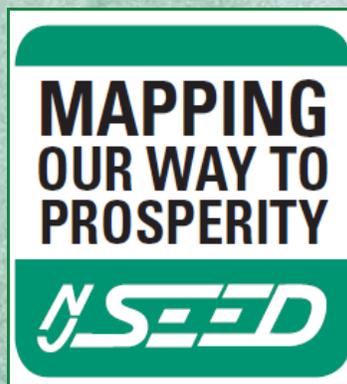




2010-2011
State Issues
Briefing Book



308 West State Street • Trenton, NJ 08618
Phone: 609-394-7726 • Fax: 609-394-2795 • www.njseed.org

INTRODUCTION

The New Jersey Society for Environmental, Economic Development (NJ SEED) is a unique coalition of New Jersey's most prominent labor and business leaders. Our diverse membership includes labor advocates, construction trade groups and electrical workers unions, energy providers, environmental consultants, telecommunications firms, banks, residential and commercial development interests, insurance firms, educators, law enforcement and firefighters, food manufacturers and retailers, water utilities, chemical industries, pharmaceutical companies and health care interests. What we all have in common is our belief that economic growth and environmental protection are not mutually exclusive. For more than thirty years, NJ SEED has supported balanced public policies that create private sector jobs, bolster our economy and enhance our environment.

Good things happen when labor and business leaders sit down together. We are proud to present the 2010-2011 edition of our State Issues Briefing Book. The book is a companion to our Congressional Briefing Book published each spring. We thank all of the NJ SEED members and staff who contributed to this document.

This Briefing Book is being shared with the Governor, members of the Legislature, the New Jersey Congressional Delegation and other policy leaders.

Since NJ SEED was founded, New Jersey has realized many significant environmental gains. Our air is cleaner, our water is purer, and our soil is less contaminated. New Jersey has often led the nation in environmental enforcement. On occasion, environmental zeal has led to exceedingly burdensome regulation on business, thereby impeding economic and job growth. Although there are many problems yet to be solved, New Jersey remains a great place to live, to work and to run a business.

The issues presented on the following pages represent a challenge to the Governor and Legislature to address many important areas of our state's economy particularly with respect to its transportation infrastructure, the environment, telecommunications and energy. We look forward to working with them.

NJ SEED Executive Committee

James Benton, President
NJ Petroleum Council

Charles Wowkanech, Vice President- Labor
New Jersey State AFL-CIO

Art Guida, Vice President- Business
PSEG

Charlene Brown, Treasurer
AT&T

John Torok, Secretary
The Torok Group, LLC

Daniel O'Connell, Assistant Secretary
United Transportation Union

Michael Drulis, Executive Director

Table of Contents

INTRODUCTION	3
NJ SEED Executive Committee	3
NJ SEED Policy Committees	6
ECONOMIC DEVELOPMENT	7
Priority Policies to improve New Jersey’s Economy	7
Infrastructure and Economic Development Overview	8
Environment and Economic Development Overview	10
Regulatory Efficiency	11
Permits and Licensing	11
Lowering the Cost of Doing Business	12
Promotion of Small Business	12
TRANSPORTATION	14
Overview	14
New Jersey Transportation Trust Fund	15
The Bayonne Bridge	16
Deepening of the Delaware River Navigational Channel	16
NJ Leads in Work Zone Safety	17
Critical Staffing and Equipment Needs within the New Jersey State Police (NJSP)	17
Increased Rail Capacity and a Solid Rail Infrastructure	19
The Arthur Kill-Channel Improvements	19
Support the Development of our Ports	19
Port Development – Port of New York and New Jersey	20
The Economics	20
Assets	21
Opportunities	22
Competition	22
Challenges	23
Regional Transportation Linkages	24
Contaminant Assessment and Abatement	25
ENERGY	26
Overview: Our Economy and Energy Infrastructure	26
New Jersey Energy Master Plan (EMP)	26
Utilizing our Limited Resources in a Down Economy	27
Upgrading the State’s Transmission Infrastructure	28
Susquehanna Roseland Transmission Project	28
Promoting Jobs	29
Diversifying Our Energy Portfolio	30
Nuclear Power	30
Diesel Fuel	30
Liquefied Natural Gas (LNG)	31
Domestic Resources Development	31
Beyond Oyster Creek: Looking Ahead for Affordable Sources of Generation	32
Maintaining New Jersey’s Competitive Advantage	32
Agency Coordination	32
A Business Case on Energy	33
ENVIRONMENT	35
Increased DEP Efficiency and Accountability	35
DEP Leadership and Management Reform	35
Regulatory Reform	35

Site Remediation Program Reform	37
Solid Waste Management	37
Addressing New Jersey’s Aging Water Infrastructure	38
Plastic Bag Recycling Mandate	38
Air Permit Fees and Air Emission Fees	39
Smart Container Act “Bottle Bill”	39
Green Building Technology	40
Pairing Sound Science with a Sound Environment	40
New Jersey Environmental Infrastructure Trust	41
Beach Replenishment	42
Beneficial Use of Dredged Materials	42
OTHER NJ SEED ISSUES	44
Commercial Real Estate Industry Is Key to Economic Prosperity	44
Smart Growth Economic Development	44
Expedite and Incentivize the Redevelopment Process	45
Property Tax Reform and Education	46
Rebuilding Our Educational Facilities	46
Innovation for New Jersey	47
The Life Sciences: New Jersey’s Premier Industry: The State’s \$30 Billion Economic Engine	48
Civil Justice Reforms	49
APPENDIX A	50
Port of New York and New Jersey’s Supply Chain Vision	50
Clean Air Strategy	51
Where to Start	52

NJ SEED Policy Committees

NJ SEED Economic Development Issues Policy Committee

Chairman: John Maddocks, Somerset County Business Partnership

AT&T Charlene Brown	Associated General Contractors of NJ Thomas Digangi	Building Contractors Association of NJ Darlene Regina
Donald Sico & Co. LLC Donald Sico	HealthCare Institute of NJ Haskell Berman	Intl Union of Operating Engineers Local 825 Greg Lalevee
NJ Business and Industry Association (NJBIA) Christine Stearns	NJ Council of Carpenters Tricia Mueller	NJ NAIOP Michael McGuinness
NJ LECET Joseph McNamara	The Torok Group, LLC. John Torok	PSE&G Art Guida

NJ SEED Energy Issues Policy Committee

Chairmen: Ed Salmon, Salmon Ventures, Ltd.

Atlantic City Electric Susan Coan	NJ BIA Sara Bluhm	NJ Energy Coalition Robert Marshall
NJ Petroleum Council Jim Benton		Salmon Ventures, Ltd. Andrew Young

NJ SEED Environmental Issues Policy Committee

Chairman: Dick Dewling, Dewling Associates, Inc.

NJ Asphalt Pavement Association Carol Fulton	NJ NAIOP Michael McGuinness	NJ Petroleum Council Jim Benton
NJ State Chamber of Commerce Michael Egenton	NJ BIA David Brogan	NJ BIA Sara Bluhm
Pilots' Association for the Bay and River Delaware Capt. James R. Roche	Pilots' Association for the Bay and River Delaware Kevin O'Sullivan	UTCA NJ Dan Neville

NJ SEED Transportation Issues Policy Committee

Chairman: Steve Gardner, NJ LECET

BCA of New Jersey Michael Travostino	NJ Building & Construction Trades Council William Mullen	NJ State AFL-CIO Charlie Wowkanech
NJ State Troopers Fraternal Association David Jones	NJ State Troopers Fraternal Association Chris Burgos	Operating Engineers, Local 825 Mark Longo
Pilots' Association for the Bay and River Delaware Capt. James R. Roche	Pilots' Association for the Bay and River Delaware Kevin O'Sullivan	Port Authority of NY & NJ Tina Lado
State Troopers NCO Association James Gaffigan	United Transportation Union Daniel O'Connell	UTCA NJ Evan Piscitelli
	Laborer's Local 472 Roger Ellis	

ECONOMIC DEVELOPMENT

New Jersey is an economic engine for the nation and especially for the East Coast. Our well-educated workforce has helped our economy become a national leader. Also, our ports are the entry point for a very substantial amount of the commodities coming to the United States, as well as the point of export for many products. It is imperative that New Jersey's economy continues to grow. The economic growth benefit that occurs as a result of efficiently moving goods and people is directly linked to investment of capital in our state's infrastructure. This development is a multiplier for job growth.

Outside researchers identified problems in the state's retention and attraction of employers, compared to how other states retain and attract firms, and recommended policies New Jersey can adopt to make its business environment friendlier.

Building our environment, our jobs, our homes, and our livelihood is what fuels our economy. In order to position ourselves to prosper as the national economy recovers, New Jersey needs to implement policies now to attract new businesses, allow established businesses to expand, promote urban redevelopment, increase state revenues and keep New Jersey working.

NJ SEED's labor and business members call upon the Administration and Legislature for their continued vigilance to enact balanced policies that increase mobility, drive regulatory efficiency, and create a competitive advantage for New Jersey.

Priority Policies to improve New Jersey's Economy

Burdensome regulations, high taxes and spiraling health care costs were the top concerns cited in a new study of New Jersey's business climate entitled "Economic Policies and Solutions: Making New Jersey a Better Place for Business."

Based on how other states create friendly commercial environments, New Jersey Policy Research Organization (NJPRO) made a series of recommendations in the study, including high-priority policies to improve New Jersey's business climate:

- Fix the State's business liability laws. New Jersey has become the destination of choice for plaintiffs wanting to sue businesses
- Make it a priority to fund academic research and development and create research partnerships between universities and businesses
- Control the costs and improve the quality of the State's health care plans
- Discourage abuse and reduce incentives for out-of-state plaintiffs to use New Jersey courts for litigation more appropriate in their home states or federal courts.

To view the full study, go to the research area of the NJPRO website at www.njprofoundation.org/pages/respa.htm.

NJ SEED believes that a balanced approach to policy making will stimulate economic development. NJ SEED urges New Jersey policymakers consider these priorities with all new laws and regulations.

Establishment of the Governor's Council of Economic Advisors

NJ SEED also believes the fiscal well-being of the State of New Jersey and the growth of economic opportunities for New Jersey citizens and New Jersey businesses should be major priorities of this Administration.

NJ SEED supports the Governor's decision to create a Council of Economic Advisors and commend his dedication to seek out solutions to keep New Jersey's economy sustainable. NJ SEED has established itself as a reputable and knowledgeable coalition and hopes the current Administration will call on our members for high-quality advice on an ongoing basis regarding State, regional, local and national economic conditions.

Infrastructure and Economic Development Overview

The NJ SEED definition of infrastructure is not limited to just the roads and bridges that connect our state. Reliable power, water utilities, ports and airports are also essential forms of infrastructure that provide the general framework for living, working and thriving in New Jersey. A key part of economic development is transportation investment.

- Establish a **long term financial solution that prioritizes infrastructure investment and secures a dedicated source of funding for transportation** capital investments. This is critical to New Jersey's economic future.
- Review costs and effects of large scale transportation projects in order to assure public confidence. The lost potential that the ARC Tunnel brought to the region as a vital and strategic transportation asset must be considered as New Jersey moves forward with its transit plan. A large void is created without the ARC tunnel and **all things now must be considered in building a solid and financially solvent transportation infrastructure for the future.**
- Develop initiatives that **strengthen New Jersey's ports and economy.** Supporting the port and the network of businesses and jobs operating therein, along with the many businesses, consumer markets and regions that are beneficiaries will help to maintain the quality of life for our citizens across the country who benefit directly or indirectly from this industry. **It makes good fiscal sense to continue to wisely invest public funds in our regional and national economy and environment.**
- With a proven record, the **New Jersey State Police deserve continued support from policy makers in any and every way possible.** The administration and legislature are encouraged to ensure that New Jersey receives an appropriate share of funding for homeland security and anti-terrorism activities.
- Continue to partner with the federal and state governments to maintain and **improve the nation's deep-draft navigation system** through the sound investment of federal funds for the accelerated, consolidated Harbor Navigation project and removal of choke points.

- Continue to support programs that **encourage work zone safety** as this is a **critical component of New Jersey's transportation** infrastructure improvement.
- Upgrade the state's transmission infrastructure and **support the Susquehanna-Roseland Transmission Project**.
- Work collaboratively with regulatory agencies to actively **promote a balanced portfolio of electric generation options, including nuclear facilities**. Nuclear energy produces virtually zero carbon emissions and yields the greatest output of energy in comparison to all other carbon emission production.
- Begin working immediately on upgrading our distribution **infrastructure and developing clean, affordable sources of generation to replace Oyster Creek's** output so that we are prepared for the facility's closing.
- **Maintain a competitive advantage** for New Jersey and our energy network when considering burdensome regulations.
- Recognize that **fostering innovation can lead to greater energy efficiency**. Support the siting of Liquefied Natural Gas (LNG) facilities in New Jersey and begin to consider the vast resources of energy production off shore in wind, oil and natural gas.
- Understand the vital link between economic development and real estate development. Policymakers must consider initiatives to **expedite and incentivize the redevelopment process** and improve business location and expansion incentives.
- Support policies that **encourage the growth of the life-sciences industry in New Jersey**. Policy makers can never assume that its past and present leadership in this industry is an automatic guarantor of such future dominance.
- New Jersey needs to cultivate and retain its entrepreneurial climate. Therefore, NJ SEED supports **increased private and public sector research & development** as well as policies that foster **collaborations between business, government, and academics**.
- New Jersey's educational facilities are an integral part of its infrastructure. State-of-the-art schools, from pre-school to college, provide a better environment for learning and preparing our children for the future. **Capital investment in the state's infrastructure, whether for roads, ports, or schools**, also provides the foundation for a sound economy.
- Support the establishment of a distribution system improvement charge (DSIC) program as it will **provide the necessary funding to replace, repair, and maintain** NJ's drinking water and wastewater infrastructure with acceptable rate caps
- New Jersey needs to **work proactively to develop policies that inspire partnerships among New Jersey's professional resources**. These spur new jobs as well as a new vibrancy in our economy, as found through the direction taken in the NJ PRO report "Building Bridges" and the work of Innovation NJ.

