.5 million and my experience in Commerce that we don't have the resources by the marketing and promotion and even relocation. We don't have relocation missions, which we talked about in this Committee, going into states and trying to market our advantages whether it's location, incentives, whatever it might be because we don't have the resources.

We are -- I would assume from what you are saying that we are at a big disadvantage because we don't apply the resources now because we just don't have them. Is that correct?

MR. McDEARMAN: My basic answer is yes, to be honest with you.

It's hard to an apples-to-apples comparison of states because of pass-through funds. Some have workforce training, some don't. If you look at all the different pieces that fall into commerce department, for example, if they don't have tourism, then their budget can be very different. So it is hard to compare exactly what went to what.

But if you take a look at a North Carolina, let's say, not only do they have the state-budgeted funds for marketing-- But research Triangle Park and Carolina's Partnership, and Charlotte, Piedmont Triads have millions of dollars that they are throwing on top of that to market the state in conjunction with what the state is doing. So it's not even just marketing and service, but I think even just in hiring people and making sure that you've got just everyday operating funds. My gut would be, you're not competitive with what other states are doing and it does take an investment.

ASSEMBLYMAN AZZOLINA: Nick.

MR. GALLINARO: That was the same question I was going to ask.

ASSEMBLYMAN AZZOLINA: Lou.

ASSEMBLYMAN GREENWALD: The only comment that I would make-- I condition it by saying everything that I hear today is very exciting. This is everything that I think I've always envisioned that government should be: government working like a business, watching its dollars and cents.

But off of what Assemblyman Gregg said, it is important to look at the other states, and I don't even think you can compare it to all 50 other states because we have casinos, we have the corridors to Philadelphia and New York City, our Jersey Shore, the beaches. New Jersey is a unique situation, and last year -- over the last two years, tourism and gaming has been with Senior Citizens, and there was a

reason why we moved it out of the Senior Citizens Committee and brought it to the Commerce Committee.

ASSEMBLYMAN GREGG: They had the most experience.

ASSEMBLYMAN GREENWALD: And we moved it for a reason. I can't stress enough that I think this is crucial that we keep tourism and gaming together with Economic Development and Commerce and move those together in unison. I think they go hand in hand and they are unique to New Jersey and it separates us.

ASSEMBLYMAN AZZOLINA: The Speaker did the right thing by changing the Committees.

ASSEMBLYMAN GREENWALD: I am the first to acknowledge when he does something right and I--

ASSEMBLYMAN AZZOLINA: I was wondering why he did it. You explained it why. I was wondering why he threw it all in there, but I learned in our conversations today it all makes sense.

ASSEMBLYMAN GREENWALD: That's right.

ASSEMBLYMAN AZZOLINA: Any other questions?

Go ahead.

MR. SHERIDAN: Through the late '80s and early '90s, as the idea of the states becoming more proactive in attracting businesses, there is what has been criticized as an incentive spiral of pure cash incentives, both in terms of property tax and other actions. It sounds like what you have described is a much more smart dollar application to attract businesses. Can you tell us, in your opinion, how does New Jersey compare to other states in the dollars that we do allocate to this process?

MR. McDEARMAN: In just incentives?

MR. SHERIDAN: How do we deal with the dollars that we are putting into this process? How are we using them? How intelligently, how effectively are we using to achieve these goals?

MR. McDEARMAN: I think the dollars you have are used fairly effectively and can be used a lot more effectively in this Commission to be honest with you. Because to me nothing is more important than the one-on-one relationships you build with your existing business base and grow it from there. The states that do that, like Michigan, that's why they realize their turnaround.

And they focused a lot of their incentives on existing businesses. In the past you've had most of the southern and western states focusing them on attraction. We had a lot of animosity from an existing business that was employing 1000 people that didn't understand why the new business gets millions of dollars because they are coming to town and somebody has been there 80 years providing quality jobs for a long time.

So I think what you are starting to find with that is that a lot of the southern states are reevaluating, and that's why you found these jobs creation tax credits that were only based on the number of jobs and that came from revenues generated from the company itself rather than grants and cash giveaways. You don't see as many of those anymore, and most of them are also tied to some guaranteed level of performance in terms of job creation and the length of time that you plan to have the operation up and running.

It's tough to say, you know. If you were to ask me the question a few years back when really none of this was on the table, no account management, any of those things, I would say New Jersey is very far behind the pack in how effective it is with its dollars and what it is doing in the marketplace. And I think there is

still some lag effect to that.

I think you don't have as many people top to bottom in Commerce who are capable or who would compete with the top to bottom and stay at Carolina's Partnership. They can send 10 people who will knock your socks off and it's hard. I think you guys can do a good job of managing specific projects, but institutionalizing it top to bottom is, I think, where you are heading with account management and with this Commission, and that's what needs to happen.

MR. CAMPEN: Joe.

ASSEMBLYMAN AZZOLINA: Yes.

MR. CAMPEN: Can I ask a question?

ASSEMBLYMAN AZZOLINA: Sure.

MR. CAMPEN: I'm kind of curious as to how you might recommend that the State, under this Commission structure, deal with the concept of international trade and foreign investments? And I perceive that tourism is a part of foreign investment. I've read and I have seen all kinds of statistics which indicate that perhaps as many as one out of every four jobs in this state is with a foreign-based company or as a result a foreign investment.

