



Paul J. Wagner and Chip Laingen, business leaders

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, March 19, 2010

Present : Verne C. Johnson, chair; David Broden, Janis Clay, Marianne Curry, Paul Gilje, Jim Hetland (phone), Tim McDonald, John Mooty (phone), Jim Olson (phone), Wayne Popham (phone), and Bob White

A. Context of the meeting —Last week in discussion of a possible statement on principles that the Governor and Legislature ought to consider in budgeting, members said we've not had sufficient input from the business community. David Broden contacted two associates who graciously agreed to meet with us on short notice.

B. Welcome and introductions — Verne and Paul welcomed and introduced **Paul J. Wagner**, chairman and CEO of Minnesota Wire, suppliers of cable to high tech companies, and **Chip Laingen**, director, communications, for Minnesota Wire. Both hold positions in defense contracting. Wagner is chairman and CEO of Minnesota Defense Military Interconnect Solutions and Laingen is executive director of the Defense Alliance of Minnesota.

Wagner is a native of St. Paul, graduate of Cretin High School and St. Thomas University. He's been with Minnesota Wire since 1985, became president in 1992 and CEO in 2000. Wagner founded the Defense Alliance of Minnesota, a regional industry network serving defense and homeland security. Laingen, a 21-year veteran of the U. S. Navy, was born into a Foreign Service family that lived in three foreign countries. His hometown is Bethesda, MD. He's a 1983 graduate of the University of Minnesota NROTC program. He holds an M.A. in public affairs from the U's Humphrey Institute.

C. Comments and discussion —During Wagner's and Laingen's presentations and in discussion with the Civic Caucus, the following points were raised:

1. Recent business expansion —Minnesota Wire has two major installations, a 30,000 square foot building in Energy Park, St. Paul with 130 employees and a 60,000 square foot building in Eau Claire, WI, with 250 employees, Wagner said. About 125 of those employees were hired within the last few months as part of the company's expansion for a \$6 million federal sub-contract.

Wagner said Laingen brings talent to the business that perfectly complements Wagner's role as a doer. Laingen knows much more about public policy.

2. Amazing changes in Minnesota's business environment over 21 years —Laingen said he left Minnesota in 1983 and came back in 2004 after retiring from the Navy. He was amazed at the changes in the Minnesota business environment during that time. He recalled that the state in 1983 had many more companies that were actually manufacturing products in Minnesota. By 2004 the scene had shifted dramatically. We still have major businesses, but they are much more involved in services today. Back then, the top five employers were major manufacturers - today they the top five are the federal government, the state government, the University of Minnesota, MNSCU, and counties, cities and municipalities. That is a disturbing statistic.

3. An "unfriendly" state for business -"Minnesota is an unfriendly state for business across the board," Laingen said. Minnesota is a beautiful place to live and raise children. His kids attend the newest high school in Minnesota in Woodbury. Our quality of life isn't sustainable in the long run. Amenities are deceptive; they don't provide value on their own merits. You need business, technology and entrepreneurs.

4. Characteristics of an unfriendly business atmosphere — Laingen outlined three reasons affecting the state's business:

(a) high individual and corporate taxes

(b) the state doesn't invest in high technology in any way

(c) absence of collaboration among parties that should be working together

5. De-emphasis on defense industries —Control Data, Sperry Univac, Honeywell were all big in defense here, but no more. Interestingly, we do have a large number of smaller plants that affiliated with major national defense-oriented companies, such as Lockheed Martin. Those companies have plants all over the nation. But Minnesota lacks political and governmental leadership to compete with states such as New York and Pennsylvania. Moreover, our tax climate and cost of living don't provide us with any advantage. Wagner said he recently visited with a dozen other CEOs, all of whom said they'd expand elsewhere, not in Minnesota. These CEOs all are good friends of his from his youth. They still hunt and fish together.

6. Hard-nosed decision process needed on expansion —Wagner said he welcomes competition among states. It was a no-brainer when Minnesota Wire expanded to Eau Claire. When expansion is contemplated the labor, materials and overhead expenses for different locations are closely compared side by side. One gets a clear result. In the most recent expansion, this past winter, there was no question that the expansion would occur in Eau Claire, WI, not in St. Paul.

7. Minnesota rewards fairness, not risk —Laingen cited a case years ago where the University of Minnesota ran a test project that rewarded budgetary savings; if a department achieved its mission, and saved money at the same time, it was given a portion of the savings to spend on anything it wanted. Employees were highly motivated; everyone inside was happy with the result. But others were concerned about equity and fairness, so the idea was halted.

