



**Southwestern Illinois:
Economic Development Issues
and
Regional Strategic Issues**

July 30, 2010

**Prepared for Madison-Bond and Mid America Workforce Investment
Boards**

By

**T. R. Carr and John Navin
Southern Illinois University Edwardsville**

Strategic Directions for Southwestern Illinois

Where does the future of Southwestern Illinois Lay?

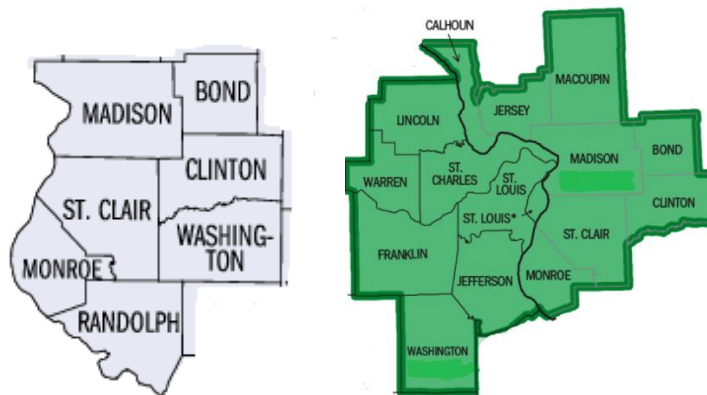
The final step in the Vision2020 process is to strategically plan where we are going to put our resources over the course of the next ten years. Through our meetings, interviews, surveys, research, and focus groups we have identified clusters and initiatives that the region should consider for adoption as it prepares for the future.

Who are We?

In order to determine the future direction of the region, it is important to take a step back and inventory who we are and the assets of our region. The study area for the Regional Innovation Grant (RIG) focuses on seven counties in Southwestern Illinois, four of which are within the St. Louis MSA.¹ The seven-county area and the entire St. Louis MSA are reflected in Figure 1 below.

Figure #1

Seven County Study Area and the St. Louis MSA



Source: U.S. Bureau of the Census.

I. Employment and Employers *Employment Distribution across the Study Area*

Table 1 shows that our area is very diverse in terms of the distribution of employment. The counties of Madison and St. Clair account for the majority

¹ Note: The Illinois counties of Washington and Randolph are not included in the official St. Louis MSA as defined by the U.S. Census Bureau.

of employment, with each accounting for more employees than Bond, Clinton, Monroe, Randolph, and Washington combined.

**Table 1
Employment in the Seven County Area**

	Bond	Clinton	Madison	Monroe	Randolph	St. Clair	Washington
Total Employment	4,076	8,773	86,419	8,235	11,107	81,257	5,712
Source: U.S. Bureau of the Census and Illinois Department of Employment Security (2008)							

Our Major Employers

Table 2 below highlights the major employment sectors for our area, with Table 3 portraying the major sectors of our employment in each individual county. The largest employers are concentrated among government, healthcare, heavy industry, education, and transportation. These areas fit well into our vision for the future of our area – a future which builds on the assets that we have to meet the challenges of the future. The region’s largest employers are located within Madison and St. Clair counties. As we look at all counties in the area, the largest sectors of employment are much more diverse, but consistent with the five clusters identified as our future focus.

**Table 2
Largest Employers by Approximate Number of Employees**

	Number of Employees
Scott Air Force Base	14,000
Southern Illinois University Edwardsville	2,451
Memorial Hospital	2,400
U.S. Steel	2,250
Olin Brass	1,821
Southwestern Illinois College	1,700
Midcoast Aviation	1,600
St. Elizabeth Hospital	1,591
Southern Illinois Healthcare Foundation	1,400
Conoco Philips Wood River Refining	1,300
Source: Leadership Council and St. Clair County Economic Development Department	

Table 3
Largest Employment Sectors by County Based on Total Employees
(Percent of Total Employment)

	Largest Employment Sectors
Bond:	Health Care (13.1%) Wholesale Trade (11.3%) Retail Trade (10.9%) Accommodations & Food Service (8.5%)
Clinton	Health Care (18.7%) Retail Trade (17.5%) Manufacturing (11.7%) Construction (8.3%)
Madison:	Manufacturing (16.2%) Retail Trade (15.1%) Health Care (14.8%) Accommodations & Food Service (11.8%)
Monroe:	Retail Trade (16.5%) Professional, Scientific, and Technical Services (12.3%) Accommodations & Food Service (11.7%) Construction (11.5%)
Randolph:	Manufacturing (28.5%) Health Care (19%) Retail Trade (13.6%) Accommodations & Food Service (7.3%)
St. Clair:	Health Care (17.9%) Retail Trade (17.3%) Manufacturing (7.4%) Professional, Scientific, and Technical Services (6.4%)
Washington:	Manufacturing (37.6%) Retail Trade (12.8%) Transportation & Warehousing (9.2%) Wholesale Trade (7.7%)
Source: U.S. Bureau of the Census	

II. Demographics

Population Distribution across the Study Area

The total population of the seven county area is approximately 665,000. The population, similar to the employment numbers, is heavily weighted toward Madison and St. Clair counties.

Table 4
Population Across the Seven County Area

	Bond	Clinton	Madison	Monroe	Randolph	St. Clair	Washington
2008 Population	18,253	36,711	268,078	32,804	32,641	262,291	14,728
Source: U.S. Bureau of the Census							

Age Distribution

One of the major strengths of the study area is the availability of a capable workforce. Working age is defined as 18 to 65 years of age and every county within our study area exceeds the state average in percentage of the population. The age demographics of our workforce compare favorably to the rest of the MSA and the Missouri counties of St. Charles and St. Louis.