But yet I have heard absolutely no discussion today with regard to that issue or even, in fact, as to where international trade would be positioned within this Commission. I am a member -- or was a member of the International Trade Commission for many years. With the current administration that Commission has, the best of knowledge, not met. And I find that concept, in the fact that it has not been included in this discussion, of great concern, particularly in this state. How do you feel about it?

MR. McDEARMAN: I would say this, and I worked on a number of

these projects for regions and states to take a look at international opportunities, and I think most of the conclusion is that you are not even going to need a separate international category within five years. It's just going to be baked into the way you do business, and it needs to be. If you look at other countries, you need to start looking at them as competitors already. It's not just states, it's not just metro regions. You need to target those to get your act together in the first place, but I think it has to bake in. It would have to bake into the Commission because it's going to be just a basic part of business attraction competitiveness down the road.

MR. CAMPEN: Do you happen to know the numbers as to what the foreign investment numbers are currently here in this state?

MR. McDEARMAN: I don't.

MR. CAMPEN: Does anybody on this Task Force know? I don't, I'm just curious.

For some reason I think that the last number I heard was somewhere between \$16 billion and \$20 billions of dollars, and I heard larger numbers than that. Those are not insignificant dollars.

MR. McDEARMAN: My understanding--

MR. CAMPEN: But you're not addressing those issues.

MR. McDEARMAN: My only comment to those issues would be that it is obviously a very important part of economic development, and other states realize that and other regions realize that. Charlotte does its own and Phoenix do their own trade missions in going overseas. They know that if they want to control their futures, they better be involved in it internationally. And frankly, and like I was saying, a project that I did in Austin, Texas, they are not even going to call it international anymore. It's just a part of economic development and they assume

that they go worldwide.

MR. PELL: Steve, one thing a foreign company will do, let's say a Germany company or whatever, for locating is they will talk to other German companies. Now, we've got probably a 100 German-owned companies in the State of New Jersey -- I'm a little out of date in my numbers, but that is about right -- and I'll talk to them. So one way to attract foreign investment is to make sure you are dealing with those foreign companies you've got very well. And the UK got into difficulty with the labor government because U.S. companies would be visited, somebody else is contemplating a European investment, and they get negative reports in the labor situation in the UK, socialist government, etc.

MR. McDEARMAN: Just to tell you, we worked on the BMW project at my other firm, and the connections in Greenville-Spartan were they had an incredible German manufacturing base down there, a huge impact on why BMW went down to South Carolina.

ASSEMBLYMAN ASSELTA: A quick comment. Mr. Pell's comment was very accurate. The experience we have had in my district: a French company, a glass company that has been there for 50 years -- it helped us entice Tefel (phonetic spelling), a French cookware company, to relocate in our district right next door to them because of those positive things that have been happening with that to our company over a long period of time. So word of mouth still works in advertising. You don't need to spend a tremendous amount of money out there, but you need to make those contacts and make those contacts grow to the next company, German, French, whatever. But there is some activity in that range, and my district has examples to prove it.

ASSEMBLYMAN AZZOLINA: Okay, thank you very much.

Joan, New Jersey Chamber, President, the boss. (laughter)

The reason I left you for now -- I would have put you on earlier, but I thought maybe you might be interested in these comments that he had to make -- might be helpful. Not that you need any help.

**JOAN VERPLANCK:** I'm Joan Verplanck. I'm President of the State Chamber, and actually I've been working with Brad McDearman for the last couple of years.

ASSEMBLYMAN AZZOLINA: If I had known that, I would have put you on first.

MS. VERPLANCK: Yes, I've been kind of in on this for a while. I want to keep my remarks brief and basically anecdotal. I think you have had a lot of information here today from the Commissioner and others.

Let me preface, then, by saying I'm on the board of Prosperity New Jersey, so I have been very involved in this issue. I've been involved with the Department of Commerce for the last 11 years, so I've been there through a number of administrations. And I am pretty familiar with the structural imperfections within that Department.

I also want to say I'm not here to bash Commerce. I think for what they have to work with, they do a very good job, they have a lot of good people, but it's almost as though they are structured for another era. The business community is over here and Commerce is over here, and it's almost accidental when we get together and something actually works.

By way of anecdote, let me give you an example. Because I think we all have windows of opportunity in this state and we have a lot of dynamic businesses. There is a trade show -- and Brad was just speaking to international

trade -- in Brazil, in South Polo (phonetic spelling) every year. It's recognized as the best trade show in South America. Now, coincidentally, Continental Airlines was just successful at the end of last summer in opening up air routes to South Polo and Rio. Dave Barger, who is president, is on my board of directors. I went to Dave and said, "I would love to put together a trade mission for New Jersey companies to get into the South American market via this trade show that is held every year at South Polo." Dave said, "Well, you know we are going to have a lot of empty seats on those planes for the first year until people get accustomed to the fact that we are going out of Newark on a daily basis," and intimated that we could probably put New Jersey businesspeople on those planes free of charge and make their experience very, very inexpensive and very attractive.

I do not have an international trade division within the State Chamber. I went to Commerce and spoke with both Gil and Carlos Kerns, and they were both very receptive except they had their limited man power committed for that period of time. Long story short, we couldn't put it together. It just could not happen because we didn't have the resources. So I think those are the -- certainly not horror stories. They are just opportunities missed that there are probably dozens of if you talk to people in this state who dealt with Commerce and organizations that have done so.

