

North  
Carolina

# Insight

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## Air Cargo Complex: Will It Fly? A Pro / Con Discussion

Also ■ Sports as Economic Development ■ The Legislature of the Future



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The Center was formed in 1977 by a diverse group of private citizens "for the purpose of gathering, analyzing, and disseminating information concerning North Carolina's institutions of government." It is a nonpartisan organization guided by a self-elected Board of Directors and has individual and corporate members across the state.

Center projects include the issuance of special reports on major policy questions; the publication of a quarterly magazine called *North Carolina Insight*; joint productions of public affairs television programs with the University of North Carolina Center for Public Television; and the regular participation of members of the staff and the Board in public affairs programs around the state. An attempt is made in the various projects undertaken by the Center to synthesize the thoroughness of scholarly research with the readability of good journalism. Each Center publication represents an effort to amplify conflicting ideas on the subject under study and to reach conclusions based on sound rationalization of these competing ideas.

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*Baseball players pass the time at an Orange County Gas Station, circa 1939.*

# Not Just Fun and Games Anymore: Pro Sports as an Economic Development Tool

by J. Barlow Herget and Mike McLaughlin



*Local officials—armed with claims of impressive economic impact—are going to bat for professional sports franchises and single-shot sporting events like never before in North Carolina. Even state government has gotten into the act with the establishment of a Sports Development Office in the Department of Economic and Community Development.<sup>1</sup>*

*But how much impact can sports really have on the economy of a community? The North Carolina Center for Public Policy Research explores this question and finds that the economic impact of a professional sports franchise or event can be very real. The NBA's Charlotte Hornets, for example, have been a boon to the City of Charlotte, providing substantial economic impact and enhancing the city's image.*

*Minor league sports are more likely to have a minor impact, although they help round out a city's entertainment offerings. Local officials are advised to proceed with caution when negotiating leases with sports franchises or investing funds for stadium construction.*

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**T**he mayor of Charlotte, Sue Myrick, and her staff were calling on the executive of an out-of-state company that the city was courting to relocate in North Carolina. Boyd F. Cauble, executive assistant to the Charlotte city manager, remembered the familiar awkwardness at the beginning of the meeting as the room grew silent.

"You know how it is when nobody really knows each other and everyone is trying to be polite," he says. "We all had just been seated in his office, and there was this lull in the conversation. Before it got embarrassing, the guy we were visiting asked us about the Hornets. 'How's your new basketball team doing?' he said, or something like that. It broke the ice, and we got on with our meeting."

Cauble told the story to illustrate one of the subtle, intangible benefits that a professional sports franchise brings to a city. A national team brings with it national recognition and can even help a city in recruiting new business. "Even when you're losing, it's still nice to go anywhere in the U.S. and people will ask us how the Hornets are doing."

The Charlotte Hornets are a National Basketball Association team and the only major league professional sports franchise in the state of North Carolina. The team's presence and history in Charlotte reflect the interest in sports as a significant part of the state's overall economic development strategy. Sports—both amateur and professional—no longer are just fun and games but are viewed as big dollars and cents for the communities that host teams and events.

The search for new jobs or, in modern parlance, "economic development," has become one of the magic phrases of politics and politicians. Business and political leaders have refined this search over the years, and have identified different segments of the economy on which to focus interest and resources.

For example, travel and tourism was spotlighted as a special industry to develop as far back as the 1940s, and a state office and advertising budget were established to promote North Carolina as a tourist destination. Today, the Division of Travel and Tourism employs about 20 people, and it is reflected in convention and visitors bureaus in most major cities throughout the state. Division officials say travel and tourism represents the state's second largest industry, generating more than \$6.9 billion in spending each year.

In 1979, the state identified the movie and television film business as a piece of economic

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*J. Barlow Herget is a free-lance writer and a Raleigh City Council member. Mike McLaughlin is editor of North Carolina Insight. N.C. Center intern Richard Harrill provided research assistance for this article.*

development pie, and the subsequent North Carolina Film Office has been successful enough to earn the state the nickname "Hollywood East," according to Film Office director William Arnold. In 1991, the North Carolina movie industry generated some \$202.5 million in spending, according to the film office.

The latest jobs sector to attract special notice is that of spectator sports. In 1990, the state established the Sports Development Office in the Department of Economic and Community Development, and municipalities such as Greensboro and Charlotte began forming their own sports development programs. Take Greensboro for ex-

ample. "We've made a major commitment to make our sports facilities top-notch in the Southeast," says Dick Grubar, a Greensboro City Council member and former collegiate basketball player at the University of North Carolina at Chapel Hill. "The economic impact has been phenomenal. With the Chamber of Commerce, county, and city, we formed a sports commission, and we've hired an executive director. I think that the national and regional tournaments that have come here as a result have been immensely helpful to our hotel and restaurant industry."

This new interest—and especially the use of public monies—in sports development has raised



***Kendall Gill takes it to the hoop for the Hornets.***



**Racers and dignitaries gather at the starting line of the original Charlotte Motor Speedway, a wooden racetrack that opened in 1924.**

questions: How can the economic impact of such activities be measured? Are there benefits over and above new jobs? What are the drawbacks? Finally, what is the role of public money in sports ventures?

### Economic Impact

The appearance of consultants is one sure sign of a successful economic development trend. One of the veteran consultants in North Carolina is Hill Carrow, president of Carrow Sports and Marketing Company of Raleigh. Carrow is a nationally ranked amateur swimmer and an attorney who helped organize and direct the 1987 U.S. Olympic Festival in Raleigh. The two-week festival was centered in the Triangle cities of Raleigh, Durham, and Chapel Hill, but events were staged in cities as far away as Greensboro.

In a good year, the Olympic Festival breaks even, but the 1987 festival ended with a \$1.7 million surplus and produced a publicity bonanza for the Triangle area.<sup>2</sup> This triumph accelerated local and statewide interest in sports as an economic development issue, and Carrow subsequently wrote the business plan for the state Sports Development Office.

"First Union Bank did a study after the 1987 festival," Carrow says, "and the study showed that there was \$41 million spent in conjunction with that event. That includes money spent on tickets, sponsorships, hotel rooms, even purchases of au-

tomobiles by Buick and sold later by local dealerships. That amount doesn't include the multiplier effect of the number of times a dollar turns over in a community. A conservative multiplier figure is 2.5 times, and if you use that figure, then the total impact of that one event in the local economies was over \$80 million."<sup>3</sup>

Economists acknowledge that applying a multiplier to actual spending is an inexact science. John Connaughton, an economist at the University of North Carolina at Charlotte, has estimated the impact of the Hornets on the Charlotte area economy, as well as the potential impact of a National Football League franchise. Connaughton says a rough rule of thumb is to figure \$2 in economic impact for every \$1 in actual spending. "You've got to be real careful about whether you're recycling dollars that already exist or bringing new dollars in," says Connaughton.

Connaughton says he sometimes sees projections of economic impacts of \$6 and \$7 for every dollar spent. These estimates, he says, are vastly inflated. "Where there is a judgment to be made," says Connaughton, "I err on the conservative side."

In general, estimates of tremendous economic impact should be interpreted cautiously. The studies these estimates are based on typically are commissioned by supporters of a franchise or event. They typically include rosy assumptions about how much money will be spent on concessions, meals at off-site restaurants, gasoline or other transportation, motel rooms, retail shopping, and so on.

All of these hypothetical expenditures are added up and doubled, tripled, or even quadrupled to come up with an impressive sounding but entirely hypothetical economic impact.

These studies generally *do not* point out some of the disadvantages of investing in sports franchises—that building stadiums and providing infrastructure usually requires investment of public funds; that public funds committed to sports development may be diverted from other more important public purposes; and that teams can lose money and move or even go out of business, leaving a community holding the bag with an under-used and expensive stadium.

Geraldine Sumter, a Charlotte lawyer and a member of the Charlotte Coliseum, Auditorium, and Convention Center Authority, says she has questions about who benefits from dollars generated through sports ventures, although she does not oppose them if supported by the voters. “Other than ‘quality of life,’ what does the average taxpayer get from this?” she asks. “Can any person employed in the area expect to be able to send children to college, increase savings for retirement, or even buy a house?” In a nutshell, Sumter asks, “can average citizens expect to improve their

individual economic situations because of that activity?”

Charlotte City Council member Don Reid questions the value of economic impact estimates prepared by paid consultants for facilities like coliseums and convention centers. “Here is what I think happens,” says Reid. “The bureaucrats want more and more ‘things and functions’ to be in charge of. They know that no one, that is before I came along, is going to go back and check on the justification they used to sell a project. Therefore, they employ the consultant to prepare the justification and the consultant prepares whatever the bureaucrats want. Am I too cynical?”

