

# EXAMINING BARRIERS AND SOLUTIONS TO ECONOMIC DEVELOPMENT

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## HEARING BEFORE THE SUBCOMMITTEE ON REGULATORY REFORM AND PAPERWORK REDUCTION OF THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

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MONDAY, NOVEMBER 22, 1999

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON REGULATORY REFORM  
AND PAPERWORK REDUCTION,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 2:30 p.m., at the Paterson Museum, 2 Market Street, Paterson, New Jersey, Hon. Sue W. Kelly (chairwoman of the subcommittee) presiding.

Chairwoman KELLY. Good afternoon, ladies and gentlemen. My name is Congressman Sue Kelly. I am the Vice Chairman of the Subcommittee, the Small Business Subcommittee on Congress.

We are here today to discuss the barriers and solutions to economic development here in Paterson, New Jersey and I look forward to focusing on the HUBZone program and the foreign trade zones.

Before I make an opening statement, I am going to defer to Congressman Pascrell, he is ranking member of the subcommittee and he will make his opening statement first.

Mr. PASCRELL. Thank you, Chairman Kelly, and I welcome you to the 8th Congressional District.

I want to present you with these flowers for coming all the way down from the 19th District in New York. West Point is the center of that district and you have done such a tremendous job as the Subcommittee Chairman, Sue, and you work very hard to deregulate and to take away the regulations that have hurt business and are continuing to hurt business in our nation.

I want to present this to you, we are so thankful that you took the time to bring the committee hearing down here.

Let's give Susan a nice applause.

Chairwoman KELLY. Thank you.

Mr. PASCRELL. Chairwoman Kelly is currently in her third term. From the 19th District of New York, as she pointed out, she has been particularly involved and has accomplished accomplishments to show for her work.

She has pushed legislation to Congress providing \$11 million for restoration on the Hudson River. Her legislation to guarantee reconstruction for women following mastectomy became law in 1998 for all involved, each of us that are involved in women's health issues in Congress.

She has campaigned for legislation relieving most homeowners of capital gains taxation when they sell their principal residence.

We will get to that soon. Eventually.

I am very proud—

Chairwoman KELLY. Actually, it's law.

Mr. PASCRELL. It is law now, right. But we are not finished now. We have a lot more to do.

Chairwoman KELLY. Yes.

Mr. PASCRELL. So it is really a great honor to have a Congressional hearing in our district and to have an official hearing here in the great city of Paterson and in this museum.

We planned it that way. And the museum is reflective of an old city, over 200 years of age, trying to fight its way back in an area which has seen a tremendous loss of manufacturing jobs, and as we move to service committees, are we replacing each manufacturing job with a service job?

The answer is no, we are not. And so, this is quite timely.

Chairwoman Kelly has been deeply concerned about the issue of economic development, and as we struggle with the issues on the Small Business Committee and I serve with her, she is the chairperson of a subcommittee on regulatory reform. I am the ranking member on that committee. Her dedication to small businesses and economic development is unquestionable. And it's truly an honor for us to have you here today.

Chairwoman KELLY. Thank you.

Mr. PASCRELL. I have sponsored numerous small business forums in the past, but this is the first official small business hearing that has ever taken place in this district.

I'm going to proceed in the manner that is consistent with that format, so once Chairwoman Kelly gives her opening statement, we will then hear the panel's testimony, panel one to my left, panel two to my right.

I hope they can see over there. Okay. And after the panel has finished, we will ask questions and then we will open it up to the audience, which is unusual at a Congressional hearing, but you know that is my forte. You know that.

This afternoon we are going to explore solutions and understand the barriers to economic development in northern New Jersey. At the outset, there are no easy answers for the problems of economic development, attracting business, retaining business, turning around distressed areas.

This field hearing represents a starting point for all of us to find out what is working and what is not working; what needs to be improved and what we as a community can do to force the economic development.

We have assembled a panel of economic development professionals. And if I say so myself, experts, I can consider them experts, from across the state, from Washington, D.C., as well.

In addition, and perhaps most importantly, we will hear from the very people that we are attempting to help; the local businesses that form the backbone of the Garden State's economy.

Presently our nation is experiencing the seventh year of economic growth. Actually, seven-and-a-half years. And if this trend continues for another month or so into January, we will have a new record for the longest running peacetime economic expansion in our nation's history.

By all measures, the latest national unemployment rate is 4.1 percent. That is the lowest level in 30 years. New Jersey's job employment reached a record high in October. Unemployment has declined to 4.5 percent. Inflation, believe it or not, is tamed. At this point, it does not represent a threat.

And what is so unique about this growth is that at the same time that we have had this increase in the number of jobs and decrease in the amount of jobless, at the same time our interest rates are relatively low, but never low enough. Greenspan should hear that, right?

At the same time, what is phenomenal about the last three or four years particularly is that the rate of productivity has hit a high over the last 30 years.

Our workers are working. In fact, what is very interesting is that many companies now cannot find people, and even the most part-time positions, which are seasonal, we have problems. And they are good problems to have.

There are pockets of high unemployment in our state, and nothing is good until everyone has equal opportunity and everyone can rise with the waive of economic prosperity.

In many of our communities there are sectors that need to be revitalized so that we can attract businesses and create jobs. We know in our own district, in many of the suburban communities as well, downtown areas have fallen because of suburban malls, and if we simply want stores that are empty to clutter our downtown areas, pretty soon there is no main downtown. Pretty soon we all begin to live in malls and our children grow up there.

I don't like that idea, by the way, but that is on the horizon, or it has already happened. Many of the areas that suffer from chronic unemployment were once centers of activity and provided employment for thousands of people.

Could you believe that at one time there were 30,000 people who worked just in these ten square blocks? Pretty amazing to think about it.

Manufacturing employment in the United States fell 1,500 in September to a seasonally adjusted level of 462,000 jobs in October. This is no surprise. We have lost 400,000—would you shut off your phones please—400,000 manufacturing jobs state-wide during the past 25 years. 400,000.

That is incredible. Yet this state has no manufacturing and industrial policy whatsoever. And today's location here at the Paterson Museum, I think, is of even greater significance. This is where the Industrial Revolution began in America, believe it or not.

This city was the crucible of industrialization and manufacturing for the continental United States. It all started right here. Right here and outside, a stone's throw in every direction.

This museum is very proud of its historic legacy. There is so much to exhibit that we could exhibit five times what is here. But there is no more room.

And when you are trying to paste things together and make them operate, there are priorities. We cannot squander this legacy, and as a nation we have no unified manufacturing policy.

In the meantime we will have to come together and do it ourselves, perhaps on an ad hoc basis.

This afternoon we are going to hear testimony on two very promising programs. They are designed to spur economic growth: HUBZones and foreign trade zones. "HUB" means historically under-utilized business zones.

I don't know who invented those words, but they sound good. I will use HUBZones. This was a reality beginning in 1997, it was fortunate to be voted for, and it is now a reality.

It is an empowerment contract program to get folks who do business in this area, in the HUBZones that exist in certain enumeration districts, census districts, to give them a heads-up on government procurement.

The other program is the foreign trade zone, which is not new, which goes back to the thirties, which has been renovated many, many times.

I have been a long-time supporter of the HUBZone program, I voted for that legislation. I have a deep sense of personal satisfaction in witnessing first-hand those actions that have been taken to Washington. It has become a reality here at home.

You will hear some people who are part of the HUBZone contracting. The program is relatively straightforward. Its purpose is to stimulate economic growth by offering federal contracting opportunities to small businesses which all of you represent.

It is important to keep in mind also that the Federal Government purchases approximately \$200 billion worth of goods and services each year. It's something we need to be aware of.

Clearly, if a portion of this market can be directed to small businesses located in our HUBZone, there exists a potential for significant economic growth.

Businesses have called my office indicating that they cannot participate in it because they are across the street and lie just outside the proper zip code. It's similar to the problem of the urban enterprise zones that we had here in New Jersey and I fought to help our suburban brothers and sisters because it's absolutely insane to have an urban enterprise zone in Paterson, New Jersey, and across the street in Clifton they can't take advantage of it.

All that does is separate people and divide. And we cannot allow that to happen with the HUBZone plan. So we are going to examine that and that is what we are going to do.

The foreign trade zone designation, on the other hand, is not a new program. As I said, it started in 1934. There are 230 foreign trade zones across the United States. There are five of those zones in New Jersey.

I think the closest ones to us would be Newark and Elizabeth. There is one in Morris County. They benefit manufacturers by eliminating tariffs on items that are resupported.

Foreign goods and domestic goods held for support are exempt from state and local inventory taxes as well.

Presently 350,000 people across the nation are employed in foreign trade zones. They have worked. A total value of the goods supported from those zones is \$17 billion a year. These numbers clearly indicate that this is a success.

So where are we today? Well, we have the HUBZone program running right here in the 8th District, but we don't have an FTC designation, and I think personally we need one.



I would like to recognize who our first panel is. Our first panel is—before I do that, I am going to turn it back to the Chairlady who is going to say a few remarks and then we will continue to hear from our panel.

Susan, thank you for being here.

Chairwoman KELLY. Thank you. I thank you and I thank all of you for welcoming me to the district to take a look at the barriers and solutions to economic development and to focus particularly on the potential impact of the Small Business Administration's HUBZone program and the Department of Commerce's foreign trade zone program because these mean jobs.

As Phil pointed out, its jobs, its community prosperity. As vice chairman of the Small Business Committee and chairman of the Subcommittee on Regulatory Reform and Paperwork Reduction, I just welcome the chance to drive a little south from my New York district to learn more about the possibilities for growth of the small businesses in this area that is so rich, as Phil pointed out, so rich with industry.