We are very involved in economic development, and I'd like to say what we are really talking about is economic opportunity, and restructuring Commerce would create an entity that would give economic opportunity for our companies to grow and economic opportunity for individual New Jerseyans to prosper because of that growth.

We look at this as a business issue. It's a people issue. We want our

people to be employed -- well employed -- and this is the way to do it: to bring in really good industry, to upgrade skills, and to kind of get on with it while we still have the opportunity to do that.

As we move forward on this, I'm sure there are going to be questions about tourism and a number of other things. I would just like to make sure we don't throw out the baby with the bathwater. I think there is enough brain power around this table and certainly in our Legislature to talk through the issues so that we come together in a way that fashions an entity that can move forward well. I'm concerned that we are inflexible at this point, that we can't do as what Brad said, in 72 hours we can't get anything anywhere.

Our Economic Development Committee has come up with a couple of initiatives in working with Brad, one of which is an Economic Development Institute that's being offered at all the community colleges in the state geared to municipal folks, the planning and zoning board people. Because we know no matter how good you are and how business friendly the state is there are giant speed bumps at the local level. And so we are going to do some education there.

We have worked with Brad on the Business Resource Center, which I think all of us are excited about, which will give economic development tools to all the economic development professionals in the state. But that's really not enough. We do need an effective Department of Commerce, one that can work with the regional and local entities to put deals together to fashion them quickly. I think there are challenges beyond which we are talking about today. I really hadn't thought about going here because I don't want to muddy the waters. But when you listen to what's been said around the table about communities having \$5 million budgets and here we are in an incredibly prosperous state talking about under \$9

million dollars for what needs to be done--

Now, we have been very, very lucky in the past because we have had strong economic development divisions in all of our utilities. We have been able to ride their coattails and on their pocketbooks. So maybe \$9 million wasn't really \$9 million when you look at what all the utilities put into economic development in terms of man power, trade missions, and it's been a very, very nice marriage. But I think realistically we are going to have to look at what happens with deregulation. Their market isn't necessarily going to be just New Jersey anymore and the emphasis is not going to be on developing new business in New Jersey for these utilities. And I can only guess that they are going to look at those resources and allocate them in other places.

So I think long term maybe there is a question that is going to have to be answered and could probably be a better sell if at the time that hits this Commission in up and running, has a proven track record of being receptive and cooperative, and facilitating economic opportunity for the people of this state.

At that point if we have to look for more money it's going to be much easier than if we are still stifled in a bureaucracy that everyone can point to and say why throw more money at it, it doesn't work anyway. So I think there is a long-term picture and a short-term picture. I think Prosperity New Jersey is doing a tremendous job in bringing private-sector dollars to the table for things like an image campaign and other economic development initiatives separate and aside from those which would be addressed by this Commission.

However, it may not be enough long term. We may have to look further at this. Either developing other resources, other partnerships with industry that allow us to move forward. We are simply biting the bullet in allocating the

kind of money that will allow us to compete.

In closing, and in the anecdotal vein, I will tell you that I have been in Chamber management for 21 years, so I know a lot of people around the country who do what I do. Three, maybe four, times a year I get a phone call from someone from the sSuth who just happens to be in New Jersey and wants to know if I would like to have lunch or dinner. Now, when I ask them why they are here, they are on basically a domestic trade mission. They are here visiting New Jersey companies to see if they would like to go to Shreveport, to see if they would like to go to Rono (phonetic spelling). Now, they think I should be kind to them. They are here poaching my companies.

One actually sent me a newsletter, the headline of which said, "A recent trade mission to New Jersey very successful: 20 strong prospects." We don't want to go there. We got great businesses here. We want to help them expand. We want to hold their hand. We want to make them happy. And we need an institution that is flexible enough to do that.

ASSEMBLYMAN AZZOLINA: Joan, how do you think-- I know that \$7.5 million that's all they are going to get and they may not get much more from state government. My understanding, I guess, is this is supposedly to seek private money. Do you see private money going into the Commerce Commission?

MS. VERPLANCK: Well, certainly--

ASSEMBLYMAN AZZOLINA: If that is what their aim is, I'm not sure.

MS. VERPLANCK: I'm not sure it is, either.

If you look at Prosperity New Jersey, certainly I think New Jersey businesses like a winner, and if you can demonstrate that you're not throwing good

money after bad and that there is a positive outcome, that you would see some support if that was the way the Commission wanted to go. It might just be Prosperity New Jersey taking over more responsibility so you can separate that private-sector funding.

ASSEMBLYMAN AZZOLINA: But the Prosperity New Jersey has gotten State money. How much, can you say or do you know -- how much private money they have got into Prosperity New Jersey?

Anybody know?

MS. VERPLANCK: Lots. (laughter)

UNIDENTIFIED SPEAKER FROM AUDIENCE: Joe, we've raised almost \$2 million for the image campaign last year, and that was joined with about \$600,000 from the public sector. It was by far the--

ASSEMBLYMAN AZZOLINA: So the possibility is to get more.