**Table 5
Percentage Distribution of Population of Working Age
(Percent 18 to 65)**

	Illinois Counties and State							
	Bond	Clinton	Madison	Monroe	Randolph	St. Clair	Washington	State of IL
% 18 - 65	65.4	62.8	62.8	64.0	64.6	61.9	61.5	56.3
Source: U.S. Bureau of the Census								

	Missouri Counties		
	St. Louis	St. Charles	St. Louis MSA
% 18 - 65	62.4	63.4	63.0
Source: U.S. Bureau of the Census			

Educational Attainment

The high school educational attainment of the area is consistent across the counties, with the percentage of high school graduates centering around 75% among all counties. One of the challenges that our region will face is to increase the high school graduation levels. College graduation levels are another challenge that the region will face – they are below the state average and show some large variation across the counties. The lower educational levels are concentrated in the more rural counties of the study area

**Table 6
Educational Attainment**

	Illinois Counties and State							
	Bond	Clinton	Madison	Monroe	Randolph	St. Clair	Washington	State of IL
% High School Graduates	72.8	77.4	84.3	87.2	71.3	80.9	79.1	81.4
% College Graduates	15.0	13.0	19.2	20.4	8.6	19.3	13.4	26.1
Source: U.S. Bureau of the Census								

	Missouri Counties		
	St. Louis	St. Charles	St. Louis MSA
% High School Graduates	81.3	89.1	85.5
% College Graduates	21.6	26.3	24.2
Source: U.S. Bureau of the Census			

Income and Poverty Rates

A final set of challenges that our region will face as we move forward is the diversity in both median household income and poverty rates across our area. Madison, Clinton, Monroe and Washington counties fall below the state poverty percentage while Bond, Randolph, and St. Clair exceed the state average. There is considerable variation among the counties as the poverty rates range from a low of 4.5% in Monroe County to a high of 15.8% in St. Clair County. Similarly, only Monroe County exceeds the median income for the State.

**Table 7
Income and Poverty Rates**

	Illinois Counties and State							
	Bond	Clinton	Madison	Monroe	Randolph	St. Clair	Washington	State of IL
Median Household Income (2007)	\$46,974	\$52,996	\$52,073	\$66,748	\$42,980	\$46,428	\$48,727	\$54,414
% people below the poverty level	11.9	9.5	11.3	4.5	12.8	15.8	7.8	11.9

	Missouri Counties		
	St. Louis	St. Charles	St. Louis MSA
Median Household Income (2007)	\$46,847	\$66,370	\$44,437
% people below the poverty level	13.5	5.0	9.9
Source: U.S. Bureau of the Census			

Section I Background Context

The Vision2020 project was conceived as an opportunity for Southwestern Illinois to accomplish three objectives:

1. To understand and define the region's economy.
2. To determine the economic opportunities and priorities for the region.
3. To research and identify strategies for achieving these priorities within the next ten years.

The Regional Innovation Grant (RIG) program was created by the U.S. Department of Labor with a purpose of providing regions with the ability to develop their own unique and appropriate strategies for economic development. According to the Labor Department:

"RIGs assist regional leaders in the development of a comprehensive and integrated Regional Strategic Plan, with a focus on addressing talent and economic development strategies in response to current and future economic dislocation eventsETA (Employment Training Administration) has identified critical success factors for organizing and transforming regions, which include:

A Socially-Networked Leadership Group;

A Strong Regional Identity;

Alignment of strategies across workforce development, economic development, and Workforce systems; and

Shared Resources to Implement Strategies: All sectors contribute, leverage and share resources needed to implement growth strategies. "

When Vision 2020 was initially conceived as an appropriate initiative for Southwestern Illinois, the economy of the nation, the State of Illinois, and the region was relatively strong. The region was in the process of experiencing significant private sector investment, including a multi-billion dollar investment in the Wood River Refinery by ConocoPhillips; and a new \$3.9 Billion Prairie State Energy Campus near Marissa; and a \$670 million investment in U.S. Steel's Granite City Works. While the region did face economic challenges at the time of initial application for the RIG grant, the economic environment was positive and solutions to most economic challenges seemed identifiable and within the reach of the region.

Unfortunately for the project and the study team, the economic realities facing Southwestern Illinois changed significantly between 2008 and the present. By the time the RIG grant had been awarded in 2009 the nation had experienced a meltdown in the banking and housing sectors. The global economy suffered a major economic downturn. Instead of an expanding employment picture, unemployment at the national, state, and regional levels doubled to the 9% to 10% range. The state of Illinois found itself facing a

budget deficit of between \$11-\$13 billion and the federal government authorized the expenditure of almost \$800 billion to stabilize and stimulate the nation's economy. As a consequence, sources of new state and federal funding became very limited.

Another immediate impact of the increasing Illinois budget deficit involved decisions by state officials to suspend payments to local school districts, municipal governments, and other entities. These budgetary decisions have a direct impact on both workforce development and the ability of local governments to aggressively attract private sector investment.

This extensive and pervasive change had a profound impact on this region. Private and public sector leaders from across the region now express a concern for maintaining their current economic status as their top priority. This does not mean that there is an absence of concern for economic growth. Rather it is a realism grounded in challenges facing the region.

A partial listing of some of these challenges follows:

- Federal Budget Deficit
- Mississippi River Levee Decertification and Repair
- State of Illinois Budget Deficit
- National Health Care Reform
- State of Illinois Tax Policy and Business Climate
- Federal Tax Policy
- Environmental Policies:
 - “Cap and Trade” Air Pollution Initiative
 - Floodplain Development Restrictions

Strategic Planning Issues for the Region

Economic Comparative Analysis. A comparison of the Southwestern Illinois region to other comparable regions in the U.S. found that this region was not significantly different from those regions. Five multi-state metropolitan areas (MSAs) concentrated in the Central U.S. were selected for comparison. These were: Minneapolis-St. Paul-Bloomington (Minnesota/Wisconsin); Cincinnati-Middleton (Ohio, Indiana, Kentucky); Kansas City (Missouri, Kansas); Memphis (Tennessee, Arkansas, Mississippi); and Louisville-Jefferson County (Kentucky, Indiana).

This means that Southwestern Illinois has the capacity to compete favorably with other regions across the Midwest. The issue for Southwestern Illinois involves the ability to develop and implement a strategy to compete regionally, nationally and globally.

Strengths, Weaknesses, Opportunities and Threats. This analysis provided insights into the ability of the region to address economic challenges. A recurring theme from interviews, surveys, and focus group discussions was that the region is de-centralized and somewhat “stove piped” in terms of economic development. “Parochialism” was the somewhat pejorative term used by many respondents to describe the extensive decentralization within Southwestern Illinois. We found that respondents generally advocated development of a “regional” economic growth policy but found it difficult to identify an entity that could speak for the region.

We caution that this does not mean that there was dissatisfaction with existing leadership within the region. Rather it indicates that a regional strategy for economic development is sporadic and largely uncoordinated. We found a conviction that competition within the region hindered development of a regional strategy. Additionally the absence of a regional strategy has a continuing adverse impact on the ability of Southwestern Illinois to compete for growth.

