
Committee Meeting

of

ASSEMBLY CONSUMER AFFAIRS COMMITTEE

“Testimony concerning the state of the retail industry in New Jersey”

LOCATION: Committee Room 9
State House Annex
Trenton, New Jersey

DATE: May 5, 2003
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblywoman Nilsa Cruz-Perez, Chairwoman
Assemblyman Donald Tucker
Assemblyman Jeff Van Drew
Assemblyman Rafael J. Fraguela



ALSO PRESENT:

David L. Sallach
*Office of Legislative Services
Committee Aide*

Gabby Mosquera
*Assembly Majority
Committee Aide*

Marianne L. Ingrao
*Assembly Republican
Committee Aide*

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ASSEMBLYMAN VAN DREW: I'd like to call to order. This is the Consumer Affairs Committee meeting. I will be temporarily chairing the Committee. The Chairwoman is on her way and involved with traffic. I think we can all relate to that.

Today we're going to discuss the status of retail merchandising in the State of New Jersey, the effects of 9/11, the economy, and a few other issues.

I would like to start with Richard Santoro, from the New Jersey Retailer Merchants Association.

Richard, come forward.

JAMES C. MORFORD: Assemblyman, may I join and, kind of, do this in tandem?

ASSEMBLYMAN VAN DREW: Absolutely. You can do it in tandem.

Welcome.

RICHARD SANTORO: Good morning, Mr. Chairman, members of the Committee. Thank you for having me here today.

My name is Richard Santoro, from the New Jersey Retail Merchants Association. And I would like to thank you for this opportunity to discuss some of the issues and challenges facing retailers in New Jersey, and how some of these issues and challenges impact their customers.

I'll be addressing some issues like the economy, loss prevention, safety and security, global marketplace, and Smart Growth. And the New Jersey Retail Merchants Association looks forward to working with the

members of the Committee on these issues, in order to ensure the satisfaction of our customers.

As you know, I would just like to say that I'm happy to be here with Mr. Jim Morford, from the New Jersey Food Council, who will be talking about another significant portion of the retail community, which is the food industry.

First off, on the economy, I'd like to start out with last year. And last year was not a very good year for retailers. In fact, just about everything that could go wrong for retailers did. Public confidence was down, the economy curdled, job creation fell, layoffs increased, year-end bonuses diminished or completely disappeared, and the talk of war escalated.

And confronted with so many foreboding signals, many consumers opted to cut their spending. And those who did spend were looking for value, and really cut the amount of things, or the cost of things that they were purchasing. This change in customer spending patterns has really brought about some success, believe it or not, for some retailers, and that's the discount retailers. And as customers look for increased value, many discounters actually saw an increase in business. However, overall, the retail industry saw a very small increase in the volume of sales for the entire year. In fact, it was probably their lowest in over 10 years.

ASSEMBLYMAN VAN DREW: Rich, do you, other than anecdotal information, have actual numbers for that?

MR. SANTORO: I do have some information, which is in your packet. Unfortunately, I don't have anything that is specific to New Jersey.

It's very difficult to come up with those numbers. Most of the information that is given out is, mostly, on a national level.

ASSEMBLYMAN VAN DREW: Okay, so when you relate that, that's mostly your sense of it, from speaking to different retailers, and so forth.

MR. SANTORO: Yes.

ASSEMBLYMAN VAN DREW: But we're working on hard numbers on that?

MR. SANTORO: Yes, actually, we've just started our own survey, in fact, which we're hoping to put together some hard numbers, specifically for New Jersey. It's something we haven't done in the past, but, obviously, we have seen the need for it, and we hope to have that by the summer. So we'll be happy to share those with you every quarter. They'll be quarterly surveys.

ASSEMBLYMAN VAN DREW: Good.

ASSEMBLYMAN TUCKER: Mr. Chairman, if I can, when you're doing your survey, is there any way for you to differentiate between the impact of 9/11 and the economic conditions, at least that we are faced with here within the State? Is that part of your design?

MR. SANTORO: Focussing on 9/11 has been rather difficult, because, certainly, as everyone knows, at the time the economy was already beginning to have a downturn. And as many economists have said, 9/11 wasn't, certainly, the cause of the downturn, but certainly contributed to that downturn. So it's been a very difficult--

Anything that impacts the customer, of course, impacts retail. And the most important thing, I think, for customers is safety and security -- first of all, is financial security. When customers and consumers are not as

concerned about losing their job, or if they're going to get their bonus, or about their next paycheck, they're more likely to spend, and spend at increased amounts.

Secondly is physical security, which is something that retailers have always taken a great interest in. And they've been very diligent in keeping their stores safe for their customers and their employees. So as long as those two issues of security are not prevalent in a customer's mind -- they're simply not thinking about them, because there hasn't been any reason to -- the customer is going to spend. It is somewhat difficult to really determine how strong of an impact 9/11 has had on retail, but I think it certainly has.

