



Minnesota Journal

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Region must build capabilities as service hub, home to headquarters, key industries

Second of two articles. In the global information economy, location is no longer destiny. With people able to communicate across the globe instantly, companies more loose and technology able to overcome many accidents of natural resources and geography, local communities are asking themselves, How do we make location count?

In a word: Strategy. Local communities still hold the keys to their future prosperity—globalization hasn't changed that. But the communities with the brightest futures

by Janet Dudrow

are those that make themselves special, offering unique conditions that can't be moved around: a fertile "soup" of highly specialized skills and applied technologies and networks of competitors, suppliers and professional associations.

Some city-regions have positioned themselves as domestic gateways to international markets—Seattle to the Asian Rim, Miami to Latin America, Lyons (France) as a bridge between the Mediterranean and northern European economies.

Others have focused on specific industries. Rochester, N.Y., for example, is building its future on its people's high-technology skills in optics and imaging. Others are developing competencies that cross industries. The Spartanburg-Greenville (South Carolina) region is concentrating on developing world-class competence in manufacturing textiles, computers, metalworking and plastics.

These strategies reflect a shift in what "economic development" really means. Rather than chasing

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Twin Citians trust local government

by Ken Peterson
and David O'Hara

All the talk that citizens have lost confidence in their government is not true, at least when it comes to Twin Cities residents and their local and state governments. Generally, Twin Cities residents have confidence in their local governments. In contrast, their opinion on performance of the federal government is, at best, lukewarm.

Satisfaction with local government performance is one of the key findings of the first Metropolitan State University Civic Confidence poll, which measured attitudes about government and public issues. The poll surveyed 410 seven-county metropolitan area residents in June. (Two important areas not discussed in this article are the public's perception of crime as the region's most important issue and opinions on public schools, the largest single local expenditure.)

Unlike most polls, we did not ask about opinions on performance of individual elected officials. Instead, we were interested in the ongoing relationship between government and citizens. So we

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Rail freight industry changing, investing, thriving in selected Minnesota corridors

For many Twin Cities residents the most immediate image of railroads in Greater Minnesota may be of abandoned lines turned into bike trails and dozens of communities no longer served by trains. Certainly, that would be accurate in a number of parts of the state, as an aftermath of shakeouts in the rail industry that led to a number of abandonments over the past 20 years.

But in selected corridors of Minnesota, rail freight service, once feared to be a dying industry, is

by Dana Schroeder

very much alive and thriving. Consider these trends:

- *Shipping volume has grown dramatically in certain rail corridors.* For example, shipping volume has grown 60 percent since 1990 on the section of the old Soo Line main line—now owned by Canadian Pacific Railway (CPR)—stretching from Glenwood to the Canadian border. This stretch runs parallel to Highway 55 through western Minnesota to the city of

Portal in northwestern North Dakota and then into Canada. Shipping volume on the line stretching east from Glenwood into the Twin Cities has grown at an even faster rate.

- *Some communities on main lines are seeing longer, more frequent trains.* For example, Elbow Lake, a western Minnesota community of 1,200 people on the CPR Portal line, now has 10 to 16 trains rolling through town each day, most of them not stopping. The CPR line

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Beyond business as usual in workforce development

The Citizens League's newest report, *Compete Globally, Thrive Locally*, the product of two years of hard work by a 32-member study committee, makes many important recommendations about how the public sector should help the region build a prosperous future. Still, even that committee, with its tremendous store of information and hours of deliberation, couldn't come to full agreement on some of the most controversial and really groundbreaking ideas.

We face three key challenges in designing responsive workforce systems:

- First, how can we create permanent, but self-adjusting, links between employers and educational institutions, so that schools are continuously motivated to ascertain and meet the requirements of workplaces? Currently, there are few consequences for the secondary school system dependent on the quality of links with employers.
- Second, how can we put schools at risk for performance, so there are financial consequences for graduating students who lack basic skills and rewards for succeeding?
- Third, how can we make employers part of the public system of continuing education for the workforce and align incentives to prompt employers to invest more—and more equitably and efficiently—in the training of their workforces?

State can lead in supporting information infrastructure

From Supporting Minnesota's Information Infrastructure, *Minnesota Department of Administration*, June 1996.

There are three critical aspects that state government can act on to lead the state and the nation in using the information revolution to truly benefit all Minnesotans:

- provide leadership by facilitating partnerships and leading by example;
- create the information infrastructure by encouraging private sector

initiative and partnering through policy, legislative and financial incentives; and

- assure a skilled, flexible workforce through lifelong learning...

Listed below are 13 overriding principles that are shared across all areas of interests:

- **economic development** must be encouraged through the creation, application, promotion and management of technology utilization and information distribution

Viewpoint

by Lyle Wray

The committee offered a few controversial ideas that deserve a closer look as a starting point for how to "think out of the box" about workforce preparation:

Fund industry clusters. Provide some of the state's postsecondary education appropriation to industry cluster councils of employers, and empower these councils to design advanced, specialized training. This would involve encouraging industry cluster consortia to develop "Industry Cluster Excellence Institutes"—public/private institutes for the development of specialized advanced training. A significant share of the state's financial support for these institutes should be in the form of financial aid provided directly to needy students. Such funding would apply healthy market pressures to the training system.

Contract with employers to provide occupational training. We would allow public high schools to contract with private employers to deliver basic occupational training to vocational students, and encourage firms to develop secondary-level "charter academies" for occupation- and skill-specific vocational curricula. These charter academies would be subject to requirements similar to those now in effect for charter schools, such as performance reporting and policies of nondiscrimination. One possible exception might be to permit some

admissions requirements, such as completion of certain coursework.

Expand Minnesota's Post-Secondary Enrollment Options Program (PSEO). Allow public secondary students to use PSEO to enroll in advanced vocational training provided by the Industry Cluster Excellence Institutes and other alternative providers (such as individual companies, trade unions, private technical colleges or electronic learning programs). Expanding PSEO would provide more education and training choices to Minnesota high school students bound for technical careers rather than four-year colleges.