Social Network Analysis. Our findings indicate that regional networks appear to be most active and at greater strength during periods of external threat. One example involved efforts to retain Scott AFB in Southwestern Illinois when social networks were active in pursuing a common goal. In the absence of a perceived external threat, the networks across the seven county area are somewhat ill defined and are much less active.

Economic Development Regional Voice. One important indicator of the importance of the social network in the region was the consistent response to questions related to who speaks for the region and who represents the region in terms of economic development. Responses to interviews, surveys, and focus groups indicated that the region lacks a single unifying entity in Southwestern Illinois that links the regions leaders into a socially cohesive group. A significant number of respondents stated that this was an appropriate role for the Leadership Council Southwestern Illinois. Other respondents tended to focus on municipalities, chambers of commerce, and staff within various counties.

Regional Identity and Marketing

Regional Branding. A recurring theme involved the need for an identifiable and marketable brand for Southwestern Illinois. A number of “brands” have been developed over the past several years that for unspecified reasons have not been fully adopted as sustainable brands. In the absence of a “brand”, the region tends to be identified within and outside the region by either specific municipalities or with individual counties. The decentralized nature of

the multi-county region may be a contributing factor to the absence of an identifiable brand.

This remains an important issue for the external image of the region. A municipality's identity is ultimately the interaction between people that is tied to how place affects the way people view an area. St. Louis looks to the East and sees its workbench, the repository for many of the unattractive elements of urban life. Past decisions coupled with the proliferation of industries that did not promote healthy communities and a family friendly environment contribute to the regions image problem.

More importantly, respondents indicated that an absence of an identifiable brand hindered external marketing the region in an increasingly competitive global environment. A region without a readily identifiable brand faces a marketing handicap in the global economy of today.

Regional Decentralization

A significant characteristic of the seven county area of study for the Vision2020 project is the extensive political and social decentralization within and across the region. Each of the seven counties have their own independent economic development arrangements and structures. Decentralization also characterizes the structure of municipal governments within each of the counties. Either municipalities have their own independent economic development structure or no formal staff/operations. Existing structures vary across municipalities and may involve specific city staff, reliance on chambers of commerce, or in some instances arrangements with county governments. A listing of municipalities within the seven county Vision2020 study area follows on the next page.

Decentralization is extensive and pervasive. We have not included the names and numbers of other governmental units that have an impact on economic development policies and strategies across the region. These include school districts, townships, and a number of special districts. The expansive number of independent local governmental units illustrates the decentralized political and social culture within Southwestern Illinois.

Decentralization and independence remain basic political values within and across the region. The significance for Vision2020 is that historically each county and local government pursues its own independent economic development policy. This tends to place Southwestern Illinois at a competitive disadvantage when compared to other regions of the country.

Municipalities Within the Seven County Region

<u>BOND</u>	Greenville Pierron	Mulberry Grove Pocahontas	Old Ripley Smithboro	Panama Sorento
<u>CLINTON</u>	Albers Breese Hoffman Trenton	Aviston Carlyle Huey Wamac	Bartelso Damiansville Keyesport	Beckemeyer Germantown New Baden
<u>MADISON</u>	Alhambra East Alton Granite City Highland Maryville Saint Jacob Williamson	Alton Edwardsville Grantfork Livingston New Douglas South Roxana Wood River	Bethalto Glen Carbon Hamel Madison Pontoon Beach Troy Worden	Collinsville Godfrey Hartford Marine Roxana Venice
<u>MONROE</u>	Columbia Valmeyer	Fults Waterloo	Hecker	Maeystown
<u>RANDOLPH</u>	Baldwin Evansville Red Bud Steeleville	Chester Kaskaskia Rockwood Tilden	Coulterville Percy Ruma	Ellis Grove Prairie du Rocher Sparta
<u>ST. CLAIR</u>	Alorton Caseyville East St. Louis Freeburg Mascoutah Saint Libory Summerfield	Belleville Centreville Fairmont City Lebanon Millstadt Sauget Swansea	Brooklyn Dupo Fairview Heights Lenzburg New Athens Shiloh Washington Park	Cahokia East Carondelet Fayetteville Marissa O'Fallon Smithton
<u>WASHINGTON</u>	Addieville Irvington Okawville	Ashley Nashville Radom	Du Bois New Minden Richview	Hoyleton Oakdale Venedy

As an example, the greater Kansas City region has developed a coordinated strategy for economic development. That region has launched “KC One”, “KC SmartPort”, and “KC Advanced Energy” as coordinated strategic initiatives for economic growth. “KC SmartPort” emphasizes transportation and logistics resources (rail, highway, air) and linkages to the Port of Houston to enhance that region’s global competitiveness. The Kansas City region has multiple counties and a large number of communities in a similar manner to Southwestern Illinois, but has developed the tagline: “The United States of Kansas City” to market the value of a decentralized region without changing their governmental structure. This value of independence and decentralization remains strong in Southwestern Illinois today and serves as a

challenge and a potential resource in developing a common “vision” for Southwestern Illinois.

Southwestern Illinois has demonstrated the ability to effectively come together as a region when faced with external threats or when unified efforts are essential to achieving success. One example of the region demonstrating unity of purpose and strength was the successful effort to retain Scott Air Force Base when the future of that facility was threatened by a realignment of military installations by the U.S. Department of Defense. Strong partnerships were created within Southwestern Illinois and between Southwestern Illinois and the greater St. Louis region. Another example of Southwestern Illinois demonstrating the ability to work together for specific projects involves the successful efforts to secure expansion and improvement of the interstate highway network and approval for the new Mississippi River bridge.

An economic development strategy that promotes employment growth and regional vitality across Southwestern Illinois requires an understanding and an appreciation for the culture of decentralization.

Vision for the Future

One of the initial goals of Vision2020 as originally conceived involved identification of the “next new thing(s)” that could drive the economy of the region in the coming decade. Within the context of the challenges to the region we found a general and widespread emphasis on retention of the existing economic base combined with an emphasis on regional self-responsibility. The conviction that the region should create its own economic future by retaining and strengthening existing enterprises overshadowed identification of the “next new thing”.

The economic development strategies that emerged in our discussions produced the following cluster categories that provide opportunities for Southwestern Illinois.