It is my understanding that the history of this industry has left the area with strong capabilities and really promising potential for renewed growth. Along that line, the HUBZone program seeks to have a most worthy purpose here; to provide economic relief to areas of this nation and particularly this area, which has historically suffered from the high rates of unemployment and low income levels.

The program is designed to encourage the location of small businesses in these economically distressed areas and to provide stable employment for people who live in the areas. The Federal Government can assist the small businesses in the HUBZone by facilitating the contracting process.

Contracts that get awarded to small businesses in HUBZones can mean thousands of job opportunities. HUBZones help accomplish this important welfare reform objective as well. It provides jobs to individuals who want to get off welfare and back into the work—and work in the communities where they previously have been getting public assistance.

I envision today's hearing in Paterson as somewhat of a case study in this program. Although a few firms are certified in this area, the community and its congressman are looking for ways to expand and to improve the HUBZone program.

The second topic, the foreign trade zones also will spur job growth in distressed areas, and it is important to have trade zones today and economic development that I think we can talk about just a few statistics.

Since 1970, the total number of trade zones has grown from 10 to 662, and employment in them has gone from 7,000 to 367,000 jobs. These zones provide a climate which encourages domestic corporations to expand or retain operations in the U.S. Likewise, the zones are an economic development tools used by communities to maintain and attract business development and investment. The favorable tariff and customs regulation treatment related to zones contributes to the decision to invest in the United States right here in Paterson, rather than overseas.

I think that overall, the result of the business decisions that are related to these zones really does mean a much more favorable job enhancement program for everyone and that only spills over into a larger and larger economic pie, as you all know.

Both of these programs have very lofty goals, and if properly administered and accurately focused and thoughtfully planned, the programs are going to guarantee economic expansion that delivers on the commitment that Congressman Pascrell and I and many other members of Congress like us have made to try to make sure that we have meaningful job creation and sustainable community development.

Those are not hollow words. Those are things we are truly committed to, and I really thank you again, Congressman Pascrell, for allowing me to come down here and participate in this hearing.

I look forward to the testimony of our witnesses today.

Would you like to introduce those witnesses?

Mr. PASCRELL. Thank you, Chairman.

Today our first panel is—we are going to jump right into it. They each have five minutes. We don't have what we have in Washington. We don't have all the lights that go on and off, but we will let you know when your time is up. We will hear then from the Chairwoman, and I will ask questions of the panelists, and we will go to the second panel, the same thing, and then we will go to the audience. We have agreed that that will be our format.

So our first panel would be Francisco Pancho Marrero, who I have worked with extensively since coming to Congress. Pancho, as we call him, is the director of the Small Business Administration in Newark, New Jersey. He, himself, I consider to be an expert in this area, and we are anxious to hear and welcome Pancho.

Thank you for being here today. The SBA has done a great job in this area.

**STATEMENT OF FRANCISCO A. MARRERO, DISTRICT DIRECTOR, NEW JERSEY DISTRICT OFFICE, U.S. SMALL BUSINESS ADMINISTRATION**

Mr. MARRERO. Thank you, Madam Chairwoman and Members of the Subcommittee on Regulatory Reform and Paperwork Reduction. Good afternoon. Thank you for the opportunity to testify before you today.

I am Francisco Marrero, the District Director for the U.S. Small Business Administration's New Jersey District office.

If I may take a second, I would like to introduce to you a member of my staff and the HUBZone technical expert and liaison for the state of New Jersey, his name is Richard Sill and he is with us, infinitely more capable—

Mr. PASCRELL. Where is Richard?

Mr. MARRERO. Today I would like to discuss with the Subcommittee the many economic development programs that SBA has to offer and how these programs are helping small businesses throughout New Jersey.

Madam Chairwoman, I request that my testimony be made part of the record.

Chairwoman KELLY. It is so ordered.

Mr. MARRERO. As you know, small businesses are the backbone of the U.S. Economy. America's 23 million small businesses employ more than 50 percent of the private work force, generate more than half of the nation's gross domestic product, and are the principal sources of new jobs in America's economy. These numbers clearly reflect the importance of small businesses to the economy of both the nation and the state of New Jersey.

In an effort to help keep the small business sector a thriving part of America's economy, Administrator Alvarez has delineated the following goals for the Agency:

- Increase opportunities for small business success.

- Transform SBA into a 21st Century leading edge financial institution.

- Help businesses and families recover from disasters.

- Lead small business participation in welfare to work.

- And serve as the voice for America's small businesses.

The New Jersey district office is determined to reach out to small businesses in an unprecedented way, listen to their needs, respond to these needs, report these needs back to the Administrator and suggest appropriate initiatives that effectively address those needs.

The goal of the New Jersey District Office is to remain a leader in the economic development of the State, as well as serving as a catalyst for the growth of small businesses.

We are focusing our efforts on maintaining high quality customer service, improving small businesses' access to capital through our lending programs, increasing the level of participation of socially and economically disadvantaged firms through our Minority Enterprise Development Program, encouraging economic development in historically underutilized business zones, hub zones, through the HUBZone Empowerment Contracting Program, increasing the number of counseling and training services we make available to small businesses and increasing our aggressive marketing and outreach efforts to our network of lenders and their customers.

At the start of my tenure as District Director, I made a pledge to the Small Business Community in this state that the SBA would work to become a recognized leader in stimulating economic growth and development in New Jersey.

We have succeeded. During the last five fiscal years, the SBA New Jersey District Office has approved 7,394 loans for a total of \$1.6 billion, more than were approved during the previous 16 years combined.

In the recently completed fiscal year 1999, we approved a record \$395.5 million in SBA-backed loans to a record number of 1,572 small business owners.

One of our highest priorities has been serving the new markets small business community, including African-Americans, Hispanic-Americans and women.

Administrator Alvarez has often said that economic recovery can only succeed when there is total inclusion. We must ensure that in a thriving economy everyone is provided with the same opportunities. Providing entrepreneurs with access to capital creates jobs, increases the tax base and supports a healthy economy.

Our efforts to reach out to the new markets segment of the population speaks for themselves.

From fiscal years '91 to '94, we made a total of 365 loans to African-Americans, 78, Hispanic-Americans, 54, and women, 233.

But fiscal years '95 through '99, we made a total of 1,926 loans to these same groups. During fiscal year 1999 alone, the SBA New Jersey District Office approved a total 543 loans for \$105.7 million to these new markets small businesses.

To keep pace with the rapidly expanding economy, SBA developed a number of new loan programs designed to increase access to capital while simplifying the process.

These programs include:

The prequalification loan program which allows the SBA to preapprove an application prepared by an SBA-designated, non-profit intermediary, before the applicant finds a commercial lender to make the loan.

The LowDoc loan program which features a one-page SBA application and a 36-hour approval process.

The SBA express loan program which allows selective lenders to use primarily their own application and documentation forms and provides a response from SBA within 36 hours of receiving a complete application.

The Y2K action loan program which enables small businesses to become Y2K compliant through Y2K assessments, repairs and upgrades both before and after January 1, 2000, and—

The preferred lenders program under which SBA delegates loan approval, closing and most servicing and liquidation authority to selected lenders. SBA loan approval is conducted at an SBA PLP center and turnaround usually takes less than one day.

These programs have reduced both the paperwork requirements and the processing time for SBA loans, not only in New Jersey but also across the country and have helped SBA maintain its position as a leading source of long-term small business financing in the nation.

In the area of minority enterprise development, we are continuing our efforts to aggressively recruit businesses owned by individuals that are socially and economically disadvantaged into the 8(a) program.

During fiscal year 1999, the SBA New Jersey District Office awarded 198 contracts, 20 contract options and 617 contract modifications worth \$173.2 million to firms in the 8(a) program.

This past September, together with Congressman Pascrell, we introduced the HUBZone empowerment contracting program to the New Jersey small business community. This program is designed to stimulate enterprise, expand employment and promote community-based economic empowerment by offering federal contracting opportunities for small business concerns located in and hiring employees from HUBZones.

SBA is responsible for certifying eligible firms, investigating eligibility challenges and reporting the results to Congress.

Finally, management counseling and training plays an important role in the mission of the SBA. Each year, thousands of individuals, both established business owners as well as potential entrepreneurs, seek advice and guidance from the SBA. This advice and guidance is provided by our major counseling resources, the Service Corps of Retired Executives (SCORE), the New Jersey Small Busi-

ness Development Center (SBDC) and the SBA's Business Information Centers (BIC).

Through free management counseling and low cost training programs, SCORE, SBDCs and BICs assist entrepreneurs in nearly every aspect of starting and managing a successful business.

During fiscal year 1999, over 28,000 individuals received counseling or attended training sponsored by SCORE, SBDCs and BICs.

Madam Chairwoman and Members of the Subcommittee, these programs are working for small business owners in every region of New Jersey. Together with our resource partners, we will continue to develop additional programs and activities and find new ways to empower today's small businesses and tomorrow's entrepreneurs.

This concludes my prepared remarks. I will gladly answer any questions that Members of the Subcommittee may have.

Mr. PASCRELL. I want to thank you, Pancho, and I am sure that you and Rich Sill, who you introduced before, will be available to answer specific questions about the HUBZones. They are up and going.

We are talking about access to capital. We are talking about small businesses across the board here, anybody with less than 500 employees; is that correct, Pancho?

Mr. MARRERO. Yes, depending.

Mr. PASCRELL. And we are very elastic on that, Madam Chairlady, but that is where our focus has been in Federal contract opportunities, which is what the HUBZone is all about.

Your numbers are pretty startling. What you have done in the past three, four years is truly great and truly wonderful and we want that to continue and Sue's job and my job is to cut down the bureaucracy which is out there.

I know your express application is going over very big, and this is a program that I have seen it work, every one of those programs I have seen work in our own communities.

Thank you, Pancho.