Ask employers to set the standards for employment competency. Convene a consortium of employers to develop an "Employment Competency Test"—ECT—that would be administered to all entry-level job applicants. The ECT would include literacy, numeracy, communication and critical problem-solving skills considered "basic" by employers' standards. (Industry-cluster or occupation consortia could be convened to identify or develop additional test modules to evaluate competencies specific to certain industries or occupations.) The ECT would complement the graduation rule by providing a real-market test of whether students meet the basic expectations of employers, one of

the customers for public education.

Put Minnesota's public secondary education system at risk for its performance. A possible step here would be to allow employers and higher education providers to charge back to the Minnesota graduate's school district the costs of remediation to achieve basic competency.

Provide a global report card on educational performance. We should develop and share the information elementary and secondary students and parents need to see how their performance stacks up by global standards. Minnesotans are too prone to congratulate themselves for doing well compared with their past performance, or compared with other states. Students, parents and policymakers must be challenged to measure themselves against their best international peers.

These and many other recommendations are fleshed out in the report. Controversial? Yes. Crazy? Maybe. But we encourage people to suspend judgment and ask: Would these steps help align the interests of education institutions with the interests of future workers and employers? Sometimes a wild idea or two can help get us past good intentions to fundamental innovation in public services.

Lyle Wray is executive director of the Citizens League.

Editors criticize toll roads, call for better road funding

Star Tribune criticized (Aug. 27) the current process for deciding on toll roads, which allows city governments to decide whether to approve a toll road project. "If toll roads are a good and necessary idea, then it should be up to the Department of Transportation to prepare a statewide toll-road plan...then designating the routes that qualify and scheduling their conversion." **Red Wing Republican Eagle** said (Aug. 16), "Toll roads are not the cure-all, and a hodge-podge system of pay and non-pay roads would create another set of headaches." It said there is not enough investment in the building and maintenance of good roads and called for either a higher gas tax or dedicating a portion of the motor vehicle excise tax to funding roads. **West Central Tribune (Willmar)** said (Sept. 3), "We are not funding our roads at the level necessary." It said we can continue to neglect our roads, rely on a fair, equitable tax system or use "a hodge-podge assortment of taxpayer-subsidized tollways." It called for return to a fair and equitable tax system, by indexing the gasoline tax and raising motor vehicle excise tax money in the transportation fund.

St. Cloud Times said (Aug. 25), "The community has entered a crucial period in determining whether its youth grow strong or go astray...There's no gain in fuming about the area's population growth or blaming less-than-

On Balance

No toll on this opinion highway.

perfect parents or waiting for schools to meet a child's every need. No one can ignore the needs of youth in this community." It said (Aug. 14) parental involvement is "crucial in encouraging children to remain interested in and committed to learning through high school." **Mankato Free Press** said (Aug. 26) the best way to control teenage drug use is to "stop the trafficking in our backyard." **Republican Eagle** called on (Aug. 29) parents to monitor their teens' driving at night, rather than relying on law enforcement officials. "(W)e're wary of government stepping in to oversee what properly is a responsibility of parents."

St. Cloud Times approved (Aug. 23) of the Mall of America's new escort policy for teens, but said Mall managers should revisit the issue next summer. **Star Tribune** said (Aug. 23) it had hoped "for a more discriminating policy—one that cracked down on miscreants, for example." It suggested raising the number of paid adult supervisors at the Mall and said it hoped the escort policy could be rescinded sooner or later. **Fergus Falls Daily**

Journal said (Aug. 22), "Mall officials did the right thing implementing the curfew and should be praised, not condemned."

Fargo Forum congratulated (Aug. 20) students for their ACT scores, which were above the national average of 20.9 in both North Dakota (21.3) and Minnesota (22.1). **Rochester Post-Bulletin** applauded (Aug. 19) the ACT scores and criticized Gov. Arne Carlson for his continued negative remarks about public schools, which it charged is part of a political strategy to build support for vouchers. **Duluth News-Tribune** said (Aug. 16) gains in Minnesota ACT scores by females, Asians and American Indians "indicate movement in the right direction." **Star Tribune** said (Aug. 19) the scores should make critics of public schools, including the governor, "eat some crow." But it said most of the 41 percent of Minnesota students who did not take the ACT "are not well served by Minnesota's high school system, which generally does not take their needs seriously." It said the state should "construct a motivational structure

for non-college-bound students that has proven so successful for the college-bound."

Duluth News-Tribune questioned (Aug. 21) whether the University of Minnesota will be able to reach the regents' goals of relatively high access by students and a relatively high level of academic excellence, since legislators are unlikely to make a major increase in higher ed funding. It encouraged (Aug. 9) the regents to look beyond the traditional circles in selecting a new president. The new president "must transform the university...into a new kind of academia, making it a fierce competitor for public dollars that can operate more efficiently." **St. Cloud Times** said (Aug. 22) the regents should change the tenure code to allow the University to drop the staffs of departments it eliminates, to gradually increase the number of staff members who cannot seek tenure and to extend the pre-tenure period from six years to nine.

Duluth News-Tribune said (Aug. 30) legislators should direct jobs to outstate areas in order to spread growth across the state. "Ensuring the jobs and the people who fill them locate elsewhere will do more to keep metro life enjoyable than bringing in more jobs."

Information

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- increased investment in research and development in both the public and private sector is necessary

- emphasis should be put on consumer protection, data integrity, data privacy and security, with acknowledgment of industry, national and international standards

- standards accepted by the state should recognize international commerce requirements

- Minnesota should foster a regulatory environment that is conducive to a broad deployment of an information infrastructure through a competitive market which supports the economic and social vitality of the state

- Government's best role is as visionary leader, as a catalyst facilitating technology advancements in the private sector, education provider and anchor tenant through aggregation of intergovernmental purchasing

power. By state government adopting emerging technologies early in the development cycle for its own use, the critical mass necessary for private enterprise to provide these new services to all Minnesota citizens will be met.