Healthcare

Southwestern Illinois is home to several large, high quality health care facilities providing service to the region. It also has significant resources for future economic growth including: SIUE the Schools of Pharmacy, Dental Medicine and Nursing; at Southwestern Illinois College the School of Allied Health; at Lewis and Clark the Health Sciences Division; and at McKendree University the School of Nursing and Health Professions. These resources are significant and have the potential to provide significant economic strength to the region.

Heavy Industry

An emphasis on retaining the existing heavy industry within the region, especially steel manufacturing and associated industries, should be a priority. Loss of this industrial sector from the region would mean that the likelihood of its return would be minimal. Respondents indicated that an active strategy for retention should be developed for this sector.

Light Industry

Southwestern Illinois benefits from a motivated, capable and trained workforce. The region should seek to develop a strategy that will attract and/or facilitate the development of light manufacturing. Such an effort involves a strategy of linking existing heavy industrial installations to both existing and new light manufacturing operations.

Energy

Southwestern Illinois benefits from significant energy generation investments. These investments involve both traditional and new energy sources: the ConocoPhillips Refinery in Wood River, the Ethanol Research Facility at SIUE, existing and planned ethanol plants in Sauget and the Tri-City Regional Port District, and the Prairie State Energy Campus near Marissa. Energy has the potential to be developed as a major resource in the economic development of the region.

Logistics / Transportation

The central location of Southwestern Illinois in the United States makes it a prime location for an expanded logistics/transportation hub. The region benefits from:

- The convergence of five major rail carriers for freight distribution.
- An expansive interstate highway network with significant local infrastructure within Southwestern Illinois (I-255; a new Mississippi River Bridge to St. Louis; I-70; I-64; I-55)
- Access to river traffic through the Tri-City Port and port facilities on the Kaskaskia River provides Southwestern Illinois with a link to international trade derived from the expansion of the Panama Canal scheduled for completion by 2015
- Southwestern Illinois benefits from three major airport facilities: St. Louis Downtown Airport in Cahokia; St. Louis Regional Airport in East Alton; and Mid-America St. Louis Airport that adjoins Scott Air Force Base

- Large tracts of land near these transportation assets for development of warehouse space

Southwestern Illinois is uniquely situated with significant existing resources to develop logistics as a major component in its future.

Agriculture:

Agriculture is a significant element in the economy of Southwestern Illinois and will remain important in the foreseeable future. At the same time the potential for expanding the market for agricultural products provides an opportunity. Food manufacturing and the proximity of farms to ethanol plants are potential growth areas relating to agriculture.

Trends and Realities

Southwestern Illinois has the opportunity to develop strategies that are appropriate for economic and workforce development in an economic climate that is decidedly different from that of the past.

First, historically a significant portion of the region's economy was based on producing goods for distribution for both national and international markets. Lower labor and production costs around the globe can now provide manufactured goods at lower costs than those produced within this region. Existing major industries and enterprises will continue to make investments in equipment and facility modernization designed to increase productivity and improve their global competitiveness. This may mean that the region will benefit from job retention but may not see the creation of net new jobs in these employment sectors. One implication is that traditional heavy industrial manufacturing activities will probably not be an area of expanding employment growth in the future.

As a qualifier, we would observe that potential exists for employment growth in industries that can benefit from a location in close proximity to heavy industry and are attracted to the transportation infrastructure (river ports, rail networks, air freight, and truck freight) within Southwestern Illinois.

Second, Southwestern Illinois has the opportunity to adopt strategies that will allow it to compete in the realm of technology, research, and knowledge based industries. Located in the heartland of the United States, the region traditionally was somewhat isolated from external competition. Globalization of trade and markets is now pervasive which requires the region to compete in a global economy. With the existing educational infrastructure and its proximity to St. Louis, Southwestern Illinois has the potential to compete in these realms.

Third, the region has a long history and a strong commitment to organized labor. This worked well in a manufacturing based economy. A strength identified by respondents was the existence of positive labor-management relationships within Southwestern Illinois. The Leadership Council's Labor Management Committee was cited as an entity that has a positive impact in this area. The new economy of the region will benefit from a continued strong partnership that can foster labor stability, innovation and flexibility which will positively impact on workforce development and training.

Fourth, the rise of globalization means that localities within Southwestern Illinois are competing not only against other regions of the U.S., but against other nations as well. To compete, the region must identify and develop strong working relationships and economic development partnerships at the regional, state, and national levels. Relying on a "go it alone" development strategy will place localities at a competitive disadvantage in a global economy.

Fifth, a regional approach to economic development is increasingly beneficial to economic growth for localities. Coordinated strategies provide opportunities for symbiotic growth within a region.

Sixth, "green and sustainability" are the new watchwords for economic development. One application of these terms is to energy development and generation. Southwestern Illinois is uniquely positioned with the potential to tap into this value with an "energy" cluster.

Seventh, entrepreneurship, innovation and flexibility are keys to adapting to the future. A willingness to move from historic strategies is required and the ability to continually scan the global landscape for new opportunities is an important element in any effective strategy.

Essentials for Economic Growth in Southwestern Illinois

The Vision2020 process has provided insights into what can be described as essential elements for inclusion in planning for the future of Southwestern Illinois. The continued prosperity and economic development of the region now depend on adapting to a significantly changed economic environment.

Retention. The region now faces the challenge to develop strategies to retain its current business base. Southwestern Illinois faces competition from Southern states and other geographic regions hungry for industry and jobs, and industry has demonstrated a willingness to respond to incentives and relocate to other regions of the nation. The region also faces competition from other nations seeking to attract industry and the accompanying economic benefits. Retention policy can be most effective when implemented

on a regional basis. The successful retention effort for Scott Air Force Base was a regional project in which the resources of Southwestern Illinois and the greater St. Louis region were mobilized. Retention efforts may involve financial costs, but these costs should be weighed in the context of the costs associated with the loss of private sector companies.

Redevelopment. Southwestern Illinois has benefited from significant private and public sector investment in the past with a strong employment base and the availability of quality public services. The older communities along the eastern banks of the Mississippi River constitute a segment of the region that was prosperous in the past but has now experienced decay and a loss of economic vitality. The economic health of Southwestern Illinois is impacted by this economically distressed area. The challenge for this region is to develop a strategy that will foster investment and job creation in this area.

Cluster Development. Changes in the structure of the economy at the national and state level mean that this region should strongly consider investing in the key industry clusters identified through this project and remain open to adopt potential new clusters as opportunity provides.