Environment and Economic Development Overview

- NJ SEED recognizes and applauds the recent cultural changes within the New Jersey Department of Environmental Protection. Through the newly established office of the Department's Assistant Commissioner for Economic Growth and Green Energy, new partnerships will be able to flourish that **will promote and create opportunities for economic growth**.
- Require the development and use of **streamlined management systems by all government agencies that eliminate waste and provide for an efficient regulatory process**. These changes should improve the government's responsiveness and minimize the cost of regulatory compliance to allow more funds for job creation, research, training, wages and employee benefits, while helping to ensure the global competitiveness of New Jersey's business community.
- Support the ongoing **reinvigorating recycling efforts** by the Department of Environmental Protection and various stakeholders by encouraging education and informing students, businesses and the average citizen that the ultimate goal of improving New Jersey's recycling rates can be achieved.
- Enact legislation and regulatory revisions that **encourage the voluntary use of green building technology** to: promote water efficiency, optimize energy usage, reduce and manage the amount of materials used in construction and waste, ensure good indoor air quality and encourage market-driven innovation.
- Acknowledge the importance of **increased funding and implementation of business incentives within** the energy market, in order to meet efficiency goals and environmental goals. Business and public interest should not be pitted in competition as they are intertwined and highly linked together.
- Assure that sound science is being paired with predictable, proven outcomes in the consideration of the installation of cooling towers. NJ SEED sees it both environmentally unclear as well as economical devastating to make any premature assumptions without the backing of proven science.
- Enact legislative and regulatory revisions that further remove **barriers to the development of contaminated brownfields sites** so that these properties can once again contribute to New Jersey's economic growth while mitigating public health concerns. Streamline and accelerate the local and state permit review process, clarify and reduce the potential for legal liability (including natural resource damages claims), add financial and tax incentives to encourage the cleanup and redevelopment of brownfields, and simplify regulatory and oversight processes during cleanup.
- Consider the financial fallout associated with inadequate support and action tied to **beach replenishment**, as the tourism is one of New Jersey's leading industries.

- Recognize that **New Jersey Environmental Infrastructure Trust (NJEIT)** is a critical tool in keeping New Jersey’s natural resources clean and the economy strong.
- Work to **improve the air quality** of this state as well and keep **New Jersey contractors competitive** in a struggling economy by keeping universal diesel standards and competition open for contractors .
- **Reduce the 2.5% fee imposed on non-residential development.** This is essentially a jobs tax and will impede construction projects in New Jersey and seriously impact our ability to compete with other states for desperately needed private sector jobs. Faced with a flat and depressed economy, any additional costs imposed on this process will ultimately deter development and add costs to the end user.

Regulatory Efficiency

Early in his Administration, Governor Christie administered a series of Executive Orders, effective immediately. Through this Executive Order, a task force deemed the “Red Tape Review Group,” was created to spearhead this review process in a bipartisan and transparent fashion in the hopes of addressing New Jersey’s urgent economic crisis. The Red Tape Review Group then arrived at a series of unanimous recommendations to improve the regulatory process and thereby promote job creation and retention, economic growth and investment in New Jersey. Our recommendations echo much of the Red Tape Review Group’s findings as well as with the Transition Report of the Economic Development.

Permits and Licensing

NJ SEED urges the State to give businesses a quick, efficient system when it comes to permits and licensing without compromising environmental protection. This change and simplification can make New Jersey a more hospitable climate for businesses in New Jersey, by making the permit obtainment process simpler.

We believe in the importance of quantifiable, result-oriented goals and support the administration’s recommendations to ensure state agencies progress towards such. These reports, issued annually, should show detail progress toward the goals of permit obtainment efficiency as well as agency transparency. As echoed by the current Administration’s reports, NJ SEED challenges State agencies not to measure success based on the number of permit applications processed, fines imposed, or pages of regulations adopted. Rather, it should be measured by the ability of the Department to improve the quality of life for the citizens of New Jersey.

NJ SEED supports the creation of “one-stop shop” for permits, a single point of operations to coordinate the submission and resolution of applications for business permits. The simplification of such procedures will provide the necessary room required for economic processes to be most effective.

Lowering the Cost of Doing Business

New Jersey must change the way it does business, to bring our state back as a viable environment for economic growth. Inefficiency and the excessive costs of regulation have made it prohibitively expensive to conduct business in New Jersey.

NJ SEED supports the following policy recommendations as we look to increase regulatory efficiency:

- Development and use of streamlined management systems by all government agencies that eliminate waste and provide for an efficient regulatory process.
- Creation of a new model for the State's economic development, investment, and job creation programs.
- The use of state planning as a tool to align all levels of government and work to streamline regulations in a way that will focus capital spending.
- Centralizing the State's Information Technology systems, making it easier for business to access information and save both time and money.
- Maintaining and improving the Office of Permit Coordination for larger permit obtainment processes.
- Allowing smaller business to obtain permits through an electronic permitting process.

The DEP have made improvements in their internal management structure and has yielded success for the New Jersey labor and business community, while keeping environmental protection as the primary focus of the agency. **These efforts must continue** as they have the potential to unlock hundreds of jobs and help numerous businesses stay in New Jersey and therefore, grow in New Jersey.

NJ SEED applauds the administration's efforts to increase regulatory efficiency in New Jersey as we believe such efficiency will do much to promote business growth and development.

Promotion of Small Business

New Jersey ranks at or near the bottom on the majority of indicators of the Small Business Survival Index, including personal and corporate income tax rates, property taxes, energy costs, state and local government spending and highway cost effectiveness. Our tax policies, lengthy, costly and unpredictable permit process, unrelated impact fees, and aging and congested transportation infrastructure have not looked like a welcome mat for business.

NJ SEED supports much of the recommendations presented in the economic development transition report that suggest making small business tax policy an engine for economic growth, rather than a hindrance.

NJ SEED urges the state to let businesses reduce their state tax burden by carrying their losses forward for the same number of years they can for federal taxes and base their tax liability in total on what they sell in New Jersey.

NJ SEED also supports the following recommendations:

- ***Propose legislation to enact many of the business incentives found in our corporate tax law for small businesses which pay business taxes via the owner's/partner's personal income;***

- *Permit a 20-year loss carry-forward of business income net operating losses into future tax years;*
- *Permit small businesses to bundle different forms of income and losses, such that profits in one business are taxed even if losses are sustained in another;*
- *Maintain that the state have the same compliance and conformity with the federal base of taxation as possible, instead of basing taxes upon gross income and;*
- *Revise the estate and inheritance tax to encourage families to pass on the family business, and*
- *Allow small business to obtain permits through an electronic permitting system.*

TRANSPORTATION

Overview

A solid infrastructure is the key to success in the future. It provides new opportunities for international trade, improves quality of life for people and fosters successful economies. There is a fundamental link between investments in transportation and our state's ability to compete nationally and globally. No state or nation can thrive without a highly advanced transportation infrastructure to support the many complex activities that characterize modern society. Without continuous investment in its transportation infrastructure, a modern economy fails to grow. Delays in funding, needed maintenance and repairs are the most expensive form of under investment.

There are few other regions in the country where the intermodal mix of highways, bridges, mass transit, airports and marine facilities are as critical or as concentrated as here in the Northeast. It is fair to say that there is no other region where economic and quality of life issues are as intertwined with transportation.

Success like the widening projects of the Garden State Parkway, Atlantic City Expressway and the NJ Turnpike have translated into real economic development dollars for the regions they run through and service as well as generated strong jobs in a flat and depressed economy. Now more than ever, it is vital for New Jersey to position itself as a viable element in the larger distribution network of goods and services in order to secure economic growth and prosperity.

NJ SEED recognizes that New Jersey continues to be in fiscal crisis. The state faces an on-going structural deficit in its budget and without new revenue, the Transportation Trust Fund (TTF) will be functionally bankrupt. While the FY 2011 Department of Transportation / New Jersey Transit capital program remained at \$1.6 billion, there is currently no framework in place to fund the program in FY 2012 and beyond. As of July 1, 2011 all existing revenue dedicated to the TTF will be used to pay the debt service on already issued bonds.

The cost of not finding a long-term fix to the TTF will be high for New Jersey. Currently, the state receives over \$1.7 billion from the federal government in matching funds which effectively doubles our TTF to 3.2 billion. Yet, as we have reported in the past, New Jersey's transportation infrastructure needs already far exceed what is being spent to maintain the network. For example, 36% of New Jersey's bridges are structurally deficient or functionally obsolete and New Jersey has a deferred maintenance backlog of over \$13 billion. Failure to find a fix for the TTF will result in lost federal money and push New Jersey further behind in just doing the bare minimum to maintain our transportation system.

NJ SEED urges Governor Christie and the New Jersey Legislature to remain open to the consideration of all funding proposals until the merits and deficiencies of each can be adequately assessed in a bipartisan fashion. The funding needs for New Jersey's transportation infrastructure have grown beyond the capacity of government only and public/private partnerships will need to be considered as well as other creative sustainable funding sources.

NJ SEED believes in a balanced approach to policy creation and that, through good economic

planning and environmental safeguards, a solution can be found to our transportation funding crisis.

New Jersey Transportation Trust Fund

New Jersey relies upon its Transportation Trust Fund (TTF) as the primary mechanism for investing in its transportation infrastructure. Yet, aside from some refinancing of existing TTF debt and some minor tinkering on the margins, the TTF has been allowed to teeter on the brink of insolvency.

The precarious position of the TTF can be directly linked to decisions made over the past decade to increase its reliance on bonding, to extend the terms of bonds, and to raise spending caps without additional revenues. Failure to find a long-term solution will leave New Jersey without any way to maintain or improve its transportation infrastructure. A short-term solution will keep the program solvent, but New Jersey will fall further behind in its abilities to meet its current and future transportation needs.

It is estimated that New Jersey must invest over \$3 billion annually in its transportation infrastructure to make the improvements necessary to maintain a strong economy and improved quality of life. To do so, \$1.6 billion per year in new revenues will be needed to finance the capital program. Additionally, reforms must be implemented to ensure that the TTF remains financially solvent. These include:

- Greater reliance on “pay as you go,” rather than bonding for projects.
- Eliminate the practice of diverting capital funds to maintenance as soon as fiscally possible.
- Ensuring full-revenue yield is achieved from existing sources.
- Continued independent oversight over financial plan with authority to ensure that acceptable practices are utilized.
- Creating new revenue streams, preferably related to use and impact on the system, including but not limited to public/private partnerships.

New Jersey’s yearly cost of congestion exceeds \$7.3 billion (or \$1,255 per licensed driver). Longer travel times and higher costs for truck freight operations have a negative impact on the manufacturing industry and the service sector, which leads to increased costs to consumers and increases greenhouse gas emissions.

New Jersey is a vital transportation link for the movement of goods around the region. Our ability to attract and retain businesses and jobs is linked to our ability to transport people and goods safely and efficiently.

NJ SEED encourages New Jersey policy makers to find a long term financial solution that prioritizes infrastructure investment and secures dedicated sources of funding for transportation capital investments as well as for ongoing maintenance. We urge the New Jersey Legislature to remain open to consideration of all funding proposals until the merits and deficiencies of each can be adequately assessed. This is critical to New Jersey’s economic future.

The Bayonne Bridge

Recent changes in the economics of shipping have led to the construction and deployment of larger and larger vessels. Container vessels have grown from ships capable of carrying 3000 or 4500 TEUs to ever-larger sizes, with ships of 6000 and even 8000 TEU capacity becoming increasingly prevalent. The largest vessels are capable of carrying as many as 14,500 TEUs or more. Concurrently, Panama has undertaken a \$5.7 billion project to widen the canal to permit ships of approximately 10,000 TEUs to pass through its locks. These ships will be serving the Asia to East Coast market; Ships of this size already are capable of transiting the Suez Canal to serve the growing market between South East Asia and the United States.

The primary container facilities for the region are located in Newark, Elizabeth, Jersey City, and in Staten Island and Brooklyn -Red Hook, New York. Ships serving the Newark, Elizabeth and Staten Island facilities must pass under the 70-year-old Bayonne Bridge, which is too low to permit the passage of these new, larger vessels. With an "air draft" of 151 feet at mean high water, the bridge cannot accommodate passage of most of the newer ships, which are often as much as 215 feet from water line to top of the masts.

The Port Authority of New York and New Jersey (PANYNJ or PA), and the New York Shipping Association are actively promoting a solution to this problem. In 2009, The Port Authority Board of Commissioners had funded a series of preliminary studies including: a preliminary engineering analysis, regional costs benefit analyses, *Environmental Screening and Alternatives Analysis*, and *Travel Demand Modeling*, to identify the optimal solution for addressing the air draft issue. An announcement of the Port Authority's recommended course of action is expected at the end of 2010. The agency is well aware of the urgency surrounding the issue; it has committed one billion dollars in its capital plan to ensure a solution is in place in time to service the larger vessels serving the Port.

NJ SEED strongly supports efforts to find a solution to this problem. Failure to address this issue will reduce the efficiency of ocean carriers serving the Port and could result in a loss of trade and the attendant jobs, income, other related economic activity. On the positive side there is much to be gained for the region and the nation from the reduced per unit transportation costs that are achieved by the use of larger vessels at the PONYNJ. The U.S. Army Corps of Engineers estimated that the economic net benefits from options that would raise the bridge are between \$2.8 billion and \$3.2 billion.

Deepening of the Delaware River Navigational Channel

A great deal of NJ's southern economy is tied to the viability of the ports along the Delaware. These ports and their expansion will not adversely affect northern New Jersey ports. Both port districts serve vast regions from the mid-Atlantic to the Midwest.

An additional five feet of channel depth would give the southern New Jersey region the capacity for larger, more economical cargo ships to call on Delaware River ports. This will translate into more jobs and revenues for the region and be a significant economic advantage to the State of New Jersey.

Ports in the surrounding competing regions of Norfolk and Baltimore have completed deepening their ports to 50 feet. In 2015, the Panama Canal will open new locks enabling the transfer of vessels with drafts of over 40 feet. If the Delaware River dredging project does not move forward, cargo ships will soon be diverted from shallower ports such as those in the Delaware, toward deeper and more ample ports. Such a diversion would soon be followed by the jobs and economic benefits that would also leave New Jersey.