Wanted: Involved parents

From an editorial in the St. Cloud Times, Aug. 14, 1996.

(A) new 10-year study of 20,000 ninth- to 12th-graders and their parents...concludes that parents have become "seriously disengaged" from students' lives at a high cost to student academic performance...

Half the parents in the 10-year study said they didn't know their

children's friends, what their children did after school or where they went at night.

What the teens said was worse: half said they could bring home grades of C or worse without upsetting their parents; 40 percent said their parents never attended school programs; one-third said their parents had no idea how they were doing in school. Only one in three students reported having

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Poll

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asked questions about trust, satisfaction with quality and quantity of services and respect for elected officials and public employees.

When asked which level of government they trust to do the right thing most often, 55 percent of Twin Cities metro-area residents answered their local government, 27 percent said state government, while only eight percent replied federal government. (Eleven percent said they were not sure.)

When asked about satisfaction with quality of government services, metro-area residents once again preferred governments close to home. Seventy-six percent said they were satisfied or somewhat satisfied with their city government; 70 percent felt that way about their county governments and 70 percent about state government. In contrast, only 53 percent of residents were satisfied or somewhat satisfied with the performance of the federal government.

We also asked about specific local government services. (Because we were more interested in local government, we did not try to measure satisfaction with specific state or federal services.) Libraries, parks, snow removal, 911 service, garbage/recycling collection and law enforcement met with either partial or complete satisfaction from over 80 percent of residents. Libraries had the highest marks, receiving 84 percent complete satisfaction, while parks and garbage/recycling received 81 percent complete satisfaction approval ratings. That chronic Minnesota summer curse—road repair—

received 49 percent full satisfaction and 29 percent partial satisfaction.

The most intervention-oriented of government services, law enforcement, received 61 percent full satisfaction and 24 percent partial satisfaction. Only 14 percent of Twin Cities residents were either dissatisfied or somewhat dissatisfied with area law enforcement. Paradoxically, when asked in an open-ended fashion what is the most significant problem facing the Twin Cities metropolitan area, 68 percent replied crime. Apparently, the public believes there are limits to what government, through law enforcement, can do to fight crime.

Significantly, welfare administration, a program with a historically high level of federal involvement, was the sole exception to the overall high level of satisfaction with local government performance. Only 36 percent expressed full or some satisfaction with administration of welfare, while 33 percent were either fully or partially dissatisfied with programs.

Presumably because of lack of familiarity with welfare delivery, 31 percent of residents were not sure about their opinions. However, of those who answered the welfare question, 48 percent were either completely or somewhat dissatisfied with welfare administration.

Considering this combined lack of satisfaction with both the federal government and welfare programs, their recent devolution to the states by Congress should not be at all surprising. Assuming their antiferederal government views are not new, the strategic political mistake of welfare advocates may have been not to encourage comprehensive welfare devolution to the states

several years ago, but with more funding than provided under the recently approved welfare bill.

We also note that as a percentage of the work force, federal nonmilitary employment has decreased since the Eisenhower

Administration. Moreover, federal taxes have stayed the same as a percentage of income over the last 32 years, with the notable exception of the FICA payroll tax, which pays for the Social Security and Medicare programs.

Instead, the nationwide growth in government employment and taxes has been at the state and local levels, exactly where people place most confidence.

Despite that growth, metro residents do not think their local governments are too big. Sixty-four percent say their city governments provide the right amount of services, while 15 percent said they provide too many services and 16 percent said they did not provide enough. Fifty-five percent said their county offered the right amount of services, while 20 percent said it offered too many and 16 percent said it did not offer enough.

Nor do metro residents buy the notion of public employees as goof-offs. Sixty-seven percent think local government employees perform as well as, or better than the average Twin Cities worker. Twenty-five percent think they do not do as good a job as the average Twin Cities worker.

The greatest single problem we see facing governments is residents' lack of regard for the honesty of elected officials. Forty-nine percent of residents surveyed thought elected officials were less honest than the average Minnesotan. In fact, 15 percent said officials were actually dishonest, while 35 percent thought they were less honest than average Minnesotans. Less than one percent thought elected officials were more honest than average Minnesotans and 48 percent thought they were as honest. (The survey did not try to distinguish here among local, state or federal officeholders.)

Americans have always had doubts about the honesty of politicians, so it is difficult to place these findings in perspective. Also, in the last year there has been a rash of wrongdoing by state legislators, undoubtedly contributing to low public opinion of officeholders. Still, it is hard to expect confidence in local government to remain high when half the public doubts the honesty of

1996 Metropolitan State University Civic Confidence Poll*	
Which level of government do you generally trust to do what is right most often?	
Local	55 %
State	27
Federal	8
Refused/Not sure	11
How do public employees (city, county or school district) compare to the average worker in the Twin Cities area?	
Do a better job	8 %
Are as good as	59
Do not do as good a job as	25
Refused/Not sure	8
How do our elected officials compare to the average Minnesotan?	
More honest	0.5%
As honest	48
Less honest	35
Dishonest	15
Refused/Not sure	3

*Numbers may not equal 100% due to rounding.

elected officials, the very people who set government policy.

Public confidence in local and state governments is surprising, in that commentators, both in the media and academia, bemoan what they consider to be declining confidence in government. Their contention is that the consequence of the decline is our inability as a people to collectively resolve problems. The flaw in this argument is that it assumes the federal government is the only government, the sole means by which we address mutual problems.

Certainly, local and state governments are not equipped to deal with certain collective and interjurisdictional needs, such as Social Security, airplane safety or interstate pollution. But because of their perceived greater accessibility and accountability, local and state governments do possess the fundamental requirement of governing, the people's confidence.