Still, figures showing exponential economic impact for sports development cause salivation among business and political leaders. Max Muhleman, a Charlotte consultant instrumental in the city’s emergence as a market for major league sports, considers a report on Philadelphia’s four major league sports franchises to be among the most convincing studies of this genre. The study’s authors estimate the impact of ice hockey’s Flyers, basketball’s 76ers, football’s Eagles, and the Phillies baseball franchise on the Philadelphia area economy at nearly \$600 million annually.

**Table 1. Five Most Heavily Attended N.C. Sporting Events, 1991**

Event	Sport	Estimated Attendance*
Greater Greensboro Open	golf	250,000
Coca-Cola 600 (Charlotte)	auto racing	160,000
Winston 500 (Charlotte)	auto racing	133,500
PGA Championship (Pinehurst)	golf	120,000
Atlantic Coast Conference men’s collegiate Tournament	basketball	94,128

\*Attendance estimates should be interpreted cautiously. Only the ACC Tournament estimate represents a turnstile count.

*Table based on research by N.C. Center intern Richard Harrill*

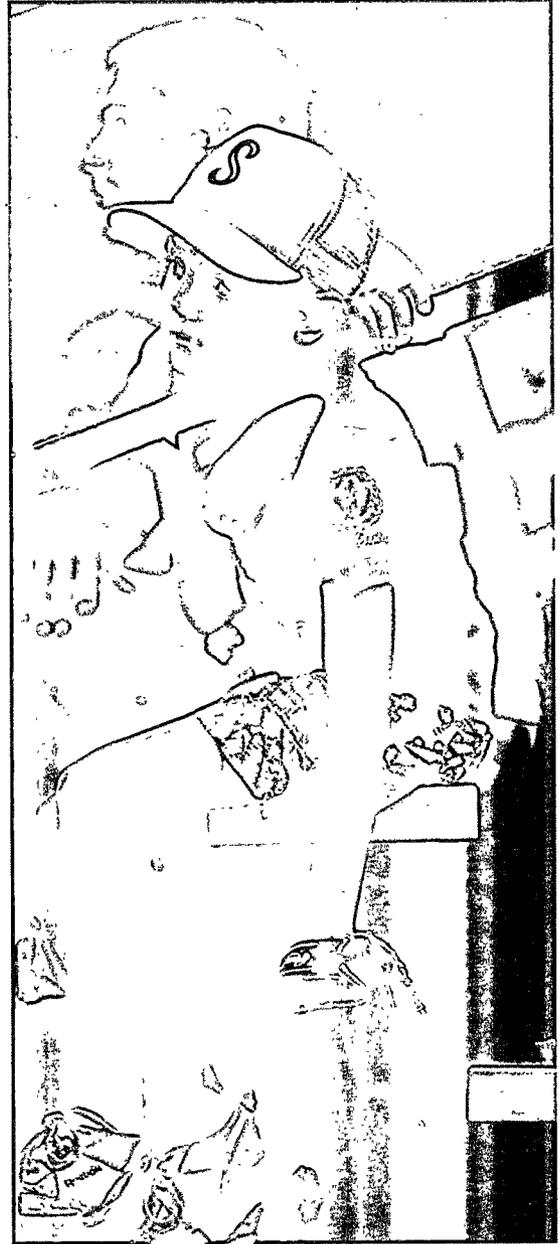
Carrow cites other studies: "You can also look at on-going sporting events such as a college athletic program. A report by University of Georgia professors in 1991 measured the economic impact of all of the university's sports programs and showed that they pumped in excess of \$10 million annually into the Athens [Ga.] economy.<sup>4</sup> There has been a study done on the motor sports industry that shows it generates over \$100 million a year in North Carolina."<sup>5</sup>

Indeed, motor sports may provide the greatest economic impact of any sport in North Carolina, says Paul McGuire, director of the state's sports development office. North Carolina is home to three speedways that hold major NASCAR events—the Charlotte Motor Speedway, the North Carolina Motor Speedway in Rockingham, and the North Wilkesboro Speedway. A total of 891,200 people attended 10 events at Charlotte Motor Speedway in 1991, according to speedway officials. (See Table 1, p. 6, for the five most heavily attended sporting events in North Carolina in 1991.)

A Raleigh sports columnist reports that the May 1992 Coca-Cola 600 stock car race alone meant \$22 million to the Charlotte economy.<sup>6</sup> "During the nine days that included track events before the 600, race fans spent more than \$50 million," writes Caulton Tudor in *The News and Observer* of Raleigh. "The fall 500-mile race should bring in another \$20 million to \$30 million. Major chain motels were booked solidly through Monday as far northeast as High Point; south to Greenville, S.C., and north to Winston-Salem. Many hotels are already sold out for the three days before the fall CMS [Charlotte Motor Speedway] race."

A study by the Division of Travel and Tourism put the impact of motor sports on the North Carolina economy at \$541.4 million in 1987 alone. And McGuire points out that it doesn't take a franchise or a super speedway to have a major economic impact. The K-Mart Greater Greensboro Open, North Carolina's only regular stop on the men's Professional Golf Association tour, means big money to the Greensboro economy, and the senior PGA tour stops in Winston-Salem for the Vantage Championship and Charlotte for the Paine Webber Invitational. Another major event is the Crosby National Celebrity Golf Tournament at Bermuda Run near Winston-Salem.

Pinehurst played host to the PGA TOUR Championship in 1991 and 1992 and is negotiating for the U.S. Open in 1997. "It's second only to the Super Bowl," says McGuire. "It's the second best



Karen Tam

yearly sporting event people could attract."

Even sports like bass fishing can have a profound impact on an area economy, says McGuire. He says the Bass Anglers Sportsman Society is seeking bids from Charlotte and Raleigh to host the 1994 Bass Masters Classic, a fishing tournament that features the top 35 anglers in the country and draws raucous crowds of fishing fans. The climax of the tournament, says McGuire, is "the big weigh-in, where they crown the champion." In 1987, says McGuire, 19,000 people packed Louisville's Freedom Hall to witness this event.

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**"Our niche shouldn't be  
pro sports. It's college  
sports."**

TODD TURNER, ATHLETICS DIRECTOR,  
NORTH CAROLINA STATE UNIVERSITY

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McGuire's office also is encouraging North Carolina communities to pursue events connected with the 1996 Olympics in Atlanta. Communities with the right facilities might attract teams looking for a place to practice or even play host to preliminary events.

Such events can have a surprising impact. An example is the national volleyball championships, held in Raleigh in May 1990. The nine-day tournament and convention attracted 1,500 players and, according to Carrow, "had the biggest impact of any convention in all of Raleigh that year."

Al Baldy, convention director for the Greater Raleigh Convention and Visitors Bureau, agrees that the tournament represented a coup for Raleigh. "Certainly it was one of the major events" of 1990, Baldy says. He says the event—which featured a four-day meeting followed by competition in 10 different amateur divisions—had a number of advantages over traditional conventions.

Many players brought along their families for a vacation, so they were more willing to spend money on entertainment and retail purchases than the typical conventioner. And the participants stayed in hotels of every size and price range, which broadened the economic impact, says Baldy. "We would like to go after more of these types of events because it was such a huge economic generator," he says.

Another example is the United States Canoe/Kayak Olympic Trials, conducted at Raleigh's Lake Wheeler in April 1992, which featured 200 of the nation's top competitors vying for an Olympic berth. Here's how Carrow described the economic impact of the event in a column appearing in the *Triangle Business Journal*:

"The competition budget is approximately \$75,000 to be spent on local companies and supplies. Race Technical Director Chic Dambach reports that over half the participants will come from distant locations, will fly in on local airlines, and will stay for almost a week at the downtown Radisson Plaza Raleigh. Assuming standard Greater Raleigh Convention & Visitors Bureau

daily spending figures for out-of-town hotel guests (average \$140 a day), this group will spend over \$56,000 while in town. Adding up all the economic impacts results in a total that is in the hundreds of thousands of dollars."<sup>7</sup>

Other major events mentioned by sports enthusiasts have included college basketball's Big East Challenge tournament—now suspended, which pitted the Big East Conference against the Atlantic Coast Conference for national bragging rights; the early season Diet Pepsi Tournament of Champions held in Charlotte each year; and, of course, the ACC Tournament, the grandfather of college basketball conference tournaments. The ACC tournament, in fact, is so prized that Greensboro voters agreed to a 7,000-seat coliseum expansion in 1991 to lure the four-day event back from Charlotte, says Greensboro Sports Commission director Tom Ward. Conference officials have since committed the tournament to Greensboro for three years, Ward says, beginning in 1995.