NJ SEED believes the project to dredge the Delaware River Navigational Channel to a depth of 45 feet should move forward with all deliberate speed and strongly supports all efforts to do so

NJ Leads in Work Zone Safety

During the mid 1990's the New Jersey Work Zone Safety Partnership was formed representing public and private sector members from labor, government, trade associations and highway contractors to support the New Jersey State Police Construction Unit in reducing work zone fatalities. The group of full-time state troopers specializes in work zone safety enforcement on New Jersey highways. New Jersey Department of Transportation and Occupational Safety and Health Administration (OSHA) representatives trained these troopers in worker safety compliance and work zone inspection. Additionally, the NJDOT has required a Traffic Control Coordinator be designated on each of their jobs. As a result of this collaborative effort, the number of work zone fatalities has continually decreased to one of the lowest national rates, which is an accomplishment for the most congested state.

The partnership has also teamed with the Rutgers Center for Advanced Infrastructure and Transportation (CAIT), New Jersey Local Technical Assistance Program (LTAP), the New Jersey Division of Highway Traffic Safety, and New Jersey Police Traffic Officers' Association (NJPTOA) to address work safety on local roadways. They sponsor the New Jersey Police Work Zone Safety Train-the-Trainer Program for Municipal Police Officers.

Additionally, police officers and public works employees are kept informed of best practices in work zone safety when attending the Annual Work Zone Safety Conference an event that is scheduled during National Work Zone Safety Week. The partnership sponsors this program that attracts over 300 participants from enforcement, engineering, and the transportation industry who unite and renew their interest in saving lives through the promotion of work zone safety.

NJ SEED Supports the New Jersey Work Zone Safety Partnership and its continued reliance on the State Police Construction Unit to ensure safe work zones. Safe construction zones are a critical component of any transportation infrastructure improvement. New Jersey is a leader in this area and in keeping our roads safe means keeping them open.

Critical Staffing and Equipment Needs within the New Jersey State Police (NJSP)

Chronic understaffing places the New Jersey State Police (NJSP) in an increasingly challenging position in their mission to protect the health and safety of the citizens of New Jersey and its visitors. In 1989, the NJSP had 3,035 troopers, serving a population of 7.7 million people.

As of November, 2010, the NJSP has fewer than 2900 troopers, 15% below an authorized strength goal of 3400 troopers. The responsibilities and duties of the NJSP have increased dramatically during that 21-year span, now serving a population projected by the U.S. Census Bureau of over 9 million people. With the number of senior trooper retirements of all ranks increasing each month, including the group of “1000 Troopers hired in 1000 days” during the mid 1980’s reaching 25 years of service, personnel issues are at the forefront of critical issues for the NJSP. The NJSP have active missions in place to assist urban areas of the state fight crime and provide full police services in 89 municipalities. However, requests for additional NJSP assistance continue to increase in all areas of the state, urban, suburban and rural, while local and county agencies are laying off hundreds of emergency service workers. The last class of trooper graduates was in June 2009, with plans in place to hopefully fund another class that may graduate no sooner than the end of 2011 or early 2012. The immediate need for additional and continuing NJSP academy trooper classes, which are funded from a \$1 motor vehicle registration surcharge, is crucial.

Equipment issues are not far behind. Aging and antiquated equipment issues (an aging vehicle fleet, helicopters, marine vessels, etc.) continue to be addressed, and it is important that we remain vigilant in an effort to see these efforts come to fruition. With a large percentage of the National Guard deployed overseas, the NJSP is at the forefront of New Jersey’s defense efforts.

The NJSP Aviation Bureau consists of two separate operations: The police mission side of the house, and the “Medevac” side, both of which provide round-the-clock service to the people of NJ. An order for five new state of the art multi-purpose helicopter airships (the Medevac program is funded from a \$3 motor vehicle registration surcharge) that are desperately needed has been approved, with delivery anticipated over the next few years. Today, in the post 9-11 world, the unit is increasingly being utilized to protect the citizens of New Jersey from terrorism threats, as well as maintaining its medevac responsibilities. Colonel Rick Fuentes, Superintendent of the NJSP, continues working on the expansion plan, which would include three full-time medevac bases, with a patrol helicopter and crew also assigned to these locations. Homeland security patrol flights are currently high on the list of law enforcement priorities, and New Jersey has no shortage of bridges, tunnels, transportation hubs and other sensitive locations.

The New Jersey State Police Marine Services Bureau is responsible for all waterways in and around NJ. The duties also include around-the-clock patrols of ports of entry in the Newark and Delaware Bay regions and other sensitive areas. Within the last decade, the unit has been drastically depleted. Efforts to strengthen depleted staffing levels are a priority, as well as all of NJSP’s expanding areas of responsibility. Our Congressional delegation continues to label the Newark/Jersey City port areas as the “two most dangerous miles” in the nation. The NJSP continue to do more with less. It is imperative that they be given the resources needed to continue their critical mission.

NJ SEED believes the New Jersey State Police deserve continued support from policy makers in any and every way possible. NJ SEED supports all efforts to increase both the staffing and the equipment needs of the NJSP, as these aspects are vital in guaranteeing security for all of New Jersey. NJ SEED calls upon the administration and legislature to ensure that New Jersey receives an appropriate sharer of funding for home-land security and anti-terrorism activities.

Increased Rail Capacity and a Solid Rail Infrastructure

The ARC tunnel brought the promise of increased capacity in and out of New York City. With the indefinite hold up of this project and no viable alternatives in place, New Jersey Transit (NJT) service cannot expand on this side of the Hudson. The cascading effect of this choking of rail/transit expansion stifles connecting critical rail lines and initiatives such as the Monmouth, Ocean, Middlesex (MOM) project or any expansion of commuter rail effecting the North Jersey Shore, the Lackawanna Cut-off to the Poconos or any other initiatives. Without a serious financial commitment to expand rail, expansion/increase of rail service is not likely in the short term.

There is also a noted correlation between decreasing rail expansion to an increase in the price of gas. The most recent gas price hikes had an immediate increase on ridership of NJT. The same will be true again albeit at a slower pace as the present ridership digests a 25% fare hike.

NJ SEED commends the Governor for his recognition that NJT requires a dedicated funding source. First announced by NJ Department of Transportation Commissioner Simpson at his confirmation hearing, this funding would be critical for planning and operations of this critical transportation linkage. Short of having this dedicated funding source, NJ SEED urges policymakers to avoid quick budget fixes such as revenue derived from the privatization of assets. Once privatized, these assets may bring an immediate relief, but will ultimately cause long term holes where the revenue that they could produce is no longer available. Rather, it is a better course to consider maximizing assets revenue first, before selling them off for a short term gain.

NJ SEED sees it prudent to review costs and effects of large scale transportation projects in order to assure public confidence. The lost potential that the ARC Tunnel brought to the region as a vital and strategic transportation asset must be considered as New Jersey moves forward with its transit plan. A large void is created without the ARC tunnel and all things now must be considered in building a solid and financially solvent transportation infrastructure for the future.

The Arthur Kill-Channel Improvements

The Arthur Kill waterway is a crucial petroleum supply line into New Jersey as well as the entire Northeast region. Without this waterway, New Jersey remains at higher risk from supply disruptions and possible terrorist impact. Past events, such as Hurricanes Katrina, Ike and others, demonstrate the need for maintaining vital waterway access into the supply distribution network.

NJ SEED supports initiatives that will lower the depth of the Arthur Kill waterway, from Morses Creek to Perth Amboy, to an approved ship channel depth.

Support the Development of our Ports

New Jersey's ports have an incredible impact both directly and indirectly on our state's economy. This impact will exponentially increase if our ports are prepared to compete with

other eastern seaboard ports to receive the super cargo carriers that will come from the Far East via the newly updated Panama Canal in 2015.

It is estimated that approximately 270,000 jobs, \$11.2 Billion in personal wages, \$36.1 Billion in business income and \$5 Billion in tax collections are derived from New Jersey's ports currently. Based on the volume of business passing through these ports, any loss in market share due to the ports' incapacity to handle the new generation of ships of a certain draft will harm New Jersey's employment picture, tax base, business opportunity and economy.

NJ SEED believes it imperative to our state's economic future to ensure that dredging and other essential infrastructure projects which strengthen New Jersey's ports have the support of our state government.

Port Development – Port of New York and New Jersey

Throughout this nation's history, the Port of New York & New Jersey (PONYNJ) has been the gateway through which the world traded with the United States. In the 1980's, the Pacific Rim's manufacturing power and exports, later to grow elsewhere in Asia, dominated global commerce. Other major United States ports emerged on the Pacific, Gulf and Atlantic coasts and the NY/NJ port's market share declined. In response to the challenge, the New York- New Jersey port community, with significant efforts on the part of business and labor, developed a strategy to make the Port more price and service competitive.

International trade activity through the PONYNJ is projected to double by 2028. Between its strategic property acquisitions and ongoing terminal developments, including expansion of the ExpressRail network, the Port Authority has positioned the Port to handle the volumes anticipated for the foreseeable future — thereby retaining its role as a major national and international center for the logistics industry for this new century.

The Economics

The ships operating in and out of New York Harbor are a part of an integrated global supply chain stretching from manufacturing plants in Asia, Europe and South America to homes and stores throughout the region, the Northeast, the nation and Eastern Canada. Maintaining this chain requires constant adjustments and improvements to make sure that it is capable of delivering goods on time, where needed and at the lowest possible price. Inefficient links in the chain are avoided as soon as alternatives become available.

In 2009, ships calling at the PONYNJ carried nearly 4.6 million Twenty-foot Equivalent Units (TEUs). That total represented a decrease of 13.4% in comparison to 2008. Similarly, the total value of all cargo moved through the Port in 2009 decreased by 23.3% in comparison to 2008. During 2010 however, the Port has seen a considerable uptick in activity. Through September, there has been a 16% increase in TEUs and a 21% increase in the value of total cargo.

In 2008, the Port supported 164,930 direct jobs, 269,990 total regional jobs, \$11.2 billion in personal income; approximately \$36.1 billion in business income and more than \$5 billion in federal, state and local tax revenues.

Nearly 501,000 people are employed in goods movement including trucking operations, water transportation, rail freight, air cargo, warehousing, and logistics services throughout the region. Home to the third largest port in the United States, the Port of New York and New Jersey serves over 35 percent of the nation's consuming public within a one-day truck drive.

Nearly 22% of U.S. retail sales take place within 250 miles of the PONYNJ. In terms of population, over 8.7 million people in New Jersey,¹ join the nearly 20 million other residents in New York, Connecticut, Pennsylvania, Maryland and Delaware as the ultimate consumers of over 80 percent of the cargo delivered through the Port.

Preparing for the next period of expansion is critical to maintaining the strength of the port and its economic role and employment. The current economic downturn provides the industry with a major opportunity to focus on the assets, opportunities and strategic investments needed to provide greater efficiency and sustainability throughout the entire marine logistics support system. To its credit, the Port Authority of NY & NJ has continued to make strategic investments in the form of both capital improvements and strategic property acquisitions.

Assets

- **Location/Market:** The Port of New York & New Jersey serves not only the tri-state region, the largest and most affluent consumer market in the country, but also reaches and competes for customers throughout the Northeast, Mid-Atlantic and Midwest States and Eastern Canada.
- **Transportation:** Transportation assets serving this market include port, airport, road, rail and waterway infrastructure.
- **Distribution Facilities:** Significant market demand exists for locations for distribution centers within the region —especially at sites close to the port. However, the high cost of land acquisition/remediation has driven up the cost of creating modern distribution properties — resulting in high vacancies in near-port structures —particularly those that are functionally limited and on small lots —and brownfields parcels remain undeveloped.
- **Labor:** The region benefits from a ready workforce, ranging from entry-level laborers to the highly skilled and educated, in the trade and logistics industry.
- **Commitment:** The Port Authority of New York & New Jersey and New Jersey are committed to port development. Since 2001, the agency has invested over \$2 billion in port infrastructure including more than \$600 million in its extensive on-dock ExpressRail system. Beyond the \$200 million contained within the agency's 2010 capital plan, another \$1 billion is committed to ensure that a viable and timely solution to the Bayonne Bridge's air draft restriction.

¹ New Jersey population statistics highlight compact nature of the Port's immediate hinterland. The Garden State has 1,174 residents per square mile or more than 13 times the national average.

Opportunities

Based on these assets, present and future investment in the sustainability and efficiency needs of this port and related supply chain systems will provide the following benefits:

- Distribution is the new manufacturing —high-paying sustainable jobs will be retained and created in the maritime, trucking, railroad, aviation, and logistics industries for individuals with a high school education and technical skills.
- Infrastructure development and construction jobs resulting from new investments will have a six-fold positive economic impact in the economy.
- Consumers and businesses will benefit by competitively priced goods that enter the region at our port without the collateral “net negative” impacts on environment, transportation, infrastructure, and quality of life that results when those same goods, destined for our region, enter the country via another port and are trucked to our stores and homes.
- Northern New Jersey has an inventory of 20 million square feet of existing or planned distribution center space. This provides a base for development consistent with smart growth principles, investment in expanded transportation and distribution center development will provide significant urban employment while supporting the needs of international shippers.
- Regional partnerships can be established with the new South Jersey, Eastern Pennsylvania and Southern New York distribution center clusters that are being developed there.

Competition

Since the 1980s, the Port of New York & New Jersey has experienced tremendous competition for port growth. Competition along the Atlantic coast for port and logistics jobs is especially acute. Norfolk, Charleston and Savannah highlight local advantages that they state are unobtainable in the New York/New Jersey region. These advantages include developable “greenfields,” lower business operating costs and less congestion. Recently, these competitors have received port related investments resulting from private sector and federal and state government coalitions (e.g., the Heartland Corridor) that have not been available to our region.

The ports of Norfolk, Charleston and Savannah are making aggressive public/private efforts to market their respective gateways, transportation assets and available development sites to shippers. The strength of an achieved consensus on an overall strategy between the public and private sectors in each of those ports has been an effective means to attract new commerce.

South Atlantic ports differ significantly from New York/New Jersey where the State (Port Authority) role is primarily as facilitator of private sector development and operation. Norfolk, Charleston and Savannah are the flagships of their respective state port authorities, which directly operate most of the marine terminals and are materially supported by their legislatures.