Ken Peterson is associate professor of public administration and David O'Hara is assistant professor of economics, both at Metropolitan State University. They codirected the Metropolitan State University Civic Confidence poll, which they intend to conduct annually. This year's poll had a margin of error of five percent. Call 341-7567 for a summary of the poll's results.

Rail service

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east of Glenwood now carries up to 20 trains a day to the Twin Cities, adding trains coming south from Winnipeg. Many of the trains are long unit trains, carrying all one type of car and freight.

● *Large rail companies are investing in new, heavier equipment capable of carrying larger loads.* According to Jerry Fruin, professor of marketing and transportation at the University of Minnesota's College of Agriculture, by the end of next year about 20 percent of grain cars nationally will be new, high-capacity grain hoppers. The new hoppers, called "286 cars," can carry 286,000 pounds of grain, compared to the old "268 cars"—an increase of 18,000 pounds of capacity per car. CPR, for example, has invested \$200 million over the past few years in 3,900 of the 286 hoppers for the old Soo Line portion of its system. And the Burlington Northern/Santa Fe Railroad (BN/SF) has just purchased 164 new high-horsepower locomotives for one of its lines that runs through Minnesota.

● *The large rail companies are upgrading their main lines.* According to Bergene, CPR is "working diligently" upgrading the Portal line, which runs west to Vancouver and is now the company's "favored main line" to western Canada. The company is adding and expanding sidings to allow trains to pull off and pass one another, increasing the line's capacity. It has also enlarged tunnels and bridges to accommodate trains carrying double-stacked intermodal containers, which can be loaded directly from trains to ships or trucks. Improvements have also been made to accommodate the high-capacity grain hoppers. "It's a first-class piece of railroad," Bergene said.

● *Some shippers are investing heavily in new facilities to allow them to load and ship large volumes of goods at one time.* For example, Elbow Lake Coop Grain upgraded its sidings and loading facilities in 1993 to allow the on-site loading of 50 high-capacity grain hoppers that are assembled into one train. Shippers assembling these large trains going to one des-

tination pay lower rates.

● *Some rail lines that might have been abandoned in the old days by larger companies have been purchased by "short-line" rail companies, some of them nonunion, with more than a dozen operating in Minnesota.* Since 1991, the Twin Cities & Western Railroad Company (TC&W) in Glencoe has operated a stretch of railroad parallel to Highway 212, between the Twin Cities suburb of Hopkins and Appleton, in western Minnesota. This former "Ortonville line" used to be owned by the Soo Line and, before that, was part of the Milwaukee Road's main line to the Pacific Northwest. The company has track-age rights into several terminals in the Twin Cities and west to Milbank, South Dakota. It also interchanges cars with larger rail companies to ship further east or west over their lines.

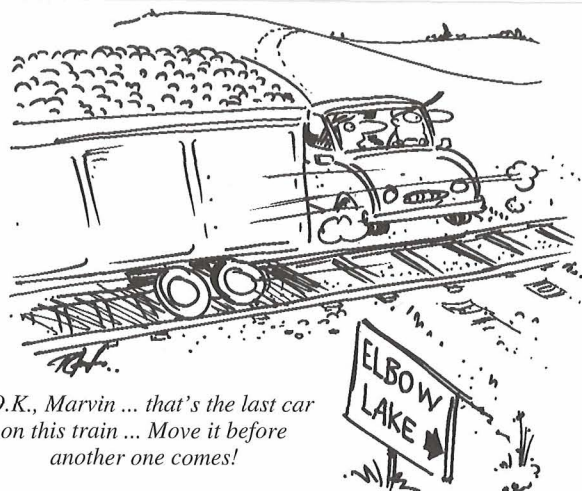
According to TC&W marketing director Lloyd Host, the line is primarily agricultural, serving country elevators and a sugar beet facility in Renville and a food canning plant

"The main-line railroads are in better financial shape than they have been in 60 years."
—University of Minnesota Professor Jerry Fruin

in Glencoe. TC&W runs trains six days a week between the Twin Cities and Renville and two or three days a week as far west as Milbank, compared with three-day-a-week service during the Soo Line's ownership. Work rules allowing two-person crews, lower labor costs and the ability to run shorter trains have made for greater efficiencies and flexibility for the smaller company. Short lines have local management and are generally more responsive to the needs of a particular region, according to the University of Minnesota's Fruin.

What's going on?

● *Trains are back.* "The rail industry as a whole has experienced an increase in volume," said BN/SF spokesman Gus Mellones. "Our main lines are growing near capacity." Fruin agreed. "Shipment of western coal continues to increase and grain traffic is back," he said.



"At the national level we have half a dozen strong railroads. The main-line railroads are in better financial shape than they have been in 60 years. They've gone from a return on capital of two percent to 10 or 11 percent. And half of the short lines are doing well."

● *Business is increasing and being diverted from other lines.* According to Bergene of CPR, increased volume on the Portal line through western Minnesota is due to both an increase in shipping business

"Anything that fits in a box" can be shipped in the intermodal containers, Bergene said, including household goods, computers, clothing and even some specialty grains, like pinto beans. CPR believes the volume of intermodal cargo on the Portal line will increase in the future and that dedicated intermodal trains will be developed.

● *Grain marketing patterns have changed.* According to Bergene, grain now moves both east and west over the Portal line, while in the past most grain was shipped east to terminal elevators in Duluth and the Twin Cities. Many country elevators are selling 25- or 50-car trainloads of grain directly to customers, either nationally or internationally. For example, Elbow Lake Coop Grain manager Al Mashik sells trainloads of wheat directly to flour mills in places like Pennsylvania or Illinois or to export markets through the Gulf of Mexico. He said the elevator sends most of its corn to the west coast for export. "It's changed the way we market," he said of the elevator's capacity to assemble its own 50-car lots of grain. The break in shipping costs for the larger trains allows the elevator to pay farmers a higher price for their grain.