Our second panel is Dennis Puccinelli. He is Acting Executive Director, United States Department of Commerce, Federal Trade Zone board.

Dennis, thank you for being here today.

**STATEMENT OF DENNIS PUCCINELLI, ACTING EXECUTIVE SECRETARY, DEPARTMENT OF COMMERCE FTZ BOARD**

Mr. PUCINELLI. Thank you, Madam Chair, Congressman Pascrell.

Thank you for the opportunity to appear before the subcommittee today to discuss the Foreign Trade Zone program and the role that it is playing in improving the international competitiveness of U.S. Businesses and communities.

Foreign trade zones are sites at which special Customs procedures can be used. These procedures allow domestic activity involving foreign items to take place prior to payment of Customs duties. Duty free treatment is accorded items that are pre-support and duty payment is deferred on items that are sold in the U.S. Market.

The overall purpose is to encourage domestic activity by helping to offset Customs advantages available to overseas plants which compete with facilities located in the United States.

The zones program can also assist communities in their economic development efforts that are related to international trade.

Mr. PASCRELL. Could you hold that microphone a little closer? Thank you very much.

Mr. PUCINELLI. Zone sites usually control zoned areas within industrial parks designated by the board. The sites are supervised by the U.S. Customs Service which controls all merchandise entering and leaving zones. Zones site and activity remain subject to all federal, state and local law.

The Foreign Trade Zones board, as you mentioned, was established in 1934 to license and regulate foreign trade zones in the United States. The board functions like an interagency committee with the Secretary of Commerce as chair. The Secretary of the Treasury is the other member.

The Commerce Department takes the lead on economic policy and industry impact issues and the Treasury's main responsibilities involve the enforcement of Customs laws and the supervision of zone activity.

Customs port directors are responsible for the zones in their jurisdiction. The Commissioner of Customs advises the Secretary of the Treasury in all zone matters and plays an important role in the interagency process.

Zones and zone activities are subject to regulations published by the Trade Zone Board and to regulations published by the Customs Service.

I want to mention that the board regulations were revised in '91 following the hearing by the Trade Subcommittee on the Ways and Means Committee. The results of these hearings were revised regulations which clarify criteria and reduced our application process.

Several domestic industries did express concern about potential harmful effects that foreign trade rules can have on plants outside the zones, but the revised regulations address these concerns by codifying the review process and clarifying approval criteria to include industry impact considerations.

Zone sites fall into two basic categories; general purpose zones and sub zones.

General purpose zones are multi-user facilities designed to serve businesses throughout a Customs' port of entry. They usually involve sites at airports sea ports, industrial parks and warehouse facilities that provide a range of trade related services on a public utility basis.

Sub zones are special purpose zones usually at individual manufacturing plants that serve as an adjunct to the existing zones for larger facilities that cannot locate within the general purpose zone. The primary benefit for users is based on the fact that merchandise is not subject to the payment of Customs duty while it remains in the zone.

Zones are similar to other Customs bonded procedures. This procedure exempts a zone user from paying Customs duties if merchandise is supported from the zone. On merchandise shipped to U.S. Markets, a user is able to defer Customs' duties and until the merchandise leaves the zone.

In situations involving the manufacturing of foreign components, a user may choose to apply a lower duty rate if that, in fact, is the case.

In addition to the Customs' duty benefits, there are certain logistical benefits related to Customs' paperwork. These involve the immediate release and delivery of merchandise from a port to a zone site and also weekly entry procedures are available.

Foreign merchandise may be exempt from local inventory tax. I don't know if you have one in New Jersey; I don't believe so.

Now, there are some costs associated with running a zone and these involve primarily dealing with Customs. You do have to post a Customs' bond and you do have to come up with Customs' security and an inventory control system that can be audited.

U.S. Communities can benefit from zones also. Communities often have to compete globally for the siting of plants and new business activity. And in some cases, foreign locations that are competing with a local community may offer a more favorable Customs environment.

Availability of zone procedures can level the playing field with respect to these Customs' codes and assist state and local officials in their economic development efforts related to attracting new activity from abroad.

Zone procedures can also assist companies and communities in developing new support activity. A key factor in developing a successful zone project for a community involves conducting a feasibility study to determine whether there is sufficient need and where that need might be focused, as well as selecting an appropriate site and integrating zone services into an existing zone project.

As you mentioned, there are two zones already in this area. In this broader area, one is in Mount Olive, in Morris County and one is at Port Newark, Elizabeth.

Communities such as Paterson which are located in a Customs port of entry area can make zone procedures available to their businesses in several ways.

First, a community can request that one of the existing zones in the area can apply to expand their zone to a site in this area. For example, upon a new agreement between Paterson officials and Port Authority officials, the Port Authority could sponsor an application for an expansion of this zone to include a site in this area.

Alternatively, a Paterson area governmental or local corporation could apply for a separate and new zone project in this area.

However, there is a special provision in the Act that states when you are establishing additional zones in the area, that requires a demonstration that there is the need for that additional zone.

However, I should mention that we do have these additional zones in a number of the larger ports of entry around the country already.

And finally, another way to immediately provide zone services in the area is to form a relationship with one of the existing zones in the area where they could sponsor sub zones for individual companies that may need zone status.

This may be for the sub zone application. This—oh, I will just briefly mention the application process. We will look at a draft ap-

plication for a community. Once we get a final application, there is a public notice and sometimes a hearing, if it is a new zone project.

We need comments from the local Customs' port director, then we conduct our analysis and review. We prepare a report which does go to the board members. We conduct the voting process by mail because of the difficulty in getting board members so we have a continual voting process.

I hope this brief overview gives you a better understanding of the options available to area businesses for using zone procedures and of the requirements and issues facing the board in the review of applications.

I also want to mention that the Commerce Department has a support assistance center in Newark that can assist companies that want to expand their business through supporting.

Mr. Harvey Lubenstein is here and he would be happy to answer any questions relating to supporting.

Mr. PASCARELL. Can you give us your web site?

Mr. PUCINELLI. Yes. My web site, I have on my additional information page, I have our web site and our phone number.

Mr. PASCARELL. Would you give it?

Mr. PUCINELLI. The web site is [ita.doc.gov/import—admin/records](http://ita.doc.gov/import-admin/records).

Chairwoman KELLY. Would you do that again more slowly so that people who want to copy it down have the ability to do that, please, sir.

Mr. PUCINELLI. Yes. It is on my card.

Chairwoman KELLY. I recognize that, but not everyone in this room has it. That is why we want to give them that availability.

Mr. PUCINELLI. Thank you. The web site for the Foreign Trade Zones board is [www.ita.doc.gov/import—admin/records](http://www.ita.doc.gov/import-admin/records).

Mr. PASCARELL. Thank you, Dennis. Thank you very much.

Mr. PUCINELLI. Yes.

Mr. PASCARELL. And you are going to be available to us to answer questions after?

Mr. PUCINELLI. Yes.

Mr. PASCARELL. We do have on the second panel, Dennis, Ron Gross, who is part of the Vision 20/20, which is Passaic County's moving together to try to get some economic development. And that is a county. I don't know if counties can apply also as a local form.

Mr. PUCINELLI. I believe I met Ron.

Mr. PASCARELL. Dennis, did you have anything in conclusion?

Mr. PUCINELLI. No.

Mr. PASCARELL. Thank you very much.

Mr. PUCINELLI. Thank you.

Mr. PASCARELL. All right. Our third panel is Deborah Hoffman, who is Executive Director of the Paterson Economic Development Corporation, a corporation which we help found in 1993, '94. And Deborah has basically worked very, very hard in economic development.

Deborah, what are your comments for today?



**STATEMENT OF DEBORAH HOFFMAN, EXECUTIVE DIRECTOR,  
PATERSON ECONOMIC DEVELOPMENT CORPORATION**

Ms. HOFFMAN. Thank you very much for the opportunity to address you today, Madam Chair and Congressman Pascrell.

As the Congressman mentioned, as Mayor of the City of Paterson you led the way to forward our corporation to assist companies in relocating into the City of Paterson and expanding here. Since January of '93, we have assisted over 80 companies in relocating into the city and expanding here with financings of over \$70 million.

Through our sponsorship of the greater Passaic County bond program alone we have closed \$30 million in bond financing through industrial revenue bonds, and prior to that we closed another \$10 million to the City of Paterson bond program.

The corporation has taken a very aggressive stance in relocating companies, trying to identify those incentives that make Paterson the place to be for the business community.

Understand that even though the State of New Jersey has witnessed a tremendous economic revival, as has the City to some extent, we still have a 9 percent unemployment rate, very different than the State's 6 percent.

In addition to what the County has instituted, it has suggested that it will be the slowest growing county in the next five years in employment opportunities. We really need to maintain our aggressive stance in identifying incentives to relocating companies into the City of Paterson, into the county of Passaic.

I believe strongly that the HUBZone and the Foreign Trade Zone used correctly can be a way to lead us down that path. Obviously, we have tried to take our own aggressive stance locally in forming special improvement districts.

We helped to form two of those in the City of Paterson in sponsoring procurement programs for the City in the development of Brownfield's program, working with the City government, working with the county government, but I want to underscore, we have provided a few companies here today from the Paterson business community. We look forward to hearing from them. We need new tools to create jobs in this business community. It is a vibrant community. It needs to grow to remain so.

Thank you.

Mr. PASCRELL. Thank you, Deborah. If you have not submitted written testimony, I know it is tough for the field hearings, make sure you submit written testimony. If you have it, we will run it off in the back room now. Give it to Chris and we will give it to Steve or somebody else so that the committee has it on record.

Ms. HOFFMAN. Thank you.

Mr. PASCRELL. Our next speaker is Charles Miller. Charles is replacing Jim Leonard, who is the vice president of the New Jersey Chamber of Commerce who called us this morning. He had an emergency.