These three metropolitan regions are investing in transportation infrastructure to connect the intermodal assets necessary to serve a larger market area, including the Midwest and our own New York/New Jersey market, particularly through Norfolk. One carrier coalition reports that nearly 19 percent of its New Jersey bound cargo moves through the Norfolk port and subsequently comes to New Jersey via our roadways.

For years Savannah, Charleston and Norfolk, have been undertaking successful asset-specific marketing of existing and to-be-developed distribution centers and inland terminals related to their ports. Their state governments recognize the importance of the industry to their economic well-being and future growth and support efforts to exploit the opportunities presented. Following are examples of the tools successfully employed by PONYNJ competitors:

- Savannah's used its decade long explosive growth to become one of the top East Coast container ports. Their strategic plan captured added economic benefits by developing new distribution centers near the port to feed this growth.
- Norfolk has 50-foot channels. The Norfolk to Columbus Ohio "Heartland Corridor" double-stack rail clearance project was complete with support with major federal and state funds that were added to Norfolk Southern resources. Now the Norfolk Port markets the Corridor as a better alternative for serving the Midwest than the Port of NY & NJ rail routes.
- Charleston is developing a large rail terminal on the former Navy base to be linked to inland intermodal distribution parks via short haul rail (among other routes)

Challenges

While the Port of New York & New Jersey enjoys New Jersey's landside infrastructure, assets and advantages, there are challenges that, if not addressed through a unified strategy, will preclude the region from being successful in sustaining or expanding its international trade-market share and corresponding employment base. Nation's Port is working to prepare such a unified strategy, covering both New York and New Jersey, and is collaborating with both NJDOT and PANYNJ for parts of this effort.

Partnership are essential because New Jersey and the region have not yet fully captured the economic and societal benefits — cost, convenience, employment, tax revenue and environmental "savings" — resulting from services from a port located directly at its doorstep. Although New Jersey and the region have made some important investments in port-related critical infrastructure, there is a need to better advance the state's investment in goods movement-related projects to demonstrate New Jersey's commitment to its economically productive goods movement and logistics industries.

The Port of NY & NJ is now enjoying the benefits of certain key improvements that have substantially improved both intermodal connections and clearances for high-cube rail freight (i.e. the expansion of on-dock ExpressRail facilities and the completion of the CSX National Docks Clearance Program that provides double stack access to the national rail network). However, on-port and connector roadways still lack sufficient future capacity (e.g., on certain

segments, lanes, built in another era, are too narrow). Notwithstanding the rail and other improvements, shippers are changing their logistics practices and, where necessary, changing their port of choice to maximize returns by seeking opportunities to bring international containerized goods to distribution centers close to ports, then sorting and reloading those goods into domestic containers for delivery to stores or other distribution centers.

While several transportation agencies have responsibility for freight-related infrastructure, there is limited collaboration on the development of a single approach to easing congestion, maximizing land use, and integrating the workforce resources necessary to make our gateway more competitive. To maintain our current market share and to move toward a greater share, New Jersey and the region need to adopt a marketable strategic plan that integrates transportation (both land and water), land use and development and workforce assets into a seamless high-speed system. The development and delivery of the plan will require a unified and steadfast public/private partnership that will trumpet the gains that this region can achieve through consensus between and among the public and private sectors.

See Appendix A for more on the Port Authority of New York New Jersey's vision and future.

Regional Transportation Linkages

Northern New Jersey's economic viability is linked to the efficiency of the area's transportation infrastructure. As traffic volume between New Jersey and New York City continues to increase and commerce from our ports grows, it is critical to the economic future of this region that our transportation linkages are expanded.

New Jersey provides only very limited coordination and management of traffic signals and operations, resulting in severe congestion on many routes. There is an urgent need to incorporate modern technology into the management of traffic on truck routes to minimize congestion and delay. This problem is exacerbated by the failure of the multiple jurisdictions along most routes (NJDOT, counties and municipalities) to provide coordinated signal operations, consistent through lanes (roads that do not significantly change capacity from town to town) and adequate truck capacity.

Modern computerization of control over multiple signals is relatively easy to install, inexpensive and effective. For instance, the Automatic Traffic Surveillance and Control System (ATSAC) installation covering downtown Los Angeles is estimated to have added as much as 15 percent to the capacity of the street system.

Rail Expansion

New Jersey and New York ports continue to experience increased traffic and process a larger volume of containers every year. Once off loaded, a ship's cargo needs to be able to move with the same efficiency and ease that it experienced when it was transported in. A cross-harbor rail freight tunnel would increase the flow of products into market, while decreasing road and bridge congestion.

New York is the only major port city in the United States that has never built a rail freight connection across its harbor or river. Most products entering or passing through the port on rail are either detoured 280 miles to a bridge in Selkirk, or loaded onto trucks and transported over the roads. The impact on New Jersey's roads and traffic congestion is stifling to our transportation infrastructure and economy. The tunnel would remove at least one million tractor-trailer trucks per year from our roads, and would result in cleaner air, reduced congestion, lower-cost consumer goods and a generally reduced cost of doing business.

NJ SEED will continue to monitor possible tunnel expansion and supports these investments in our regional transportation linkages. Expanded freight rail is universally good for the environment and a priority for our port. Rail safety and improvement projects are critical to New Jersey as our need for product mobility grows and the amount of space on our highways diminishes.

Contaminant Assessment and Abatement

The Contaminant Assessment and Reduction Program (CARP) is designed to track down sources of contaminants to the New York/New Jersey Harbor and abate them. Approximately \$25 million has been committed by the states of New York and New Jersey to this project.

Decontamination technologies have the potential to clean harbor sediments. The state and the federal government have committed approximately \$40 million to test the feasibility of such technologies. Stringent water quality standards set by state and federal regulations have resulted in a cleaner harbor over the past several years.

NJ SEED supports contaminant reduction/abatement and the development of new technologies.

Energy

Overview: Our Economy and Energy Infrastructure

The barriers to investment in our electric, natural gas, telecommunications and water infrastructure are, by very definition, barriers to our economic future. Unless we keep investing in that infrastructure, continue to modernize it, and enable it to meet the increasing demand for reliable and essential services, our future economic development will be put into serious question. Infrastructure improvement not only supplies energy, water and communications, but provides thousands of construction and permanent jobs, and millions of dollars in new tax revenues.

Overall, NJ SEED wishes to engage in public policy that helps spur investment in our infrastructure in this state, increase its energy efficiency, remove obstacles to growth and expand the use of emerging energy technologies. NJ SEED also wants those that are the best and brightest to join our workforce and be attracted to a career in the energy industry.

New Jersey Energy Master Plan (EMP)

Throughout the discussion we have heard a consistent message that there is no single approach, or silver bullet, to address the issues of increasing energy demands. That means all options must be considered — conservation, and efficiency and new supply — including renewable energy, traditional fossil and nuclear generation and transmission sources. All of these options have a place in the portfolio of energy sources at our disposal.

We have an obligation to continue to expand low environmental impact, renewable energy, recognizing that even the best wind and solar technology is reliant on the wind and sunshine. These energy sources can be intermittent at best. To that end, a stable, affordable and clean energy supply is required to complete the energy portfolio

There are a few issues of critical importance NJ SEED feels are imperative to keep at the center of the dialogue when constructing New Jersey's new Energy Master Plan:

- **A reliable supply of energy.** There is a need for reliable, affordable energy to meet the supply needs of the New Jersey consumer. As we look ahead towards our ever-increasing demands for energy, it is imperative that we focus our efforts on dependable supplies at reasonable and sustainable prices that can help foster a competitive stance for our state's businesses and citizens and meets New Jersey's tough environmental considerations
- **A level of certainty and predictability in policy and permitting.** At present, the lack of regulatory certainty acts as a disincentive for energy investors. A standard timeline and cost for building new generation must be established.
- **A well-balanced, diversified strategy.** The new EMP must be able to balance the supply, economic development, and environmental impacts, as well as the associated costs and benefits of a multifaceted plan such as the new EMP.

Utilizing our Limited Resources in a Down Economy

Reducing energy use and promoting renewable sources of energy generation are two important goals we cannot lose sight of as we plan for the future. However, through New Jersey's 1999 electric utility reconstruction legislation (EDECA), the responsibility to fulfill such goals has been placed solely on the consumer, as seen through the Societal Benefit Charge and the Renewable Energy Portfolio Standards (RPS). Although doing much to fuel NJ Clean Energy Initiatives, these charges have been burdensome to rate payers, during these unfortunate economic times. NJ SEED believes the Societal Benefit Charges and other incentivized investments should be proportional to which they most benefit.

Also, new programs put forth by the EMP can be an added cost to providing energy in New Jersey and the balance between the current needs and maintenance of New Jersey's infrastructure must not be overlooked in developing new programs. In a time of a down and flat economy, these new programs can crowd out regular transmission work. Any new projects must be financially recoverable without being a determinant on the consumer.

As we look to make the most out of our limited financial resources in this down economy, NJ SEED calls upon policymakers within the current administration to make certain that every dollar is well spent. The results of these cost-benefit analyses and other tests of efficiency should be transparent and available to the public.

Encouraging Renewable Technologies

Renewable technologies need to be deployed where they make sense. For New Jersey, that means primarily wind and solar. Furthermore, as the state considers deploying renewables to meet our established goals, they should encourage it at large scale commercial and industrial locations versus residential locations. While New Jersey does not have the solar radiation intensity of the Southwest United States, we have a number of flat roofs that provide opportunities for solar energy development. New Jersey's onshore wind potential appears to be the best in the extreme northwest and extreme southeast areas of the state. New Jersey's best wind sites are offshore. New Jersey needs new sources of low and no-carbon central station power, including nuclear.

One thing to keep in mind throughout the debate is that traditional electric-generating stations cannot simply be replaced by like-sized renewable sources as some would have you believe. For example, one issue that plagues wind and solar energy is the intermittent nature of their ability to produce energy. All power sources face maintenance and cost issues that impact their capacity factor — the ratio of the actual output of a power plant over a period of time and its output if it had operated at full nameplate capacity the entire time. Wind and solar face an added issue — their 'fuel' is not always available. Nuclear plants have average capacity factors in excess of 90 percent. Average wind capacity factors are around 30 percent and solar is in the 10-15 percent range. To replace the energy produced by all the nuclear power plants in the country with wind power would require an area the size of the state of West Virginia. In order to produce that level of energy from solar, every square inch of the state of New Jersey would have to be covered in solar panels.

While a diverse portfolio of power sources is needed, the state also needs to balance the economic impact of any new proposal. The Energy Master Plan is currently under review, but existing state renewable goals could cost ratepayers over \$5 billion to implement and achieve. The value of our renewable energy credits should be examined as well as what qualifies for these credits

As we look to encourage conservation and efficiency as part of meeting energy goals state wide, incentives are also needed to promote energy efficient lighting, appliances, and new technology in advanced metering. Education is also needed for consumers on consumption and controls with corresponding rate structures as this will encourage conservation through savings.

Upgrading the State's Transmission Infrastructure

Upgrading the state's transmission infrastructure is a critical component needing to be highlighted in the New Jersey EMP. PJM, the regional transmission organization responsible for ensuring the reliability of the high voltage electric power system in our area, has determined that the reliability of our supply of electricity will be jeopardized over the next several years, unless steps are taken to address the state's electricity demand and supply. Since PJM is responsible for planning and operating the transmission grid reliably, it is in the process of directing upgrades to the grid that will enable New Jersey to import more electricity to enhance reliable supply.

Some critics of increased transmission capability suggest that it will be a conduit for 'dirty coal'. In reality, it will ensure the reliability of the regional transmission grid and allow for additional capacity and access to out of state sources, including renewable as well as traditional sources. New Jersey currently imports about 25 percent of its electricity needs annually. New transmission facilities will be required to support the transportation of proposed renewable energy resources in addition to new base load or nuclear energy in the state. However, it is equally important that New Jersey does not isolate itself, but collaborate with upgrades in surrounding states to maximize the stability of our region.

The completion of the Mid-Atlantic Power Pathway (MAPP) will provide the additional infrastructure needed to support proposed clean energy projects in the Mid-Atlantic. It will also complement New Jersey's energy efficiency and demand-side management initiatives. MAPP will improve the flow of electricity, ensure a reliable, long-term supply, deliver lower cost power during periods of highest demand, reduce the cost of power by reducing congestion and create a bigger corridor for delivering new, clean energy solutions.

Susquehanna Roseland Transmission Project

As New Jersey focuses on developing public policies that help spur investment in our infrastructure as well as increase energy efficiency, the Susquehanna Roseland Transmission Project remains at the forefront. The proposed power line, with a projected service date of late 2013, follows the path of an existing power line for more than 90 percent of its 101-mile distance in Pennsylvania. PSE&G is hard at work building New Jersey's portion of the line, fulfilling our state's commitment to the region's power needs.

Although the route has been approved by both the Pennsylvania Public Utility Commission and the New Jersey Board of Public Utilities, the National Parks Service has decided to consider alternative routes as part of their Environmental Impact Statement process. Despite the proposal of various routes, NJ SEED believes Alternative 2, the previously approved route, is not only the best option but in reality is the only option.

Alternate Route 2 has been approved by the New Jersey Board of Public Utilities after vigilant consideration, providing ample opportunity for opposing views to be expressed. The National Park Service's proposed alternate routes possess the potential for unforeseeable environmental impacts in communities where there have been no transmission lines. Developing routes that avoid parklands will cause additional delays, including requiring another review by both the NJ Board of Public Utilities and the NJ Highland Council.

Simply put, New Jersey cannot afford the cost or risk the compromising of the network that is associated with such delays.

A recent Rutgers University study projects that there are 1300 jobs associated with the construction of the line. Each year the project is delayed represents more jobs lost in our stagnant economy. As a business and labor coalition supporting balanced public policies that bolster our economy, and enhance our environment, NJ SEED also supports Alternate 2 for the multitude of jobs this route will create.

Alternate 2 offers the least amount of foreseeable environmental impacts because very little expansion of the current infrastructure is needed to complete the regional linkage. NJ SEED believes the choice is clear. This project must move forward as planned previously approved utilizing Alternate 2, in order to keep New Jersey's energy infrastructure viable and our economy strong.

NJ SEED believes that balance between economic development and environmental practices are paramount. NJ SEED supports building the Susquehanna-Roseland Transmission Project will generate employment, build the gross domestic product, and generate local and state tax revenues.