The way I see the new Commission I think it's going to need in excess of \$10 million or \$12 million. That's being assumed because I think that a budget doubled the \$7.5 million one time during Tom Kean, if I recall.

Is that true, Ken?

MS. VERPLANCK: Well, perhaps--

ASSEMBLYMAN LeFEVRE: We had as much as \$12 million.

ASSEMBLYMAN AZZOLINA: Twelve million.

MS. VERPLANCK: Perhaps, as our economy grows, the Legislature might look kindly upon expanding the budget.

ASSEMBLYMAN AZZOLINA: Well, that's true. We've got to do our job on this Committee to try to aide -- out of the Appropriations Committee.

I really don't understand why we don't give more, to tell you the truth.

Because the foreign division part is almost in shambles, I believe, compared to what it was during Kean's time. I don't believe they got very much money to work with.

Connie, do you know during Tom Kean verses now?

Or maybe you might know.

MR. McNAMARA: Well, the budgets were very similar back a few years ago, and there is not enough emphasis--

ASSEMBLYMAN AZZOLINA: But then Tom Kean's it was. I know that.

MS. VERPLANCK: It's political wealth.

MR. GALLINARO: South Carolina is way up there. South Carolina on that BMW operation extended the airport, the Greenville Airport, so that 747s could drive right up to the BMW plant to unload engines.

MS. VERPLANCK: And look at the heat you get for an underpass in Atlantic City. Everything is relative.

ASSEMBLYMAN AZZOLINA: Do you know what's interesting, I visited, with Steve Corodemus a few years ago, the BMW plant in Germany, and they told us at the time that they thought when they were being sold-- Where did they go to South Carolina or Tennessee? Where was that?

MR. GALLINARO: Greenville, South Carolina.

MS. VERPLANCK: South Carolina.

ASSEMBLYMAN AZZOLINA: They were led to believe that the work for us was there. Once they got there, it wasn't there. They had to keep coming over-- Quite a few high technical people had to come over to train the people, and it took a long time to train them properly and the workforce was not there. Here you've got a better workforce than down there.

ASSEMBLYMAN GREGG: Chairman, I was just going to reiterate that I happen to agree with you, as a member of Appropriations, that our commitment to Commerce is not just a commitment to running the department. And as we discussed before, the commitment is what we are going to do as a state to give the incentives and inducements. One, to keep the businesses here, because I think that should always be the number one priority of any state is to remember the people who have founded their businesses in this state, whose families are here, whose resources and their investments and properties are in New Jersey. We should make that our number one priority.

Our number two priority should be helping them grow and allow them to grow because they are the businesses with the base already. The training is already there. The commitment to employees are there. The benefits they have been giving are there.

And number three to bring in new companies. We should have a simple three-position statement as a state, and quite frankly as a Committee, and then through that find out what incentive and inducements will do that. Because too often we think about how do we get Fred to come from South Carolina and we forget about Mary who is leaving to go to South Carolina. And I think there are two kinds of incentives, and we should be looking at all those incentives. And they are not in the \$7 million or \$8 million. The \$7 million or \$8 million -- secretaries and payroll and management and computers. The other part is what we have to do as a Legislature to commit the funds when we say we need deregulation or we some tax incentives or we need to review our labor laws or we have to look at some of our zoning issues -- are all the issues that we can talk about all day.

But that's what I would hope that this Commission will do and do

quickly because time is of the essence. We are going to be in the 21st century before we know it, and we can either be a leader as the State of New Jersey or we can be behind. I think when we look at our resources, it's not just we go find for the Department of Commerce or this new Commission. It's our will as a state and as a Legislature to say this is how we are going to compete. We are going to have an environment that we will fund, and it will come out of general revenue because, when you take money from here and it goes there or it could have been here and could have been there, it's a question of priorities. But I think Joan states the reality, that if we develop an economic base, our general revenues will increase.

I am a member of Appropriations that looks at the budget as revenue, not as spending, as a businessperson would; and if we realize the power of the revenue, we will have the money to spend on the other areas of safety nets and things of that nature.

MS. VERPLANCK: Guy, as you know, when I was with Morris County Chamber, we established Morris Area Development Group, which is an economic development agency funded by the Freeholders and private investment. I think Freeholders put in \$75,000 a year toward that department. Three years into it we were able to give them an end report that says, in these three years, we developed these projects that resulted in \$465,000 in new property taxes. Not rateables, new property taxes. Is that a good investment?

It's the same investment here with Commerce. There aren't many departments that the income grows exponentially with investment and this is one of them. I think you really have to look at that as this moves forward.

ASSEMBLYMAN AZZOLINA: Joan, thank you very much.

MS. VERPLANCK: Thank you.

ASSEMBLYMAN AZZOLINA: Did you want to say something?

ASSEMBLYMAN ASSELTA: Yes, I just want to ask her one quick question.

Since we're still on the funding issue -- we started with it and we are probably going to finish with it. From what I've been hearing from your testimony is that it sounds like there is a commitment, since government now is going to relinquish some of its responsibility and some of its power to the private sector, and they are going to come to the table with a great deal of decision-making ability. Will that interest financial responsibility and commitment grow also?

MS. VERPLANCK: I think it's all going to be dependent on how this is structured ultimately. Whether you're going to want to (indiscernible) financial involvement or whether that will somehow muddy the waters.