ASSEMBLYMAN TUCKER: Well, I think, what I'm trying to do is, I'm not dealing directly with 9/11. I'm trying, in some way or another, to separate the two. I think most people are mindful of the fact that 9/11 had major economic devastation, in regards to impacting not just on New York, but also New Jersey, and many of the other Northeastern states.

What I'm trying to get to is, is that 9/11 may, psychologically, still be here with us, even though it is over at this point in time. My concern is that to what degree, if you're going to communicate with your people, can you try to separate those two. Is it the matter of the economic conditions that we're faced with now, or is it, in fact, the carryover of 9/11? I guess what I'm really trying to say is, that I believe that they are distinctly different.

MR. SANTORO: Well, they may be different. I think trying to, as you mentioned, determine the differences and pull them apart, as you had mentioned, and see which is purely the economy, which is more towards 9/11, I think, is very difficult, because they are also closely tied.

ASSEMBLYMAN VAN DREW: Anything that you've been able to track on a regional basis? For example, the economy has been different. I know, in southern New Jersey, tourism has been relatively good, if you were to look at the southern New Jersey area -- anything relating to that. Real estate has really been booming in a lot of those areas. Home remodeling, the retail that goes along with that-- I know a lot of that is occurring. A lot of people are redoing their homes, buying new homes, kitchens, things like that. Anything that you've seen in that? Or you haven't really gotten that finite yet?

MR. SANTORO: No, we really haven't gotten that finite yet. Certainly, that was one of the bright sides of going into 2003 -- was that interest rates were--

ASSEMBLYMAN VAN DREW: Make sure your red-- I've been instructed your red light must be on. (referring to PA microphone)

MR. SANTORO: It keeps cutting off.

Going into 2003, there were several positive signs of low interest rates: people were buying houses, the lowest increase of consumer prices in five years, and low mortgage rates. Of course, up until this point, it's really been focused on the war, and that focus on the war for the past three or four months has really had an impact on retail sales and, certainly, on the economy. And as the results from the war seem to get more positive every day, retailers are hopeful that, in the second half of the year -- both in North and South Jersey -- I think things are likely to increase and get better for the New Jersey economy and for New Jersey retailers.

ASSEMBLYMAN VAN DREW: Okay.

MR. SANTORO: I'd like to just go back to 9/11 for a moment, and touch some more on security and safety. I think one of the best ways that retailers, and business in general, has partnered with the State is to increase security efforts. And retailers have, certainly, always been aware of safety and security, both for the protection of their customers and employees, but also to prevent loss. Loss is a very important aspect of retail, and as loss increases -- whether it's shoplifting, employee theft, lost or damaged merchandise -- those costs, unfortunately, are put back on the price of the merchandise, which results in the increased cost for the customer. So retail is very concerned about keeping their prices as low as possible, and keeping their losses as low as possible.

What 9/11 has caused retailers to do is really re-evaluate and reassess their security -- their physical security. They're not just focusing on the shoplifter and employee theft, but also making sure that their structures, their buildings are safe, that their role in the transportation infrastructure is safe. And we have worked closely, as a part of the Governor's Domestic Security Preparedness Task Force, on the Infrastructure Advisory Committee, to come up with some best practices for retailers, to make sure that they're doing everything that they can, possible, to ensure that their stores are safe, and that they are protected, and, also, ensure that there's communication between retailers and the State of New Jersey.

ASSEMBLYMAN VAN DREW: My quest for power is over.
(laughter)

ASSEMBLYWOMAN NILSA CRUZ-PEREZ (Chairwoman):
It's okay. You can stay.

ASSEMBLYMAN VAN DREW: No.

ASSEMBLYWOMAN CRUZ-PEREZ: Good morning, everyone.
My apologies.

Good morning, and thank you so much. My apologies.

MR. SANTORO: Thank you, Madam Chair.

We were just touching on some of the security and safety issues that retailers have been working on since the events of 9/11: Some of the assessments that have taken place -- the best practices; some of the coordination between State and Federal agencies; and also some of the national organizations, such as the National Retail Federation and International Retailers Association. We've also worked with the other State organizations, such as the New Jersey Food Council. We do a lot of things together with them, in terms of loss prevention and safety and security.

ASSEMBLYWOMAN CRUZ-PEREZ: Did Mr. Jim Morford already speak?

MR. MORFORD: No, I haven't.

ASSEMBLYWOMAN CRUZ-PEREZ: Oh, okay.

MR. MORFORD: I'm letting the youth movement lead the way.
(laughter)

ASSEMBLYWOMAN CRUZ-PEREZ: Okay.

Do any of my colleagues have a question for--

ASSEMBLYMAN VAN DREW: We wouldn't let Jim speak until you came.

ASSEMBLYWOMAN CRUZ-PEREZ: Good, I wanted to hear from Jim.

Jim, it's your floor.

MR. MORFORD: Thank you very much, Madam Chairwoman. I appreciate it.