Promoting Jobs

If New Jersey is to meet its EMP and climate change goals and transition to a green economy, it must begin to develop its workforce today. Meeting this challenge will require careful analysis and planning, and close collaboration among industry, government, labor, non-profits and educational institutions. Currently, our utilities are planning for their future needs, which like many other professions this includes contingency plans for an aging workforce. Linemen, operators, engineers and other skilled professionals are needed to replace baby boomers when they retire.

While we are becoming familiar with the litany of consequences of failing to combat climate change, there are equally compelling and positive benefits to be realized if we meet this challenge. Chief among them is economic growth and the creation of well paying green jobs.

The new EMP should encourage training in green career jobs in high schools and colleges. As this market expands, these new jobs should replace the current jobs that do not offer

sustained career positions. NJ SEED is committed to working with partners across the state to develop our workforce so that New Jersey can realize the full potential of the green economy.

Diversifying Our Energy Portfolio

The need to protect our fragile environment while providing New Jersey residents and businesses with affordable and reliable sources of energy is clearly a challenging but achievable goal. Clean and abundant sources of energy to light our lives, power our businesses, schools and hospitals is a critical need. But so too is the need to halt environmentally damaging climate change.

NJ SEED believes that the energy landscape in New Jersey will be achieved through a mixed basket of options. The new EMP should account for many of these solutions, including all types of environmentally smart production types such as nuclear energy.

Nuclear Power

To ensure that New Jersey's current nuclear power facilities remain in operation and that new nuclear generation is developed is an absolute necessity in achieving the goals of the EMP. Currently, nuclear power is the largest and most vital source of base load electricity in the state. Most notably, nuclear power produces virtually zero carbon emissions. While investment in renewable energy is an exciting and crucial part of our clean energy future, it will never replace the need for a strong, baseline, reliable, and constant energy supply.

We believe the nuclear plants in the state should be granted license extensions, the development of new technologies should be facilitated, new nuclear facilities should be built, energy efficiency programs should be aggressively promoted and improvements to our electric infrastructure should be made where needed.

Nuclear power represents a proven technology. There are more than 100 nuclear power stations in the country. It is the commercially available carbon-free source of energy. Other countries, such as France, produce 80 percent of their power from nuclear sources, but only about 20 percent in the United States. NJ SEED believes that any reasonable state energy plan should preserve the nuclear option.

NJ SEED encourages the New Jersey Legislature to work collaboratively with regulatory agencies and to actively promote a balanced portfolio of electric generation options, including nuclear facilities.

Diesel Fuel

Diesel Fuel has recently undergone a major transformation by removing almost 90 percent of sulfur from the product that was sold most recently. This new product is called Ultra Low Sulfur diesel (ULSD) and is presently available for highway use. This product successfully debuted this past fall, and there are federal mandates to expand this product to off-road diesel, as well as locomotive and marine engines. It is important the New Jersey energy policy be respectful of the federal schedule for product introduction to avoid precipitation supply difficulties during this transition period.

Liquefied Natural Gas (LNG)

Under its goal of investing in low carbon-emitting power plants, the EMP calls for the development of more cogeneration natural gas fueled facilities. The value of natural gas is that it is cleaner than other fossil fuels, its worldwide supply is projected to peak later than other fossil fuels, and the efficient cogeneration plants that it has the potential to power can easily meet peak demand. Natural gas already plays a significant role in meeting energy needs and it is therefore important that a stable and cost-effective infrastructure is developed that will maintain current natural gas needs and support the addition of cogeneration facilities. Investment in Liquid Natural Gas (LNG) facilities within the state must be included in this infrastructure to ensure stability in both the natural gas market and the supply. The EMP does briefly comment on LNG as part of its proposed feasibility analysis of this fuel source, but it is the recommendation of our Energy Coalition that LNG be brought to the forefront of this issue and that the State adamantly pursue advancements in this technology as part of any and all developments in the natural gas infrastructure.

Natural gas desperately needs a new infusion of supply, such as the proposed Liquefied Natural Gas (LNG) terminal in South Jersey. Our port system is expanding, yet our transportation and logistics system has not been upgraded. Traditionally, natural gas has not been transported in significant distance because of the difficulty of shipping a gas. Technology now allows us to store and ship the gas safely at extremely low temperatures in a liquid state. It will take ongoing public education and forward-looking policy makers to make this clean energy source accessible. LNG is the increasingly preferred mechanism for delivering ample supplies of clean burning natural gas to location in New Jersey.

NJ SEED believes that the NJ EMP policy should work to aggressively facilitate development of these proposed LNG plants.

Domestic Resources Development

A major component of any useful energy strategy entails the development of domestic US resources. NJ SEED agrees with the move forward towards a safe and environmentally friendly method of tapping into our U.S. oil and natural gas supply. The US Outer Continental Shelf, (OCS) federally controlled lands off of the east and west coasts and in the Eastern Gulf, is estimate to hold 77 billion barrels of oil and 420 trillion cubic feet of natural gas. These resources would be enough to heat 100 million homes for 60 years. However, the vast majority of this land remains off limits to energy exploration. As the only developed country that substantially restricts access to known domestic energy resources, we must take a realistic look at the impending long-term effects of this circumstance. Increase dependence on foreign oil is one of these very real potential effects. U.S. energy demand is not declining; and if not met by domestic sources, foreign sources will set in to fill that disparity.

NJ SEED believes that by developing more of our own oil and natural gas resources, we can provide more domestic fuel for consumers, add to well paying jobs , and bring much needed revenue into state and federal coffers. At a minimum, we need to encourage initiation of an inventory of resources in the OCS using technology not available when previous resources estimate were made.

Beyond Oyster Creek: Looking Ahead for Affordable Sources of Generation

A recent agreement has been reached between the Exelon Company and the State of New Jersey to close Oyster Creek at the end of 2019 – ten years before its current operating license expires. In doing so, the facility will not be required to build costly cooling towers to replace the plant’s existing once-through cooling system.

The possibility that either the EPA or state approvals would require the construction of cooling towers at Oyster Creek has increased over the past year. This agreement will provide certainty on the situation for the company and its employees.

NJ SEED commends the current administration as well as the NJ Department of Environmental Protection and Exelon for their leadership in attempting to have a dialogue on critical environmental issues affecting New Jersey and the Barnegat Bay.

However, now more than ever, this action stresses the need for a comprehensive energy policy encouraging new base load generation facilities in New Jersey. Oyster Creek currently produces 7% of our state’s electricity and plays a fundamental role in the regional reliability of our transmission grid.

NJ SEED believes it is crucial that we begin working immediately on upgrading our distribution infrastructure and developing clean, affordable sources of generation to replace Oyster Creek’s output so we are prepared when the facility closes in nine years.

Maintaining New Jersey’s Competitive Advantage

Until a federal program is developed, New Jersey continues to be a leader in the area of Carbon taxation. NJ SEED calls upon the administration and policy leaders to highly consider this when enforcing any new onerous regulations in this area. Such regulations have the potential to give our neighboring states an even further competitive advantage.

Agency Coordination

At present, the lack of regulatory certainty acts as a disincentive for energy investors. A standard timeline and cost for building new generation must be established, whether it applies to wind farms, cogeneration, or larger base load such as nuclear. In other words: a one-stop shop for new energy that simplifies and cuts-down the process. **Active cooperation of the approval agencies would provide regulatory certainty without adding more government.** Coordination would clarify the approval processes and timelines, both of which are fundamental to the planning process of developing new generation facilities.

NJ SEED believes it is critical that the State work to increase agency coordination and regulatory certainty. This would require collaboration between the legislature, BPU, and DEP to establish a standardized and integrated permitting process; in other words, a one-stop shop for new energy that simplifies and cuts-down the process. Such

processes of the BPU need to be streamlined and made simpler so not to discourage vital energy investors from coming to New Jersey. NJ SEED also believes that the BPU must increase outreach to the business community, providing incentives that foster economic development and job growth.

A Business Case on Energy

The largest consumer of power in New Jersey is business, approximately 64% of all electric consumption. Yet the greatest amounts of incentives are directed at the private/home user. In the area of electricity, our state is already exceeding demand projections for 2010.

In 2007, the clean energy program spent \$678 million in actual rebates grants and incentives which resulted in 9943 metric tons of CO₂ reduction. The program spent \$323 million on C&I which resulted in 589 metric ton reduction in CO₂.

How many times have you sat in traffic? How many times has a truck sat next to you? This costs business in both cases. As the major consumer and ratepayer in this state, business has a vested interest in the supply, distribution and impact of congestion related to our energy.

This situation is also being aggravated by a pronounced shift in public policy. Governments used to focus on ensuring that the public had access to a plentiful supply of affordable energy. Today, however, the focus is on making energy generation and use more environmentally friendly regardless of cost.

Unfortunately, in New Jersey we are trying to apply the old regulation and enforcement model to the problem. This is a mistake, not only because it does not account for how we are going to meet our energy needs in the future, but also because it does not allow for new ideas that could dramatically improve our environment. For example, Thomas Edison invented the light bulb. For many years it didn't change. Then the compact fluorescent was introduced. Today, LED lights are available which are even smaller and more efficient. Yet government regulations and rebates do not always keep pace with the innovation and improvement by the business community.

The sense of urgency presented by the impacts of climate change will require a regulatory model that relies more on public-private partnerships than the historical command and control approach. If New Jersey is serious about reducing CO₂ emissions and the state is also serious about investments that stretch across our state, including our cities and all economic strata, then we need to streamline our processes, set clear direction and get all sectors of the economy involved. Otherwise, these investments will not be made in a timeframe that is consistent with the Governor's leadership. There is no 'silver bullet' here and the solution requires an 'all hands on deck' approach.

Business and public interest should not be pitted in competition as they are intertwined and linked together. The examples of the expanded use of solar power and wind power, the advances in green building, development of ethanol fuel etc are developments that occurred as a result to the market demands for alternative energy sources to lower consumption costs.

Stakeholders need to be considered partners in solution development as opposed to a traditional command and control model that does not encourage innovation or free-market development.

The Clean Energy Program spent over \$56 million on residential customers to achieve 27,978 MWh savings and reduce 19,032 metric tons of CO₂. While nearly \$22 million was spent on commercial and industrial programs to achieve 98,377 MWh savings and 67,969 metric tons of CO₂. **Clearly, ratepayer dollars invested in business see a greater return on investment.** For example, every dollar invested in residential infrastructure development produces a four dollar return on investment; for every dollar invested in commercial infrastructure development, there is an eleven dollar return on investment. The net economic benefits of how money is spent should always be considered through the use of a metric-designed system to measure success

New Jersey needs an integrated approach that maximizes energy conservation and efficiency opportunities first. This represents the low-hanging fruit and considering that for every dollar invested in efficiency initiatives in the commercial and industrial sector returns about \$11 in savings; this is clearly an area that deserves more attention.

NJ SEED requests that the state acknowledge the importance of increased funding for business incentives at a higher rate if it aims to meet efficiency goals as well as environmental goals.

ENVIRONMENT

Increased DEP Efficiency and Accountability

DEP Leadership and Management Reform

The fiscal climate in the foreseeable future will be difficult at best. State departments and agencies will need focus on their core missions and implement those goals more effectively and with limited resources. As it pertains to the New Jersey Department of Environmental Protection (DEP), NJ SEED believes that the DEP should re-focus its efforts on establishing a new vision for the department that encompasses both justifiable and quantifiable goals that protect and enhance overall environmental quality, while at the same time, recognize the need to balance environmental protection with economic growth. By establishing a *clear vision* that is supported by quantifiable goals, deadlines, and performance metrics, the managerial efficiency and effectiveness of the Department of Environmental Protection will ultimately improve.

NJ SEED supports the following recommendations to ensure transparency and managerial accountability:

- Integrate performance metrics into the DEP's planning, budgeting, and management processes.
- Assess and adjust the current and future workload to align with realistic, sustainable funding levels.
- When working on multi-media projects (those that need multiple permits from various program areas), establish objectives, information needs and time constraints early in the project review process to promote greater understanding and certainty for both the department and the permit applicant.
- Ensure transparency by providing the Governor, the Legislature and the general public information regarding how funds are being spent, as well as current fund balances.
- Promote the creation of research and development activities through incentives
- Consider partnerships with Rutgers and other New Jersey colleges to ensure that higher quality science and technical information is available to support decision making. NJ SEED believes the Department of Environmental Protection should call upon these resources to foster greater research and development in the areas of environmental protection that will affect us all.
- Embrace and promote innovative technology or performance options that allow for cost-efficient alternatives NJ SEED supports government leadership in developing green building technology, innovative thinking in the search for new ways in which to conserve energy, reduce operating costs, enhance occupant health and productivity, and protect the environment.

Regulatory Reform

The cost of regulatory compliance is an invisible tax that is often overlooked by the public at large. New Jersey has thousands of pages of regulations that are outdated, unreasonable or are in conflict with other state regulations, creating an onerous and sometimes impossible regulatory burden on business.

No department has greater influence on development, investment, and economic growth than the DEP. Such responsibility can all too quickly lead to a regulatory maze that discourages new investment, hinders economic growth, and punishes existing business with unwarranted fines and penalties for minor or insignificant mistakes.

NJ SEED believes that over the past decade, the New Jersey Department of Environmental Protection (DEP) has strayed from its core mission and consequently, has focused on regulations that either, provide little to no environmental benefit *or* provide some environmental benefit but were implemented in a vacuum, with no recognition of their fiscal or economic impact on municipalities and the regulated community.

The DEP must overhaul the way in which rules are proposed and how overall environmental compliance is achieved. Furthermore, the DEP must streamline the permitting process and create incentives for investment by eliminating regulatory hurdles.

While the DEP is the primary target of regulatory reform, each state agency should incorporate guiding principles that assure fairness, timeliness, predictability and cost-effectiveness to permit applicants. These principles include:

- Establish stakeholder groups to discuss various provisions of regulatory proposals before such proposals go to print in the New Jersey Register.
- Issue pre-releases of rules in order to gather input from the regulated community prior to a formal rule proposal.
- Eliminate redundant requirements and promote consistency.
- Perform comprehensive economic impact analyses on rules to better ascertain their impact on the regulated community.
- Develop criteria to simplify requirements that ultimately lower operating costs of targeted manufacturers and small businesses.
- Formalize a process for legislative and regulatory bodies to periodically review and, where appropriate, revise or eliminate provisions that are outdated or ineffective.
- Establish integrated information management systems and practices that simplify and reduce information for use by multiple agencies, and allow for on-line submittal of permit applications.
- Require the Department of Environmental Protection to compile and submit to the Governor and the Legislature an annual report detailing the appropriated and unappropriated funds in the various dedicated funding accounts under the department's jurisdiction.