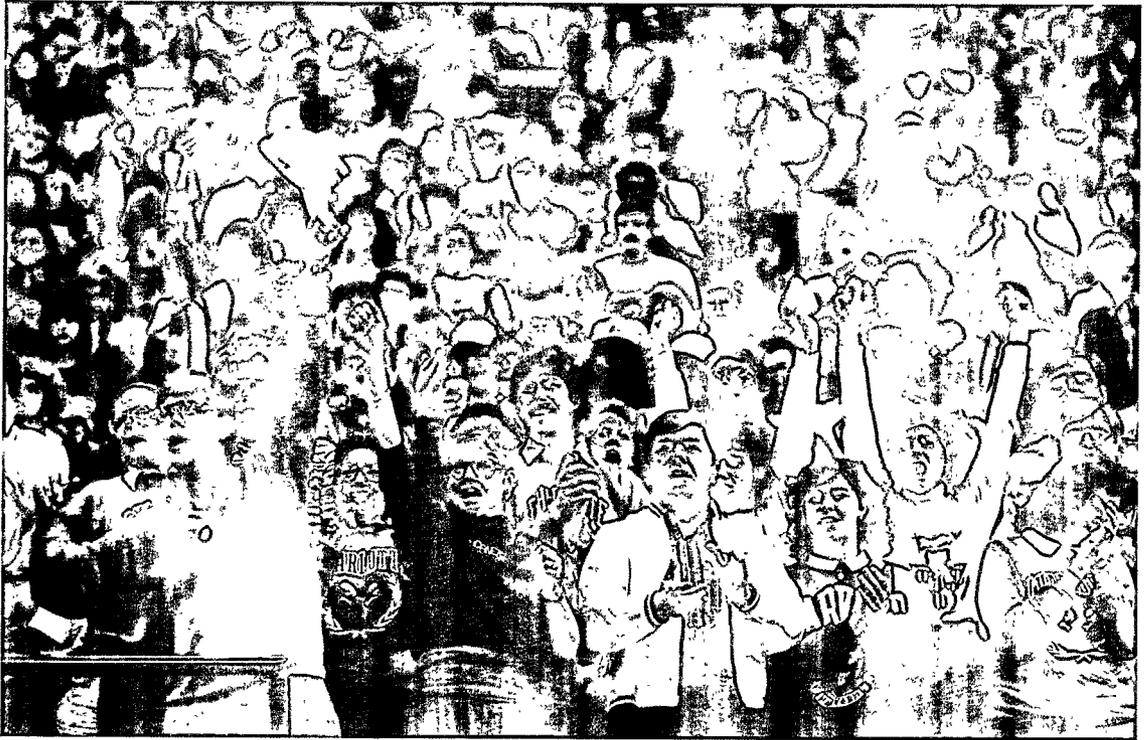
These are a sampling of the few plums available to cities from the tradition-steeped world of college sports. But unlike the professionals, college sports teams do not move, nor do leagues offer expansion teams. There is relatively little opportunity for those communities that don't already have a well-established team to pursue college sports as an economic development tool.

Still, college sports administrators caution against neglecting a thriving industry in the pursuit of professional sports. "The value of intercollegiate athletics is immense for our community," says Todd Turner, athletic director at North Carolina State University in Raleigh. "I fear that we take it for granted. Our niche shouldn't be pro sports. It's college sports."

## Major League Sports Teams

Compared to the Triangle, however, Charlotte's collegiate sports market is largely undeveloped. That leaves the market wide open for pursuing professional sports. UNCC economist Connaughton's research on the Hornets basketball team led him to explore other areas of pro sports development, including football and minor league baseball.

Despite his caution about using conservative estimates of economic impact, Connaughton believes that the dollars that flow from sports can be quantified. "There is measurable change in the funds that come into an economy," says Connaughton. "The variance is predicated on sev-



**Hornets fans cheer the action at Charlotte Coliseum, which opened for the team's inaugural season in 1988-89.**

eral factors: the price of the ticket; the draw of the event; and where the people come from.”

For example, if the sport is a major league event such as an NBA or NFL game, a large percentage of people typically come from outside the community. More money from outside the community will flow into the local economy. If the event is not a “big ticket” event and most of the people come from within the community, as is often the case with minor league baseball, Connaughton says the effect is very small.

In the Charlotte Hornets study, Connaughton reported that the team brings almost \$100 million annually into the area economy.<sup>8</sup> “Thirty to 35 percent of the fans come from outside the seven-county metro region,” he says. “We found that a bunch of people come from Spartanburg and Greenville, S.C., and Cleveland County [N.C.]” Connaughton says professional football has an even bigger economic impact, though the number of games is far smaller and the season shorter than professional basketball. The audiences are larger and the tickets cost more per game. He estimates that an NFL team in Charlotte would have an impact in excess of \$280 million on the Mecklenburg economy during its first season.

Muhleman of Muhleman Marketing, Inc. believes the market for major league sports for Charlotte and the Carolinas remains largely untapped, even with the advent of the Hornets. “This is due to both the extraordinary population concentration along the I-85 corridor between Greenville and Raleigh and an equally extraordinary history in the Carolinas of sports enthusiasm, participation, and production of professional stars who leave the area but take their passionate Carolinas following with them,” says Muhleman.

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***“If the event is not a ‘big ticket’ event and most of the people come from within the community, as is often the case with minor league baseball, the effect is very small.”***

JOHN CONNAUGHTON,  
ECONOMIST, UNC-CHARLOTTE

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Muhleman helped win the Hornets franchise for Charlotte and is now at work on the region's NFL bid. "It would be difficult to think of a better economic development tool than a properly constructed professional sports franchise, particularly a major league franchise, but also minor league professional sports, if correctly positioned," says Muhleman. "The direct economic effect probably is not as significant as the magnet effect or the recognition value which these franchises produce."

The city of Cincinnati, Ohio, attempted to measure the worth of its major league sports franchises to the local economy in a 1989-90 study. City leaders came at the issue from a different perspective. They were concerned that the city might lose one of its professional franchises to a competing city. Cincinnati, although a mid-sized city of 364,040 citizens, is home to the Reds baseball team and the Bengals football team. According to the report, the Reds "alone have been estimated to bring in \$135 million annually in direct revenue. . . . According to a 1989 survey by the University of Cincinnati's Center for Economic Education, Reds baseball contributes . . . an average of about \$1.7 million per home game."

The report noted that one city, Oakland, Calif., that had lost its NFL franchise was prepared at one point to pay \$600 million over 15 years to lure the Raiders back home. The report cited one estimate that put the revenues to Cincinnati from the Bengals football team at \$20 million annually. Average ticket sales alone totaled \$416,958 per game. "Professional athletics, especially football and baseball, is very big business," says the report.

Still, not everyone agrees that securing a major league franchise is a sure financial windfall for

a local economy. John Wilson, a Duke University professor who studies leisure and its relationship to politics, is one critic of sports-related economic impact claims. Wilson cites a 1988 study of a cooperative effort by the cities of Irving and Arlington, Texas, to build a stadium for the Dallas Cowboys football team in the early 1970s. Wilson says Irving and Arlington have since suffered greater increases in sales and property taxes than comparable Texas cities because of the debt undertaken to build the stadium. "Was the money well spent?" asks Wilson. "The weight of the evidence leads you to believe it made no sense whatsoever."<sup>10</sup>

### Minor League Sports Teams

Of more relevance to most North Carolina cities is minor league baseball. Including the Charlotte Knights, who actually play their games in Fort Mill, S.C., 10 North Carolina cities have such teams (See Table 2, p. 11 for a list of professional sports franchises operating in North Carolina.) A total of 174 minor league franchises operate in the U.S., Canada, and Mexico. Of all of these teams, the Durham Bulls are perhaps the best known because of the hit movie "Bull Durham," which was filmed in the city and its venerable Durham Athletic Park.

According to one special report by the International City Management Association, "Interest in minor league baseball over the past several years has been high and continues to grow. Attendance at minor league baseball games in 1989 was 23,103,593, which is the highest overall attendance since 1952. . . . Franchises, which sold for tens of thousands of dollars only a few years ago, are now attracting offers of hundreds of thousands of dollars for A-level teams and of several millions of dollars for AA- and AAA-level teams."<sup>11</sup>

Minor league hockey also is proving popular in some North Carolina cities. The Greensboro Monarchs of the East Coast Hockey League, for example, drew an average of 5,305 fans per game in the 1991-92 season, according to team president Morris Jeffries. And the Raleigh Ice Caps, in their inaugural season in 1991-92, reported 14 sellouts of 5,400 in 32 home games.