And your deposed predecessor-- (laughter)

ASSEMBLYMAN VAN DREW: It was very quick. That's life in the fast lane. It's like that.

MR. MORFORD: Thanks so much for the opportunity to come talk with you a little bit about our industry, and as it relates to the overall--

ASSEMBLYWOMAN CRUZ-PEREZ: The red light-- (referring to PA microphone)

MR. MORFORD: Sure -- as it relates to the overall retail industry. Certainly, retail represents the largest employment segment in our economy. However, it's not one that can easily say, "Well, we're not happy. We're going to pick up and go," because we're not a single unit. Even our chains in food retailing -- they stay through good times and bad.

Last year was a tough time for our industry, and we know that. And we know that it was not an easy thing for many members of the Legislature to do the kind of tax change, from the CBT to the alternative minimum, that they knew impacted very, very heavily on it. But we appreciate -- and very much appreciated that the Governor and the Legislature responded fairly early on, and the alternative minimum gave us the option of doing gross receipts or gross profits. And that flexibility was very, very helpful to our members, even though it was still very significant.

And that has had some impact, maybe not as much as we might have anticipated, but, again, this is an industry that finds it hard to pack up

and leave the state. I think what we're going to need to watch, economically, with the food industry and all of retailing, is future growth.

One of our convenience store members, Multistate, contends that while they build, like, a store a week, there are very big, growing concerns. And when they weigh where they're going to place those stores that they're developing, they have to look at their opportunities for margin. Clearly, it would be silly to do otherwise. And right now, New Jersey doesn't appear to be the most attractive for them to expand. But we also have faith and understand that that will change. These scales tend to find a balance. Other states, clearly, are going through the similar things to what we went through last year. We continue to go through it this year.

So the food industry is a very volatile industry. It's extraordinarily competitive. We have, in New Jersey, I think, among the lowest food prices in the country, and it's due to the fact that we have an attractive population mix. We have a population density exceeded by none. We're first or second in per capita income. So it is an attractive state for retailers.

And to that extent, we've seen some more chains go out over recent years. Grand Union, I think, was probably the most recent chain, as such, that left the marketplace. We've seen others enter. Wegmans has entered New Jersey with a number of stores, and plans to build some additional stores. Super G, which was Giant out of Landover, Maryland, has come into New Jersey, in the South Jersey area.

We have seen interest in purchasing. This activity is still out there. Acme supermarkets was recently purchased, within the last couple of years, by Albertson's. Albertson's and Kroger are the two largest supermarket

chains in the country. But when they're purchasing here, in New Jersey -- to extend their operations into New Jersey -- New Jersey's still got to be an attractive marketplace. And I think that should be of some comfort to the Legislature.

Certainly, we feel the effects of the economy. Spending gets cut in difficult times. Instead of buying a porterhouse steak -- if times are tough, and someone's unemployed in the household, you buy more hamburger. So we feel, definitely, effects in the economy.

I will be able to share with you, hopefully, within a week or so, the report that is being announced in Chicago, virtually, as we speak. The Food Marketing Institute does an annual, kind of, survey of the market conditions. And, granted, it's national, but it also gives a very good picture of the marketplace. And since that conference is going on now, and I'm not there -- but my successor is there, and vice president -- as you may know, I'm retiring from the Food Council in the near future -- we will get that report to you. And I think it will give you a sense of the industry.

We did experience some significant post-9/11 impact. But ours wasn't, so much, the impact being felt by general merchandise, as we were affected by the Anthrax scare. A near public panic -- and I give our Department of Health a tremendous amount of credit for the way they handled it. But anytime somebody saw powder in a supermarket, the tendency -- they panicked, and the local authorities came in and closed down the places. Well, we quickly responded, our industry, by putting together a list of typical powdery items that you might find in a supermarket. For instance: white sugar or flour near the bakery department shouldn't be a cause for panic. Once we

put that list out, gave it to law enforcement and the Department of Health, the panic ceased. We just had, virtually, no more incidents. So it was, I thought, a great example of cooperation between the public and the private sector.

We, too, participate in the Governor's Infrastructure Advisory Committee.

Another thing, I think -- we're talking about the economy and the effect the industry has on the economy or the economy has on the industry-- One of the things that, I think, we need to keep in mind with our industry is that -- and to some certain extent, also to Rich's industry -- we provide a tremendous number of entry-level jobs. We provide them for young people in school, we provide them for families where one member maybe wants to work only part-time. We have a tremendous array of jobs in our industry that are at the entry level. But, also, we have, in our industry, career opportunities that can lead to very, very well-paying, professional-level kinds of career positions within the food industry.

It's an exciting industry. It's a highly competitive industry, as I said. Some of the greatest challenges that we face right now are a result of economic conditions that are global -- if not national -- they're global. And that is mergers and acquisitions. We're seeing so much of this. I mentioned that Acme purchase by Albertson's.