NJ SEED believes the enactment of these reform measures represents sound public policy that demonstrates government's responsiveness to the many constituencies that it serves without sacrificing the environment, health, safety or economic vitality of the state.

NJ SEED supports the development and use of streamlined management systems by all government agencies that eliminate waste and provide for an efficient regulatory process. These changes should improve the government's responsiveness and minimize the cost of regulatory compliance to allow more funds for job creation, research, training, wages and

employee benefits while helping to ensure the global competitiveness of New Jersey's business community.

Site Remediation Program Reform

NJ SEED supported the recently passed Site Remediation Reform Act (SRRA), P.L. 2009, c. 60, which makes a number of changes to the State's Site Remediation Program and also creates a Licensed Site Professional (LSRP) program in New Jersey. While NJ SEED is optimistic about the potential of an LSRP program in New Jersey, we feel that in order for this program to work, the State must be vigilant in:

- meeting statutory timeframes;
- educating the regulated community about the new requirements being placed on them;
- providing the necessary tools to incentivize remediation; and,
- ensuring that adequate staffing is provided within the program structure.

With increasing State budget deficits, and staffing shortages in the DEP, the LSRP program is the only viable way to reduce the backlog of over 20,000 known contaminated sites in New Jersey. Furthermore, NJ SEED believes that a vibrant site remediation program is a critical component of a workable economic growth strategy. How effectively the LSRP is implemented will be crucial to accomplishing the dual goals of cleaning up contaminated sites and improving our economy.

NJ SEED urges the Governor and the Legislature to monitor the progress of the NJDEP, provide input if necessary, and assist in making sure that this program reaches its full potential.

Solid Waste Management

Recycling provides many benefits, both environmental and economic. For example, recycling in New Jersey alone saves over three million tons of iron, ore, coal and limestone were saved by recycling scrap metal; nearly 10 million trees by recycling various paper grades, and nearly 700 million gallons of gas used in the primary production process of converting virgin raw materials to product. Additionally, nearly 135,000 tons of air and water pollutants are eliminated in that same initial production process. Recycling plastics reduces this nation's demands for petroleum, which is a raw material used in production. Every ton of plastic that is recycled reduces greenhouse gas emissions by nearly one and a half tons. The energy used in primary plastic production is nearly eliminated when producing a product from recycled feedstock.

NJ SEED recognizes the importance in meeting the challenge to boost New Jersey's municipal trash recycling rate from 33 to 50 percent. We also recognize the need to jump start recycling and our organization is committed to working with DEP and other stakeholders towards education and outreach to meet this important goal.

NJ SEED supports the ongoing Reinvigorating Recycling effort by the DEP and various stakeholders. We support the need to educate and inform students, businesses and the average citizen so that the ultimate goal of improving New Jersey's recycling rates may be achieved.

However, NJ SEED believes that money dedicated for the specific purpose of improving recycling efforts should not be touched. The Recycling Enhancement Act of 2007 established a \$3-per-ton fee on solid waste to generate an estimated \$34 million per year. Those funds, in their entirety, were statutorily dedicated to provide recycling grants to counties and municipalities and to support state-wide recycling programs. We have recently seen the State divert those funds for other purposes. SEED urges the Governor and the Legislature to refrain from reallocating those funds for any other purpose, and ensure that such funds are used for the to support statewide recycling efforts.

Addressing New Jersey's Aging Water Infrastructure

New Jersey's water infrastructure is rapidly approaching the end of its long and useful lifespan. In less than 10 years, a significant percentage of these structures will have surpassed their expected 100-year life span. The infrastructure's underground location has allowed for its ailing state to be easily ignored, as an "out-of-sight, out-of-mind" approach has characterized much of the delayed response to one of New Jersey's most pressing problems.

NJ SEED, therefore, supports the establishment of a distribution system improvement charge (DSIC) program as it will provide the necessary funding to replace, repair, and maintain NJ's drinking water and wastewater infrastructure.

With a reasonable parameters and well-defined rate caps, the DSIC program will do much to address New Jersey's aging water infrastructure problem. Not only will the program cover the cost of ongoing improvements through planned rehabilitations, it will also enhance conservation efforts by reducing leaks and increasing efficiency. As an organization committed to fostering growth for New Jersey, NJ SEED also supports the DSIC program for the jobs it aims to create and the local economic growth it supports.

The results of ignoring our aging water infrastructure are insurmountable and include an unreliable supply of safe drinking water, increased service interruptions, and more frequent, costly emergency repairs. As a business-labor coalition looking to spur economic development for our state, NJ SEED is most concerned with the adverse impact these inadequate water systems will have in supporting local and state economic development.

NJ SEED wishes to be sensitive to the burden that NJ ratepayers currently bear for the supply of their utilities. We are committed to understanding the rate caps and cost parameters needed to ensure transparency for ratepayers and maximize the savings for New Jersey. We look forward to maintaining a dialogue with the BPU to find viable solutions for New Jersey's aging water infrastructure.

Plastic Bag Recycling Mandate

NJ SEED strongly opposes the myriad of bills mandating the recycling of plastic bags, banning plastic bags, taxing plastic bags or mandating the use of compostable bags. These proposals will add unnecessary burdens on business and ultimately increase costs for consumers at the register. Furthermore, by eliminating plastic bags and forcing retailers to use a more costly

alternative such as paper, the state would be undermining any environmental benefit that it hoped to gain through any of these proposals.

Industry has taken initiatives through the Green Agenda by putting in place a voluntary plastic bag recycling program to assist retailers whose customers seek this option. The industry asks the Legislature to abandon costly mandates and support the industry's voluntary recycling and education efforts as the most effective ways to protect the environment in both a business-friendly and cost-effective manner.

Air Permit Fees and Air Emission Fees

NJDEP has an air permit program that costs approximately \$12 million per year to operate. The majority of that program is funded by fees charged to New Jersey's larger companies for each ton of pollutant that they emit to the air. New Jersey companies have drastically reduced their air pollution emissions, so much so that there is now an air permit program funding shortfall of nearly \$6 million/year. Under the current fee structure, less pollution means less money for the NJDEP air program.

The concept goes back to the 1990 Clean Air Act Amendments. Congress contemplated that states with more pollution would need more money to manage their permitting programs than states with less pollution. Congress and EPA required States to fully fund their air permitting program, and emission fees were the primary tool. The concept was to establish a cost disincentive for air pollution to help achieve the goals of the Clean Air Act.

With considerable resources and industry investment, New Jersey now finds itself with significantly less air pollution – tens of thousands of tons per year less. That reduction in air pollution should also present a reduction in the resources required to manage the remaining, but reduced challenges. It takes fewer dollars and resources to manage the lower emissions of New Jersey's larger companies, yet the NJDEP air permitting program has not yet been tailored to fit the lighter work load.

NJ SEED believes that a simplified and streamlined air permitting program is the solution to the present funding shortfall-- not increased fees.

Smart Container Act “Bottle Bill”

NJ SEED opposes the enactment of a bottle deposit bill in New Jersey. New Jersey currently has a mandatory, curbside recycling program in effect. This program works and brings in much needed revenue to counties and municipalities. By implementing a bottle bill, these funds will be depleted. New Jersey has also recently passed into law the Recycling Enhancement Act, a \$3 per ton fee on solid waste, which is intended to reinvigorate recycling programs statewide. This program should be given the chance to work.

NJ SEED members support the Clean Communities Program through the Litter Tax that provides money for local clean-up projects and anti-litter programs for children. Other concerns with a bottle deposit bill include sanitation issues, fraud from out of state containers that are passed off for redemption; over redemption of items, the high labor and operational

costs associated with implementing a bottle bill; and, increased costs to the consumer, in the neighborhood of 30 cents per item.

Green Building Technology

New Jersey's densely structured landscape and preciously guarded open spaces present unique opportunities and challenges in the construction of new commercial development. Given these site constraints, the development community is called upon to better integrate energy efficient design and conservation practices. It is equally important that business community employers provide employees with a comfortable, safe and healthy work environment that enhances productivity.

The United States Green Building Council (USGBC) has been instrumental in stimulating green competition, raising consumer awareness and facilitating positive environmental results through their internationally recognized LEED (Leadership in Energy and Environmental Design) rating system guideline. These guidelines provide the definitive green building standards for the design of sustainable buildings. Together, these elements will ultimately transform the marketplace as our need to conserve energy and resources grows, which in turn will increase the value of commercial property.

While some federal funding is available to help jump-start commercial green building initiatives, state incentives are necessary to help offset the first costs of energy-efficient equipment. To meet this challenge, government should work closely with the commercial real estate community to develop creative incentives including expedited permitting, increased densities, tax credits and subsidies for buildings that voluntarily pursue performance based standards or LEED certification focusing on energy efficient building practices.

Government leadership in green building technology, innovative thinking in the search for new ways in which to conserve energy, reduce operating costs, enhance occupant health and productivity, and protect the environment, are a necessary initiative that will continue to be pursued in meeting these increasing future challenges. The need for raising awareness and training of professionals in green building practices is essential in facilitating the transformation of the commercial market.

NJ SEED supports the voluntary use of green building technology to: promote water efficiency, optimize energy usage, reduce and manage the amount of materials used in construction and waste, ensure good indoor air quality and encourage market-driven innovation. We also support educational programs and the use of incentives, including expedited permitting, increased densities, tax credits and subsidies for the use of green building technology.

Pairing Sound Science with a Sound Environment

NJ DEP is considering forcing the installation of cooling towers at power plants throughout the State. Without definitive science aligned with desired outcomes, this type of regulation becomes a slippery slope for manufacturing facilities that use natural resources in their production. Where sound science is paired with predictable, proven outcomes, NJ SEED believes such regulation should be enforced. However, despite attempts to best understand the effects of using natural resources in the production process, NJ SEED sees it environmentally

unclear but economically devastating to make any premature assumptions without the backing of proven science.

Before a closed-cycle cooling system is mandated, a *comprehensive analysis of the area* is needed to fully understand all of the concerns regarding its health so that all stakeholders can work together to find solutions and limit future negative impacts.

NJ SEED is committed to understanding the ecological challenges that many manufacturing facilities face and is working with all stakeholders to find solutions to these barriers. Cooling towers offer no proven environmental benefit and such a mandate would stifle any new development, close current operations, and eliminate the building of additional facilities in our state.

New Jersey Environmental Infrastructure Trust

The New Jersey Environmental Infrastructure Trust (NJEIT) provides low-cost financing for the construction of environmental infrastructure projects that enhance and protect ground and surface water resources, ensure the safety of drinking water supplies and make possible responsible and sustainable economic development.

The first program of its kind in the nation, the NJEIT was created in 1985. It has played a major role in helping New Jersey meet one of its most fundamental environmental priorities — maintaining and improving the quality of its water resources.

New Jersey is blessed with a diversity of natural resources in its lakes, rivers, coastline, bays and wetlands, etc. Yet at the same time, it is home to a great deal of industrial development, as well as some of the most densely populated land areas to be found anywhere in the world. This presents a special challenge as we work to foster personal and economic growth without allowing the inevitable waste products of a growing state to degrade the quality of our ground and surface waters.

Controlling pollution and providing safe, abundant drinking water requires heavy capital investment. Environmental infrastructure is costly to build and that expense is ultimately borne by the individual ratepayer and taxpayer. Keeping costs to the public as low as possible has been the role of the NJEIT since its inception.

Working in partnership with the New Jersey Department of Environmental Protection (NJDEP), the NJEIT has devised a system to leverage the funds available from the federal government to make more money available at the lowest possible cost. Since 1985, the financing program has provided more than \$5.34 billion to local and county government units, and some private water companies to finance wastewater systems, combined sewer overflow abatement, non-point source pollution control, safe drinking water supplies [and open space acquisition], and the acquisition of land surrounding critical water resources. (source: njeit.org)

NJ SEED believes that the NJEIT is a critical tool in keeping New Jersey's natural resources clean and economic development strong. NJEIT is a shining example of how government and industry can work together for the betterment of New Jersey, its businesses, workers and citizens and NJ SEED supports it efforts.

Beach Replenishment

NJ SEED is very concerned about the negative impact on our State's beaches and tourism economy if the Governor's proposal to cut Shore Protection Funds becomes law. The proposed cut would reduce the Fund from its statutorily guaranteed \$25-million per year to \$18.75million, a cut of 25%. This is on top of the \$9-million borrowed from the Fund in the 2009 budget that was amended to guarantee it as a "one-time" legislative action. The Fund has an 18-year successful track record in attracting Federal matching funds of \$2 for every \$1 of a local share from the state, and in some cases from counties and municipalities.

The New Jersey Shore is integral to the quality of life of New Jersey residents. Beaches are a major business in our State. Beach communities along our 127-mile coastline provide \$19billion — one half of the State's \$38billion tourism industry — to the State's economy. Our beaches promote investment in residential and commercial development. Create jobs, and attract visitors from throughout the region and from Canada.

While we cannot foresee the time and the hour of the next severe coastal storm, we can state with certainty that the damaging storms will come. Beaches will need to be replenished and re-nourished — it's a reality. If the State continues "dipping" into the Fund for purposes other than originally intended in order to meet short-term fiscal problems, the State will not have the match money for the Corps of Engineers to move forward with their scheduled beach replenishment programs when the need arises.

New Jersey's beach communities, and our economy as a whole, are greatly affected by tourist activities on the New Jersey shore. NJ SEED encourages state policy makers to consider the fallout associated with holding up beach replenishment funding. A clean and accessible beach front is only valuable if there is a beach beyond it.