What does the future hold for Minnesota businesses and communities dependent on rail service?

Fruin said the rail abandonment stories are not over, although the industry has stabilized for a while in Minnesota. "There will be isolated abandonments throughout the United States," he said. "In Minnesota it will be one at a time and not in the grain territories." He said there will be some abandonments

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"I don't think that's going to fly, Eleanor ..."

Rail service

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in the state's lumber territory and on the Iron Range.

New questions arise as railroads move to the new, high-capacity cars, Fruin said. The main lines have had to be upgraded to handle these heavier cars, but the short lines can't yet accommodate them. It's not clear, he said, whether that will put the short lines at a major disadvantage. But regardless, as some of the less profitable short lines face major line maintenance needs in 10 years, he believes ship-

pers might have to buy them out to keep them operating.

Fruin questions whether the railroads' move to the heavier, high-capacity equipment has been good for shippers. "Railroads have been able to go to bigger equipment and longer trains and shove them down the throats of the shippers," he said. "We've had elevators overinvest in loading facilities for the grain we have. This large investment doesn't serve everyone. How do you convince elevators not to do this?"

Bergene points out that Minnesota is far removed from export markets on the east and west coasts and the

Gulf. "The transportation haul is about as long as it can get," he said. "The ability to handle grain more efficiently—what the 286 car and unit trains do—helps keep this part of the country competitive with other growing regions."

Fruin said a counter trend is developing toward production of "identity preserved," specialty grains, such as high-wax corn, high-oil corn or various edible beans. With an increased number of different commodities that can't be mixed for shipping, elevators can't always fill a whole train with one type of grain. "But we've spent 20 years getting elevators to build bigger

loading facilities," he said.

Elevator manager Mashik of Elbow Lake questions the advantage, at least currently, of the high-capacity 286 grain hoppers. Because the larger cars can only run on upgraded track, "there are a limited number of people in that market," he said, making it more difficult to sell a shipment of the larger cars. "Instead of having five parties bid on a shipment, you might only have two."

Dana Schroeder is editor of the Minnesota Journal.

Global

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jobs or real estate development, these regions are working on superior productivity performance, producing goods and services that meet the test of international markets, while expanding citizens' incomes.

In its new report, *Compete Globally, Thrive Locally*, the Citizens League says the greater Twin Cities region, too, needs a vision for its economic future and a focused strategy to get from here to there.

To be sure, the state and region already devote billions of dollars and hours to economic development activities, broadly defined. More than 40 percent of Minnesota's state and local spending, \$8.2 billion in the current biennium, is spent on K-12 and higher educa-

tion. The 1996 Legislature approved another \$614.4 million in capital spending on infrastructure projects. The state spends millions more on highway maintenance, research and a host of other functions that provide the foundations of prosperity. Vast amounts are also spent on business assistance, real estate development subsidies and "incentives" to encourage companies to expand or locate in a particular area.

How well is this spending contributing to the long-term prosperity of the region? Not well enough, the League thinks. There is no strategy to guide decisions and focus public spending on activities that build the unique capabilities of the Twin Cities region.

The competitive reality today is that good fundamentals are necessary, but not sufficient, for competitive success. South Korea, Chile, India, Thailand and many other nations have well-educated work-

forces whose wages are much lower than wages here. To compete with those regions, the Twin Cities must offer a state-of-the-art workforce with special skills and knowledge in key activities and industries. And because most U.S. urban regions—and many regions abroad—now have good basic infrastructure, the Twin Cities region must choose the infrastructure investments that offer the best returns in productivity improvement and a unique competitive advantage.

What is the Twin Cities region's special niche? We are not likely to become a global "nerve center" like New York, Tokyo or London—we're simply too small. Nor are we suited to becoming a "gateway" city as Miami has become for Latin America. We should, instead, concentrate on enhancing our own strengths:

The Twin Cities region should strengthen its position as a hub for international business services, linking the smaller cities in the Upper Midwest with the global marketplace and vice versa.

Roughly half of all manufactured export sales in the Ninth Federal Reserve district—and about three-fourths of Minnesota's export sales—are in the Twin Cities metropolitan area. The western and southern portions of Hennepin County produced more than half the state's exports and export growth between 1987 and 1993.

The metro area also serves as a regional center for exported services, such as insurance and architectural and engineering consulting. And more than 300 Twin Cities companies provide support services that facilitate international trade.

The major market for firms in the Twin Cities will remain the United States. International trade is a fast-growing and strategic sector, however, and the ability to function in the international sphere is becoming more important to businesses and, by extension, to local communities.

Geopolitical developments such as NAFTA and the U.S.-Canada Open Skies agreement are opening new opportunities for international linkages. Surprisingly, nonagricultural export activity is increasing faster in Greater Minnesota than it is in the metropolitan area, largely because manufacturers, who export more than other industries, are tending to locate away from the Twin Cities core. Trade centers throughout the Upper Midwest—including Eau Claire, Fargo, Sioux Falls, the Red River Valley and Billings—have developed strong economies with international business ties. These companies often build their links to overseas companies through specialists based in the Twin Cities.

The metropolitan area should capitalize on these opportunities by focusing on the international "connection" services these businesses require—services such as freight

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Global

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forwarding, translation, and international legal, banking and accounting services.

As the regional capital of the Upper Midwest, the Twin Cities region must pay attention to its own linkages to the larger global metropolitan centers. Chicago, for example, is the Twin Cities' closest global "nerve center" and one of the region's most important links to the global stage. Likewise, Detroit, because of its importance as Northwest Airlines' international hub, should be considered an important connection.

The region should develop features that support business headquarters and research and development (R&D) activities.