A lot of our supplying companies are buying up, and merging, and spinning off, and there's a lot of activity going on in that whole area, and has been for some time. But it's really, I think, accelerating now. That has an impact on the industry. It has an impact on the Trade Association, too. We

don't like to lose dues-paying members, as they get absorbed over somebody else.

One of the key areas that we're working on, that we think is very important to our industry, that will affect us in the future -- and that is the whole area of weights and measures. We work closely with the Division of Consumer Affairs and with the Office of Weights and Measures. But one of the things that's troubling is that our weights and measures law was written in 1911. It has had patches put on from time to time. I think, in the mid-1980s, there was some substantial revision work. But 1985 and 2003 -- that's a pretty good stretch, too, when it comes to law and public policy. So things have changed greatly over the last century.

One of the things that is most troubling to us, and we think to anyone subject to weights and measures, whether they're fuel merchants or whatever that vast array is, is that we need to have a level playing field in New Jersey. Under the ancient structure of this, weights and measures started as county and municipal weights and measures offices. And we retained that, and we retained their authority when we went to a statewide office.

Frankly, the greatest need is that our statewide superintendent -- or State Superintendent of Weights and Measures -- have the authority to see that the law is enforced levelly -- on a level and equal basis throughout the state. There shouldn't be situations where one venue interprets the law much more strictly and aggressively than another. It should be a level interpretation and an application, statewide. And we would hope that the Legislature would be willing to look at the need to bring some revisions to weights and measures.

My suggestion, very candidly, would be what we did so successfully when we revised workers' comp laws in New Jersey, and even again when we revised the unemployment insurance law. Under the stimulus of legislative leadership, get the stakeholders, the players, the affected parties together to -- on all sides -- those who are weights and measures officials, those who are regulated by weights and measures. Ask those parties to get together and review the statute, and come up with proposed changes. Bring those changes to the Legislature.

I think it's a way that has worked so well in the past, and cuts away a lot of garbage, frankly, and gets the opportunity for the Legislature to focus on the real issues. So that is an area that we would recommend.

If there are any questions, I'll be happy to try to respond.

ASSEMBLYWOMAN CRUZ-PEREZ: Let me ask the members if they have any questions.

Assemblyman Van Drew.

ASSEMBLYMAN VAN DREW: Through the Chairwoman, have you found a good deal of discrepancy in the operation of weights and measures regulations from Sussex to Cape May?

MR. MORFORD: It varies. It does vary sometimes. And it depends who the local superintendent is. For the most part, the county superintendents-- For the most part, they're all very good, fine, qualified people.

We had an instance -- I can use it now, because the gentleman has retired. We had an instance in one county where we had this very vigorous county superintendent, who was leveling fines against food retailers for bread

and cake that was slightly overweight. You can understand underweight, but fining people when the product is slightly overweight, and the customer is actually getting an additional benefit, we think, is a great example of going beyond. We had to get the help of the Office of the Attorney General to try to push back on that.

ASSEMBLYMAN VAN DREW: Maybe he was concerned about their caloric intake.

MR. MORFORD: I'm sure he was -- or what it might do to a diabetic person, or something. But in reality, it was kind of silly.

We have-- Under New Jersey law, we could apply -- the way New Jersey operates -- we could apply three different standards for determining what is the net weight of a product. This is called tare, tare being the packaging material -- the tray that meat goes in, the wrap, and the napkin under it. You subtract that away from the product -- total weight -- and you get the net weight of the, say, meat that's in the tray.

There are three ways of measuring it. There's a measuring called dry, unused -- *dry tare*; there's -- called *used dry tare*; and they're called *wet tare*. All three are outlined by the Federal government in the National Institute of Standards and Testing.

New Jersey has never adopted a single method. And, indeed, an inspector was free to go in and use any one of three methods. Well, that means that products prepared for sale in New Jersey have to be prepared for the greatest extreme. And it's a cost that is passed on to consumers, and it's a cost because it's more costly for the manufacturers, producers, to actually put these extra lines of tares -- what it's called -- extra weight qualifications in the

product pricing. So we'd like to see one single standard. And, frankly, we've been working with Director Erdos at Consumer Affairs, who has been most understanding, most cooperative, and we think we're nearing a solution there.

But overall, this rather large and complex weights and measures statute needs to be looked at, needs to be determined if we can develop this level playing field with a State office -- that doesn't get rid of county offices, doesn't threaten anyone's job -- but has the authority to enforce the law of the State regulations and implement it, uniformly.

ASSEMBLYWOMAN CRUZ-PEREZ: Richard -- Jim -- I'm sorry -- I have a question. Does any other state have -- review their measurement standards, and what's the impact of other states, if you are aware?

MR. MORFORD: New Jersey appears to be the only state that we can determine. I think there are one or two municipal or city venues that use a wet-tare standard. New Jersey, to the best of our determination, is the only state that is open to three possibilities of tare measurement, thus adding that cost to the-- So we'd like to come into conformance with the other states.