We thank you, Charles, from the Paterson Chamber of Commerce for being here, and we hope you will be submitting some written testimony to the committee which is very necessary and very important.

Charles.

**STATEMENT OF CHARLES MILLER, ASSOCIATE DIRECTOR,  
GREATER PATERSON CHAMBER OF COMMERCE**

Mr. MILLER. Madam Chairwoman and Congressman Pascrell, thank you for inviting me here today. I have always been taught in business to be brief, and I will be so.

The Greater Paterson Chamber of Commerce, which represents over 100 businesses in the Paterson area, fully supports efforts to provide access to federal contracting opportunities for small businesses in underutilized business zones, and such efforts spur private investment and a creation of growth of jobs in those areas.

The areas impacted are generally those with low income and high unemployment, and certainly we want a piece of that \$200 billion in the federally contracted business.

HUBZones represent a very positive economic stimulus to areas that have not yet shared in the economic prosperity of recent years, and such an effort earns the support of the business community.

And if I may, I would now like to make some remarks concerning the foreign trade zones.

As we have heard before, foreign trade zones are really areas in this country that the government pretends are outside the U.S. Customs' territory and Customs' procedures in those zones permit duty-free imports of items that will be resupported and a deferral of duty payments on imports to be sold in the United States.

Therefore, federal foreign trade zones have very significant advantages. First, they even the playing field for U.S.-based businesses that must compete with foreign competitors who enjoy customs advantages. And foreign trade zones will offset those advantages.

Two, they enable companies to lower costs and raise profits.

Three, they are incentives for the development and growth of international trade and they facilitate and expedite such trade.

And four, they spur state and local economic development, and very importantly, they create jobs. And certainly we need jobs.

In conclusion, foreign trade zones are a win/win situation for business and for the growth of the economy.

Thank you.

Mr. PASCRELL. Thank you very much, Charles. I know you will be available for some questions.

Our final speaker on the first panel is Daniel Jara, who I have known for many years. He is president and CEO of the Statewide Hispanic Chamber of New Jersey.

Madam Chairlady, he will be submitting written testimony as well.

Daniel has been very, very involved in the entire State of New Jersey with the Hispanic community, with the business community and, beyond that, the total community. So Daniel, thank you for being here today.

**STATEMENT OF DANIEL JARA, PRESIDENT/CEO, STATEWIDE  
HISPANIC CHAMBER OF NEW JERSEY**

Mr. JARA. Thank you, Madam Chairwoman and Congressman Pascrell. I am really honored and privileged to be here before you.

The Statewide Hispanic Chamber of Commerce of New Jersey has been for many years trying to be the most efficient Chamber

of Commerce. Even though we are a Hispanic chamber, 35 percent of our membership is made up of known Hispanic companies, in that we have a lot of mainstream businesses, African-American businesses and Asian-American businesses.

The Statewide Hispanic Chamber of Commerce has taken the task of being in the forefront, in promoting the State of New Jersey, not only throughout the country but in the international scene.

As you know, there's been a magnificent growth of Hispanic businesses that has grown by 86 percent in the last five years. It's estimated that right now in the Garden State there are 30,000 Hispanic businesses that generate \$7.5 billion in sales and supports over 128,000 jobs.

We, as any other small business, face the same hurdles, one of them being lack of capital. And I need to recognize the labor of my dear friend Pancho because under his leadership the Small Business Administration has set records in terms of loans given to Latino businesses.

We feel that international trade is a major aspect in economic development. As you know, the market today for capital commodities and labor is truly an international market.

Therefore, we need to position ourselves for a global economy. Mexico has become New Jersey's second largest trade partner. We have supported trade missions from New Jersey to Latin America. Latin America presents as a viable market for New Jersey's products and services, a market that is loyal to these services and a market that will open opportunity for New Jersey companies with their 600 million consumers.

The Latino market, as you know, has been a very attractive market. It is a \$340 billion market in the United States.

As we see historically, specifically in this history, or in the late sixties, most of the big companies were fleeing the urban areas. There were Hispanic entrepreneurs that came in and took the challenge and had a vision. And they flourished without using any of the resources that were really available to any other small business.

While little Hispanic businesses have not been very active in procurement as a matter of fact, there are fewer Latino companies involved in procurement activities with the Federal Government than there are from other minority groups.

There are many reasons for that: Number one, Latino businesses feel they have been part of the process. So therefore, they don't feel attracted by it.

I think the new changes that this administration at the federal level is taking will insure a more attractive market for Latino business. It's really important to develop economic development in the urban centers. We feel that economic development is and should be everyone's business.

So therefore, we will support any efforts that are made out to help these programs become viable and important for us.

I thank you.

Mr. PASCARELL. Thank you very much, Dan.

Madam Chairlady, it's time for us to ask some questions of panel number one.

Would you like to lead us off? I will re-emphasize again that written testimony be given to the committee. That is something we must insist upon.

Chairwoman KELLY. It's helpful for us because if you give us some written testimony then we can insert it in the record as a part of the record, even though we do have a stenographer here taking a record for us. You may want to add things as well that you have not included in your verbal testimony. So we would encourage you to do that, please.

I would like to, first of all, ask a question of Mr. Marrero.

The HUBZones, I am wondering if you expect to see an increase in HUBZone certified firms in this area. Do you think there is going to be an increase in the number of them? Is there a way we could help that happen?

Mr. MARRERO. Chairwoman, I think in the long run the answer is yes, but I think part of the issue with the HUBZone is that although it is a job creating program, the—often the HUBZones by definition are located in areas of high unemployment and usually populated by African-Americans, Hispanics and individuals and groups who have not shared, if you will, in this economic recovery.

So that the types of businesses that would be in a position to greatly benefit from the HUBZone and by virtue of the fact that they have the ability to contract with the federal government often are not there. A thriving—seems to me that one of the key things that we have to do in and what our agency is focusing on is in the area of new markets, in bridging the gap that exists with African-Americans, women and Hispanic-Americans, bridging that gap of percentage of business ownership vis-a-vis the percentage of the population because ultimately, we have to create businesses in these communities to provide a long-term benefit to the community, that ultimately being benefit from the HUBZones.

I don't think the HUBZones—I don't think—I would not say we are going to see dramatic increases in firms signing up for HUBZones. I think we are going to undertake, for example, in September a very aggressive campaign.

We have been issuing letters to every elected official, every mayor in every city located in the HUBZone to aggressively pursue it. But it happens that most of these types of businesses that deal with the federal government are not located there.

Chairwoman KELLY. Do you have a backlog currently?

Mr. MARRERO. We have approved nine HUBZones in the State of New Jersey, and I think nationwide there are 439 firms certified nationally.

I would like to say it's relatively new, but still, it is not—I think it is a valuable program if you are there, if the firms are there, but not every HUBZone has the type of business, mostly in the communities, in our communities that by definition are at the margin of this recovery, the type of business that you are going to find.

There is the type of business that provides services for citizens of the community, the bodega in the Hispanic barrio, the laundry, the type of businesses that are not in a position, if you will, to deal, you know.

So it seems to me that the ultimate success of the HUBZone relies on our ability to promote entrepreneurship in those commu-

nities and ultimately understanding that it's small businesses that truly provide a long-term economic basis for recovery.

Chairwoman KELLY. You spoke in your testimony about having resource partners to help build these businesses so they could be a part of the procurement process.

Mr. MARRERO. Correct.

Chairwoman KELLY. Who are your resource partners?

Mr. MARRERO. Our Business Corp. Of Retired Executives. Small business development. We have 20 branches. We have an understanding with the Chamber of Commerce. We work with economic development folks in the various communities. I mean, we try and establish and bring—one of the things that we have been able to do is bring our programs to the communities rather than the old mindset, the culture of our agency which used to be that over here if you can find us, great. If not, well, you know.

You have got to take it out and work in establishing a partnership, and we have been very active in that, establishing new partnerships with economic development organizations, chambers, I mean, you name it, we are out there searching.

Chairwoman KELLY. Are you working currently to help people get certified so they can become procurement partners?

Mr. MARRERO. Sure, constantly. I mean, we have been holding seminars.

Chairwoman KELLY. Have you held seminars?

Mr. MARRERO. Sure, we have held them here in fact with the Congressman, we are heading down Vineland in southern Jersey to hold one.

We extend an invitation to every mayor in every city in every HUBZone to offer our services and go out there, speak about what we are doing and just offer our services.

Chairwoman KELLY. Do you work with SBA and SBICs?

Mr. MARRERO. Yes.

Chairwoman KELLY. You do.

Is there any particular kind of feedback that you would like us to take back with regard to this program? We need to be able to give you as much help as we can, so anything that you can give us to take back to Washington is going to be helpful.

Mr. MARRERO. Well, if I heard the news correctly, I think we are off to a great start since I believe our new markets initiatives have been funded in the new budget and that—the small business investment companies traditionally have not been a centerpiece of what we do.

Administrator Alvarez has now, you know—has now brought them into focus and rightfully so. Again, it's your tool to provide the capital side rather than the debt side for business creation and we are involved right now in promoting our small business investment companies that I admit to you until recently has been a well-kept secret.

Chairwoman KELLY. It has been a well-kept secret exactly. That is one of the problems.

Mr. MARRERO. But it is also—

Chairwoman KELLY. Maybe we just need to get the secret out.

Mr. MARRERO. Understand, Madam Chairwoman, that it is a program that has undergone dramatic changes in the last years from

the way it used to be and in the President's new market initiatives and the funding—we are waiting for the funding. Now we will aggressively move to promote the programs.

Chairwoman KELLY. Well, holding this hearing is one way that Congressman Pascrell is getting the word out and it does not really cost a whole lot. We don't need a lot of money from the federal government. We need people to get out and let people in the community know that it's possible, I think.