Collaboration. An active regional economic initiative is increasingly beneficial to economic growth within the region. Coordinated strategies provide opportunities for symbiotic growth within a region. Regional collaboration requires a shift in values from a “go it alone” approach to one of cooperation. This is a significant challenge for Southwestern Illinois.

Regional Economic Compact. Southwestern Illinois currently has limited resources to attract and retain economic growth. As each county and municipality acts independently, the issue of limited resources (i.e. personnel, funds) acts as a constraint. The region should consider creating an economic compact between public entities (counties and municipalities) and the private sector in order to create an expanded set of resources (funding, personnel, contacts) for economic development. Such a compact would recognize the legitimacy of a decentralized region and the value of cooperation across the region.

Limited State Resources. Southwestern Illinois should recognize that the current state budget deficit and state debt mean that the region faces the potential of very limited state resources for economic development assistance. The result is that the region’s economic future is in its own hands. This is both an opportunity and a challenge.

Section II Initiatives and Strategies

This section contains the initiatives and strategies required if Southwestern Illinois is to make progress in developing a strong and vibrant economic base. These are not presented in any ranked order. They do reflect a range of options that we believe will be effective for this region. Effective implementation of these strategies requires significant resources: money and people. A foundational requirement is achieving a strong political commitment to these initiatives by the public and private sectors. The absence of a collaborative and cooperative approach by the public sector will serve as a major obstacle to progress.

I. International Economic Initiatives and Strategies

Globalization directly impacts on the economic health and viability of this region. Just as other nations seek to attract business investment from the United States, Southwestern Illinois should implement initiatives and strategies that will attract international investment within this region. Efforts are currently in progress to utilize MidAmerica St. Louis Airport as an access and transfer point for international trade. This same potential exists with port facilities on the Mississippi and Kaskaskia Rivers preparing for expanded trade with Asia.

The extensive rail and highway network within Southwestern Illinois serves as an essential transportation infrastructure for international trade.

In some respects, Southwestern Illinois is conservative and risk averse as reported by respondents in our study. At the same time there appears to be a lack of awareness across the region concerning the vital role of international trade in our economy. Initiatives designed to educate and inform the public about the importance of participating in the global marketplace like the 2009-2010 multi-modal transportation series should be continued.

Initiative: Utilize existing industrial, business and commercial strengths within the region to: 1) expand global exports, 2) attract investment from international corporations into Southwestern Illinois and 3) increase awareness on the part of residents and regional leaders concerning the importance of international investment.

Strategies: Asset Identification. A review of the assets of Southwestern Illinois indicates that the region has benefited from significant

international investment in the past (Midcoast Aviation, a division of Jet Aviation, an international company, is just one example). These assets have the potential to provide access to a range of other international businesses for both expanding trade and securing investment.

Branding and Marketing. One theme that emerged from our analysis was that the region lacked a marketable brand and, by extension, a collaborative and coordinated marketing strategy. Expanding international investment in Southwestern Illinois requires marketing the region as a whole. Chicago is the international hub for the Midwest and St. Louis (MO) is the region's neighbor across the river. Effective international branding and marketing involves utilization of our proximity to both of those areas.

Workforce Training. The region (through its two Workforce Investment Boards) should develop training programs for public and private sector leaders and managers relating to skills necessary for building and expanding relationships with international governments and companies. Additional training should also be provided to rank and file employees concerning skills related to international trade. Abundant resources (especially at universities and associations) exist within this region to assist the WIBs in this task.

International Trade Institute. Southwestern Illinois should consider creation of a collaborative institute that will utilize the skills, insights, and contacts of existing international business leaders and organizations within the region to assist in development of policies, programs, and protocols that are friendly and will assist in attracting international investment.

International Business Incubators. Through cooperative arrangements between county governments and the State of Illinois create incubators for businesses that are specifically related to international trade and investment. An expanded incubator program could facilitate expansion of existing businesses and encourage start-ups.

Workforce Inclusion. The greater St. Louis region has experienced a sizeable in-migration of individuals from around the world. This segment of the population would benefit from specialized job skills training to enhance their contribution to the region's economy. Immigrant groups also have the potential to

serve as a link between existing business and international companies for investment purposes.

Competitive Investment Strategies. International investment requires a tax and investment structure that is competitive with other regions of the nation. International investment in Southwestern Illinois will be enhanced through a regional investment incentive strategy.

Regional St. Louis Partnerships. International investment is being aggressively pursued by the greater St. Louis area. Southwestern Illinois should consider development of a strategic partnership with agencies, organizations, and businesses operating in this region. Efforts are in process between the various port districts in this respect and should be expanded to include other sectors.

II. Retention Strategies

Business retention is an often overlooked component of economic development that is occasionally manifested by a belief that “They’ll never close. Their investment is too great just to walk away from that plant.” The decision by Chrysler to close two assembly plants in Fenton, MO in 2009 following a major investment in plant modernization and relocation of supplies to support “just in time” manufacturing is one example of the fact that any existing industry or business operation may be at risk.

Initiative: Regional Retention Coalitions. The Southwestern Illinois region is decentralized politically, socially and economically. The region will be strengthened by the development of strategies to retain existing businesses.

Strategies: Public-Private Sector Coalitions. Create coalitions with membership drawn from municipalities, counties, local Chambers of Commerce, and the State of Illinois to act proactively to develop retention strategies for businesses within the region.

Retention Strategies. In efforts to attract new business to the region, policies and programs may be implemented that place existing businesses at a competitive disadvantage. Incentives for new businesses should be consistent with retention policies for existing businesses.

Collaborative Retention Policies. The loss of a business in one community impacts the region as a whole. Effort should be expended to seek agreements that bring the combined strength of the region to focus on business retention.

Information Management. The ability of the region in business retention involves utilization of various databases that profile business operations across the region. Some of these databases are at the county level, some at the municipal level, some with regional bodies such as the Workforce Investment Boards, and some with associations such as the Leadership Council and Chambers of Commerce. Utilization of the compiled information can serve as an “early warning system” for retention problems. Existing resources (personnel, funding) should be made available so that the decentralized database system can be utilized in an effective and coordinated manner.

Private Sector Involvement. The private sector from across the region should be involved in development of retention policies. Madison and St. Clair businesses are active in the Leadership Council. The impact of this organization can be increased with efforts to secure expanded membership from businesses in the surrounding counties. Public sector initiatives are enhanced with private sector involvement.