The Governor's office has been very helpful on this and are working with us to try to make this resolution that, in fact, does no harm to the consumer, assures greater product safety, and actually brings the costs -- brings -- reduces the cost of preparing for three different standards.

ASSEMBLYWOMAN CRUZ-PEREZ: All right.

Do you have -- can you give me an example -- for example, if you are aware of, like, New York -- what New York is doing -- just an example?

MR. MORFORD: New York, Pennsylvania are all dry-tare states. New Jersey is not, but New York, Delaware, Pennsylvania -- our surrounding

states -- are all single-standard, dry-tare states. And that's the standard we're trying to work out.

And we're very optimistic that we're going to be able to achieve this with the Division of Consumer Affairs.

ASSEMBLYWOMAN CRUZ-PEREZ: Is there any other issue that us, as a legislator, can help the businesses in New Jersey -- any other issue that needs to be addressed for the businesses to be successful?

MR. MORFORD: Well, obviously, one thing that concerns us is the cost of doing business in the State of New Jersey. I know there are a tremendous number of labor-related bills out there right now. I know they don't come before this Committee, but they are issues that will add significantly to the cost of doing business in New Jersey. So we would ask that you, as members of the Legislature, keep your antenna up on those issues. And we'll try to inform you, too, as any of those really begin to move.

We've had a great concern about the issue of paid family leave. For instance, the cost that it adds. We don't see that moving right now. We understand that it has impact on the costs of government, and we don't see it moving immediately. But there are some other issues that come up from time to time.

Now, we do want to continue to work with this Committee and to keep before you issues that impact us, such as -- as we move into a deregulated, or less regulated, electric marketplace. We're very much concerned. Electric power is the highest cost, I think, for retailers, second to labor. And we're going into this, hopefully, less-regulated marketplace, but we hope we get a marketplace develop as a result. We're not certain yet that it will.

We know, and you know, we're going to have rate shock on August 1. We're going to have it in several areas. We're going to have it because the artificial caps come off. I don't think too many of you were here to vote on that legislation. But in retrospect, it was probably unwise for us to have an artificial mandated decrease in the cost of electricity for some three years at 10 percent, when the real marketplace was actually making the cost higher.

So Jersey Central Power and Light Company, for instance, is going to be able to recover some \$700 million that it had to pay, over the cost of electricity, to provide the electricity to its customers. It's all legitimate. They should get that. We hope they can defer that over 15 years at low interest, rather than collect it in four years, which would be a hit.

We know that we're going to be faced with these deferrals. We know that we're going to be faced with the increased rates, because the electric companies are all in for rate increases for the one area that is still utility-controlled, and that's the transmission and distribution of power. They haven't had a rate increase in some time. They're in for a rate increase for that. That will be effective August 1.

We understand that the universal service fee -- much of it was being funded out of the Casino Revenue Fund. That money is not going to be -- it's been diverted. It won't be coming to the Board of Public Utilities for universal service, and they want to increase the number that they provide for universal service, I think, by some \$30 million. That will translate to about another 1 percent on the electric bill.

So you will know -- and this is -- you've got to know, that come August 1, who's going to get blamed, of course? The Legislature, and that's unfortunate. The action won't be to go back to the regulated monopolies that we have, but how to make this competitive market actually come into being, become -- so that, eventually, the combination of rates and services can bring the prices to a true price. That's a big issue that, I know, is facing us. It's going to be on all of our minds this (indiscernible) fall.

ASSEMBLYMAN VAN DREW: For everyone.

MR. MORFORD: For everyone, absolutely -- residential, industrial, and commercial. Our guys.

ASSEMBLYWOMAN CRUZ-PEREZ: Does any member of the Committee have a question for any -- for Richard or Jim?

ASSEMBLYMAN TUCKER: Thank you, Madam Chair.

ASSEMBLYWOMAN CRUZ-PEREZ: Assemblyman.

ASSEMBLYMAN TUCKER: You talked about, that, last year was not necessarily a good year, economically, in regards to, basically, functioning as a retail business within the State of New Jersey. Is there any way that you can give us, again, some sort of an idea of what that specifically means, dealing either with profitability, or expansion, or what have you?

MR. MORFORD: Assemblyman Tucker, as I mentioned a few moments ago, there is this -- the FMI study now -- I'm hoping that I will be able to have that either later in the week, early next week, and see if I can do some extrapolations for New Jersey.

We know that our costs in New Jersey stay very, very competitive. We know that the margin of profit for a supermarket is about 1 percent. In

good times, it may get as high as 1.5, 1.75 percent, and some, maybe, 2. That's a very small margin, as you can well recognize. If it falls below 1, we know we are in real trouble. I don't think it has, but I'm going to -- I won't find out until I can get these figures. Hopefully, the Food Policy Institute at Rutgers will be able to help us determine what the impact is on New Jersey, specifically. And I will be pleased to share that information with you as soon as I get it.