And I am just trying to find out from you what more we can do that does not really cost a whole lot of tax dollars out of people's pockets who are already overtaxed and don't have more money to give the government for a new initiative, just let them know what is out there.

Let them utilize what's there, that is why I ask you about your resource partners.

Mr. MARRERO. Again, I think we are working well with our resource partner. The money is for the specialized small business investment companies. I meant it to be used that way because I think that will go a long way toward providing specialized companies to develop new markets.

That is what I meant, but in terms of partners, I believe our small business development centers' funding is—they receive what they ask for and I think we are working well with partners, and I appreciate obviously every forum that I have to get the word out and I appreciate the opportunity.

Chairwoman KELLY. Thank you very much. I am just simply saying that I wouldn't wait around for new markets, I would simply get going on what we've got and I think you have done an admirable job so far, and I want to make sure we can help you to continue to do the job you are doing to get the word out because we need to encourage that job growth, we need to encourage our small businesses and we need to make sure that in these HUBZones these people are able to get government procurement contracts.

I know for a fact that the women and minorities portions are just simply—we are not meeting our goals. Women who own businesses, there is a mandate that women who exist many years, from the government, saying to the federal government, which is actually the procurer of goods and services to the tune of about 50 percent of everything that is bought in the nation, we said: You have got to have at least 5 percent going to women-owned businesses and the women aren't getting even 5 percent of the context. That is the kind of thing that we have to enhance and we have to grow, where we have to go for jobs.

Mr. PASCRELL. May I add something?

Chairwoman KELLY. Sure.

Mr. PASCRELL. Pancho, I want to tell you how serious this is. We ask in the general committee for numbers, and that is the reason why.

We had to downturn such applications in '97, '98 and then there was a review on whether this was being promulgated, communicated and do people really know about the programs to begin with. And that is part of the problem.

And I am almost giving the same speech as I gave in front of the veterans two weeks ago. Most of our veterans do not know what their benefits are.

Most small businesses do not understand what all of these programs are and how they can sink their teeth into them, and that is something that we need to do to communicate to the small businesses because, first of all, small business loans are not simply HUBZoned, oriented or focused.

That is for everybody in any town regardless of what the town looks like economically.

Is that correct?

Mr. MARRERO. Correct.

Mr. PASCRELL. We focused on the HUBZone, but we are basically talking generally here about all the programs that exist in SBA, and when you focus on HUBZone, it's the least amount of knowledge about those sub zones in those enumeration districts that are very, very eligible.

Chairwoman KELLY. I would like to switch now and go to—

Mr. MARRERO. If I may just make one comment, our web site, [www.sba.gov](http://www.sba.gov). That is it.

Chairwoman KELLY. Repeat that.

Mr. MARRERO. It's [www.sba.gov](http://www.sba.gov).

Mr. PASCRELL. And if you want to deal just with the HUBZone, put "/hubzone" at the end of that. It will come up on the screen.

Mr. MARRERO. Absolutely.

Mr. PASCRELL. Very good.

Chairwoman KELLY. However, we want to make sure that people who don't have a computer, don't know how to operate a computer, don't even have access to a computer, know what is there and available to them from the SBA.

We want them to know that it's available to them in a HUBZone and in a Foreign Trade Zone. We want them to know that these things are out there. That it's possible, because that is the only way we are going to grow the largest engine of the U.S. Economy, which is our small businesses.

Now I want to talk about the foreign trade zones a little bit.

Dennis, like the Foreign Trade Zone program, the import support bank program was created in 1934. I want you to kind of discuss, if you will, the relationship, if there is any, between the importance of these international trade efforts. I want you to talk about what kind of relationship there is between these two.

Mr. PUCCINELLI. The Foreign Trade Zone program and the import support bank, they were created at the same time with an ideal and I want you to talk about that, if you will.

Well, I'm sorry, I can't answer that question. I don't know much about that other program.

Chairwoman KELLY. The import support bank?

Mr. PUCCINELLI. Yes, I'm not an expert on that program.

Chairwoman KELLY. Well, perhaps you could answer that question in writing to us, because I am going to hold this hearing open then to give you an opportunity, write that question down and give me an answer to that in writing, please. You may want to go back and check with your agency.

Mr. PASCRELL. I would think that would be a very critical question if we are talking about accessibility to capital. I think we need to know what the relationship is, as the Congresswoman has asked, and I would like to know that response, so perhaps by the middle of next week you can get back to us, we can keep the record open, and respond to that, because we are going to be looking into this further on with total committee.

Chairwoman KELLY. Dennis, I would also like to ask you about the way the foreign trade zones in New Jersey are working.

Are there mostly import zones right now? Are there actually supports getting out of those zones?

Mr. PUCCINELLI. There are \$17 billion in supports, but zones are primarily focused on the U.S. Market. That is where most of the business is these days.

Chairwoman KELLY. By that, let's be clear about this. What do you mean by that?

Mr. PUCCINELLI. Well, first of all, it's neutral in terms of imports or exports. The program is designed to encourage and expedite foreign trade, and our government is concerned about other governments that promote supports over imports.

Our government regards foreign trade zones with other countries that are just for support as a subsidy that may not be living up to WTO rules. So our program is neutral in terms of imports and supports.

Mr. PASCRELL. Well, if I may, Sue—

Mr. PUCCINELLI. I say the biggest benefit is on supports because it does give you total forgiveness of duties.

Mr. PASCRELL. I think the committee will want to know what the stats are on this because if we continue to support American jobs with our own programs, this only exacerbates the program I talked about concerning the loss of manufacturing jobs in this program, and I was going to ask you this question, if I may, Madam Chairwoman.

Chairwoman KELLY. Yes.

Mr. PASCRELL. It would seem lately in looking at, in reading what I have seen, companies have focused more on diminishing the inverted tariffs on components, and rather than supporting the finished product, importing it with a lower tariff, and what we don't want this program to be, this is a huge program, is simply another way for folks to take manufacturing off land and sent to another country.

Now, I would like to know, my question is this: Could you explain the significance of what I am talking about so that everybody here will understand what are the nuances?

Mr. PUCCINELLI. Well, I fully agree with you. We don't want this program to be used to negatively affect domestic industry.

In fact, that is why we have fairly strict criteria to be able to take advantage of this inverted tariff, the lower duty rate.

In order to take advantage of this benefit, we have to review each case on a case-by-case basis. We want to see that this will encourage activity that might otherwise be done abroad.

In other words, we are looking for situations where the U.S. Companies are competing with foreign companies and that the For-



eign Trade Zone will help it encourage activity to be conducted here that might otherwise be done abroad.

If the activities were going to displace another domestic company or displace a domestic supplier, we would not approve that type of case.

Mr. PASCRELL. Say that again.

Mr. PUCCINELLI. If we found that the use of the Foreign Trade Zone was to reduce the tariff that would in turn encourage foreign supply over domestic supply, we would not approve that. That would not meet our net economic effect criteria.

Mr. PASCRELL. Is that one of the criteria to make sure that in terms of balance of payments, for instance, which is a long-range effect, that in terms of balance of payments, that we make sure that this program and the bank which you are going to get back to us about what they are doing, contributes to the precipitation of manufacturing jobs in the United States and is not basically, whether intentional or not, contributing to the increase in manufacturing jobs in Honduras, for instance.

I mean, can you review the numbers and tell us whether it is or it isn't? What would you say?

Mr. PUCCINELLI. We would say because in every case that we approve, we are looking for evidence that the competence faced by the domestic company that is applying to use this benefit is primarily abroad, and it is not competing with a domestic company, so therefore—and we are also looking at what does it import and what is it going to get the lower tariff duty on. We want to see some good reason why it is importing the product.

If I can give you an example—

Mr. PASCRELL. I am going to give you an example; you give me yours first.

Mr. PUCCINELLI. We have some pharmaceutical companies with firm status in New Jersey and they are global companies, they are on a couple of their components. They are saying these are made by our foreign plants abroad, the ingredients, all the duties on pharmaceutical products and most ingredients have gone to zero, but they are saying that a couple of components still have a duty rate.

We make them abroad. In order to make this product in the U.S., we need to have the lower duty rate on the component or else we will make it abroad.

That is the kind of scenario we are looking to improve.

Mr. PASCRELL. Go ahead, Sue.

Chairwoman KELLY. No, finish your line.

Mr. PASCRELL. Let me have that example now. It is pretty close to your example.

Let's say—let's pick a company that may be in the HUBZone, I don't think it is. Let's say Liz Claiborne. That is a nice company. 90 percent of their goods are made offshore, patterned here.

Let's say they existed in a HUBZone. Let's say they existed in a HUBZone. They pattern it here, they send it to planet X. They finish the product on planet X offshore and then they bring it back here, okay.

Would their duty be free because their company exists in that HUBZone, in a Foreign Trade Zone rather? Would that be duty free, that product?

Mr. PUCCINELLI. If the board gave them authority to do that.

Mr. PASCRELL. You mean the board can do that?

Mr. PUCCINELLI. They could—somebody could make an application to bring in foreign textiles and cut it and send it abroad and bring it back in here and yes, they could end up getting duty free, but—

Mr. PASCRELL. Then your wife and my wife go to Macy's and buy that dress for \$125. These are all intricately connected with trade and what we pay \$125 for, even though, of course, it's \$4.50 to make in planet X. They could give them that duty free?

Mr. PUCCINELLI. Right, but that is why we have our criteria to demonstrate this is going to have a net positive effect on the U.S. Economy.

Mr. PASCRELL. What do you mean by "net positive"? Do you mean we are creating more jobs within that particular industry or do you mean simply that business is making a lot more money?

Mr. PUCCINELLI. It's the former. We want to see that there are more jobs here as a result of giving them the zone. We want to see that the—I'm sorry?