Unlike major league sports, there have been few systematic studies about the impact for minor league baseball, according to the ICMA report. "Belief in the positive impact of minor league teams is based on assumptions drawn from the major league experience," the study says. "The

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***"It would be difficult to think of a better economic development tool than a properly constructed professional sports franchise, particularly a major league franchise, but also minor league professional sports, if correctly positioned."***

MAX MUHLEMAN, SPORTS MARKETER

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**Table 2. Pro Sports Franchises Operating in North Carolina**

Team or Facility	Sport	Estimated 1991 attendance*
Asheville Tourists	baseball**	117,625
Burlington Indians	baseball	57,613
Carolina Mudcats (Zebulon)	baseball	218,054
Charlotte Heat	team tennis	20,000
Charlotte Hornets	basketball***	971,618
Charlotte Knights	baseball	313,791
Charlotte Motor Speedway	auto racing	891,200
Charlotte Rage	arena football	66,000****
Durham Bulls	baseball	301,240
Fayetteville Flyers	basketball	57,600
Fayetteville Generals	baseball	88,380
Gastonia Rangers	baseball	44,060
Greensboro Hornets	baseball	191,048
Greensboro Monarchs	hockey	206,893
Kinston Indians	baseball	100,857
N.C. Motor Speedway (Rockingham)	auto racing	120,000
North Wilkesboro Speedway	auto racing	105,000
Raleigh Bullfrogs	basketball	38,400****
Raleigh Edge	team tennis	19,600
Raleigh Ice Caps	hockey	155,000
Winston-Salem Spirits	baseball	111,333

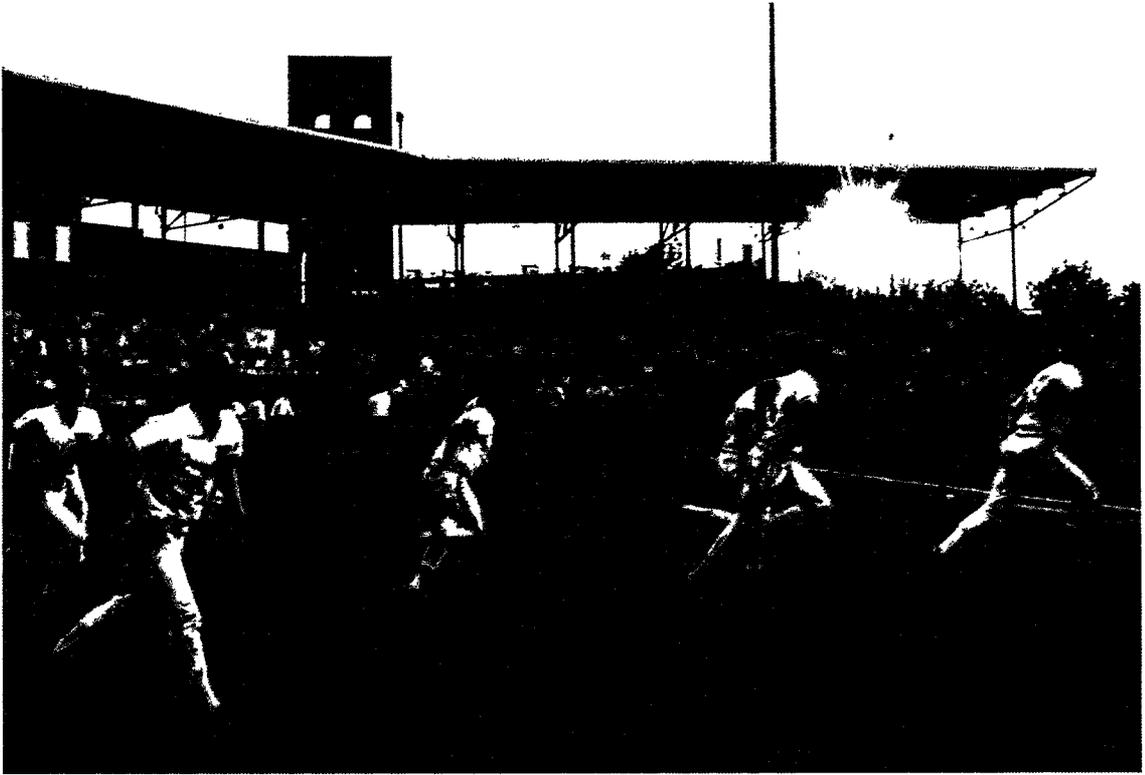
\* 1991-92 for teams with seasons that fall in two calendar years.

\*\* All baseball teams are class A with the exception of the Carolina Mudcats and the Charlotte Knights, which are class AA. The Knights move to AAA in 1993, the highest level of minor league baseball.

\*\*\* The NBA's Charlotte Hornets are the only major league franchise operating in North Carolina.

\*\*\*\* The Rage began inaugural season in 1992. The Bullfrogs are now defunct.

Source: N.C. Sports Development Office, N.C. Department of Economic and Community Development, 430 N. Salisbury St., Raleigh, N.C., 27603 (919) 733-4171. NC. Center intern Richard Harrill also conducted research for this table.



Karen Tam

***Durham Bulls take the field in 1988, the year of the hit movie "Bull Durham."***

studies which have been done generally have been done by the teams themselves or consultants hired by the teams. For example, interviewees, when talking about the benefits to their community, often cited major league studies which they had heard about or read, and often simply assumed as a given the positive impact of a team and ignored its public cost."<sup>12</sup>

Among the reasons for the relatively low economic impact of minor league teams, the report says, are that much employment created by a franchise is seasonal, that workers in concession stands and vendors may be part-time or volunteers, and that profits of a team with out-of-town owners likely will be invested elsewhere. Except for the so-called "bonus babies," players often receive minimal salaries and a low per diem when traveling. And few fans are likely to follow a team on a road trip, so the impact on local hotels and restaurants is likely to be small, the study says.

"Based on the interviews conducted for this report, the unavoidable conclusion is that if the team is important economically, it is due more to image-shaping than to direct economic impact." The report did provide income and revenue from two AAA teams. Team A posted revenues of

\$1.98 million and net income of \$358,778; Team B, \$1.4 million in revenue and \$228,019 in net income.<sup>13</sup> Figures like these—from a financial standpoint—make minor league baseball comparable to a typical small business.

The North Carolina Center for Public Policy Research sought financial information from North Carolina's 10 minor league baseball teams, but only the Class A Fayetteville Generals chose to reveal net revenue figures. The Generals took in about \$612,000 for the 1991 season but ended the year \$12,692 in the red, says office manager Linda Frye. A more typical response came from Harold Greene, general manager of the Gastonia Rangers. "Information regarding our revenues is between us and the banker," says Greene.

Franchise operators are much more outgoing about estimating attendance, even though minor league ball parks rarely have turnstiles and attendance figures are widely perceived to be optimistic guesses. In 1991, the Class AA Charlotte Knights reported 313,791 fans in attendance, followed by the Class A Durham Bulls, with 301,240 fans, and the AA Carolina Mudcats, which drew 218,054. Worst among the 10 were the Class A Gastonia Rangers, who drew only 44,060 fans.



Karen Tom

***Inside Durham Athletic Park, the heart of the Bull city.***

And several teams had impressive-sounding economic impact claims at the ready. The Rangers, for example, claimed an impact of \$2.5 million, more than \$56 dollars per fan. The Asheville Tourists, which drew 117,000 fans, claimed an eye-popping economic impact in excess of \$5.4 million.

Here's how the figures added up: The Tourists claimed a player and staff payroll of more than \$500,000, plus \$122,000 in so-called "outside" spending. Then came the new math. A multiplier of seven was applied to the outside dollars, bringing the total to \$4,354,000. The Tourists then tallied an additional \$295,000 in "local" spending and multiplied that times four to get \$1.18 million. Outside and local spending were combined to arrive at the grand total.<sup>14</sup>

There is another important economic impact other than direct revenue from outside sources, according to Connaughton. "One of the things that a local professional sport does is it locks the leakage of entertainment dollars into the community," he says. "If local dollars are spent on a Kenny Rogers concert, for example, much of that money will get on the bus and head out of town with Kenny."

Connaughton contrasts that scenario with the local dollars that go to pay Charlotte Hornets power forward Larry Johnson's salary. "When we pay Larry Johnson \$3 million, we know he just bought a house . . . and he gave \$180,000 to the [Charlotte-Mecklenburg] United Way." As for minor league teams, says Connaughton, "They will not draw like major league sports, nor will the revenue from ticket and concession sales be on a major league scale, but they plug the leakage." Still, it's worth noting that not every Hornet is as generous as Johnson, and many players live elsewhere in the off season, so their investment in the community is not as great.

### **Quality of Life Issues**

**I**n addition to economic benefits, sports developers and boosters invariably cite other factors in their quest for attracting athletic teams and events. These factors vary according to the imagination of the promoter, but they usually are related to the community's "quality of life." An example is this excerpt from the Greater Cincinnati Chamber of Commerce study: "Their impact on the pride, cultural enrichment, and economy of

Cincinnati is much greater than direct revenues and cannot be readily calculated.”<sup>15</sup>

Jim Goodmon, president of Capitol Broadcasting Co. in Raleigh and owner of the Durham Bulls, discovered firsthand the good and bad of such intangibles. Goodmon and his broadcasting companies played a big role in the 1987 Olympic Festival, and the event left him a big believer in sports development. “Communities really need to take a look at those things that complete the leisure time activities if those communities expect to get the economic development they want,” says Goodmon. “In the big picture, the art museum, amphitheater, and sports are part of the total quality of life. When we were talking to Sears about coming here, they wanted to know

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***“Communities really need to take a look at those things that complete the leisure time activities if those communities expect to get the economic development they want.”***

JIM GOODMON, BROADCAST EXECUTIVE

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what their employees would do once they got here. That is now a very important part of bringing business to the Triangle. Sports are becoming a bigger and bigger part of everybody’s life, and amateur sports in particular.”