ASSEMBLYMAN TUCKER: Is there any way for -- when you submit that directly to us -- to try to differentiate between increased operational costs that the industry is, basically, dealing with; or is it a matter of increased product cost that is passed on directly to you? Is there any way to separate those two?

MR. MORFORD: I think there is, and we will look to do that, definitely. Certainly, if there are product increases from the products we purchase outside the state, etc., that has a different value of meaning to us, as far as dealing with the economy here in New Jersey. Are we doing the kinds of things in New Jersey that we can avoid doing, that hurt the industry? And I understand that's what you'd like to look for.

We're very much concerned with the Smart Growth issue, because we think that all growth should be smart. Stupid growth doesn't make sense for anybody. But we also see the word *growth* as being very important in that equation, and that, as Rich mentioned, retailers tend to follow the population. It doesn't mean they necessarily deserve to follow. But new retail establishments are opened when population centers grow.

We do have a growing population in New Jersey. We do know that that population's going to need to be housed. And not all of it, necessarily, wants to be housed in apartments. Some of it, certainly, is. And the move to redevelop our urban areas, and make them more attractive to both residents and businesses, is a very, very worthy goal, and one that the retail community, I know, is anxious to participate in. But we also have to recognize that we're still going to -- there's still going to be, hopefully, some housing developments that are still going to go up. And food markets and other retail stores are going to follow.

ASSEMBLYWOMAN CRUZ-PEREZ: Did you have any other questions, Assemblyman?

Anybody?

ASSEMBLYMAN VAN DREW: I had one little -- you may not be able to answer -- actually two quickies on Smart Growth-- Any other ideas on it? I mean, that's a difficult issue. I think you're right, regardless of how much we're going to try to focus the growth within an existing infrastructure in the cities, there's still going to be the desire of New Jerseyans, as there is in the country, for suburban -- some suburbanization. So any other thoughts on that?

Secondly, what is the highest profit in the supermarket, and what's the lowest profit? Generally, in a typical supermarket.

MR. MORFORD: Are you talking about items?

ASSEMBLYMAN VAN DREW: Yes, items. My sense would be, things like the most basic products like produce, meat, fish would be the lower

end; and the higher end would be the more packaged, more processed type foods, and the things that you buy as you're on your way out. Is that accurate?

MR. MORFORD: That's my understanding, that the staple groceries are probably -- the canned goods are probably a good profit margin.

The other items, because they have to be so competitive-- Staples are a little better profit margin. But the other items, when you're competing with the guy down the street or around the block -- on the meat items, the produce items -- they're more competitive and, therefore, would tend to be a smaller margin. That's my understanding.

I lost your first question.

ASSEMBLYMAN VAN DREW: The Smart Growth. I mean, as much--

MR. MORFORD: Smart Growth. I'm also active, in the Food Council -- also active in New Jersey SEED, which is a business-labor coalition. And that coalition, with both the views of the construction industry and business, are looking at it. PSE&G is a very active member. And that organization is trying to look at this total issue of growth from, again, a balance basis.

ASSEMBLYMAN VAN DREW: This is a little out of your area, though, and you may not even want to answer the question. Do you realistically believe, in your heart, that we can actually redevelop existing infrastructure to the level that some folks desire us to do? Do you believe that will happen, or can happen? If you don't want to answer it, don't answer it.

MR. MORFORD: I've been on this seat for about 30 years.

ASSEMBLYMAN VAN DREW: Right, that's why I'm asking you.

MR. MORFORD: And it still remains a dream, like harnessing local control. It's almost that-- And they're not synonymous -- the terms -- are examples of-- New Jersey, as a local-controlled state, how do you get away from that? Boy, if we could, we could do a lot in regionalization of purchasing, etc. It's tough, because if the State mandates where growth can be, you're defying the natural instincts of the marketplace.

ASSEMBLYMAN VAN DREW: Let me refine my question a little bit more.

My last one, Chairwoman, if I may. Thank you.

Under the existing plan, as it has generally been proposed -- and I know that map is going to be changed -- but even in the most rudimentary expression of that map, do you think that's viable, or do you believe that's going to hurt business in the State of New Jersey?

MR. MORFORD: It's probably both. Once you set parameters and those restrictions, somebody's going to claim damage, claim that they've been hurt, because they really wanted to grow in that place that, now, is going to be preserved as an open space. Someone will claim that.

But how do you manage -- try to manage and encourage growth in some places without some view of a (indiscernible)? It strikes me that the approach, at least initially offered, that had some merit to it was the fact that in certain areas of the state, we would be more willing to provide incentives than in other areas of the state. Maybe that doesn't say, "You just can't grow there," but we want to give incentives to encourage growth in other areas. That may be a step in the right direction.

ASSEMBLYMAN VAN DREW: But beyond the State planning process that we have, this is another level. We're entertaining another whole different way of going about this. Does this restrict business that much more, or you're not sure yet?

MR. MORFORD: I don't know yet. I really, honestly, don't know yet.