Critical Retention Effort Blueprint. The region was very effective in efforts to retain Scott AFB when that installation was at risk. The leadership in this region should review this experience and develop a “blueprint” and a “toolkit” for critical retention efforts in the future. U.S. environmental policies may threaten ConocoPhillips or U.S. Steel in Granite City. Preparation enhances the chances for success.

III. Regional Voice for Southwestern Illinois

A significant theme that emerged from our surveys, interviews, and focus groups involved comments concerning the absence of a regional voice for advancing the economic development of the region. Southwestern Illinois is decentralized (some would say fragmented) which is somewhat of a handicap in facilitating development within the region. The absence of a central clearinghouse for economic development has potentially adverse impacts on the growth of the region as governmental units within Southwestern Illinois pursue a somewhat parochial approach to growth.

One example that this region should consider emulating include the Chicago Region Environmental and Transportation Project (CREATE). This public-private partnership has a focus on the role of rail infrastructure in economic development. Other examples include the Memphis Regional Economic Development Council in Tennessee and “KC One” in the greater Kansas City area.

Initiative: Seek the creation of a cooperative and collaborative voice for the region.

Strategy: Economic Futures Summit. Development of an effective regional voice will involve public sector (County Board Chairs, municipal leaders, local chambers of commerce, and the private sector (possibly via the Leadership Council).

We would emphasize that there was an absence of a call for an additional governmental unit. A significant number of participants indicated that achieving a regional voice may involve support from the Leadership Council Southwestern Illinois in some capacity. We also received feedback that this role was the responsibility of the Leadership Council.

In the absence of a specific voice for Southwestern Illinois, the region will continue to be represented on an ad hoc basis by existing entities with Southwestern Illinois and in the greater St. Louis area.

IV. Redevelopment

Southwestern Illinois faces a challenge involving investment and redevelopment across the region. As public and private sector infrastructure age, a program of continued investment is required to maintain viability. Continuous redevelopment is required to maintain a high quality of life for residents, employment opportunities, and a vital regional economy. Redevelopment is important for distressed communities as both a social obligation and a mechanism to promote the economic health of the region.

Redevelopment strategies have traditionally relied on municipal, county, state, and federal funding programs in concert with the private sector. The economic condition of Illinois is a significant constraint in this area. Securing funding for redevelopment efforts remain a major challenge for Southwestern

Illinois. Redevelopment is a long-term process that will probably proceed at an unequal pace across the region.

Initiative: Seek development and implementation strategies for all areas of the region.

Strategies: Municipal partnerships. Creation of partnerships with and between municipalities is a viable option given the decentralized structure of Southwestern Illinois. As municipalities engage in redevelopment activities, cooperative arrangements with workforce investment boards can allow identification of areas of training required for employees in the area(s) experiencing redevelopment.

V. Green Environment

Southwestern Illinois is a region of environmental contrasts. The areas bordering the Mississippi River are the industrial core of the greater St. Louis area and are accompanied by brownfields, one of the by-products of industrial development. Other regions of Southwestern Illinois are largely undeveloped with extensive agricultural operations and large expanses of greenfields.

Initiative: Expand the regions commitment to the concept of a “green economy” and to environmental sustainability.

Strategies: Brownfield identification and remediation programs should be created/expanded. Utilizing new and existing databases and inventory of brownfields should be developed and targeted for remediation. Remediation of brownfield areas will open large areas of land for redevelopment.

VI. Economic Development Financial Tools

Economic growth and development require the utilization of financial tools that involve tax policy and incentives from local, state, and national sources. Economic development financial tools also involve significant conflict. In this era of financial challenges in both the public and private sectors this conflict may be intensified.

Arriving at a consensus between competing public and private sector interests remains elusive. Nevertheless, the region's leadership should engage in a series of dialogues in an effort to increase communication, reduce conflict, and understand that the decentralized nature of the region will produce decidedly different perceptions of the type, nature, and appropriate use of economic development tools.

VII. Innovation and Entrepreneurship

This value emerged from a review of comments related to a desire to market the motivated and capable workforce within the region. Comments also centered on the number of successful small to medium size businesses across the region and the leaders in the business community that have continued to contribute to the economic health of the region. Entrepreneurship reflects an emphasis on identifying and exploiting existing capabilities within the region in diverse areas such as medicine, health, engineering, manufacturing and technology transfer.

Initiative: Increase the emphasis on entrepreneurship within the region in both the public and private sectors. This involves creativity and expanding the role of institutions of higher education as economic development engines within the region.

Strategies: Investigate the potential for technology development and transfer from educational institutions and other small business operations to larger applications. Such a strategy involves creativity and expanding the role of institutions of higher education as economic development engines within the region as they promote entrepreneurial skills and technology transfer.

Initial entrepreneurial and technology transfer conferences have been held within the region relating to this approach and should be conducted on a regular basis.

Other regions have relied heavily on entrepreneurship as a mechanism for growth and this should be adopted by Southwestern Illinois

Section III Target Specific “Clusters”

Southwestern Illinois does not have the luxury of “remaining passive” with the issue of economic growth and development. The Vision2020 work group has identified several potential clusters that should be pursued within the region. Each cluster was identified based on existing strengths within the region and the potential to expand that cluster for strengthening the region. The clusters are not presented in any rank order. Each cluster has the potential to serve as a source of economic strength for the region. The clusters were identified through feedback received from participants in interviews, surveys and focus groups, and from discussions with the Vision2020 working group.

Allied Health Cluster

Efforts in this cluster should be considered as a high priority for initial development efforts. The existing educational and service delivery infrastructure provides a foundation for development in this area. Allied health resources in Southwestern Illinois are extensive and their economic value significant as documented by the Navin and Sullivan (2005) study of health care within the region.

Southwestern Illinois has significant resources in the area broadly defined as Allied Health. Major hospitals and healthcare organizations such as Memorial, St. Elizabeth and the Southern Illinois Healthcare Foundation are resources for the region. Related resources include the training and research centers at Southern Illinois University Edwardsville, McKendree University, Lewis and Clark and Southwestern Illinois College. These institutions provide the region with the potential to expand in the areas of dental medicine, pharmacology, nursing, and public health.

Strategies:

Health Care Summits. An effective approach will involve a series of summits to obtain participation from leaders in this sector and their insights into the role of this cluster as an economic engine in the future. Potential summits would include: educational institutions, health care hospitals and associations, health departments and foundations, health care providers. SIUE in concert with

the Workforce Investment Boards and the Leadership Council should convene these initial summits.