8. Failure to think regionally —A tremendous opportunity exists for a high-tech corridor from Fargo to Minneapolis to Milwaukee to Chicago, Laingen said. Minnesota would need to think regionally and

get its governmental-business environment more in line with states like Wisconsin. "But we're hopelessly out of sync," he said

9. "Release the Entrepreneurs!" —Wagner distributed a statement he prepared on the importance of business leaders taking initiative. He contrasted Minnesota business with that of Israel: "There, I found a bold sense of straight talk, a desire for hard-nosed negotiation and an obvious impatience that translates to speed-to-market. Most of all, Israeli companies tend to do business with a spirit of independence; a go-it-alone attitude that doesn't wait for a bailout to provide opportunity.

"Now is not the time for us to expect government to change the playing field quickly or to wait for opportunities to come our way because someone else might fail. It is time to exert leadership and create opportunities that are in line with our abilities and entrepreneurial spirit."

10. We can learn from our neighbors in Wisconsin —Marianne Curry reminded the group of a broad-based business improvement effort in Wisconsin known as "COWS". Curry provided the following explanation of COWS:

The creation of the Center on Wisconsin Strategy (COWS) for innovation and jobs came out of the University of WI providing leadership in 2004 when it first applied for IRS 501(c)(3) status. The strategy covers Budget and Tax Policy, State and Local Policy, Economic and Workforce Development (training or re-training) and the creation of the Center for State Innovation to examine state policy, provide technical assistance, coordination and collaboration.

COWS serves as a clearinghouse of progressive state policies for use by state executives, policy makers and the media (similar to DEED's charge). It also includes consideration of work and wages, not just any jobs but quality jobs. It provides extensive research on manufacturing job retention and enhancement through the Advanced Manufacturing Project, a consortium of suppliers and manufacturers. It also co-founded the Apollo Alliance, a national campaign of labor, environmental, and civil rights organizations to create jobs through energy efficiency in communities across the U.S. Biennially, COWS publishes a report card on work, wages, labor market trends and other issues related to working family security.

Web site is <http://www.cows.org/>

Laingen also mentioned Texas that has a strong business strategy involving a broad group of interests, including the academic community, business and other areas.

11. Does anti-war bias contribute to federal research dollars going elsewhere? —A few years ago the University of Minnesota was bringing in about \$720 million in federal research dollars every year. We're now down to \$520 million and might lose some of that, he said. Laingen said the U of M isn't in the top ten nationally for research institutions. Noting that search of a new "U" president will begin shortly, Laingen urged that candidates should be quizzed on their approach to encouraging federal contracts and R&D dollars, particularly from the Department of Defense, which by far eclipses any other agency.

Minnesota is cool towards defense spending, Laingen claimed, because of a strong anti-war bias that carries over to research and development at the U of M. Much federal defense R & D is directly applicable to peacetime purposes, he said, citing a contract his firm received for stretchy wire, technology that will be commercialized into medical and consumer markets like wearable electronics.

A hard fact about Minnesota elections—producing frequent turnover in the state's congressional delegation— doesn't help the state's political muscle in competition with other states, Laingen observed. Our elected officials rarely end up as senior, influential leaders on key budget or policy committees. That is just one reason this state ranks 47th in the return on federal tax dollars.

12. Positive movement toward helping business is evident —Laingen cited a couple of legislators now working for change in state policies toward business—including a proposed angel-investor tax credit for encouraging new entrepreneurs. He also cited positive recent contacts with legislative leaders on this issue because there are some who are waking up to the impending crisis of the loss of Minnesota's technology leadership.

13. Reviewing the functioning of Minnesota's Department of Energy and Economic Development (DEED) —Laingen believes a close look is needed at DEED, to evaluate whether the state's economic development strategy needs streamlining and more focus. DEED has some highly-competent staff, but there's a lot of redundancy and overlap, he said. More emphasis on measureable results is needed, he said.

14. Support needed for new recommendations on science and technology — Laingen served as a member of the Minnesota Science & Technology Initiative, a volunteer task force authorized by the Legislature last year, that submitted recommendations for moving forward on permanent change to the state's approach to science and technology policy to the Legislature in January 2010. Its four key proposals:

—Create and fund a permanent structure for science and technology strategy and oversight, collaboration and planning

—Provide tax incentives to encourage research and development plus investment in innovation

—Fund mechanisms that attract and retain technology companies and technology-oriented individuals to Minnesota

—Create a small business investment program that uses insurance money for early-stage investment, known generically across the country as CAPCO.

The report is available online at: <http://bit.ly/b3gHyR>

15. Urgent need for changes in public policy toward economic development — Laingen outlined five areas where he believes change would help business greatly:

—Reward efficiency and innovation

—Reward success; don't water down investment by worrying about fairness.

—Reward risk.

—Reduce government rules and regulations

—Support regional efforts at collaboration

He emphasized that he considers the state's current strategy to be "broken". He said he's not encouraged by what he has heard so far from candidates for Governor. Candidates aren't expressing a boldness that he believes is needed.

16. Thanks —On behalf of the Civic Caucus, Verne thanked our guests for being with us today.