Goodmon sought to translate his belief in sports development into action with his ambitious plan for a Triangle sports park that would be home to minor league baseball, soccer, and eventually tennis and ice hockey. He drew heavily on eager public support for the park from the Capital Area Soccer League’s 7,000-plus players and their families. Soccer fans spoke at a Raleigh City Council public hearing about the value of having professional soccer available for young players and the intangible benefit of having such role models in the community.

Conversely, Durham leaders, fearful of losing the Bulls from the heart of the city’s downtown, dug in their heels and waxed eloquent about how the Bulls had become the symbol of the city’s 1980s resurgence. To remove the team from the

city to even a nearby Triangle park, they argued, would be to cut the heart out of the Bull City. (For more on the tug-of-war over the Bulls and the fate of the Triangle Sports Park, see “Inside Baseball,” pp. 16–18.)

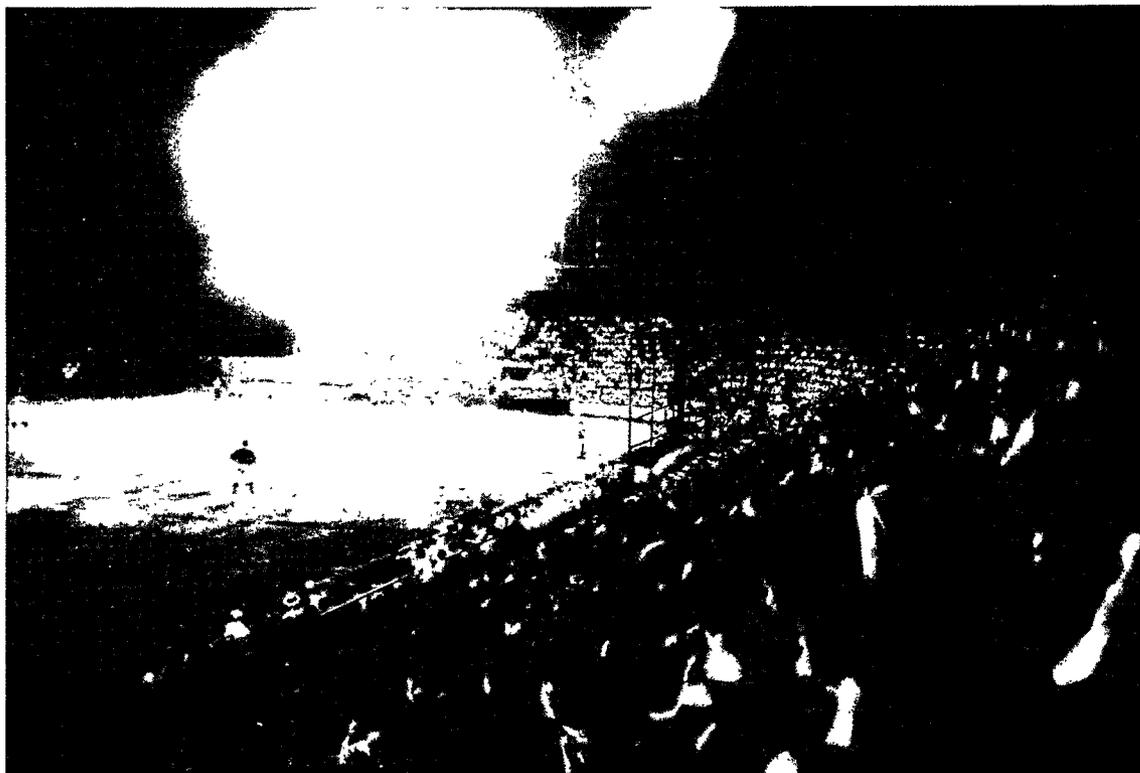
Intangibles *are* important. Connaughton points to the “qualitative factor” in the Charlotte Hornets experience. Landing the Hornets, he says, has raised the level of Charlotte’s game. The city is now playing in the big leagues. “I can’t put a number on it,” says Connaughton. “Being one of a few cities with a pro team makes a difference. Kids in Seattle are wearing Hornets T-shirts, not NCSU T-shirts. Charlotte for years struggled and was compared to cities such as Raleigh, Richmond, and Birmingham. With an NBA franchise and an NFL franchise in the wings, Charlotte starts competing with cities like Atlanta. It clearly separated itself by adding major league entertainment.”

Ward, the director of the Greensboro Sports Commission, notes that Charlotte, the Triad, and the Triangle have traditionally been fierce competitors in sports and entertainment. Now Charlotte is pulling ahead. “They are placing themselves in the big time sports arena,” says Ward of the Charlotte area’s success in luring the NBA, AAA baseball, a premier NASCAR facility, and, quite possibly, the NFL. “This type of sports activity draws heavily from the Piedmont,” he says. “There is no way we can compete unless we start working basically toward the same type concept.”

The answer, Ward believes, might be a greater reliance on regionalism. A committee representative of 11 Piedmont-Triad counties is studying the region’s sport and entertainment facility needs with an eye toward a regional complex to serve the area’s 1 million-plus population, Ward says. A stadium to attract a higher level of professional baseball, an amphitheater for outdoor concerts, perhaps even a race track are possibilities for the complex, says Ward.

Ward believes more is at stake than how far Triad residents have to drive to enjoy their fun and games. He believes sports development has become another engine driving the Charlotte economy. “The country is sure giving them a lot of looks for what they’ve been able to pull off with the NBA,” Ward says. “Sports is a big key to the future of all of these areas.”

For consultant Hill Carrow, a sports team can affect a city’s self-image, elevate its national image, and provide a common interest for citizens. Goodmon agreed. “You really see communities



***Baseball at Devereaux Meadows in Raleigh in 1947.***

come together," he says, recalling the euphoria that gripped Atlanta during the Braves' 1991 drive to the National League pennant and appearance in the World Series.

Indeed, some people place great stock in the ability of sports to build community. Neal Shine, now publisher of the *Detroit Free Press*, once postulated that the Detroit Tigers helped prevent a repeat of the previous summer's deadly race riots with a drive to the 1968 World Series championship.

### **The Public's Role**

**T**he public increasingly has been drawn into the politics of sports development. Not surprisingly, citizens are being asked to bring their pocketbooks, and for many North Carolina taxpayers, this is a new and rude request. This is especially the case when the sport is professional and owned by private investors.

Durham citizen Forrest Johnson, for example, offered his objection to that city's proposal to build a new stadium for the Durham Bulls in a letter to the *News and Observer* of Raleigh. "Many residents believe that the city has pressing social, environmental, and educational needs that should

be addressed before building a stadium," Johnson wrote. "Other residents believe that a private business enterprise such as the Durham Bulls should pay a fair market value for its place of business. Still other residents never see the Durham Bulls play and prefer not to subsidize them."<sup>16</sup>

Similar objections had surfaced a month earlier in a public hearing in Raleigh on whether to build a stadium for the Bulls in the capital. Greensboro City Council member Dick Grubar says his city will have to be innovative to win financing for future new athletic facilities. "Because of the cost of everything and people being anti-tax, we're going to have to be creative in raising money; maybe something like a prepared food tax to help pay for it." But Grubar says some public funding is essential to financing a facility. "I don't think you would have it if you left it up to the private sector alone," he says.

Even in larger cities with long sports histories, there is sentiment against using public monies to build stadiums for private sports franchises owned by wealthy individuals. Donald Schumacher, director of the Greater Cincinnati Sports and Events Commission and treasurer of the National

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## *A Personal Account of a Sports Development Effort*

**M**y big call to play minor league baseball came in the fall of 1991 from Jim Goodmon, owner of the Durham Bulls. It had been 38 years since I batted .400 as a Little Leaguer, so I knew the call wasn't about my playing first base. Rather, Goodmon wanted me as a Raleigh City Council member to come by architect Benjamin Taylor's office and look at some plans for a new Triangle sports complex. For me, the visit began what became a crazy season in the frustrating new game of sports development. This is the story of that losing season.

Goodmon is president of Capitol Broadcasting Co., which owns WRAL-TV. He and his company are what local politicians like to call "good corporate citizens," but he is something more. He's a dreamer. And for years he has been dreaming of a sports park that would both feed on and foster Triangle regionalism.

His dream took shape after the successful and profitable 1987 Olympic Sports Festival — the national warm-up competition held in non-Olympic years. Cities across the country compete to host the games. The festival usually is a money-loser, but it brings a national sports and television audience to the host area. Goodmon's companies were heavily involved, and the festival brought together the three cities of Raleigh, Durham, and Chapel Hill in a remarkable public relations and financial success.