Mr. PASCRELL. Go ahead.

Mr. PUCCINELLI. We want to see that this is encouraging activity in the U.S. That might otherwise be done abroad.

Mr. PASCRELL. This is very important to me and it's very important to this district and very important to Essex County and Passaic County. We have lost so many of these manufacturing jobs, whether you are talking about pharmaceutical, footwear, textile. We are talking about a lot of things here.

Mr. PUCCINELLI. Yes.

Mr. PASCRELL. It's critical that we stop this hemorrhaging in that we, in the programs that we have at our disposal, effectuate a change. In some manner, shape or form, it is not going to be dramatic, but we need to stop the hemorrhaging of those jobs, and that is why these folks sitting in this room want work and the people who work for them want work but the only way we are going to do that is if we are all on the same page.

Right?

Mr. PUCCINELLI. Yes.

Mr. PASCRELL. Okay.

Mr. PUCCINELLI. I should add that another important criteria is that we would not approve any tariff rate change which was inconsistent with our government's policy.

Mr. PASCRELL. You don't want to go into that. Does he want to go into that, Sue?

Chairwoman KELLY. No.

Mr. PASCRELL. Right.

Mr. PUCCINELLI. But we have never approved a situation in the textile or a particle industry like you are talking about for the reasons that you are talking about.

Mr. PASCRELL. But the import tariffs in this country are exceedingly low compared to the countries that are making the products

that are coming back to the United States, that your wife and my wife continue to buy and that is the problem.

And that is why—since you brought it up, that is why there are many questions about the WTO and how it affects the very business people in this community and in this area.

You know, we live in a global economy. Sue is just as much a globalist as I am, but we don't like giving away the store. And the proof of the pudding is that the support gap increases, the import gap increases, and the balance of payments gets worse.

Something is wrong with that. And that something is depriving people in my city that I grew up in and still live in and in this entire area the ability to work, and their bosses the ability to stay in business, and that is why we have lost manufacturing jobs in this area.

I don't know how much clearer to put it to you and I am not going to get off this case, and I'm sorry if I am taking too long and we want to get to the second panel, but this has to be a concern and that is why I wanted you to enter into the record and give to us the answers to the Chairlady's question, which I think is crucial to what we want to do to help the northeast, particularly our area.

Mr. PUCCINELLI. Could I make one further comment? In our public review process, we do publish how long some industries might be affected.

For example, within the textile and apparel area, we go to the Commerce's Office of Textile and Apparel and they—

Mr. PASCRELL. You go where?

Mr. PUCCINELLI. The Commerce Department Office of Textile and Apparel.

Mr. PASCRELL. What did they tell you?

Mr. PUCCINELLI. They usually tell us that we can't do it.

Mr. PASCRELL. That is why we have these crazy trade agreements which are not reciprocal by any stretch of the imagination, and put folks in this room, regardless of what their industry is or their service is, really at a disadvantage, we need to understand that this is all interconnected.

It is fine to talk about HUBZones, and it's fine to talk about all the other programs available to small business, and it's fine to talk about the foreign trade zones, there's no two ways about it, but if the sum total of all this is a negative in terms of jobs that continue to hemorrhage, we are doing something wrong and we are facilitating those industries who are probably not represented here today.

That is what I am concerned about. Sue can speak for herself, but that is what I am concerned about.

Thank you.

Chairwoman KELLY. I just want to make one follow up on this.

I totally agree with Congressman Pascrell, but I want to know what you actually do, what does your office actually do to provide assistance to the Foreign Trade Zone grantees once you got a Foreign Trade Zone; what are you doing out there to help those people?

Mr. PUCCINELLI. Well, we do—there is an association, a private association of these grantees, the National Association of Foreign Trade Zones.

Chairwoman KELLY. Wait a minute. That is them helping themselves. Excuse me, sir, but I am asking you what you are doing—

Mr. PUCCINELLI. We partnership with them. We hold conferences that they attend and we put on educational seminars with them to train people on how to use the zone.

Chairwoman KELLY. And that is the limit of it?

Mr. PUCCINELLI. Yes.

Chairwoman KELLY. You participate with them at their—

Mr. PUCCINELLI. We participate with them. They are the ones who set up the conferences, we are the ones who provide training.

Chairwoman KELLY. Who pays for the conferences, just out of curiosity?

Mr. PUCCINELLI. They do.

Chairwoman KELLY. Okay. I think there are more questions that you as panelists will be getting from us, but at this point I believe it is time for us to move on to the other panel, and I will do that right now.

Thank you very much, panel number one. We appreciate your cooperation. We appreciate your good testimony. I think we have all learned something from you, so we appreciate you being here.

Mr. PASCRELL. Anybody who thinks that this is a staged hearing, anything but in Small Business, you never know what to expect from us and we have some fun in Washington, and we are going to have some fun here today.

Now we are going to get down to the nitty-gritty. I hope you are taking notes. We are going to have a short break so we can change—all of this has to be taken down, so if you just bear with us.

Chairwoman KELLY. Let's make it a five-minute break.

[Whereupon, a recess was taken.]

Mr. PASCRELL. If everyone would please take their seats, we will move on here.

Chairwoman KELLY. By the way, I want to introduce Harry Katrichis. And—Harry is general counsel of the Small Business Committee in Congress. This is my staff member, Meredith Matty, who has come up from Washington so she can be a part of this hearing today, because this is a real hearing. This is the way it is done in Washington. We have—actually Congressman Pascrell has brought Washington to you. You don't have to go to Washington, D.C., to see a hearing.

We have a stenographer taking notes, the witnesses and the written testimony, all of that is in order so what you are witnessing here is really something many people never get a chance to see.

You get a chance to see this because of Congressman Pascrell.

Mr. PASCRELL. Thank you.

I would like to introduce my staff. This is Chris Blanda. He is here from Washington. Chris works on all small business matters. He also has worked on the census, and what else, Chris?

Mr. BLANDA. Trade, foreign policy.

Mr. PASCRELL. I thought of Abbott and Costello when I heard trade, like Niagara Falls. And Stephen Schwartz from our office. Our chief of staff is also here, Eddie Forner. A lot of people know Eddie.

So before you strangle me, strangle that person, but thank you for being here, everybody, today, thank you for your patience.

I would like to start, if I may, Madam Chairlady, with Ron Gross from Vision 20/20.

Thank you.

#### **STATEMENT OF RON GROSS, VISION 20/20 PRESIDENT**

Mr. GROSS. Madam Chairwoman, Congressman Pascrell, it is a privilege and an honor to share with you the Passaic County Vision Trade Zone Task Force.

In a time of robust national and state economies, Passaic County suffers from stagnation. While surrounding counties enjoy low unemployment rates and a spurt in their economic growth, our county lags far behind.

Long range plans to revitalize our moribund economy ought to be devised and implemented for all residents and for future generations.

A cursory view of the present literature and of the best ideas of economic experts and planners make clear that economic growth and its concomitant benefits often result from the planned confluence of:

1. Historic preservation.
2. Environmental protection.
3. Economic redevelopment.

The interplay of these approaches works especially well in densely populated and environmentally stressed areas.

The synergisms of these three elements have been successfully demonstrated in many places throughout the country.

1. San Antonio, Texas, Riverwalk.
2. Baltimore, Maryland, Harbor Redevelopment.
3. Boston, Massachusetts, Rebirth.

What are Passaic County's assets? Passaic County is rich in history and American lore, even predating the American Revolution. The county has been amply blessed with many unique natural and man-made historical, educational and recreational sites including:

1. The Great Notch in Little Falls and West Paterson, the location of General Washington's rifle camp during the period of Washington's encampment at the Dey Mansion in Wayne.
2. The Great Falls in Paterson, the second largest waterfalls in the eastern United States and the birthplace of the American Industrial Revolution.
3. Garret Mountain with its stone observation tower and refurbished Lambert Castle which houses the Passaic County Museum.
4. The majestic Watchung Ridges which bisect the county from the Great Notch through Ringwood and acted as a fortress wall protecting the nation's lifeline during the Revolutionary War.
5. Our wonderful county park system aligned along the First Watchung Ridge and then to Goffle Brook Park in Hawthorne, site of General Lafayette's headquarters.
6. The Passaic River and its tributaries that wend their ways through many Passaic County towns and cities.
7. The convenient network of highways and railroads which give ready access to the area from all directions.

A Foreign Trade Zone, I will give the classic definition for that—the Foreign Trade Zone is a site within the United States, in or near a U.S. Customs port of entry, where foreign and domestic merchandise is generally considered to be in international commerce. Foreign or domestic merchandise may enter this enclave without a formal Customs entry or payment of Customs duties or government excise taxes.

Merchandise entering a zone may be: Stored, manufactured, manipulated, repackaged, displayed, repaired, salvaged, relabeled, assembled, sampled, destroyed, processed, tested, mixed and cleaned.

There are two types of foreign trade zones. A general purpose zone is established for multiple activity by multiple users. A general purpose zone must be operated as a public utility and must be located within 60 statute miles or 90 minutes driving time from the outer limits of a U.S. Customs port of entry, Passaic County is situated within the applicable limits, FTZ projects may consist of one or multiple sites, e.g., a single building, an industrial park, a deep water port, or an international airport.

While activities including storage, inspection and distribution are permitted at all FTZs, other activities including processing or manufacturing require special permission from the Foreign Trade Zones Board.

In instances where a firm wants foreign trade zone status for its own plant or facility, or when the existing general purpose zone cannot accommodate the firm's proposed activity, the designation of subzone may be granted. There is no real difference in the types of activity that may be undertaken in the general purpose zones or subzones.

Typically, subzones are designated for an individual company's manufacturing operations. Subzones can be located anywhere within a state, so long as a sponsoring Foreign Trade Zone licensed grantee of a general purpose zone exists in the state and the U.S. Customs Service can fulfill its proper oversight functions at the proposed location of the subzone.