Beneficial Use of Dredged Materials

With such significant economic and environmental benefits provided by the maritime industry, it is essential to keeping our ports statewide, open for business. Since 1995, considerable resources have been allocated to the identification, evaluation and implementation of alternative management strategies for dredged materials. Successful strategies include:

- brownfield and landfill remediation
- sediment decontamination and environmental manufacturing,
- abandoned mine reclamation and confined aquatic disposal. Beneficial uses have made possible the reduction in landside contamination while providing much needed construction materials and developable real estate.

NJ SEED supports the continued beneficial use of dredged materials for environmental conservation, economic development and revitalization purposes associated with remediation and reclamation projects.

Diesel Particulate Filters

NJ SEED supports the Federal Clean Air Act (CAA) and its aim to improve our nation's air quality. New Jersey must adhere to, and not exceed, the CAA standards set by the Environmental

Protection Agency (EPA) or California's Air Resources Board (CARB) standards. These two regulatory agencies are the only two that set air quality standards for New Jersey or any other state.

NJ SEED strongly believes these rules keep universal diesel standards and competition open for contractors from any state and opposes any effort to circumvent the intent of the CAA by creating regulations for public entities that mandate diesel particulate filters and other costly and unpredictable retrofit devices for off-road construction equipment diesel engines. The safety, expense and reliability concerns surrounding the use of these devices are very troubling, especially in these economic times. Public Entities do not have the revenue to fully support construction programs and certainly do not have the funds to fulfill the implementation of a mandated filter regulation.

NJ SEED continues to uphold the CAA and the EPA tier engine mandate that has required off-road diesel equipment manufacturers to develop and supply new, cleaner diesel engines which will continually improve the air quality of this state as well as keeping New Jersey contractors competitive in a struggling economy. ***Further, NJ SEED opposes any effort by NJ DEP to implement any diesel emission requirements that supersede EPA or CARB standards.***

OTHER NJ SEED ISSUES

Commercial Real Estate Industry Is Key to Economic Prosperity

The commercial real estate industry is the solution to New Jersey's loss of private-sector jobs and sinking economy. There is no economic development without real estate development. The commercial real estate industry:

- creates jobs and brings work places close to families
- contributes billions in local spending and infrastructure improvements, and increases the tax base
- cleans and reclaims blighted, disused and contaminated areas, returning properties to productive use and chasing crime is the key to unlocking the huge potential for growth in our Port Regions.
- includes the logistics industry, which accounts for nearly \$50 billion or 10.9 percent of the total state GDP
- creates healthy and accessible work environments that meet tenants' needs with green and sustainable methods and materials

Smart Growth Economic Development

New Jersey is in need of a comprehensive Smart Growth plan that not only involves all stakeholders but also builds predictability into the process for all involved. Using a Smart Growth plan as a means of enforcement, rather than a long term planning tool, will only discourage development and hinder the necessary growth of New Jersey's economy.

NJ SEED is a member of the Smart Growth Economic Development Coalition, which supports the following public policy priorities:

- Elimination of affordable housing fees (which equate to a jobs tax) for non-residential development
- "Vertical" General Development Plan Approvals
- Elimination of the "Headquarters Tax"
- Overhaul of the State Planning Commission and State Plan process
- Expansion/improvement of business incentives (ERGG, UTHICA, BEIP & BRRAG)
- Creation of a "Deal Closing Fund"
-
- Technology business lease guaranty

Specific bills include:

A3389 (Oliver) revises financial assistance under **Business Retention and Relocation Assistance Grant (BRRAG)** program. New Jersey's BRRAG grants to retain existing jobs have not been adequate to keep flight-risk companies from leaving. The amendments super-sizing the grants,

especially for larger employers, will put our state on better footing when other states are attempting to lure our corporate tax payers.

A3143 (Greenwald) would **expand Urban Transit Hub Tax Credits** to any mixed-use commercial/residential project in which a developer invests at least \$50 million total, and at least \$17.5 million in each component of the project. This bill clarifies and encourages the development of office towers with other uses (residential, hotel, dormitory).

A3295 (Coutinho), known as the **Vertical GDP** bill, expands the availability of general development plan approvals and long-term vesting of preliminary and final site plan approvals in Smart Growth areas. The municipal code currently gives large-scale projects over 100 acres the protection of long-term vesting of rights. The smart growth movement is looking to move away from horizontal sprawl development on greenfields and towards compact dense vertical development. This bill gives vertical buildings of scale the same long-term vesting that hundred-acre projects enjoy.

A3353 (Coutinho) Establishes a **“Deal Closing Fund”** to provide financial resources for certain economic development projects. This legislation authorizes a modest amount of money for the State Treasurer to use for the express purpose of closing deals with business prospects when a gap exists between what New Jersey is prepared to offer and the amount of incentives being offered by neighboring and other competing states.

A3445 (Chivukula), establishes a **Lease Guaranty Assistance** program in NJ EDA for use by certain eligible emerging technology and biotechnology companies. Attracting tech companies has been a priority of several administrations since the birth of the Silicon Valley. Start-up tech companies, like most new businesses, are strapped for cash. When they lease office or lab space, the landlord's typical request of a three-month security deposit is a significant drain of cash that can be better deployed to buy more equipment or hire more staff. Under this measure, the EDA would guarantee the security deposit. If the tenant remains in the space, the EDA will never have to make good on the guaranty. If the tenant defaults, the EDA can substitute another tech company on the lease in lieu of making good on the guaranty. A waiting list of tech companies will likely provide a steady stream of replacement tenants, so the EDA's financial exposure should be limited.

A3477 (Coughlin) would authorize creation of **Economic Recovery Districts** and authorize certain economic recovery district management corporations to issue bonds secured by incentive grants.

Expedite and Incentivize the Redevelopment Process

Brownfields redevelopment is an integral component of economic growth in New Jersey's cities, port region and densely populated areas. For every acre of brownfields redevelopment, 4.5 acres of greenfields are saved from development. When we redevelop a blighted area, we clean up the environment, create new jobs and add to the municipal and state tax base. The NJ DEP reportedly has more than 18,000 contaminated sites in its database, and nowhere near the caseworkers needed to handle the load.

NJ SEED supports all efforts to expedite and incentivize the brownfield redevelopment process. NJ SEED calls on the current administration to recognize the economic and environmental benefits that stem from these sites' development.

Property Tax Reform and Education

There is a direct relationship between the funding of education and an educated workforce, and stable and increased property values in New Jersey. However, it is time for policymakers to evaluate the current tax revenue plan, which relies too heavily on property taxes. Nationally, 42.9 percent of local property taxes are used for school spending. New Jersey gets 58.1 percent of its school spending from local property taxes.

NJ SEED calls on New Jersey's elected officials to develop solutions to the dilemma of over reliance on property taxes for school funding. A fair plan must be established that balances tax revenues, meets state spending needs, and allows New Jersey to maintain excellence in its public schools.

Rebuilding Our Educational Facilities

New Jersey's educational facilities are an integral part of its infrastructure. State-of-the-art schools, from pre-school to college, provide a better environment for learning and preparing our children for the future. Capital investment in the state's infrastructure, whether for roads, ports or schools also provide the foundation for a sound economy.

In 2000, the legislature passed the Education Facilities Construction and Financing Act, which authorized \$8.6 billion for the rehabilitation/reconstruction of public schools throughout the state. This down payment was enhanced in 2008 with a \$3.9 billion infusion to continue the work. Yet, the need for schools is great and ongoing.

In many urban areas, new schools have not been built in over 50 years. To rebuild schools effectively, it is necessary that a full assessment be made of the statewide facility needs, so that a plan can be developed and implemented to carry it out in the most efficient manner. This plan should be routinely updated to ensure all children have access to modern and educationally adequate schools. New Jersey should create a revolving, non-lapsing fund to finance this plan.

In addition, capital improvements are necessary to modernize our higher educational facilities. This is needed to ensure that New Jersey remains a center for quality education and provides the facilities required for our students' success.

NJ SEED supports needed capital improvements in New Jersey's educational facilities at all levels and recommends that a coordinated plan be developed to carry out this program effectively.

Innovation for New Jersey

As New Jersey seeks to recover from this devastating recession, many are asking about the economic future of the state and what paradigm shifts are needed to ensure an economic revitalization. New technologies have always fueled this country's economy, and New Jersey has been on the forefront of such advancements. We need to learn from our past and establish a partnership between academia and business that will once again give us a competitive advantage. We need to ensure that innovation can once again be a driving force for job creation.

New Jersey has a bold history of innovation. As the home of Thomas Edison, the birthplace of the color television, the transistor, and the origin of vaccines for measles/mumps, New Jersey has been a hotbed of research and innovation.

Today, New Jersey's research institutions are lagging behind other states in feeding the innovation pipeline. In fact, a recent study conducted by the New Jersey Policy Research Organization (NJPRO) found that, while New Jersey ranks in the first quartile for industry-performed research and development, the state lags in academic research and development spending. As a result, it is imperative that our research institutions establish a thriving research base that will attract top academic talent.

If this state is to regain its leadership role in innovation, we must change the paradigm. We can no longer depend on corporate research alone, nor can we rely on academic and corporate research that has developed on an ad hoc basis. Fundamentally, we must have a systematic approach to research and development. We must also spearhead an effort to assist our universities in competing for federal dollars. In order to compete in today's competitive global economy, New Jersey must continue to invest in cutting-edge research and development. This research and development will create jobs and lead to life-saving medicines, must-have consumer products and highly advanced technology services.

As New Jersey attempts to cultivate and retain an entrepreneurial climate, it is incumbent that we promote an entrepreneurial culture and ecosystem at the university level. And if we are going to spur innovation, it's equally important that we provide our college students with more hands-on experience.

As members of Innovation NJ, we look forward to working with the business community, government and academia to advance policies that cultivate an environment for innovation:

- Encourage increased private and public sector research and development and the commercialization of new medicines, technologies and products to improve our quality of life
- Increase the number of math and science graduates from New Jersey's colleges and universities
- Stimulates economic growth in New Jersey

NJ SEED calls upon the current administration to ensure that the research being done in universities is practical and market driven and that it provides the state with a competitive edge. More than ever, we need our academic institutions to work collaboratively with

businesses to foster an environment that grows our economy and creates and retains high-paying jobs.

The Life Sciences: New Jersey's Premier Industry: *The State's \$30 Billion Economic Engine*

New Jersey has long been known as the “medicine chest of the world” for its unparalleled cluster of life science companies. Twenty four of the 30 largest pharmaceutical and medical technology companies in the world make New Jersey either their global or North American headquarters or have significant investment in the state.

New Jersey's life sciences industry:

- is responsible for more than 211,000 jobs in the state through direct employment at pharmaceutical, medical technology, diagnostics and biotechnology companies, and by creating spin-off jobs elsewhere in the state economy that are directly dependent on the life sciences industry, according to a 2009 study by the Archstone Consulting Group;
- spends more than \$1.5 billion on capital construction projects annually in the state;
- awards more than \$4.6 billion annually in vendor contracts to local New Jersey businesses for goods and services;
- spends nearly \$8 billion annually on research and development; and,
- donates more than \$210 million annually in philanthropic contributions to New Jersey nonprofit, cultural and educational organizations.

The industry is the second-highest compensated of all job categories in the state, averaging well over \$147,000 annually, which includes salary, bonus and benefits, exceeded only by stock and securities brokers. The main area of growth in this well-paying sector is in research and development, and investing in the employees who discover new medicines and new technologies.

However, although the life sciences industry calls New Jersey home, many other states are taking aggressive action to attract industry investment. Over the past 20 years, states such as Massachusetts, North Carolina, Texas, California and Indiana have experienced tremendous industry growth while New Jersey has not. Concern was rightfully expressed through a late 2005 report done for the Commission on Science and Technology by Drs. James Hughes and Joseph Seneca of Rutgers University, at New Jersey's decline in the overall percentage of life sciences jobs nationally. New Jersey should never assume that its past and present position as the industry leader will guarantee its future perch.

Furthermore, healthcare reform, depending on how it is finally defined and implemented, may have a significant impact on the life sciences industry, and therefore the New Jersey economy.

NJ SEED:

- Applauds Governor Christie's initiatives to promote New Jersey's life sciences industry and make New Jersey more business-friendly. Likewise, NJ SEED applauds the New Jersey General Assembly for establishing the Assembly Task Force on the Life Sciences to focus on issues that will foster greater industry investment in New Jersey.
- Calls on the Legislature to advocate on behalf of the industry and New Jersey's health care and economic interests with the state's congressional delegation.
- Encourages state incentive policies, such as the BEIP and BRRAG programs, public/private venture capital funds that will effectively allow New Jersey to compete with other states for new life-science jobs and programs
- Opposes policies that restrict access to medicines to patients in government programs through preferred drug lists or bulk purchasing agreements.
- Opposes duplicative and unnecessary restrictions on medical research involving animals. NJ must not hinder the Research and Development activities that lead to innovative new therapies. Stringent FDA protocols are already in place that regulate animal research.
- Calls on the state to adopt policies that promote innovation and encourage greater collaboration between the industry and New Jersey's colleges and universities. The life sciences are growing in other states, such as Massachusetts, North Carolina, Texas and California because of the tremendous research and development support the industry receives from the higher education systems in those states
- Calls for reforming the state's civil justice system to ensure that all parties are treated fairly, and too discourage lawsuit abuse and forum shopping.

NJ SEED recognizes that a growing and vibrant life sciences industry is key to growing the New Jersey economy and therefore supports state policies that will promote and expand the state's life sciences industry.

NJ SEED support efforts to improve the life sciences workforce through strategies identified in the May 2007 Heldrich Report on Workforce Development needs in the pharmaceutical and medical technology industry.

Civil Justice Reforms

New Jersey has gained a national reputation as a plaintiff-friendly state, thus encouraging out-of-state plaintiffs to bring suit against New Jersey companies in New Jersey courts rather than in their home states where tort laws are more restrictive. Litigation abuse drives up costs to businesses and consumers and inhibits job growth.

NJ SEED supports any reforms to our civil justice laws and believes they should be pursued to discourage abuse and reduce incentives for out-of-state plaintiffs to use New Jersey courts for litigation more appropriate in their home states or federal courts.