Not long afterwards, Goodmon proposed that Triangle leaders consider building a regional sports complex, including baseball, soccer, and tennis stadiums, and a 20,000 seat basketball arena. When I first ran for city council in 1989, I supported the proposal because I believed it was a prudent plan. It would benefit taxpayers in the long run to have one regional facility, and it would give the Triangle a world class sports complex.

By the time I visited Ben Taylor's office, however, Goodmon had reduced the scope of his

complex. The coliseum was gone, and the park contained only baseball and soccer stadiums but could be expanded for professional tennis and ice hockey. Goodmon also had become the proud owner of the now world-famous Durham Bulls minor league baseball team, which he hoped to use as an anchor attraction. In the next 12 months, this hope for regional sports development and cooperation would be turned on its head.

Durham city leaders, for starters, did not want to lose the Bulls from downtown, even though Durham voters recently had turned down a county-wide bond proposal to build a new stadium to accommodate the team's growing following. The Bulls already drew a regional audience and had become a fixture in downtown Durham. Goodmon offered to keep the sports complex in Durham County, but near the Wake County line in the heart of the Triangle. That proposal went nowhere.

The proposal became one part of an unprecedented county-wide agreement between Wake county and municipal officials. That agreement included plans to build a new Raleigh convention center, a children's museum, a performing arts theater, a portion of a new North Carolina State University coliseum, and reimbursements for a newly built baseball stadium for the AA Mudcats in Zebulon. It was an ambitious package and a political compromise. The agreement was a condition set by local legislators. They wisely wanted local city, town, and county officials to hammer out a settlement before they asked for enabling legislation that would raise local hotel-motel sales taxes and initiate a one percent sales tax on restaurant meals.

The argument to use such taxes for these projects was that the facilities would benefit travel and tourist business, and these businesses could thus bear the special tax burden. Politicians often respond to such arguments for special taxes. The current Wake County hotel-motel tax, for example, helps pay for the county's Visitors and Tourism Bureau.

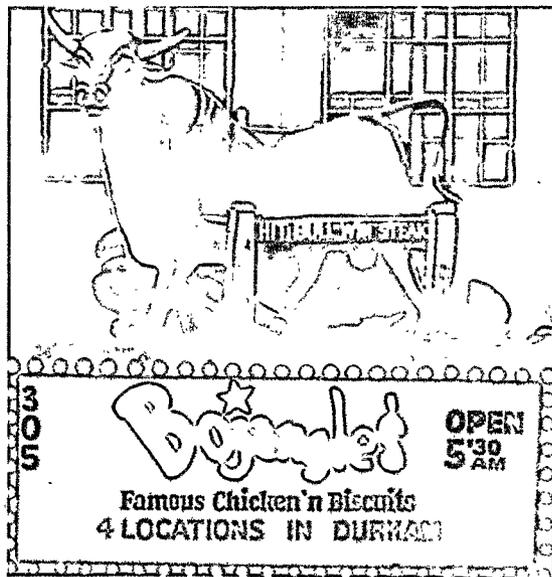
This agreement was much debated and discussed in intergovernmental meetings. It was reviewed especially by the Raleigh City Council and the Wake Board of Commissioners over several months. Lobbyists from both the hotel and restaurant groups contributed to the discussions. The enabling legislation was enacted with one hitch. Because of concerns by the Durham delegation about the future of the Bulls, an amendment was added that none of the monies raised by the local taxes would be used for a baseball stadium until 1995. That did not bother supporters of the sports park because the city had other revenues available that would allow the project to go forward. The amendment later would become the center of a critical misunderstanding.

The Wake County Board of Commissioners held public hearings on the taxes. These hearings were attended mostly by project supporters. A delegation of the Durham City Council did appear and oppose the building of the Triangle baseball stadium. The taxes, nevertheless, were approved toward the end of 1991. In Raleigh City Council meetings, the agreement was discussed in detail. I was committed to building the convention center, children's museum, and sports park, and I stated that one of the attractions of the latter two was that private money would help us get them built quickly so the public would have something to see for its money.

Unfortunately, the details of these debates were seldom reported in the media. This would prove fatal in the coming weeks. The public, as I came to learn, knew little of the details of the inter-local agreement or the debate over how the revenues were to be spent.

That changed dramatically when Raleigh, Wake County, and Cary officials took steps to build Triangle Sports Park, as the complex was named. Goodmon assembled the land, and a sports authority was formed. A financing package showed how the complex could be built without using revenues from the hotel and restaurant tax until 1995. The package also avoided a bond referendum.

The activity surprised the media and legislators, particularly Durham members of the N.C. House of Representatives. They had not heard the public debate and discussion about the details of the inter-local agreement, and most held the impression that the sports park would not be built until 1995. Meanwhile, after suffering 18 months



Karen Tam

**Durham's smoke-blowing bull symbolizes the debate over the future of the franchise.**

of hard times, the N.C. Restaurant Association had a change of heart on the prepared meals tax being spent on a sports complex. Durham city officials vowed a fight to the finish over moving the Bulls from downtown. The battle lines were joined.

The public became interested as the media began reporting more details about the sports park and the developing opposition. The ensuing debate contained some of the classic arguments for and against public participation in sports developments.

Those in favor of the complex argued that professional sports would bring new jobs and new dollars to the community, add to the intangible "quality of life" of Triangle residents, and make the area more attractive to new businesses. The

—continued on page 18

## A Personal Account

—continued from page 17

fact that the public would own the facility also was cited as a positive by proponents.

Among the opposing arguments were that the public shouldn't build a stadium for a private, rich businessman, that the public should vote on the project in a bond referendum, that the city and county had more pressing needs than a sports complex, and that the timing was wrong for raising taxes.

Ironically, what began as a dream for regional cooperation and sports development evolved into a divisive inter-city, intergovernmental feud. Durham was fighting Raleigh,

state legislators were pointing fingers at local officials, and the public was split over whether to spend public funds.

When support among the Wake County legislative delegation collapsed, the deal was dead. Durham city officials offered to build a new stadium for Goodmon somewhere in the city, and that's where the project stands in September 1992.

I still believe a Triangle sports park is a prudent, progressive idea. I am convinced, however, that the public must be informed and educated on its role in worthwhile sports projects if such projects are to succeed in the future. That is the burden on public officials if they want to play ball.

—J. Barlow Herget

Association of Sports Commissions, says such an argument already has begun concerning the need for a new baseball or football stadium in that city. "Several articles have already been written to that effect," he notes.

An ICMA survey of cities that contained minor league baseball teams found that the biggest negative factors cited by city officials concerned public funds being spent on stadium costs. Disputes over stadium conditions and concerns over public subsidies to such teams were mentioned most often.<sup>17</sup>

The record shows the public often *does* become a partner in both professional and amateur sports ventures, although this varies some depending on the sport. Motor speedways, golf courses, and horse and dog tracks typically are privately held and operated, although betting at horse and

dog racing tracks is illegal in North Carolina. North Carolina's three major motor speedways are privately owned. The Charlotte speedway cost about \$2 million when first constructed in 1960. It would cost \$250 million to build today, says Bruton Smith, one of its owners.<sup>18</sup>

Even though these facilities have been built with private capital, they often ask the public to provide infrastructure expenses such as access roads and water and sewer. An example is Charlotte Motor Speedway, which will benefit from a \$10.6 million interchange to be constructed on the Cabarrus-Mecklenburg County line north of Charlotte. The speedway is to pick up nearly a third of the construction cost (32 percent), while another third will be paid by a group of developers who also will benefit. The remaining third will be paid by the taxpayers, according to Larry Goode, chief engineer for programs in the N.C. Department of Transportation.

In another perk, taxpayers pitch in \$100,000 annually for traffic control for major events at Charlotte Motor Speedway. Rep. Coy Privette (R-Cabarrus) questions this use of taxpayer funds for a private sporting event that grosses millions of dollars in revenue. "Charlotte Motor Speedway is the only one that gets it," says Privette. "We can't find resources for good causes but we can find resources to control traffic at a sporting event."<sup>19</sup>

Sports such as baseball, football, and basketball almost always require the public to share in the cost of building stadiums or coliseums. Of the

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***"Many residents believe that the city has pressing social, environmental, and educational needs that should be addressed before building a stadium."***

FORREST JOHNSON, DURHAM CITIZEN

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major league franchises, only a handful play in privately financed facilities, according to consultant Hill Carrow and sports commission director Don Schumacher. Two examples are the NFL's Miami Dolphins, and the NBA's Minnesota Timberwolves. A possible NFL franchise in Charlotte could become yet another example. Although city, county, and state taxpayers have put up some \$60 million for a downtown stadium site, the Richardson Sports Group plans to spend \$160 million in private funds to build the stadium.<sup>20</sup> Cauble says the public's share includes: \$35 million from the city for land, a practice field, and 2,400 parking spaces; \$14 million from the county to relocate a rest home and an old jail, and \$11 million from the state for roads and infrastructure.