1. All fifty states as well as Puerto Rico have established Foreign Trade Zones. Here in New Jersey we have five: Port Newark/Elizabeth, Camden, Mercer County, Lakewood and Morris County.

Mr. PASCRELL. Ron, you have another minute.

Mr. GROSS. Okay. Also important is the county's proximity to a world class sports complex, New York City and major international airports all positive attractions for visitors and businesses and Passaic County, which brings us to the discussion of the need for a foreign trade zone in Passaic County.

We envision a foreign trade zone as a prime economic vehicle that will spur our economy by providing many jobs and revenue and will afford occupants with certain federal tax and tariff benefits.

Thank you for allowing the Passaic County Vision 20/20 to submit this testimony for your consideration.

Mr. PASCRELL. Thank you, Ron. We appreciate that.

And now Time Zero/PPI Corporation, Philip Russo.

Philip, thank you for being here today.

**STATEMENT OF PHILIP RUSSO, TIME ZERO/PPI CORPORATION**

Mr. RUSSO. Well, thank you for inviting me. And Congressman Pascrell, fortunately mine is short and right to the point, and I am going to really address how HUBZones affect us as an economy.

Mr. PASCRELL. Good.

Mr. RUSSO. Basically, ours is a high-tech company that moved to Paterson around 12 years ago. We were welcomed and it has been a good experience ever since.

Thank you, Deborah, and everyone connected with the city. It has been a good experience for us.

What has happened in the past years, we have tried unsuccessfully to vote on government contracts, and henceforth have stopped putting any effort in that area.

The reasons primarily for not being successful were: (1) pricing; (2) unclear or overburden some documentation. Competing against large government contractors who have had more resources than us to either be able to purchase components at lower prices or perhaps just have some more powerful connections as far as being able to generate some of the quotes that we could not, which could be understandable.

We were never turned down for our technical ability. We always had the technical ability to be able to do these kinds of contracts.

It is my understanding that HUBZones will create certain areas that will enable us to be more competitive with economically similar type companies which I think is very important in this whole HUBZone program.

We have been identified by several of our existing government contractors. We deal with GECs and IWMs and the firms like Allied Signal and we have been identified as being a HUBZone, and they have been wanting to give us more consideration on contracts that might make us win more contracts.

Because of the fact that we are in a HUBZone, unfortunately we find that we are two blocks away from the nearest HUBZone.

According to what Mr. Marrero mentioned earlier, we do have the company, the resources and the people around us, but we can't get at them. So if we could get some help there, that would be really great. You just have to stretch it two blocks.

I think the entire program is very beneficial to all areas including Paterson, and I would like to recall the greatness Paterson once had as an industrial city. The high tech manufacturing industry in which we are has no boundaries nor does it require any special services.

I hope Paterson once again can attain this greatness. As industries flocked to Silicon Valley 30 years ago, let's get them to flock to Paterson for manufacturing services. I think we can do it.

But there is one last thing I would like to mention, which has been true to my heart for all the years I have been in manufacturing, and I won't say what I think about big business, what they have done to the United States as far as supporting jobs, I can only speak for myself. But you give me a Foreign Trade Zone that means something, and you give me \$10 million and I will start to make T.V. sets in Paterson and I will start shipping them and selling them to the Japs.

Mr. PASCRELL. Japanese.

Mr. RUSSO. Japanese, very sorry. I am not politically correct, very sorry.

Thank you very much for inviting me here, and I hope my testimony means something.

Mr. PASCRELL. Thank you very much, Phil.

I am just reminded that maybe the census will move you two blocks the other way. Don't forget all of this is dependent, HUBZones, that is, in terms of the census, on your track, your census tracks, and that could change very easily and move very easily up.

Aside from that, though, Pancho, here is another example of, again, what I used as a parallel example with your ban enterprise zones. It seems absolutely irrational that businesses close to Paterson will not have the same benefits, do not have the same opportunity to those benefits anyway, simply because they are not in that particular enumeration district.

But I like what you said also about the trade zones. I think this is very, very important, very critical that we understand and then we pursue and get more knowledge on those.

So, thank you. I just want to go quickly through all of those departments that when we talk about federal procurements and when we talk about what is available, we are talking about the Department of Agriculture, Defense, Energy, Health and Human Resources, Housing and Urban Development, Transportation, Veterans Affairs, Environmental Protection Agency, General Services Administration and the National Aeronautics and Space Administration.

We want to get our business and our HUBZones to be able to get in and they can do that if we provide them the credits that they deserve.

So thank you very much, Philip.

Mr. PASCRELL. And now the president of Crown Roll Leaf, a very large company in Paterson.

George, thank you for being here today.

**STATEMENT OF GEORGE WAITTS, PRESIDENT, CROWN ROLL LEAF, INC.**

Mr. WAITTS. Madam Chairwoman and Congressman Pascrell, thank you very much for inviting me. I will try to be short and not sound like we are blowing our own horn here, but Crown Leaf started—Crown Roll Leaf started back in the early '70s, '71, located here in Paterson, mainly because of the reason that it was available to the New York metropolitan markets.

It had good road infrastructure. It had good—a city with an ample employee force to draw upon, and we figured it would be a good spot to settle in so that we could advance and grow.

Over the years, we have grown from 4,400 square feet to 150,000 square feet here in the city. We also got integrated into some of the higher tech products that are out there. Most of our products started out with—we manufactured coating polyester films to decorate greeting cards, books, just about anything that can be decorated, can be hot stamped.

From there we branched that into holography, making two-dimensional, three-dimensional images. We are the only commercial



rolling company in the United States which can integrate the whole system from start to finish and it's done here in Paterson.

We also determined several years back that it was truly going to be a global market, that a lot of the business had to be taken overseas. And rather than start a plant in Mexico or open up shop in the UK, even though we did look into all those aspects, we decided to stay right here in the United States, right here in Paterson and deal with our competition here. Mainly by utilizing the work force, being more innovative product-wise, listening to our customers and what they needed and also supplying it and getting it out to them.

Nowadays, for the most part, the trade zone becomes a very important aspect of this, the reason being, that with this, just in time and needing product, nobody wants to keep stock, they have to pay taxes on their inventory.

We found that between the freight duty and taxes, that 17½ percent of the almost \$13 million in business we do internationally goes towards those taxes and duty fees.

We also find that when we use—by normal means, by container or by sea, the overall expense to that is 6½ to 7½ percent in duties and taxes.

On a customer basis, looking to getting it there quickly by air, by today's standards, et cetera, it's a little difficult dealing with that because we have to pass on those costs in our products and in our pricing.

It is not a level playing field. Things we have looked to, even sometimes, absorb some of that in order to maintain a better customer base and a happier customer for the reordering.

We projected that ongoing we would like to be more of a global market. At this point, we deal with about 48 different countries around the world. We are looking to open it up as much as possible. We employ about 300 people here in Paterson.

Most of the Paterson base fluctuates between 35 to 40 percent of the actual residents working at our firm. We also opened up an office warehouse in Chicago, California, Georgia; we opened one in Canada, Germany and we are looking to open one in Brazil.

All the manufacturing stays here in the United States. This is to help try to be more competitive and get the product out there and have the customer base be able to draw from it at those locations rather than have it all come directly from here.

Trade zones, in effect, would be very helpful in a sense, dealing outside, as well for the county, as well as for other customers. And other businesses looking to either grow or expand or jump into a global market, this could be one of the ways, one of the vehicles that they could use to do that because it would give them more of a level playing field in which to get into these markets.

I think that more of it has looked at the point of importing and I think it has gone more so to buy the present things that are out there. It has worked out, it's very easy to get around and get it imported into the United States but getting it out into the global market isn't as easy or as cost efficient for the most part.

Thank you very much and I appreciate the opportunity to speak to you.

Thank you.

Mr. PASCRELL. George, thank you very, very much. I know the great work that you have done at your establishment, and I have spoken to the Chairlady about that.

I want to send her a sample so we understand what we are talking about. I can't really describe it. It's really fantastic work, and since you are the only one in the United States, we would like to see it.

Chairwoman KELLY. George, he is a big booster.

Mr. PASCRELL. Thank you very much.

And now, Deborah Dotoli. Thank you very much for being part of the HUBZone program. You will talk to us about that today. Deborah is president of Geneva Medical Metal Products in Passaic, New Jersey.

**STATEMENT OF DEBORAH DOTOLI, PRESIDENT, GENEVA  
METAL PRODUCTS COMPANY**

Ms. DOTOLI. Thank you. I would like to thank you for representing my company today. It is a small business, a woman-owned business and HUBZone company.

Good afternoon. My name is Deborah Dotoli and I am the president of Geneva Metal Products Company. I have held that position since 1988.

Geneva Metal is a precision sheet metal fabrication facility established in 1954 by Ludine F. Dotoli. Mr. Dotoli is a salesman who with no knowledge of sheet metal fabrication saw a need to be diverse from his plating business which then existed and offered a sideline of metal products to standing customers.

Up until the 1980s Geneva metal products had decent revenues for a small company. But when Mr. Dotoli passed away, our one man sales force became non-existent. Sales dropped drastically and our manufacturing facility decreased from 10 to 3 employees. I was faced with making a very important decision, was I going to close shop or do the best I could not only to survive personally but bring back a company that had been an excellent comrade and supporter throughout the years.

In my search for a new customer base, I was faced with a question that kept arising. "What does your company have that is different from other sheet metal facilities?"

Consequently I felt the need to search out and find out what do I have or what can I change to make my company stand out from the many sheet metal companies in our area.

One of the answers that came about was certifications in areas that would make Geneva Metal more desirable to larger companies. The first step was to achieve certification by the State of New Jersey as a woman owned business. In March of 1997 this was completed.