I'm not familiar with how that's going to sift out. If your question to me is, is there an interest in the private sector for this kind of activity, and would they be willing to put some money behind it? I think we could probably say yes. They have historically. I mean, look at your utilities, the amount of money they have invested in this sort of thing in the past.

If they thought they could do it within government and get out of that business themselves, I would suspect they would.

ASSEMBLYMAN ASSELTA: While I have you up here -- and we were talking about deregulation and you touched on it. I wasn't quite clear. Do you feel that deregulation will aid this particular Commission, or do you think--

MS. VERPLANCK: No, the point I was really making is that utilities have historically, in this state, been strong economic development partners. They have put a lot of money into economic development programs over the years

because they needed more factories to sell electricity to. There was a very direct cause-effect relationship. As their market becomes Anywhere, U.S.A.--

ASSEMBLYMAN ASSELTA: Right.

MS. VERPLANCK: --it doesn't matter if the plant is in New Jersey anymore, so I can only assume -- nobody certainly told me this, but I could only assume as the next five years passes and all of this sifts out that they are going to relook how they spend those dollars.

MR. PELL: PSE&G just won a big contract, I think, in Arizona.

MS. VERPLANCK: Yes, brave new world.

ASSEMBLYMAN ASSELTA: So it's a positive particular initiative, deregulation, when we are talking about economic development and marketing and creating this Commission.

MS. VERPLANCK: Yes, it's just that you're not going to have utility dollars to double your \$9 million, basically.

ASSEMBLYMAN ASSELTA: I just wanted to clarify that because I didn't quite understand where she was going with that.

ASSEMBLYMAN AZZOLINA: I didn't know it was Commerce-- On my own, by the way, on my own expense. (laughter)

ASSEMBLYMAN GREGG: Okay.

ASSEMBLYMAN AZZOLINA: I flew over to meet with Commerce when they were meeting in Germany, and PSE&G people I met there, and then I went to some plants with them. They were spending most of the money--

MS. VERPLANCK: Absolutely.

ASSEMBLYMAN AZZOLINA: --at that time, so I know firsthand what you're talking about. And what you're basically saying, as you have deregulation

and they can go all over the country and do whatever they want to, they may not be so eager to work in conjunction with Commerce because, first, before that, they were just in the state, now in the future, they may be all over the country.

MS. VERPLANCK: I mean Joe is shaking his head. He's been there.

MR. McNAMARA: Yes, the big part of the marketing dollars came from utilities.

ASSEMBLYMAN AZZOLINA: Right.

MR. McNAMARA: Steve was there and others and--

ASSEMBLYMAN AZZOLINA: Yes, that's right.

MR. McNAMARA: But what happens exactly? Why would they want to bring people in when there is another electric company providing electricity? That works against them. So in terms of marketing dollars -- and they are marketing New Jersey and bringing companies in -- it will work against that most likely.

ASSEMBLYMAN AZZOLINA: Or they could work in conjunction with whoever they are working with, just in electricity, to bring people anywhere.

MR. McNAMARA: They change parts.

MS. VERPLANCK: Yes, nobody's got a coastal (indiscernible) it won't be the same.

MR. McNAMARA: It won't be the same.

MR. GALLINARO: Joe, may I comment?

ASSEMBLYMAN AZZOLINA: Yes.

MR. GALLINARO: Let me also, from personal experience, I can you that the cost of utilities in these state as compared to Florida are way high. And deregulation will obviously help our utilities cost. It may be that they helped in that

regard, but the costs are really like 40 percent higher in New Jersey.

MS. VERPLANCK: The only ones we look good to are, I think, Massachusetts, Rhode Island. That part of the country is higher than we are, but that's about it.

ASSEMBLYMAN AZZOLINA: Okay, thanks a lot, Joan.

MS. VERPLANCK: Thank you.

ASSEMBLYMAN AZZOLINA: We have a couple of more speakers.

Bobby Thompson is representing the Director of Government Relations. Finn Casperson was going to be here today, but he had to cancel last minute, so Bobby won the prize.

**ROBERT THOMPSON:** Thank you, Chairman Azzolina.

ASSEMBLYMAN AZZOLINA: So you are down lower in the pole.  
(laughter)

MR. THOMPSON: Tough crowd today.

I promise I'll be very brief. Joe Gonzalez, Joan Verplanek, and Brad covered the basics very well. So I just want to touch base a little bit about our perspective.

My name is Bobby Thompson. I am here today on behalf of Finn Casperson, Beneficial's Chairman and Chief Executive Officer. Beneficial, as you know, is headquartered up in Peapack in Somerset County.

ASSEMBLYMAN AZZOLINA: We heard him say a few things on the TV, so we know where he stands.

MR. THOMPSON: Yes, exactly. So you know where he is coming from. But-- As you know, Beneficial and Mr. Casperson himself have been very actively involved in supporting partnerships between government and the private

sector, partnerships created to address important issues to the health and prosperity of New Jersey's economy.

Also, as you know, Finn was involved in Prosperity New Jersey, most recently cochairing it with Commerce Commissioner Medina. And I think his experience there was very successful and positive.

Thanks to the efforts of Prosperity New Jersey and many others, including some of the legislative initiatives that the Legislature has proposed, the business climate in New Jersey is improving. Tax incentives, streamlining the regulatory environment, establishing much needed public-private partnerships to bring business leaders into the process of developing and implementing policies to grow the economy -- these have all been important steps.