As companies pull apart their functions and become more strategic about location, policymakers must be aware of how businesses think. Urban regions must offer specialized advantages supporting at least one of the main business functions—headquarters, R&D, production or back-office.

The region's history is as a home for headquarters, and it has long been a hospitable breeding ground for new technologies and industries. We should build on that history.

Companies don't move their headquarters readily. The region shouldn't concentrate on attracting headquarters and R&D from elsewhere, but provide the public services and encourage the private networks that will help those that are already here be world-class competitors:

- A highly educated workforce, top-notch industry talent and leading-edge thinkers, as well as the quality of life these workers demand;
- A premier research university, excellent air service, extensive business support services and capital markets;
- Industry associations and networks, clusters of specialized talent and an environment that embraces innovation.

The region should develop a global presence by developing the productivity and competitiveness of its key industries.

Competitive advantage tends to develop not in isolated companies, but in clusters of related industries and activities. A "critical mass" of firms in an industry spawns industry associations, attracts specialized talent and generates the intense competition that fosters innovation.

Minnesota is home to several industry clusters that are national and global leaders:

- It has the highest concentration of printing and publishing employment in the nation. There are 1,700 printing and publishing establishments, employing (in 1992) 53,000 people with a total payroll of \$1.3 billion.
- It ranks fourth in the nation in the number of software companies.
- Its concentration of employment in medical device manufacturing is second highest in the country—and the industry's average weekly wage in the Twin Cities was seven percent higher than the national average for the industry.
- Its other important industries include financial services, insurance and real estate; professional (business) services, such as advertising and engineering; and arts and entertainment.

The region should consciously build on these industry strengths. That's not the same as "picking winners" from among individual

"The Twin Cities region must choose the infrastructure investments that offer the best returns in productivity improvement and a unique competitive advantage."

companies or choosing industries that are deemed by some objective criterion to be strategic (micro-processors, for example). The strategy should be to identify all the key industries or activities that have achieved a critical mass in the region, then be conscious about strengthening these unique local advantages.

How? Through public-sector

SIX-POINT AGENDA FOR THE TWIN CITIES' ECONOMIC FUTURE

- 1. A highly talented, productive and innovative workforce.** If the region is to become a center for company headquarters and R&D, a home of world-class industry clusters and a hub for international services, it must offer well-educated and trained workers at the cutting edge of their fields.
- 2. Strategic infrastructure to support headquarters, R&D, international business services and key industry clusters.** What investments in infrastructure will best support the Twin Cities region as a center for corporate headquarters, R&D and international business services in the Upper Midwest? What infrastructure improvements do the region's key industries require?
- 3. Improved productivity in services, trade and government.** As the Twin Cities region positions itself as the international business service hub of the Upper Midwest, and as a home for corporate headquarters and R&D functions, it can and should seize competitive advantage by focusing on improving productivity in services, trade and government.
- 4. More saving and wiser investment in the foundations of future prosperity.** Policymakers should ensure that the public sector's capital investments represent true net gain to the region. And the state should adjust tax policies, regulations and programs to encourage people and firms to invest for tomorrow.
- 5. A healthy civic and social fabric and a high quality of life.** The region's quality of life is a critical strategic ingredient for its long-term economic health; a vital social and community life also is essential to any civilized notion of "prosperity."
- 6. A redesigned safety net for workers to deal with new economic realities.** The region needs a new compact among workers, employers and government, articulating the responsibilities of each in protecting workers and employers from the most devastating effects of employment disruption.

investments in specialized training, advanced academic research, and infrastructure that supports the unique activities of these industries, for example. An industry cluster approach can also help the public sector focus its recruitment efforts. For example, a company that sup-

plies components or materials used in the production of medical devices would be a more desirable new recruit to the Twin Cities region than, say, a company that breeds tropical fish.

coherent, focused vision of where we're headed. The reality of the global information economy is that companies, individuals and government will have to work harder than they have in recent decades to create the conditions required for prosperity. Rather than trying to be all things to all people, the region, to secure a prosperous future, must offer the best of its own unique talents.

Janet Dudrow is a research associate for the Citizens League. She staffed the study committee that produced the report Compete Globally, Thrive Locally. Copies of the report are available from the Citizens League at 612-338-0791 or by fax (612-337-5919) or e-mail (citizen@epx.cis.umn.edu). The first copy is free to Citizens League members; there is a \$10 per copy charge for nonmembers.

In its report the League outlines a six-point agenda for the economic future of the region. (See the accompanying box.) The starting point for the agenda must be a



"We here in the Twin Cities like to think of ourselves as the wingnut that helps hold the region's global international market together."

Minnesota legislative districts diverging in population

A new report by Minnesota Planning has some provocative information about how Minnesota's population has changed since the 1990 Census. Among Minnesota's legislative districts—redrawn in 1992 to create equal-sized populations based on the 1990 Census—some are now “more equal” than others.

In 1992, Minnesota House districts averaged 32,654 people and every district but one was within three percent of that average; the population spread between the smallest and largest district was 2,428 people. In 1995, only 40 of the 134 House districts were within three percent of the average size; the spread between the smallest- and largest-population districts had grown to 11,470. Every Senate district was within 1.7 percent of the average in 1992, but in 1995, only 23 of the 67 districts were within three percent of the average.

Incumbents, take note: Minnesota Planning said that if current trends continue, the state's legislative districts are likely to look very different after the 2000 Census. The Iron Range would lose about half a House district, while the southwest suburbs of the Twin Cities metro area would gain more than 2.5 districts.—*Janet Dudrow.*

Bit by their own dog. For some years educators have explained disappointing student performance by pointing to social problems: rotten kids, rotten parents, rotten society. Now a *Pioneer Press/KARE/Minnesota Public Radio* roll reports a majority of the public (53 percent) is persuaded that until social problems are corrected, student achievement will not go up, no matter how much money is spent.