From there my company became involved in a consortium run by the State of New Jersey to become ISO 9002 certified, spending 1½ years learning, teaching and implementing quality procedures into my manufacturing system.

During this time another certification was brought to my attention. Something called HUBZone. This program encourages economic development in historically underutilized business zones

through the establishment of preferences. It is a very simple process to go through and can be done over the Internet.

Basically a small business must be located in a classified zone, owned by a U.S. Citizen and have at least 35 percent of its employees residing in the HUBZone area.

Company information was completed within a day, submitted, and within 30 days Geneva Metal was certified as a HUBZone company. To date the most receptive of all certifications in acquiring bids from various government related agencies has been the HUBZone.

Since 1988 with the combination of various certifications, perseverance and exposure through different government programs, I have increased sales, workforce and added over 200,000 of new production equipment.

If small business has any chance of survival today people must be aware of different programs available to them such as HUBZone. These programs make small business stand out and be recognized, allowing companies such as mine to have that one different thing that allows us to be considered for and hopefully acquire contracts. By growing we can contribute further education and growth in urban enterprise and welfare communities.

Mr. PASCRELL. Thank you, Deborah. Thank you for your testimony.

Madam Chairlady, any questions?

Chairwoman KELLY. I just simply want to thank all of you.

Mr. GROSS, I do have a question for you. What roadblock do you see for your communities in setting up or in getting through the Foreign Trade Zone public process?

Mr. GROSS. The fact that there are already two—

Mr. PASCRELL. Could you use the microphone, please? Thank you.

Mr. GROSS. The fact that there are already two foreign trade zones in this area, and to have another trade zone in this area, you would have to justify a reason for that as we are now in the process of getting the information that would justify the need for another Foreign Trade Zone in Passaic County.

Chairwoman KELLY. That is the only roadblock you believe that is out there, that you see?

Mr. GROSS. Yes, at this particular time.

Chairwoman KELLY. Okay, great, that is good.

Mr. PASCRELL. Physically, they are not that far, but demographically, it is like years apart?

Mr. HOFFMAN. Yes.

Mr. PASCRELL. I hope that is taken into consideration in reviewing the plans. And the more people you have trying to be helpful in applying for a trade zone, I would think that that would indicate the interest as well as the eligibility, of course, that has to be met in a qualification.

This helps everybody in the zone, be it a salesman of automobiles, be it a widget maker, whatever. So this would be critical.

And you have heard today, Dennis, very critical to the growth of the economy in our area, which as someone said before, the prognosis is not very, very bright for Passaic and Essex Counties in terms of job growth.

Both counties have held their own in terms of economic growth but that is about it. We have not moved to the next level. And again, I hope this is seen as a tool to do that. And that application needs to be strong and I am sure you will make it strong.

Mr. GROSS. Yes, sir.

Chairwoman KELLY. I will let you pick up questions here. The only thing I would say, Mr. Gross, I assume that you are working with the Chamber of Commerce and with the Department of Commerce and with the SBA and all of the other agencies to try to make sure that this becomes realty.

Mr. PASCRELL. You have to speak up.

Mr. GROSS. Yes.

As I pointed out, we have worked with those agencies, we recognize how vital that is to our application process.

Mr. PASCRELL. Okay. I just have some very quick questions so we can turn it over to our audience.

I want to reemphasize what the Chairwoman just said, and that is the more inclusive the application becomes in terms of reaching out to the very manufacturing and service areas, I think the more we increase our possibility for being granted this kind of zone.

If I go back to Dennis a second, I don't know if you have ever talked to each other, but how long does the basic application take?

Mr. PUCCINELLI. The review process?

Mr. PASCRELL. Yes.

Mr. PUCCINELLI. Can you all hear me?

Mr. PASCRELL. Yes. Speak up.

Mr. GROSS. The application process takes about 10 to 12 months. That allows for a comment period, Customs review and then the interagency voting process at the end.

Mr. PASCRELL. What do you think is the most helpful thing to Ron and those within our area who want to make this a trade zone? What do you think is the most helpful thing to them that you could tell them about putting this application together?

Mr. PUCCINELLI. We have talked before and I think that it sounds like they are on the right track to me. We would be glad to look at a draft application and give them some comments.

Mr. PASCRELL. How many pages is this application?

Mr. GROSS. It is a book form. There are many pages to the application.

Let me point out that we have worked closely with the trade center at Mount Olive. They are working with me as a consultant.

Mr. PASCRELL. Is it better that they go piggy-back or try to do this on our own?

Mr. PUCCINELLI. We would be glad to talk to them. They have both of those alternatives available and it just depends on what they want to do.

I know the other zones in the area would probably work with them, or they could apply for their separate zone if they believe that they really have enough separateness here in terms of their economic development initiatives, and that is kind of what I am hearing; isn't that right, Ron?

Mr. GROSS. That is true. We have also been in touch with the Newark, New Jersey Foreign Trade Zone who has promised us to

work closely, if we want their assistance, to work with us on the application process. It's part of the already established trade zone.

Mr. PASCARELL. Thank you, Ron. I want to thank Phil and Deborah also for shaping this because they have the experience of what the zone is about and also how ineligible you become if you are a few steps away. That to me is kind of crazy and insane.

Chairwoman KELLY. I just wanted to thank you all also, but I have another question actually for those of you who are business people.

This committee, this regulatory reform paperwork reduction, which I am chairing the subcommittee, which of the agencies that you deal with ask for the most amount of paperwork, and do you have any, and do you have any suggestions there where we can perhaps give you some help?

Mr. WAITTS. Well, most of our paperwork comes from, surprisingly enough, from the DEP over the years—

Mr. PASCARELL. Gee, that is a surprise.

Mr. WAITTS. Yes. But most of the government regulation in what we deal with—and other parts of it are very small compared overall to that department in comparison.

Mr. PASCARELL. You know, we have been struggling with that in Congress. All of us want to protect the environment and all of us want to leave our children a healthy legacy, but what we need to do is also understand the opportunities about economic growth. They need not be in contact with one another.

Mr. WAITTS. True.

Mr. PASCARELL. We need to make sure that they are complementing one another and that we do not go to an extreme to cut off our nose to spite our face.

I don't know how you feel about this, but I see in terms of environmental regulations much more of a civil attitude about environmental prerogatives and more of an attitude of abating problems rather than prosecuting them.

I mean, there are only a few fakers. Most people are sincere in trying to deal with their environmental responsibilities, and I think we should make sure we develop that abatement process, and we have done that with SuperFund, we have done that with Brownsfield which is part of the budget.

We don't have too much time to read the thing, but I want to read specifically what is in here about Brownsfield. I think it is very, very important. We can't compete—industry can't compete in America if we have this standard, and countries where we are supporting jobs with no standards and we are foolish enough to think that our trade relationships with these countries are going to, you know, we are going to be protecting the environment by giving away jobs. I want to protect the environment. I am very proud of my record on the environment but we need not cut off our nose to spite our face.

Mr. RUSSO. I think over the past years I have seen actually less of a requirement for controls. Our particular industry is kind of environmentally clean as it is, but with programs like the City has put out, where they have these programs of hazardous waste materials, for instance, they have a program now where once a year

they come by with a truck and they pick up all the hazardous waste of all small businesses, which I think is a great thing.

Where it used to cost us thousands of dollars previously, they have come up with ideas where it is now much less, a smaller percentage of that. But the documentation and everything from the State itself, seems to me to be less anyway. That is my perception.

Mr. PASCRELL. The reason why I brought that up is because we mentioned the environmental question. But I see State governments, particularly in the northeast, and the Federal Government trying to come to closure on many of these environmental issues so that it does not become a noose around one's neck in protecting the environment and in developing the economy.

These are tough issues. These are issues that we need to address in paperwork in and of itself that have hurt us. I mean, if we think that throwing out more paperwork is going to clean up a piece of property, we are nuts.

On the other hand, I know there needs to be some paperwork and I know that there needs to be some response. We are not going to back off on high standards on the environment, whether it is clean water and clean air.

However, I believe that removing ourselves from that extreme position is going to be very helpful so that we can bring closure, and this is what people really want. And I know that Sue has done everything in her power, since she has been in Congress, not only to protect the environment but to move the economic development.

I want to make two points before we finish and the Chairwoman will then conclude the meeting and we will open it up to questions.

I believe that the establishment of a Foreign Trade Zone in our area is critical if we ought to sustain job growth. I am going to form a committee—I hate to even say that, you know what I think about committees—for the express purpose of securing Federal Trade Zones in our area.

It will not be a paper committee. None of our committees are, but one that is focused on a single goal, and I would hope, George, that you would be involved in that, and Ron, I don't know if this is the first time you met George, but it's people like George Waitts that we need to get on this committee in terms of practical application, what we are talking about.

And we have the proper personnel here and you will be able to get a hold of them, not only because you have the web number, but because you have everything else, except their age, weight and whatever. But we need to understand that this is going to mean a lot of communication.

The second thing that I am going to adjust to the best of my ability is the HUBZone program so that it does not exclude a business only because it's across the street from a certain zip code, and maybe that can be worked out through a regulatory process rather than simply a bill that we can generate.

We generate millions of bills, but we want to get something done and I know Sue feels the same way about that, this gray zone of eligibility, and with that I would like to turn it over to the Chair-lady and again, thank you so much for your tremendous input here and your cooperation.

Chairwoman KELLY. Well, with that I want to thank all of you for being here this afternoon. It has been a very interesting and good hearing and I hereby adjourn.

I now think we are available for questions.

Mr. PASCRELL. Please make your questions short and we will make the answers short so we get to more people.

[Whereupon, at 4:45 p.m., the subcommittee was adjourned.]