APPENDIX A

Port of New York and New Jersey's Supply Chain Vision

The Port of New York & New Jersey is a significant economic engine that, for the region's sake, must remain the premier gateway on the Atlantic coast. Its market power is illustrated by the facts that: 22% of all yearly US consumer sales occur within 250 miles of the port and over 12% of the annual value of all US overseas trade passes through our port. The port is an essential link in a freight supply chain that reaches consumers and shippers alike. This supply chain includes, rail yards, trucking terminals, distribution centers, air cargo facilities and allied carrier services that integrate both domestic goods with overseas goods to serve the market described above. This supply chain includes multi-modal highway, rail and barge links that offer shippers and their carriers a total system package that, for logistics purposes, is perennially rated as among the nation's best. The general quality of the systems is illustrated by another fact. The transportation and logistics sector is a leading source of New Jersey employment — ranking as the third largest employment category by some economic estimates.

However, New Jersey's goods handling role as the "Netherland's of the Northeast" is at risk — due to factors that include deteriorating support infrastructure, a limited ability to meet the distribution industry's demand for near port land and facilities to expedite the exchange of goods and lower the vehicle miles traveled to reach retailers. Therefore, enhanced, congestion reducing intermodal infrastructure and a strengthened base for logistics operations are keys to keeping New Jersey as a national logistic supply leader and a model for forward-looking service delivery.

Our vision includes creating an environmentally sustainable system. This is being achieved by (among other things) increasing the use of rail and introducing low-emission on-road and off-road vehicles and equipment. as well as expanding efficient freight handling practices that also reduce the costs of moving freight between the various components of the supply chain — e.g. port, rail terminals and warehouses, retail customers and exporting firms. Our "green" goal is two-fold — less VMT and more GNP!

Keys to the Vision

Our current economic growth strategy favors "smart growth" for freight in locations close to the port and to other rail and water transfer nodes. It also recognizes that dedicated funding streams for public-private sector partnership projects, like the Liberty Corridor program, are vital to meeting the challenges and achieving the vision of a more competitive State and Port region.

Major elements of a model and seamless supply chain would include:

- **The Logistics Support Zone** - The near-port zone includes the area immediately around the port and airport in Southern Hudson, Eastern Essex, and Union Counties. This area is the ideal location for warehousing and distribution centers, maritime equipment maintenance and repair facilities, electrified and secure truck and refrigerated container parking facilities, and other port-related activities that do not need to be located on the

piers. The Logistics Support Zone's near-port and airport support facilities will move freight efficiently from ship or plane to the end user.

- **Freight Villages** - Regional Freight Villages will be systematically built around existing transportation infrastructure to concentrate synergies. Transportation investments will be focused on the roads and rails serving and uniting these locations.

Improved Infrastructure - Improvements to infrastructure, notably roads and rails, must be made to remove chokepoints, enhance system capacity and improve safety for passenger and freight vehicles. The emphasis will be on making existing roadways work more efficiently and building on existing rail facilities and rights of way. In addition, the deepening of the port's channels to 50 feet, leading to container terminals in Elizabeth, Newark and Jersey City, is target for completion in 2012 – and under current plans, 50 foot channels will extend to Howland Hook by 2014. The widening of the Panama Canal will increase the number of mega containerhips (greater than 7,000 TEUS) that could call at our port — yet many of those vessels may not be able to do so, without the mitigation of identified choke points. All with channel deepening it is regional priority to identify and begin to implement a solution to the air draft restriction associated with the Bayonne Bridge that allow ocean carriers to keep the Port of NY & NJ as their preferred port.

- **Improved Operations** - The port and freight movement sectors must improve operational practices to be more efficient and to reduce congestion at the port and in the metro area. The port community must strive for more efficient work practices to make use more competitive with labor in other ports. The concerted focus that served us well in opening the port's waterborne "front door" now must be extended to delivering supply chain system solutions to "back door" landside access challenges.

Clean Air Strategy

In November 2008, the Port Authority Board of Commissioners adopted a Statement of Principles that demonstrates our commitment to reducing Port-related emissions that affect air quality in the region and contribute to climate change.

The Statement of Principles stated that the Port Authority would take the lead to develop a Clean Air Strategy for the Port of New York and New Jersey (Port), the purpose of which would be to reduce Port-related diesel and GHG emissions by achieving reductions in advance of potential or future applicable regulations. The Port Authority's partners in developing the Strategy, which was completed in October 2009, included the New York State Department of Environmental Conservation, the New York City Mayor's Office of Sustainability, the New York City Economic Development Corporation, the New Jersey Department of Environmental Protection, the New York Shipping Association, the US Environmental Protection Agency Region 2, and the Cities of Newark, Bayonne, Elizabeth and Jersey City. The Clean Air Strategy also incorporated feedback from Port Stakeholders including those representing the sources of port-related emissions as well as representatives of environmental and community groups.

The Clean Air Strategy identifies various actions to reduce emissions from all port-related sources — Ocean Going Vessels and Harbor Craft, on terminal Cargo Handling Equipment, and the trucks, and rail that service the Port. Examples of Clean Air Strategy actions now underway include the Regional Truck Replacement Program and the Truck Phase out Plan, Ocean Going Vessel Low Sulfur Fuel Incentive, Installation of a Shore Power Capability at the Brooklyn Cruise Terminal, Cargo Handling Equipment Fleet Modernization Incentive, and the Retrofit of Switcher Locomotives to Ultra Low Emitting Generator Set Configuration. The entire Clean Air Strategy can be viewed at: www.panynj.gov/about/pdf/CAS-FINAL.pdf.

Where to Start

In order to take advantage of these opportunities and address the region’s competitive challenges to make this vision a reality, it is critical to take the first steps towards building the industry as a growth sector for the region’s economy. It is these initial actions, including investments made to date, which form the platform for future success.

A Unified Strategy - There are many entities, both public and private, that play major roles in the development of a unified strategy to build this business sector — especially in this bi-state region. The strategy must be the outcome of a committed partnership between the public and private sector entities who share a major stake in the success of growing this industry. Achieving consensus on both the content and the economic necessity of a significant investment in the logistics industry is the critical first step to building the momentum necessary to deliver the plan, the projects and the financial investment required to maintain New Jersey as the center for logistics in the Eastern United States.

New Jersey’s Departments of Transportation and Environmental Protection along with its major transportation authorities and The Port Authority of New York & New Jersey are the significant public agencies with responsibilities for the public portions of the freight system. Substantial planning and analysis of specific freight movement related projects and their corresponding issues are ongoing at the New Jersey’s Department of Transportation and at the North Jersey Transportation Planning Authority Both have long-term freight improvements plans that aim to maximize the goods movement industry’s contribution to the state. The Port Authority of New York & New Jersey is undertaking major but fiscally constrained Port improvements under a capital plan developed, in part, in collaboration with other private and public sector partners.

Logistics Support Zone and Freight Villages - The identification and accumulation of existing and potential sites for distribution center development contained within a kind of “sweep” surrounding the port is the first step in attracting job-producing facilities to the state and region. The Port Authority and the New Jersey Economic Development Authority, along with some local governmental units, have identified and started marketing sites for this type of development within the Support Zone in Hudson, Essex and Union Counties. The Port Authority/EDA’s “Portfields” initiative has assembled a comprehensive listing of potential sites that could be ideally suited for development to serve the needs of port, airport, trucking and warehousing and distribution facilities. Innovative permitting and financing solutions must be found to move the Portfields system to the next level.

Simultaneously, the state can facilitate focused, cost-effective development in line with smart growth principles by designating as Freight Villages those existing and proposed geographic

clusters of distribution centers and complementary logistics support services that are located in close proximity to existing transportation infrastructure (both road and rail).

Finally, incentivizing appropriate development within the Logistics Support Zone and Freight Villages reduces the need for sprawl-related transportation investments and enables greater levels of investment in improving upon the state's existing assets. In addition, the creation of the Zone and Freight Villages:

- Improves the operational efficiency of the logistics industry by strategically co-locating interdependent services, thus reducing the unrecoverable losses in time and productivity inherent in geographically disbursed logistics networks;
- Diminishes the negative environmental impact of unnecessary vehicle miles traveled (VMT); and maximizes the value and subsequent increase in ratables resultant from appropriate re-use of industrial and commercial land.

WHAT WE'RE BUILDING NOW

As the result of a federal appropriation of the \$100 million Liberty Corridor, New Jersey's transportation leadership team², worked collaboratively to develop a critical priority project list and the requisite documentation necessary to move the Liberty Corridor money into the design and construction of necessary infrastructure improvements including expanded rail. While every investment afforded by the Liberty Corridor initiative will help to address New Jersey's congestion challenge — the following projects will immediately work to sustain the needs of the region's freight transportation powered economic engine, and its key component — the Port of New York and New Jersey.

North Avenue Corridor Improvement – Underway by the PANYNJ

Port truck traffic uses this corridor as its primary entrance and exit to the Newark-Elizabeth Seaport, sharing the roadway with passenger vehicles as they seek access to large retail venues and the airport. Improvement of this service corridor will produce positive mobility and economic benefits. This Port Authority managed project, which enjoys support from many stakeholders, is still in the planning stage

North Jersey Railroad Doublestack Clearance/National Docks -- Completed by Conrail

A critical component of the goods movement system supporting the PONYNJ, the National Dock improvements increased the vertical clearance on the two rail tunnels linking New Jersey's port to the rest of the North American rail system. In addition, the resultant expansion of rail capacity dramatically lessens the local emissions generated by trucking, thus improving the quality of life for New Jersey residents living in this critical freight corridor.

Tremley Point Connector Road –Underway by the New Jersey Turnpike Authority

The Tremley Point connector to Exit 12 includes bridge and road improvement that will facilitate the creation of over 2,000 new jobs -- related the development of 6 million square feet of

² The leadership team included the Commissioner of New Jersey's Department of Transportation, the Chairman of the Port Authority of New York & ²New Jersey, representatives of the shipping and port terminal industry (New York Shipping Association), advocates of environmentally-beneficial transportation systems (Tri-State Transportation Campaign) and the federally designated metropolitan transportation planning authority for the region (North Jersey Transportation Planning Authority)

industrial space near the port. The Turnpike is now seeking environmental permits based on its project designs.

Route 7 Wittpenn Bridge Replacement – Underway by the NJDOT

The project will address a major choke point in the system -- dramatically alleviating congestion and improving safety for both passenger cars and the trucks. The Wittpenn project improves connectivity to significant brownfield properties including Koppers Coke, Standard Chlorine and Diamond Shamrock properties. It a lynchpin for Portway -- improving truck to intermodal rail yards to the north and south including Little Ferry, North Bergen, Croxton Yards and a major U.S. Postal service intermodal transfer center.

Port Reading Junction – Partially completed by Conrail

This project will support continued growth at the PONYNJ and improve conditions for New Jersey industrial rail freight users by alleviating a structural chokepoint where New Jersey railways connect to the nation's rail system. Conrail recently competed work at the junction and related line track work will be completed with Liberty Corridor funds, currently serving an average of 56 freight trains a day, the reconfiguration of the CP Port Reading Junction to provide double track train operations between the CSX-Trenton line and the NS-Lehigh line investment would optimize a separate Lehigh line double-tracking project.

WHAT WERE WORKING ON

Besides the Bayonne Bridge, other key infrastructure projects that are essential to strengthening the efficient connectivity of the Port to key New Jersey elements of the supply chain include advancement of Port Jersey Improvements.

Recent acquisitions and planned improvements to the Port Jersey peninsula and channel will provide unconstrained access to deep-water berths — thereby allowing for handling of the first generation of mega-ships that will call to our port. The PA recently acquired the current 98-acre Global Terminal. By merging the property with the adjacent former Northeast Auto Terminal, the PA will create a new Global Container Terminal of 170 acres. Moreover, the PA has agreed to purchase a significant portion of the Military Ocean Terminal at Bayonne for future port use.

Efforts to improve landside access to the expanded Port Jersey facility are underway. A key landside element is creation of a redesigned rail facility at adjacent Greenville Yards. This ExpressRail facility will have the capacity to handle 250,000 containers per year. In addition, a portion of the Greenville rail property will be used as the North Jersey Terminal for a modernized car float operation that would strengthen the Greenville to Brooklyn operations of the PA owned New York and New Jersey Railroad. (NYNJRR). The car float facility and yard will provide a transfer node need to remove up to 360,000 trash trucks annually from trans-Hudson crossings by moving New York City sealed containerized solid waste — and support the transfer other rail service based commodities between the two states This facility is slated for opening in 2013.

In addition, Port Authority staff is working closely with its NJDOT and the New Jersey Turnpike Authority counterparts to insure that the Turnpike's redesign for the 14 A –B Bayonne and Jersey Interchange can efficiently accommodate Port Jersey generated truck traffic.

NJ SEED Board of Trustees 2010-2011

Associated General Contractors of NJ	Thomas Digangi
AT&T	Charlene Brown
Atlantic City Electric	Susan M. Coan
Building Contractors Assoc. of NJ	Darlene Regina
Chemistry Council of NJ	Hal Bozarth
Construction & General Laborers Local 172	Anthony Capaccio
Dewling Associates	Richard Dewling
HealthCare Institute of NJ	Haskell Berman
Heavy and General Construction Laborers' Local 472	Roger Ellis
IBEW Local 827	George Ippolito
Intl Union of Operating Engineers Local 825	Greg Lalevee
Mechanical Contractors Association of NJ	Alan O'Shea
NJ Building & Construction Trades Council	William Mullen
NJ Business & Industry Association	Christine Stearns
NJ Education Association	Ginger Gold Schnitzer
NJ Food Council	Linda Doherty
NJ LECET	Joseph McNamara
NJ NAIOP	Michael McGuinness
NJ Petroleum Council	James E. Benton
NJ Regional Council of Carpenters	Tricia Mueller
NJ State AFL-CIO	Charlie Wowkanech
NJ State Chamber of Commerce	Michael Egenton
Port Authority of NY & NJ	Tina Lado
PSE&G	Art Guida
Salmon Ventures Ltd.	Ed Salmon
Somerset County Business Partnership	John P. Maddocks
State Troopers Fraternal Association of NJ	David Jones
State Troopers NCO Assoc.	James Gaffigan
The Torok Group, LLC	John Torok
United Transportation Union	Daniel J. O'Connell
Utility & Transportation Contractors Association	Evan Piscitelli
Verizon	Gina LaPlaca, Esq
NJ SEED Executive Director	Michael K. Drulis
Executive Director Emeritus	James C. Morford