Issue Identification. At the summits, leaders will be asked to identify the relevant issues facing this region in order to create an action agenda. Linkages between this region and St. Louis should be explored as a mechanism to identify areas of existing collaboration and areas of potential development.

The impact of national health care reform will have a significant impact on issues related to health care in this region. As these issues become clear, appropriate strategies can be developed and refined that will enhance this cluster as an economic driver for Southwestern Illinois.

Resource Identification and Action Plans. Central to this process is identification of resources from the public and private sectors that can be mobilized for the implementation of action plans that are produced.

Information technology is linked to health care with an increasing emphasis on computerized patient records, and other applications. This has the potential to serve as an area of employment growth.

Workforce development. The region should build on previous successful efforts impacting skills development for this cluster. In 2005 the Southwestern Economic Development Region (Madison, Bond, Jersey, Clinton, Calhoun, St. Clair, Randolph, Monroe, and Washington counties) received a Critical Skill Shortages Initiative (CSSI) Grant from the Illinois Department of Commerce and Economic Opportunity for skills development of incumbent healthcare workers. This 2 year program resulted in an increased number of registered nurses in the region and provided leadership training to over 800 healthcare managers/supervisors at 12 different healthcare institutions

As issues and resources continue to be identified, workforce development strategies can be devised and implemented.

Energy Cluster Southwestern Illinois now has a significant role in energy development, energy delivery and energy related research. This cluster has significant potential as an economic engine for this region.

Strategies: **Refinery.** The ConocoPhillips refinery in Wood River is a major employer in the region and is in the process of completing a multi-billion dollar investment that will increase its capacity and allow it to refine sand tar oil from Canada. Concerted efforts should be undertaken to a) enhance the ability to retain the facility and b) identify options for future expansion of the refinery.

Retention strategy involves working *proactively*:

- 1) with local taxing authorities proactively to achieve appropriate tax rates on the facility
- 2) with refinery officials and legislators (state and federal) to understand proposed environmental standards and impacts they might have on local jobs and investment. An example is the effort by American environmental groups to prevent pipeline construction for the processing of Canadian sand tar oil due to potential environmental impacts in Canada and the United States.

Ethanol. The region benefits from the location of the National Corn-to-Ethanol Research Center (NCERC) on the Campus of Southern Illinois University Edwardsville. The NCERC provides research support for the industry and workforce training for ethanol plant operations. With the national emphasis on reducing dependence on imported oil and on clean energy, the NCERC has the potential to become a nationwide provider in this emerging industry. The region also benefits from current ethanol plants (Center Ethanol) and (Abengoa Bioenergy) located near the Mississippi River for ready access to river, rail and highway transportation systems.

Coal. The \$4 Billion dollar Prairie State Energy Campus near Marissa involves the application of technology to

produce electricity from a cleaner coal burning process. This technology provides an important source of electrical energy and the potential for additional research and development into coal as a fuel.

“Cap and Trade” is a serious potential threat to the future of this facility and the region should act proactively to support this facility as a source of energy for the region, as an employer, and as a potential stimulus for additional research and development.

“Green Energy.” This concept reflects a significant initiative in energy policy. The strength of Southwestern Illinois in energy has the potential to provide a foundation for the region to have a significant future role in green energy technology. Through a proactive strategy, Southwestern Illinois has the potential to build on energy development and delivery as an economic strength for the future.

Heavy Industry Cluster

Southwestern Illinois benefits from the presence of heavy industry such as U.S. Steel in Granite City. If this industrial sector departs from the region, the likelihood of its return is minimal.

Strategies:

Development of a proactive retention strategy for heavy industry should be a apriority for the region. Specific elements of effective retention initiatives can be developed in concert with specific industries involved. Of special concern to this sector are environmental policies such as “cap and trade”, floodplain development issues, and the complex issues of levee repair and certification. This means that an active strategy for retention should be developed for this sector with an emphasis on retaining the existing heavy industry within the region, especially steel manufacturing and associated industries

Light Industry Cluster

Southwestern Illinois is home to heavy industries and these industries have the potential to serve as a focal

point for development of light manufacturing operations. The availability of an extensive transportation network and a capable workforce has the potential to allow the region to attract light industrial operations.

Strategies: Work with existing businesses within the region proactively to seek both expansion of existing facilities and attraction of new operations. One potential example follows. Abengoa Solar has an extensive network of solar energy facilities across the U.S. This region may have the capacity to engage in production of various components of solar or other energy sources.

“Mixed Scanning” (reviewing and evaluating a wide range of possible options) can be employed by this region to link existing industry and potential new light industrial applications.

Logistics and Transportation Cluster

Southwestern Illinois benefits from access to a well defined transportation network of interstate highways, rail systems, a port district on the Mississippi River, and three quality airports. Logistics / transportation currently have a significant impact on the economy of the region and should be a targeted focus for development.

Initiatives: Create a strategy that will develop this cluster into a growing economic engine for the region. There exists an understanding that each sector (roads, rivers, rails, runways – the 4 Rs) has the potential to strengthen the logistics network in Southwestern Illinois.

Identify a strategy for recruiting business and commercial entities that will expand employment within the region. This involves securing long-term skilled employment for residents of Southwestern Illinois. Identify specific strategies for each of the transportation mode: trucking, rail carriers, barge traffic, and airport utilization. Linking the four modalities into a coherent strategy was identified as having significant benefit for the region.

Air operations at MidAmerica St. Louis Airport have been targeted for expansion by that facility as a component of the transportation – logistics cluster. St. Louis Regional and St. Louis Downtown airports also provide a foundation for expansion of this cluster.

Trucking operations are somewhat decentralized and are found across the seven county area. Linkages between trucks and rail are well established within the region. Linkages between trucking and air freight remain an area of potential growth.

Rail crosses the region and benefits from the services of the Terminal Railroad Association. Related to transportation / logistics is the potential impact of a high speed rail link to Chicago. Such a link has the potential to cast the image of Southwestern Illinois as a suburb of Chicago instead of a remote region of St. Louis. High speed rail may have the potential to enhance the marketability of Southwestern Illinois.

The Tri-City *Port* District has the potential to link Southwestern Illinois to trade with Asia due to the expansion of the Panama Canal. The Kaskaskia Regional Port District serves the region primarily for agricultural barge traffic.