Ouch. The last thing the education interest groups wanted was for the public to conclude that money doesn't make a difference. Maybe better get rid of that dog.—*Ted Kolderie.*

Ever wondered whether that popcorn you munch on while on summer outings at city lakes and parks actually puts any money into the park board's coffers? After considerable munching in both Minneapolis and St. Paul this summer, we decided to find out. As with many services, the answer uncovers a

rather different approach to park concessions in the two cities.

In Minneapolis the park board operates four major refectories: at Lakes Harriet, Calhoun and Nokomis and Minnehaha Falls. According to figures from the park board's special services division, three of the refectories (all but Calhoun) had an operating profit in 1995 (the latest figures available), for a total profit of \$104,584, or just under 16 percent of revenues (net of sales tax) of \$665,037.

St. Paul, according to Vic Wittgenstein, manager of special services for the city's parks department, has, for a number of years, contracted out its two major concessions operations at the Como Park Zoo and the Como Conservatory. In return the city receives a 27.5 percent commission on the concession gross revenues under one contract and a 30 percent commission under the other. In 1995 the commissions paid to the city amounted to \$128,000. The city currently operates its own year-round concession facility at the Como Lakeside Pavilion, but is looking at some changes in that operation.

St. Paul's contracted operations, then, guarantee a “profit” to the city if any concessions are sold. In 1995, at least, the average dollar spent on concessions generated almost twice the return to the city at the contracted operations at Como Park as at Minneapolis' self-operated refectories. Only the operation at Lake Harriet—the busiest of the four refectories—matched the return (at nearly 30 percent) of the contracted operations at Como.—*Dana Schroeder.*

Public education is largely about adult interests: values and ideology, professional and political careers, jobs and incomes and taxes. Because their voices are so seldom heard in the discussion about their schools, it might be especially important, argued an article in the July issue of the *Minnesota Journal* (“Who should adapt: kids to schools or schools to kids?”), to ask the students what *they* think.

Take Note

“To govern is to populate.”—J.E. Rodó

Now we learn the Public Agenda Foundation is doing just that. A national study of 13 to 18 year-olds, part survey and part focus groups, will begin this fall, among African-American, Hispanic and white students.

Earlier studies of adults by Public Agenda have turned up some startling findings. For example, while most adults initially say they like their local schools, half would send their children to private school right now, if they could afford it.—*T.K.*

Buddy, can you spare a few thousand for an education? Times are getting tough for higher education in all circles. Budgets are tight—not only for universities, but for the students enrolled in them. In 1995, for the first time, Minnesota undergraduates received more assistance in the form of loans than in grants, according to a report issued by the Minnesota Higher Education Services Council.

State, institutional, and private grants actually increased from 1994, but federal Pell Grants fell 24 percent. In all, grants decreased by one percent from 1993 to 1995, to a total of \$364 million. To compensate for this, student borrowing increased by 33 percent between 1993 and 1995, rising from \$281 million to \$375 million.

The Council report also attributed higher loan levels to changes in legislation that expanded eligibility and increased borrowing limits. Fortunately, Minnesota students are

much more frugal than their national counterparts, as student loans nationwide increased 63 percent during the same time period.—*Wirtz.*

Minnesota Planning has published a “newspaper article” supposedly written in Minnesota 30 years from now. Projecting some present trends (especially demographic), it presents a grim picture: a stagnant economy, a state full of old people with big problems. Maybe it's accurate; maybe it's not.

Thirty years? Bah. On Sept. 15, 1929, Al Godward wrote a 50-year projection for the *Minneapolis Star*. His article, “Minneapolis 1979,” was accurate almost beyond belief. He foresaw the freeway system, streets under “automatic” control, the regional airports, junior (community) colleges, the Upper Harbor project. And he hit the population almost on the nose if by “Minneapolis” you read *Greater Minneapolis* (i.e., Hennepin County).

His secret? A clear understanding of the implications of transportation technology—the automobile, the motor truck—and, of course, his own role as the Robert Moses of Minneapolis during the '20s, laying the plans for the future. The article had been lost to memory in this community until Godward brought it to a discussion in the early '70s, when he was about 90.—*T.K.*

“Take Note” contributors include Minnesota Journal and Citizens League staff members.

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September 17, 1996

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The Citizens League promotes the public interest in Minnesota by involving citizens in identifying and framing critical public policy choices, forging recommendations and advocating their adoption. Suggested dues for membership are \$50 for individuals and \$75 for a family membership. Other categories are also available. For more information on membership, please call 338-0791.

Mike Christenson elected League president

First League president born after the League's founding in 1952

Mike Christenson was elected Citizens League president at the annual Board transitional meeting on August 27.

Christenson, 37, is the first League president to be born after the League was founded in 1952.

For Christenson, the key theme of the year is citizenship. Or as he asks, "what good is it to have a wonderful locomotive (the Citizens League) on deteriorating tracks?" He is concerned about the decline of citizen involvement in public policy (the deteriorating tracks) and says he's involved with the League because it's "about checking in." The League celebrates dissent and civil dialogue while the rest of the world seems headed in the other direction, according to Christenson.

In his term as president, he hopes to focus on building citizenship in creative ways. For him that means "looking at key areas of civic decline and retooling our League processes to attack those areas of decline."

Christenson sees this as an enormously promising time for the League. He looks forward to working with a League Board that is younger and more diverse than in the past.

In his professional life, Christenson is executive direc-

tor of the Allina Foundation, a research and development arm of the Allina Health System created in 1995. Before that he served as executive director of the Medica Foundation beginning in 1993. From 1990 to 1993, he was chief administrator at the Metropolitan Transit

"All my mentors in public life have been active in the Citizens League."

—Mike Christenson

Commission. Prior to his service for the MTC, he was a partner at the Popham, Haik, Schnobrich & Kaufman law firm.