They have shown a commitment and an understanding on the part of this Governor and this Legislature, and particularly this Committee and Task Force, that New Jersey's companies are the engines of its economy. To the extent that New Jersey continues in its effort to make the state the place to do business, its companies will stay, expand, and attract others. And that's what we are all here to discuss today, New Jersey's next steps in that direction.

What Governor Whitman is proposing here makes sense. By establishing high-quality, flexible, customer service oriented structure for delivering New Jersey's economic development products and services in a timely and effective manner, New Jersey will be best positioned to keep its companies and attract others in an increasingly competitive environment.

What is being proposed here is very exciting to the business community for several reasons. First, the Commission will mean that doing business in New Jersey will be easier. I think that's a goal that everybody seeks to achieve. There

will be knowledgeable professionals available to assist businesses like ours in dealing with our needs, and they will be able to assist us in a timely and efficient manner -- lean and mean as opposed to bureaucratic environment.

Secondly, the Commission will be actively led by Governor Whitman. It will have her personal involvement, attention, and leadership. She will be in the economic development trenches and see firsthand the challenges that must be surmounted. This sends a clear message to business that New Jersey cares about its companies and has a high priority of making sure that they stay in New Jersey, as well as to expand and attract others.

As an aside, several years ago Beneficial Corporation was considering whether or not to relocate its headquarters from Peapack elsewhere. And really thanks in large part to the Governor's involvement, as well as that of other leading businesses in the state, Beneficial decided to stay. I think it's been very positive for us.

Finally, the Commission will include both leaders from New Jersey's business community and key cabinet members. I think that in and of itself allows the Commission to really make a difference. And I can think of no better example than the Task Force here today, as well as the Committee. So when business and government works together, they can really achieve positive results.

So in some, what this proposal represents is an opportunity to make very important changes in New Jersey's ability to meet the needs of its existing and prospective companies in a professional, timely, and effective manner. These changes are welcome and necessary to enable New Jersey to compete as we enter the 21st century.

So thank you for the opportunity to be here.

ASSEMBLYMAN AZZOLINA: Thank you very much.

MR. THOMPSON: I'm sure Mr. Finn looks forward to working with you as you consider this going forward.

ASSEMBLYMAN AZZOLINA: Say hello to Finn for us.

MR. THOMPSON: Okay.

ASSEMBLYMAN AZZOLINA: When we have our regular committee meetings to discuss the legislation, you may want to appear then if your schedule permits.

MR. THOMPSON: Certainly.

ASSEMBLYMAN AZZOLINA: Thank you.

Chris Hansen, Home-Based Business Council.

**CHRISTOPHER HANSEN:** Thank you, Mr. Chairman, and members of the Committee and members of the Task Force.

ASSEMBLYMAN AZZOLINA: Sorry you had to wait so long.

MR. HANSEN: It's all right. There were much more important people that preceded me. I'm honored to be here.

ASSEMBLYMAN AZZOLINA: Everybody is important. That's why we are still here.

MR. HANSEN: My name is Christopher Hansen. I'm the President of the Home-Based Business Council. We are a nonprofit association headquartered in Neptune City. Our organization is recognized throughout the State of New Jersey, in New Jersey, and across the country as a spokesman for the needs and concerns, interest and aspirations of the selfemployed who work at home.

I would like to briefly present some very important statistics that have been gathered from very reliable resources, namely Entrepreneur Magazine, IDC

Link Resources, Babsin College among others. According to the sources, over 48 million U.S. citizens currently work at home, 36 million of them are self-employed. And in New Jersey over one-half million of them are New Jerseyites.

In 1995 these home-based businesses contributed three-quarters of a trillion dollars to the U.S. economy and employed 30 percent of all employees. During the past 20 years, home-based businesses employing less than three employees have created more jobs than any other single sector of the economy. As we speak, 7 percent of the adult population is in the process of starting a home-based business.

A study by Wells-Fargo Bank commissioned by the National Federation of Independent Business indicated that three and a half million businesses were started in 1996; between 80 percent and 90 percent of these were in the home.

I am here today to ask how this new Commission, whose purpose is to foster business development and job growth, will affect our people who are currently developing 6000 new businesses in New Jersey each month and creating more jobs than any other business segment. To date, the State of New Jersey has enacted policies and programs that have been implemented by the Department of Commerce and Economic Development in retaining and attracting new businesses.

Our state encourages investments in the high tech and we support small-business development centers, but no formal policies exist or have been enacted to promote home-based business formation. And since 85 percent of all businesses are started in the home, the decisions you make will affect us more than any other group.

One of New Jersey's economic experts, Dr. Bruce Kurchoff (phonetic spelling) of Rutgers, has written that new business formation is vital to the future

of any economy. His findings stressed the need to encourage new business development as a primary factor in strengthening the growth of an economy. He calls upon government to create policies and programs that encourage small-business development.

One such policy would be the act that is sponsored by Assemblyman Azzolina called the Home-Based Business Promotion Act, which is sponsored and come out of this Committee ignominiously recently. This Act is receiving resistance from some quarters by people who do not understand how important home-based businesses are. To date, without informal policies in place promoting home-based businesses, the Department of Commerce and Economic Development has helped by creating the New Jersey Partnership for Work at Home and by promoting the policies to address this wave of the future.