ASSEMBLYMAN VAN DREW: Okay.

Thank you, Chairwoman.

MR. SANTORO: Madam Chair, if I may just briefly touch on the Smart Growth issue. As was mentioned earlier, retailers are trying to bring services to the consumer, to the customer. And many municipalities appreciate having the retailers there. They generate jobs, they generate revenues, not only for the municipality, but, of course, for the State. By generating jobs, that's increased revenue for the State, through income tax collection, sales tax, and corporate business tax.

So we look forward to helping New Jersey grow and prosper through some of the retail developments that are already underway or that are planned down the line, and that's what's very important to retailers -- is actually the planning. By following where those developments are, and where there is a need for the customer to have a one-stop area, whether it be supermarkets and the retail stores, where they can go-- And I think that needs to be thought of as Smart Growth, as well, so that people aren't -- have a need to drive a half hour to go to get a gallon of milk and something to wear. If they have it closer to home, that, in a sense, will decrease the congestion, as well as provide many other benefits to the community.

MR. MORFORD: I would only add that while DEP clearly has a very significant role to play, that it really shouldn't be the only voice we hear.

ASSEMBLYWOMAN CRUZ-PEREZ: That's like-- I live in Camden City, and we have 82,000 people -- population in the city. We only have two big supermarkets in the city. One of them is leaving -- almost -- the city, because it's close to Collingswood -- closer to Collingswood -- that, really -- within the city limits.

MR. MORFORD: Right.

ASSEMBLYWOMAN CRUZ-PEREZ: How can we help to encourage businesses -- to encourage supermarkets, for example, to come? I mean, most of the people that I see when I go shopping -- I have to go shopping, sometimes, out of the city -- are from the city. Is there something we can do, or what kind of initiative has the New Jersey Council or the Association have been taking, in terms of bringing back supermarkets into the cities?

MR. MORFORD: There are some of our members that have entered into the urban areas more than others. Pathmark, notably, has some major supermarkets, not only here in New Jersey -- up in Newark -- and also in New York. And that would be, probably, a great idea to talk with some of the Pathmark people directly to see-- And I think there is one of the Pathmarks, also, in Camden.

ASSEMBLYWOMAN CRUZ-PEREZ: One Pathmark. That's the one who is within the city limits.

MR. MORFORD: And I would be happy to explore this, with you or for you, to find out what are the conditions or circumstances under which

they specifically would consider? And it's not just Pathmark. I'll ask all the chains that are members of the Food Council. And some of the wholesale suppliers, actually. Fleming is going through some difficult times right now, but Supervalu and these others that supply many supermarkets, also do locate and, actually, operate some. And I'll try to get some input with them and share that with you.

ASSEMBLYWOMAN CRUZ-PEREZ: Thank you so much.

ASSEMBLYMAN TUCKER: Madam Chair, if I can--

ASSEMBLYWOMAN CRUZ-PEREZ: Assemblyman.

ASSEMBLYMAN TUCKER: I wanted to find out, what is the relationship with some of the newer businesses which are coming online? In other words, Pathmark, ShopRite, the larger businesses, basically -- delivering basic services to a community. I assume that they are very much a part of the Association. What is your interaction with some of the newer ones, which may or may not be part of the Association, which is, again, providing similar services and picking up, especially in the urban areas, where Pathmark and ShopRite (indiscernible)?

MR. MORFORD: I was just trying to find the particular store-- We are very pleased that just this year, joining our board, has been Rafael Cuellar, who is the CEO of President Supermarkets, which, particularly, services the Hispanic community. And Goya Foods, as a producer, has been a member of the Food Council board, since I -- preceding me, and I've been here 11 years now. There is that recognition, and I think that Mr. Cuellar and his company will bring a great deal to our table in that area. So we do have membership among independents, in addition to the chains. I mean, the

chains are the big guys, and the core of our membership, but we have a good many independent members.

Frankly, how do you make it attractive for an independent to join when he says, "All these big guys are paying the freight for me on the legislative arena?" And that's one of the big issues. We hope energy aggregation will continue. It worked for us before to attract many more retailers, and we hope it will again. So we have got to be able to, as an association, to offer something to attract more independent members.

ASSEMBLYMAN TUCKER: I guess the reason why I'm raising this is that, within the urban areas, these stores, which were vacated by the major chains, are smaller in comparison to the chains moving to the suburban area, which are larger stores. What is now taking place is, a new industry is growing, where these new people are coming in. They may be an independent store, they may have some sort of a regional affiliation, but they're moving in. And, again, they're not dealing with a major, large store situation. They're dealing with the smaller stores. And they're concentrating on their -- I guess the best way to describe it is, dealing with local neighborhood activities or local neighborhood -- their food is geared to local neighborhoods, not necessarily geared to the open public. So, in effect, it may very well be a store that deals, specifically, with what you would refer to as Hispanic food. It may be a store that is dealing with the Caribbean food. It may be a store that's dealing with the African continent food. It may be a store that's-- What I'm saying, in effect -- they're coming in, and they're providing basic services, but they're geared to the resident community that they're in.