Strategies: Each transportation mode has unique strengths, capabilities, and competes with other modes. A significant challenge involves developing a **regional logistics strategy** that will benefit all modalities.

Air freight, as an important component of the logistics and transportation cluster, should be targeted for a definition of linkages to employment development initiatives beyond cargo transfer.

A complex challenge involves the role of existing airport facilities in a logistics cluster. St. Louis Regional Airport (East Alton) is home to several fixed-base operations. St. Louis Downtown Airport (Cahokia) also serves a number of fixed-based operations including a museum, a business park, and the operation of international aviation companies such as Midcoast, a division of the international company Jet Aviation.

MidAmerica St. Louis Airport, adjoining Scott AFB, was a significant factor in the retention effort of the Base during the Pentagon's Base realignment and closure efforts. Efforts continue to develop MidAmerica as an international trade link to

Asia and to Latin/South America. Efforts to develop and expand the role of airports in the logistics cluster involve considering the current services, operations, and capabilities of each airport as a logistics strategy is developed.

Southwestern Illinois should seek to create a partnership with the St. Louis region in the area of logistics / transportation in order to enhance growth of this cluster and expand development across the region.

The region should replicate past efforts that supported employee skill development in this cluster. For example, in 2007 Madison County Employment and Training in partnership with Southwestern Illinois College developed a “Warehouse 101” training program for logistics employees. This program allowed employees of Genco-Unilever to become certified as Warehousing and Distribution Specialists (CWDS). This type of program improves employee skills and enhances the ability of logistics companies within Southwestern Illinois to improve operations and compete with logistics firms in other regions of the nation.

Creation of a linkage between logistics / transportation with potential “light” assembly and other commercial operations should be clearly established and defined. This linkage can then serve as a mechanism for advancing this cluster as an important element in Southwestern Illinois.

Section IV Next Steps

The Vision2020 process was conducted during a period of economic recession in Southwestern Illinois, the State of Illinois and the Nation. With unemployment in the 10% range, expansion and growth have been replaced by a desire for much of the private sector to remain viable and wait for a future economic turnaround. Illinois state government is also encumbered by a budget deficit of some \$13 Billion. The state has suspended revenue payments to municipalities, school districts, and to debtors. During this period of fiscal stress Southwestern Illinois is faced with the fact that its economic future remains in its own hands.

During this same period of time, the Army Corps of Engineers and the Federal Emergency Management Agency (FEMA) have taken actions that require a major upgrade or rebuilding of the levee system along the Mississippi River. In our analysis we have not addressed strategies for funding the levee project. That process is proceeding on a separate track.

We do want to state that the uncertainty of costs associated with mandatory flood insurance, building code requirements, and external opposition to flood plain development has had a dampening effect on business attitudes concerning investment and expansion.

Recognize Reality, Strengths, and Challenges Decentralization

The region is decentralized (fragmentation is an alternate view) as a result of historic growth patterns as well as social and political values. As the Vision2020 process unfolds it is important to create plans that are appropriate for a heavily decentralized region. This means that coordination and collaboration rather than centralization should characterize future steps.

Through this process several “clusters” were identified as potential areas of action. The following areas offer significant promise and have the advantage of an existing infrastructure.

Allied Health.

In terms of workforce, the region is well positioned to prepare individuals for this career field. The region benefits of educational training programs that are decentralized across the region. Strengthening this cluster will have the effect of avoiding centralization and provide benefits across the region.

In terms of workforce skills, Allied Health is an expanding area. The demand for direct service providers (physicians, nurses, technicians) continues and will probably increase as the provisions of health care reform are phased in

over the next several years. Allied Health involves a wide range of occupational skills. Some examples include: information technology, communication, financial management, human resource management, security, homeland security, intergovernmental relationships, and social work.

Through a series of “summits” the specifics associated with advancing this cluster can be identified and implemented. The initial series of summits could be facilitated by the Public Administration and Policy Analysis Department at SIUE in concert with the Leadership Council and the Workforce Investment Boards.

Logistics and Transportation.

The region has significant infrastructure for expansion of this cluster. Significant competition from the St. Louis area exists for expanding this cluster. The decentralized nature of the infrastructure for this cluster across Southwestern Illinois has the potential to provide benefits across the region.

There are two different target markets for expansion of this cluster. One involves domestic transportation with the region benefitting from a significant role in this market.

The second target market involves international trade. Efforts are in place to expand this dimension at MidAmerica St. Louis airport. International trade offers potential for growth that can be enhanced through a regional emphasis on the creation of trade arrangements. Such a strategy involves workforce training and increasing public awareness of the importance of engaging in this cluster.

Energy Cluster. This cluster is less well defined, but has the potential to become a significant cluster in the future. Significant efforts in research related to this cluster are required.

General Regional Strategies.

As efforts in the areas of Allied Health and Logistics/Transportation move forward the issues related to regional branding/marketing and absence of “one voice” speaking for the region should be addressed. The creation of a single entity speaking for the region is unlikely, but through the utilization of existing entities a mechanism for a coordinated and collaborative voice for the region can be created, especially as related to areas of common agreement.

Proactive Strategies. The future of Southwestern Illinois depends on the ability of the region to act proactively in the areas of business retention and recruitment. Effective proactive strategies depend on understanding the needs of specific industries and businesses and working with legislators at

the state and national levels to ameliorate problems the affected clusters face.

Regional Resources and Responsibility

Southwestern Illinois has resources and capabilities that would be envied by other areas of the nation. A very abbreviated listing of regional strengths:

significant energy resources: a major refinery, a new electric generating facility utilizing new coal technologies, and ethanol research and production facilities

a developed transportation infrastructure with the convergence of five major rail systems, port facilities on the Mississippi and Kaskaskia Rivers, three airports, and a quality network of interstate and local highways

the presence of heavy industry as evidenced by a steel producing facility

an educated, trained and motivated workforce

a quality education system: K-12, community colleges, private universities and a major state university

a strong health care delivery system and strong health care educational program at colleges and universities across the region

located in the central U.S. with ready access to the heartland of the nation

proximity to the St. Louis region with the associated strengths of the greater St. Louis area

The challenge for Southwestern Illinois involves mobilizing existing strengths within the region in order to secure the future of the region. The region has the opportunity and capability to define its own future. The task for the region is to assume this responsibility and work collaboratively to advance Southwestern Illinois.