But it is our concern that in the restructuring of the Department of Commerce and Economic Development, you will rely upon and receive input only from those areas of the economy that are invested in the past and ignore home-based businesses, which are the best hope for the future.

I do not wish to bore you with data, but I would like to point out that work away from home is something new. Before the industrial revolution, 98 percent of all work was done within the home. And as few as 50 years ago, the majority of people still worked at home. Most noted business experts Bill Gates, Faith Popcorn, Peter Drucker, and Tom Peters, to name a few, are forecasting home-based businesses as the wave of the future and free agency as the way the majority of work will be done.

As you consider the restructuring to develop New Jersey's future economy, we implore you to consider to include home-based businesses in your

plans. We ask you to listen tentatively to the voices of men and women who are diligently working in their homes to provide products and services, innovation and ideas. Our people are strengthening our families, building our communities, and serving the needs of the people of our state and our nation. Some of us, the smallest of businesses, are becoming leaders in the global economy already.

Without our voice as part of your Commission, there is little hope of creating policies that will achieve your economic development goals. And without home-based businesses, New Jersey cannot achieve them. Currently, 40 percent of all households in the State of New Jersey has someone working at home. We ask that our voice be added to the mix as we work together to create the future of our state.

Thank you.

ASSEMBLYMAN AZZOLINA: Chris, that group that is opposing our legislation, who tried to get Commerce go against us -- they studied the legislation, they said it meets all the regulations in municipalities, and so forth, and they wholeheartedly endorse it. I talked to Commissioner Medina myself the other day. He wholeheartedly endorses our legislation as it is.

MR. HANSEN: Yes, I know that. Commerce has been a great supporter of home-based businesses so far.

ASSEMBLYMAN AZZOLINA: Any questions? (no response)

Thank you, Chris.

MR. HANSEN: Thank you.

ASSEMBLYMAN AZZOLINA: We have one more speaker, I believe. Communications Workers of America. I got here Kim Jones or Elaine Waller. Or is it someone else?

Which one are you?

**KIM W. JONES:** I'm Kim Jones.

ASSEMBLYMAN AZZOLINA: Oh, you're both here, okay.

I thought the Commissioner kind of probably addressed some of your concerns, but go anyway.

ASSEMBLYMAN GEIST: Mr. Chairman.

ASSEMBLYMAN AZZOLINA: Yes.

ASSEMBLYMAN GEIST: If I could interject at the outset. Prior to this meeting these representatives met briefly with me as Chair of the Labor Committee.

ASSEMBLYMAN AZZOLINA: Right.

ASSEMBLYMAN GEIST: I have received assurances that the Commerce Department will be representing themselves in a meeting with the representatives from CWA. I anticipate criticism, when in actuality there should be a spirit of cooperation. So I'm hopeful their testimony will not be critical in the spirit of cooperation with the legislative liaison.

ASSEMBLYMAN AZZOLINA: Go ahead.

**ELAINE R. WALLER:** We appreciate that.

Thank you, Mr. Chairman, for allowing CWA this opportunity to address you, your Committee, and this Task Force today regarding this recently proposed plan to restructure the Department of Commerce and Economic Development into a public-private commission.

My name is Elaine Waller, and I work for the National CWA office here in Trenton. I am here today with Kim Jones, who is a staff representative with Local 1034. 1034 is the CWA union local that represents the employees of the

Commerce Department.

ASSEMBLYMAN AZZOLINA: How many do you have in Commerce now?

MR. JONES: We have about 50 people under our contract at the current time.

ASSEMBLYMAN AZZOLINA: Go ahead, I'm sorry.

MS. WALLER: No, that's okay.

We are here today-- We are not here to express our objection to this plan. Right now we have insufficient information to make a determination regarding whether we should support or object to the plan, because, honestly, we haven't had the opportunity to meet with the Commissioner at this point. I'm hopeful that that will happen in the future, and we feel good based on what you've said.

ASSEMBLYMAN GEIST: Mr. Chairman, I've been assured at will for benefit of all the members of the Committee, and I would like to personally be there.

MS. WALLER: Okay.

ASSEMBLYMAN GEIST: Others are welcome to join me.

MS. WALLER: We appreciate that.

We do not fully understand the impact that this plan will have on the public, on the small businesses in the state, and the workers employed by the Department. There is a communication problem, I think, that needs to be resolved, and we hope that that happens on an ongoing basis.

Although CWA is unfamiliar with the actual restructuring plan, there are a few basic tenets which we believe should be considered in any reorganizational

plan of this type. And I'm going to ask Kim Jones to explain that.

MR. JONES: Good afternoon. We are concerned about how this reorganization will have an impact on the public as well. We want to ensure that citizens in this state continue to receive quality and professional services from the Commerce Department or Commission. Among their other tasks, public agencies are designed to help minorities and the unfortunate. The Commerce Department helps small business startups and helps to improve business opportunities for women and minorities in the State of New Jersey.

We want to ensure that the structure which advocates for these individuals remains in place. We have personal knowledge of numerous businesses that have become successful because of the services provided within the current structure. We are also familiar with what occurred in 1996 when the Department of Higher Education was eliminated and a cabinet level position was abolished; therefore, an advocate for higher education was lost. And some believe that this has had a negative impact on the poor and the less fortunate citizens of this state to help them have access to higher education. We hope that a parallel situation will not occur in the Commerce restructuring.