He earned his law degree from the University of Minnesota in 1984 after graduating from St. Olaf College in Northfield. (At

St. Olaf, one of his professors was League past president Kent Eklund.)

Christenson lives in Falcon Heights with his wife, Lis, and their two children, Will and Aria, ages five and two.

He describes himself as a "son of the Citizens League." Certainly that description is apt. Mike's dad, Jerry Christenson, is a long-time League member and a familiar face in Minnesota public policy circles. Mike's wife, Lis, is the daughter of the late Gordon "Gus" Donhowe who also held a variety of important policy positions. In fact, it's unlikely that there is anyone else in Minnesota whose father and father-in-law are both former state Finance Commissioners.

Officers and directors appointed for one-year terms

The Board of Directors appointed officers and nine additional directors to one-year terms at the August 27 transitional meeting. In addition to electing Mike Christenson as president, the Board elected Mary Anderson as vice president, Jane Vanderpoel as secretary and Sally Evert as treasurer.

The following were appointed to one-year terms as directors: Duane Benson, executive director, Minnesota Business Partnership; Linda Ewen, human services planner, Anoka County; Peggy Gunn, vice president, First Bank System; Sean Kershaw, small business liaison, City of St. Paul; Weiming Lu, president, Lowertown Redevelopment Corporation; Gene Merriam, chief financial officer, ECM Publishers, Inc.; Yusef Mgeni, president, Urban Coalition; Lee Sheehy, chief deputy, Attorney General's Office; and Jan Smaby, Hennepin County Community Corrections.

Mind-Openers enter the fall election season

Labor Day is the traditional kick-off for the election season. This year's Mind-Opener series pays homage to that tradition with a look at political campaigns and advertising from two former campaign insiders, the co-director of the Minnesota Compact, and a leading advertising executive.

Despite the public's professed dislike for mudslinging campaigns, the upcoming November elections promise more of the same.

Attack ads have already hit the airwaves this year in both the U.S. presidential and Minnesota Senate races. More money than ever is getting spent on campaigns. But are voters receiving better value in the campaigns themselves?

But what, if anything, can be

done to improve election campaigns? Efforts at legislating campaign reform — proposals targeting campaign finance, lobby interests, and spending limits — have had trouble getting passed into law. Even successful legislative mandates have had little real impact. Is this the right avenue for campaign reform?

Do voters have to lead by example and reclaim the high ground themselves? Or are negative ads like telemarketing — nobody necessarily likes it but everybody keeps doing it because it works?

Speakers in the series are:

Tuesday, September 10

Pat Forciea, marketing consultant, advisor to Paul Wellstone's 1990 Senate campaign.

Tuesday, September 17

Tom Mason, editor-in-chief, *Twin Cities Business Monthly*, campaign manager for Rudy Boschwitz's 1990 Senate campaign.

Tuesday, September 24

Tim Penny, co-director, Minnesota Compact; senior fellow, Hubert Humphrey Institute of Public Affairs.

Tuesday, October 1

Lee Lynch, founder and president, Carmichael Lynch Advertising.

All the meetings are from 7:30 to 8:30 a.m. at the University Club of St. Paul. Cost is \$10 for members and \$15 for non-members. Reservations are appreciated but not required.

Global release gets good press coverage

The new League report, *Compete Globally, Thrive Locally* (see article in *Journal*) was formally released at a press conference on September 4.

The press conference, held at Norwest Corporation, was covered by most of the major media outlets. KSTP-TV (channel 5) covered the report on the 5:00 and 6:00 news. The *StarTribune* featured stories in the business page and a subsequent editorial in the Sunday, September 8 edition.

In addition, Executive Director Lyle Wray was interviewed by Minnesota Public Radio and was featured in an hour-long interview on KSTP radio (1500).

The staff and committee chairs, **David Hunt** and **John Yngve**, have been busy meeting with policymakers and opinion leaders.

So far they have met with the following members of the media: the *StarTribune* editorial board; the *Pioneer Press* editorial board; **Eric Wiewfering**, editor of *Corporate Report*; business writer **Don Larson**; and the *Rochester Post Bulletin*.

They have also met with the following policymakers: **Bruce Johnson**, commissioner, Department of Children, Families and Learning; **Jeff Rageth**, deputy commissioner, Department of Trade and Economic Development; **Rep. Phil Carruthers** and **Sen. Roger Moe**.

If you belong to or know of a group that would like to hear a presentation on the global report, please call the Citizens League at 338-0791.

Next Mind-Opener series: Markets do the funniest things—A look at high performance public services

The Citizens League is pleased to announce a special, three-part Mind-Opener series in October on improving public sector performance, featuring **Barbara Roberts**, the former governor of Oregon.

Nationwide, there are a number of fast-moving trends helping to make local, county and state government more cost-effective, responsive and accountable.

But while practices such as competitive contracting, outsourcing, restructuring and employee innovation are catching on across the U.S., some argue that, despite our reputation for innovation, little is actually happening in Minnesota in the way of

achieving higher performance in the public sector.

The October series entitled, "Markets do the Funniest Things: A Look at High Performance Public Services," is headlined by Ms. Roberts.

While governor of Oregon from 1991-1995, Ms. Roberts promoted numerous innovative measures to help government perform better. For her efforts, she received the Ford Foundation's Innovations in Government Award. Final dates are still being confirmed with Ms. Roberts, but she will speak either Monday, October 28, or Tuesday, October 29.

The series will kick off at a Tuesday, October 15 luncheon

featuring **Babak Armajani**, CEO of The Public Strategies Group and nationally recognized leader on management.

Indianapolis is considered one of the forerunners in competitive contracting and other innovative government approaches to performance. On Tuesday, October 22, we will hear from **Michael Williams**, CFO of the Indianapolis Department of Capital Asset Management.

This series will not include any breakfast meetings. Look for details in the brochure which will be mailed in the near future. And tell all your friends about this important series on improving public sector performance.