MR. MORFORD: That is a great growth area in the retail market. Krasdale Foods company is a member of the Food Council, and they own and operate a number of the C-Town stores. And these Bravo! stores, also, and AIM supermarkets -- so they represent a number of those smaller stores. Now, it's where the company actually has a piece of their business, or an ownership, or they have a buying relationship with them that we have some, at least some, connect or some interaction. But I know the Krasdale stores are very, very sensitive to ethnic marketing, which is what this, substantially, becomes.

The demand of customers-- This is an industry, like all retail, that will respond to the demands of its customers. The response isn't always perfect, but it's -- we've got to have customers that keep coming back to our stores, or we're not going to stay in business.

ASSEMBLYWOMAN CRUZ-PEREZ: I look for the Goya products everywhere I go.

MR. MORFORD: They are very, very fine products. It's a great company.

MR. SANTORO: Madam Chair, also to your point about--

ASSEMBLYMAN TUCKER: If I can, excuse me-- What is-- I know local government is playing a role in regard to providing tax incentives towards revitalizing some of the small stores, which were, in fact, major industries in the past -- well, major food places in the past. But I'm not totally sure that the State is really getting involved in that. I'm hopeful, at least, that this Smart Growth will not only be a philosophical concept, but, in fact, a funding mechanism, which would, in turn, add to that. Because what's happening now is, local government, because of the absence of any kind of

State program, is now providing that through Fox-Lance abatements, through other things like that. And even with some of the things now, we're talking about trying to deal with land lease. So, in effect, we're able to control directly what the taxes are going to be, and then, also, deal with the profitability on a percentage basis.

So all of these are local initiatives. They're not, necessarily, State initiatives. I'm hopeful that the State Smart Growth plan will get involved in a State initiative, because these particular instruments are helping to expand the food stores locally.

MR. MORFORD: I think that you raise an excellent point in looking to locate a store, in addition to having a market survey that says the population is there to support it. All the associated costs that go with it, the property taxes, and whatever taxes and licensing fees a municipality may want to levy or be willing to wave temporarily as an incentive -- these are all helpful.

Certainly, there is a heightened sense that it is more costly to do business in an urban area than it is in a newly expanded mall out in the suburban areas. Just the cost of land and getting the parking lot -- accessible. There's some greater sense of security, because you're in a tighter population area than you are when you're out in the suburbs. So all of these issues come into play.

And you, certainly, Assemblyman, give us a focus and a challenge that I will take back to the Food Council to see how we can be more aggressive, assertive in that area of providing for the need for food stores in urban areas. We need more food stores in urban areas. And I know -- I recognize it -- you don't get-- With a small corner, mom-and-pop store, you're not going to get

the same amount of product choices, and sometimes the same price value, that you can at a super supermarket out in the suburbs. We recognize that.

MR. SANTORO: Another one of the criteria that presents a challenge to retailers -- especially for some of the larger, whether they call them *big box* or *discount*, chains -- of going into urban areas, is actually just the way the market has been for the past 20 years. They're so going to those open areas and to the suburban areas where they have vast tracks of land for their stores, as well as the parking.

So, really unfortunately, it's going to be some more time. But I was out visiting with one of our members a few months ago, and they have some incredible plans of how they can put a big box into an urban area. Of course, it's going up, because you can't go out. And I think, over time, we're going to see more and more national and international chain retailers moving into the urban areas, once they've learned and conducted different experiments on how to put those large stores into such a compact, densely populated area. So I think it's just a matter of time.

MR. MORFORD: Some of the changes that have taken place in the marketplace, too, are requiring a greater skill level. Even the entry-level employees -- you know, the ones who are collecting the shopping carts -- maybe not so much--

But we have instituted a program -- and it's the first time the Department of Labor actually partnered with a retail trade association -- so it's the Food Council, Labor, Department of Health, and Rutgers-- And we're about to go into the second round of providing basic food-handler training for

entry-level employees in our food stores -- our retail food stores up and down the -- both the convenience stores and the supermarkets.

We think this has been a very positive program. This isn't the food service manager. This is the youngster who's slicing meat in the deli and doing other food prep, because we're doing more food prep in stores -- as the customers' preferences shift to giving me meals that I have to do less preparation with at home.

So we needed to do that. And that was a very successful program last year. We're going to continue it. And this year we're going to do a bi-lingual -- or we're going to do it in Spanish, too -- which I think is a good step forward, because that addresses a need in some urban areas.

ASSEMBLYWOMAN CRUZ-PEREZ: Anybody have questions?

(no response)

Well, I want to thank you for giving us the opportunity to hear from the businesses. Thank you so much for coming.

This meeting is adjourned.

MR. MORFORD: Thank you for having us, Madam Chair.

MR. SANTORO: Thank you.

(MEETING CONCLUDED)