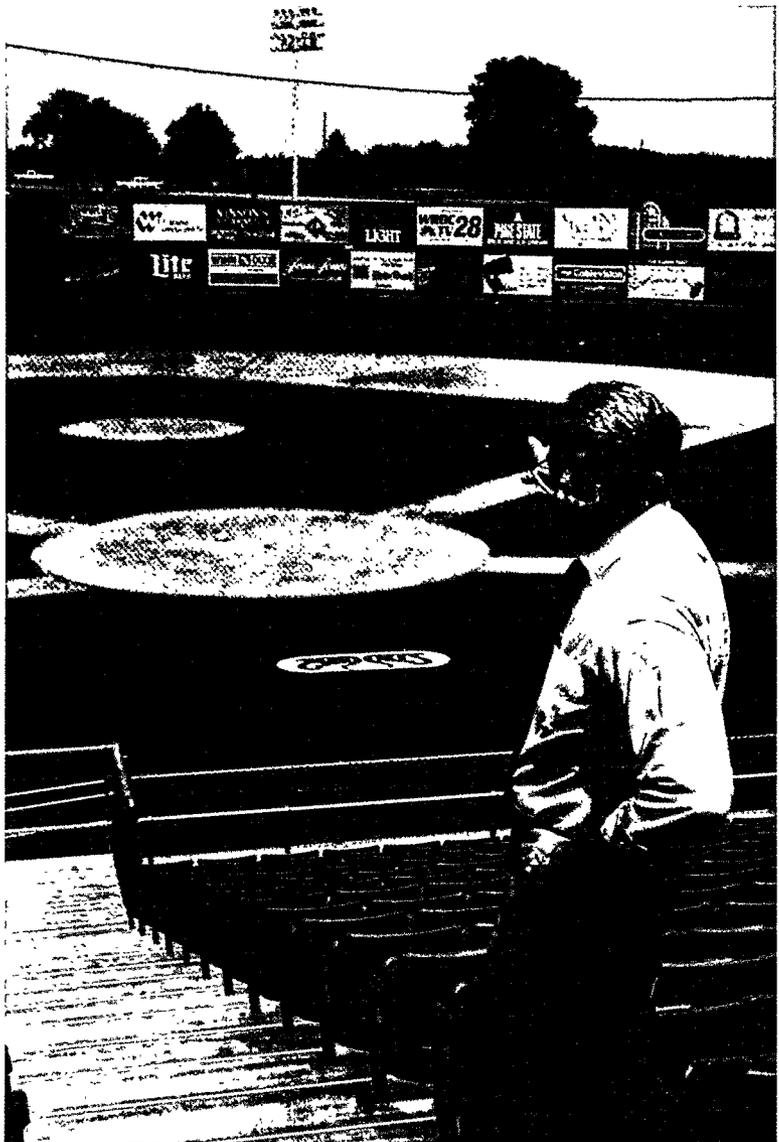
Competing cities have tried to make an issue of the Charlotte proposal's heavy reliance on private financing, charging that the franchise would be strapped with long-term debt and thus be less stable. But the Richardson group has reiterated its commitment to private financing. "We are not even looking at any more public participation," says Mark Richardson of Richardson Sports.<sup>21</sup>

And even in the case of Charlotte's NFL bid, the public investment in land acquisition, rerouting roads, and other site preparation represents no paltry sum. "I think the Richardsons and the families involved with them are fine business people, and I have no argument with how they've handled the situation," says Don Reid, the Charlotte City Council member. Reid has criticized the city's decision to help finance the project without voter approval. "The question is: How can we spend money like that when we can't even afford to hire extra police officers? The answer is that the special interests in Charlotte think it's good, and they have a lot of clout."<sup>22</sup>

Muhleman, however, cites figures showing Charlotte and Mecklenburg County would realize an increase in tax revenue of at least \$8 million per year, meaning the public's investment in the stadium would be recouped by 1998.<sup>23</sup> Property taxes alone would generate approximately \$1 million per year, Muhleman says. These revenues will not materialize if Charlotte is not awarded a franchise and no stadium is built, so the city is making a major investment of public funds without voter approval.

But public participation in projects of the magnitude of Charlotte stadium is the rule. The exception is the amount of *private* money committed to

**Zebulon town manager Charlie Horne sees a number of advantages in having the Mudcats in town.**



Mike McLaughlin

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***If you build it,  
they will come.***

—MYSTIC VOICE FROM THE MOVIE  
"FIELD OF DREAMS"

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the Charlotte stadium. Cauble points out that besides saving the taxpayers money, the fact that the stadium would be privately owned would represent a sort of insurance policy for Charlotte against the team abandoning its facility and jumping to a different market. Adds Carrow, "It's rare, if ever, that a facility gets done totally with private money."

Minor league facilities also typically benefit from some type of public funding. "Nearly all minor league baseball teams benefit from some level of public subsidy," says an ICMA report. "This public subsidy commonly takes the form of a substantial investment of public funds in a stadium, whether it is publicly or privately constructed or publicly or privately owned."<sup>24</sup>

Five County Stadium in Zebulon, N.C., represents a different twist on the public participation theme—a town that wants to buy into a baseball stadium that already exists. The stadium, which seats 6,000, was constructed largely with private funds and opened in July 1991. The town initially pitched in some \$540,000 in public funds, and now town officials have decided to borrow \$2 million bond issue to buy the stadium. Wake County has committed \$3.1 million from hotel and meal taxes to pay for future stadium expansion.<sup>25</sup>

Town Manager Charlie Horne says the town is following through on a commitment it made to Mudcats owner Steve Bryant to bring the team to Zebulon. "It offers additional capacity for us recreationally that we don't have now," Horne says of the 54-acre stadium site.

Horne envisions a regional park with facilities for baseball, softball, and other sports, with the stadium serving as a site for concerts and other community activities. Ultimately, Horne hopes other neighboring towns will join in to help finance a regional facility.

Securing the Mudcats franchise, Horne says, has helped put Zebulon on the map. The town of 3,200 is among the smallest in the nation with a minor league team, Horne says. This has led to national media exposure and aided efforts to recruit industry, he says. So far it's been only

inquiries, Horne says, but the 12-inch water main installed to serve the stadium has opened up 760 acres for potential industrial development.

Still, enthusiasm about footing stadium costs for the Mudcats is not universal. "I don't really think government funds should be involved in private enterprise," says Larry Loucks, a Zebulon resident who has led the opposition. "If it was such a good business venture, you would get investors." Loucks says the deal had been structured so that the town would carry a majority of the expense of stadium financing, plus water, sewer, and electrical service expenses, while the franchise skimmed off the cream. "There is little or no return [to Zebulon], other than potential development," says Loucks, who adds that this promised development may well turn out to be wishful thinking.

Loucks also questions whether the town, which has other pressing needs, can afford such a level of indebtedness for a baseball stadium. "From what I can tell, Zebulon is the world's smallest town to get into something like this," he says.

Joe Kremer, Mudcats general manager, says participation by Zebulon is important because the team cannot cover its operating costs plus the cost of financing the ball park. "You don't make that much money in minor league ball," says Kremer. "If somebody really wanted to make money and had \$2 million, they wouldn't put it into a minor league team. Maybe a Buffalo [New York] would have a shot at financing a stadium, but they draw 1 million fans a year."

Through July 10, Kremer says, the Mudcats were drawing 3,750 fans a night, third best in the league behind Chattanooga and Charlotte, but still not enough. Despite seeking public support for the franchise, however, Kremer declined to reveal information about team revenues.

## **Public-Private Partnerships**

**W**hile most sports development efforts require some amount of public funding, the nature of the public-private partnership varies widely. Charlotte, for example, built its new coliseum with tax dollars to attract the fabled Atlantic Coast Conference Tournament to town. But midway through the process, the city's leaders found themselves with the opportunity to fill the building with an NBA franchise.

The experience of Charlotte and the NBA Hornets is instructive to those interested in sports development. Former Mayor Eddie Knox initiated the drive to build a new coliseum by forming



## Baseball Fans!

Last year the Tourists player and staff payroll was over \$500,000. The Houston Astros funneled the money into our area, and it was spent here.

### "I didn't know that!"

And the Tourists spent \$20,000 for bats, balls, training supplies, and laundry; plus \$18,000 in medical supplies.



### I didn't know that either.

Plus, visiting ball clubs spent \$25,000 for hotel rooms, \$24,000 for meals, and \$10,000 for goods and services.



### "I certainly didn't know that."

Add another \$25,000 for rooms, meals, and expenses for umpires, scouts covering the clubs, news media, sports dignitaries, Major League personnel, and players' families.

### No, I guess I haven't done that either.

That brings the outside dollars to \$622,000, which, according to economic theorists, turns over seven times in a community, equating \$4,354,000.