Our second concern is how this restructuring plan will affect the employees of the Department. We are glad to hear the pledge of the Commissioner to assist those who choose not to remain in the new entity to move into other departments, and we are glad that he recognizes their contribution to the quality efforts of the Department. But can we be assured that they will still have jobs, and will those who choose not to remain with the Commission have guaranteed transfer rights to other departments?

Can we be assured indeed that those in the new entity will still be State

employees? Will those who remain within the new Commission maintain their Civil Service protection? We must all remind ourselves that historically the purpose of Civil Service has been to prevent political patronage and undo political influence in the daily functions of State government.

Will they retain their seniority, their medical benefits, receive their sick and vacation days that they have earned, and how will this change their pensions rights as well? Will they indeed still work in the same work location? And will they have, of course, union contract protections?

These workers average about 15 years of service to the State of New Jersey. They have dedicated their lives to this state. They have provided quality, professional, and dedicated service to the State of New Jersey, as the Commissioner recognizes. This work is their career choice. They, too, like the rest of us here today, look forward to a future and look forward to a comfortable retirement based on their hard work and their effort.

The Commerce Department is designed to attract business to New Jersey and to create jobs. The same philosophy should also apply to the workers who currently provide services for the Department. An effort should be made to preserve their jobs and security as well. The union contract between the State of New Jersey and the CWA should, as well, be honored. Please do not allow the restructuring plan to circumvent or obstruct any collective bargaining agreements.

MS. WALLER: In closing, I would just like to say that you do have a copy of CWA's position paper, which outlines our major points and concerns regarding this restructured plan. We ask that you please read this and utilize it as this issue progresses. And we thank you for your time and consideration.

ASSEMBLYMAN AZZOLINA: Thank you very much.

Any questions? (no response)

Thank you very much.

Guy, I would ask that-- We have from the New Jersey Restaurant Association a letter. They did not want to testify. Would you give a quick summary of their position here.

ASSEMBLYMAN GREGG: Sure, Joe.

ASSEMBLYMAN AZZOLINA: Thank you again.

ASSEMBLYMAN GREGG: Briefly, Deb, you have been requested to read your testimony.

**DEBORAH DOWDELL:** Okay.

ASSEMBLYMAN GREGG: Let the pro do it.

ASSEMBLYMAN AZZOLINA: Okay, want to read a couple of paragraphs and summarize.

ASSEMBLYMAN GREGG: Just summarize.

ASSEMBLYMAN AZZOLINA: You're the Executive Director, right?

MS. DOWDELL: Yes.

ASSEMBLYMAN AZZOLINA: I know, I just want to make sure.

MS. DOWDELL: First of all, thank you very much for calling me up here because I hate speaking in public, but I've got to do my job, so thank you.

At first, I would like to just say I thought the comments that I've heard today really reflect a lot of what you see written in my testimony. I think there is an image problem, really, with tourism. Tourism is business and our industry represents \$5 billion in sales. Restaurants contribute a great deal to tourism in the State of New Jersey. Three hundred million dollars in sales tax.

ASSEMBLYMAN GREGG: Not like food in supermarkets.

MS. DOWDELL: I really do appreciate the fact that there is a lot of sensitivity expressed today with regard to our concerns.

The public-private partnership certainly sounds like it is going to benefit the State and business in this state. However, moving the Division of Travel and Tourism from the auspices of Commerce is something that is of great concern to us, in that again we are \$5.8 million in sales, 165,000 employees, \$300 million in sales tax, revenues generated.

So we would ask that you give serious consideration to the impact of any move where the Division of Travel and Tourism is placed, how it will be managed, how it will be financed, and how much will be given to the Commission. So that sort of summarizes our concerns.

ASSEMBLYMAN AZZOLINA: Yes, the meeting that I was at the other day, I talked about it earlier, they mentioned that whatever they are spending now, \$5 million or so to advertise tourism. At one time thought it was a lot more. I don't know if that was double or not.

MS. DOWDELL: I believe 10 years ago it's about--

ASSEMBLYMAN AZZOLINA: But they feel that budget should be doubled and to advertise more to foreign countries now that come here to Jersey as other states do. And what they are fearful in the breakup is that the tourism dollars may disappear and you'll lose more. So the more we spend, the more we bring in, the more your industry, of course, is always the benefactor. More tourism. And we get less tourism you lose, and we lose, everybody loses. We lose sales tax, we lose jobs, we lose everything.

Any questions? (no response)

Thank you very much.

I think what we've done now-- The meeting is over, but I want to thank both groups for being here today. But we've gotten a good heads up as this bill proceeds. I assume it's coming to our Committee, if not, then something is wrong, and I think we are going to be dealing with it in the near future. We've gotten all of this out of the way today from various sources, so when the bill comes up, we can get right into the meat of it, and we should really proceed to get more opinions from other sources through conversation and opinions from other legislators, opinions from the leadership of both Houses, and see where their thinking is. And we have our input that we learned today, and so we can more intelligently discuss this in our respective caucuses.

Thank you very much.

**(HEARING CONCLUDED)**