### No, I didn't know that.

Add to that another \$295,000 the Tourists spent for printing, sign painting, advertising supplies, concession goods, heat, power, light, telephones, cleaning, and miscellaneous park help. This local money turns over four times in the community for a total of \$1,180,000.



### I certainly didn't know that.

This means that last year's total economic impact of the Tourists on Asheville amounted to:

# \$5,434,000.00



**SURE, I KNEW THAT!**

Doesn't everyone???



It's fun to be a fan!

**COME SEE THE "GREATEST SHOW ON DIRT"**

46

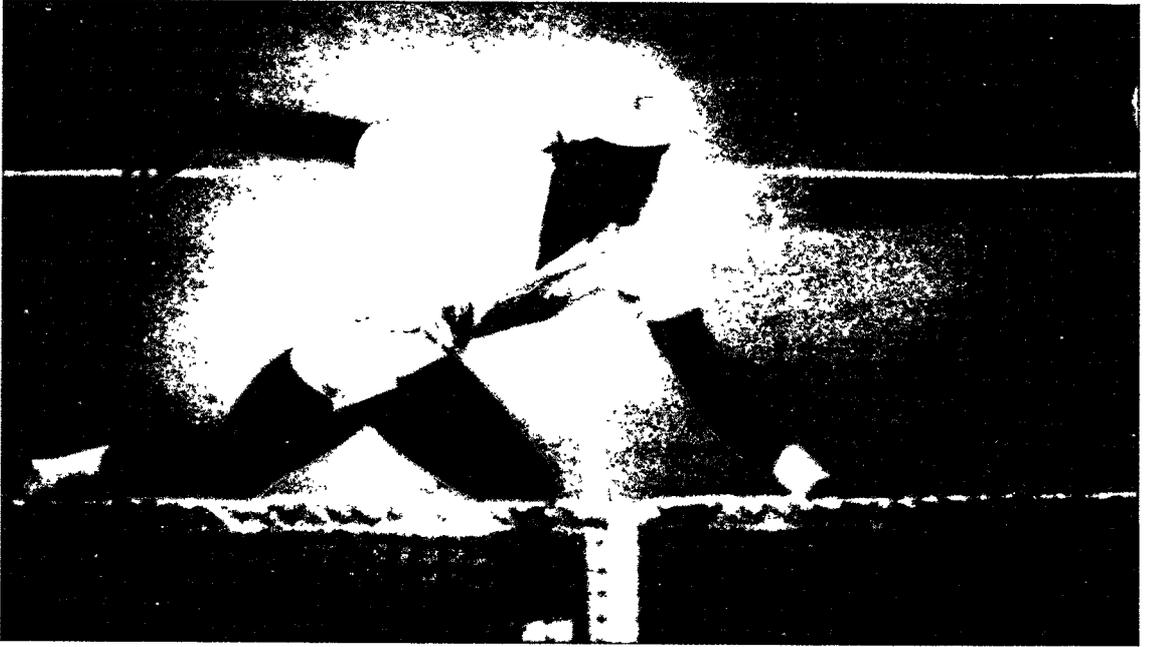
## ***A bold claim of major economic impact in Asheville, pulled from the Tourists' 1992 souvenir program.***

a committee of 100 to consider the idea. The committee determined that because other bonds were being retired, the city could finance a new facility without an increase in the property tax. This finding proved irresistible to the city's voters, who approved the issuance of new general obligation bonds in 1984 to pay for the coliseum's construction at a cost of \$48 million, plus \$16 million in street improvements.

A vigorous debate ensued over the location of the building—downtown or elsewhere? The city built the coliseum elsewhere, according to Boyd Cauble, primarily because it already owned the property and projected it could make more money

off parking at the new location. Businessman George Shinn stepped in when these issues already were decided and asked the city to join his effort to lure an NBA franchise to Charlotte.

Then-Mayor Harvey Gantt took the lead in the campaign for a team and persuaded the city council and coliseum authority to approve a contract with these main points: the city would lease the building to Shinn for \$1 a year for five years with a renewal option of five years; Shinn would receive proceeds from novelties such as T-shirts; the city would receive money from all food concessions; the city would receive parking revenues; and the city and Shinn would split revenues from



**Tim Wilkerson, also known as Dr. Dirt, digs for a forehand volley in a Raleigh Edge team tennis match.**

advertising within the coliseum and from 12 corporate boxes.

Cauble describes the contract as a “win-win” situation. “The city has benefited financially,” he says, “and Shinn’s benefited by getting a franchise, and Charlotte residents have a professional team.”

Steve Camp, director of the Charlotte Coliseum, Auditorium, and Convention Center Authority, estimates that after expenses, the city makes \$3 million annually off the three facilities under the authority’s control. Only the coliseum operates in the black, Camp says, and about half the revenue comes from Hornets games.

Despite these rosy figures, Reid, the Charlotte City Council member, argues that the coliseum doesn’t really pay for itself. “The taxpayers of Charlotte, through property taxes, are paying for the coliseum and its infrastructure to the tune of \$5 million per year or more,” says Reid. The authority, he says, *should* be helping to pay the debt service on the coliseum, but isn’t. By Reid’s math, that means a net *loss* of \$2 million per year.

Still, Spencer Stolpen, president of Shinn Enterprises, which owns the Hornets, believes both parties have prospered since the Hornets debuted in the new coliseum in 1988. “We have had 119 sellouts,” Stolpen says. “According to the NBA, we’ve reached 100 consecutive sellouts faster than

any other sports franchise ever—football, baseball, or basketball. We have \$13 million in payroll annually. The coliseum itself does about \$6 million a year in food concessions and parking. More than 50 percent of the attendance at the coliseum is from Hornets’ games.”

Clearly, though, not every sports venture is a gleaming success. The Raleigh Skyhawks, also a Shinn Enterprises venture and the Triangle’s entry in the fledgling World League of American Football, were in fact a flop and folded after a single season. A number of factors may have contributed to the Skyhawks’ failure to take flight. The team played its home games at North Carolina State University’s Carter-Finley Stadium, and university officials refused to permit the sale of beer; the Skyhawks lost every game; and the team played in a second-tier league that lacked the panache of the NFL.

WLAFF officials say the Skyhawks drew 12,066 fans on average, the worst home attendance figures in the league. “They were the last team to get a front office,” says league spokesman Bob Rose. “They were very late in establishing themselves and only had a couple of months to get everything together.” Rose says the Skyhawks assembled their coaching staff “very late” and surmises that ticket prices may have been too high for the Triangle market.

Stolpen attributes the Skyhawks' failure primarily to a "short time frame" for developing and implementing a business plan. "You have to know your market—its limitations and strengths—and you have to capitalize," says Stolpen. He says years of planning went into the establishment of the Hornets franchise and the Charlotte Knights minor league baseball team, both of which have been successful. That contrasts sharply with the Skyhawks experience. "We lost a couple of million dollars—in operating losses. Forget about investments. I'm just talking about pure operating losses."

Still, Stolpen doesn't think the Skyhawks experience damaged perceptions of the Triangle market enough to discourage future investment in sports development. "If it were major league or something like that, it might have tainted the market... but the league in general has not been that successful," he says.

Raleigh City Manager Dempsey Benton says the folding of the Skyhawks franchise had no direct impact on the city's finances. "We didn't provide any funds to it, nor did we see any direct negative impact when it was discontinued," says Benton. He says there may have been an indirect impact from the loss of a community activity, but that would be a subjective judgment.

The demise of the Skyhawks did, however, have an impact on North Carolina State University, which rented its football stadium to the team. "The biggest implication was, we lost rental income from their participation," says Turner, NCSU athletic director. Turner estimates the loss at \$175,000 to \$200,000, although he believes the money may have been made up elsewhere. "That

## A Pocket Guide to Pros and Cons of Sports Development

### Advantages of Sports as an Economic Development Tool

- 1) Increased business for restaurants, hotels, service stations and others.
- 2) Increases an area's profile, which may help recruit industry, attract conventions, or otherwise boost economic development.
- 3) Builds sense of community/regionalism if team wins.
- 4) Another alternative for use of leisure time.
- 5) More dollars stay in the community than for some other forms of entertainment.
- 6) More fun than investing in widget-making factory.

### Disadvantages of Sports as an Economic Development Tool

- 1) Cost of taxpayers' money in stadiums and other infrastructure; could result in higher property tax rate.
- 2) Teams can lose money, fold, or leave town.
- 3) Opportunity cost of other uses of public money for more important needs in the community.
- 4) Public dollars may be used to enrich private individuals.
- 5) Unlike major league teams, minor league teams bring in few dollars from outside the community, thus lessening their economic impact.
- 6) Is sports a public purpose?

might be offset by the fact that there is not another player in the marketplace taking advertisers and potential ticket buyers," Turner says. He says football season ticket sales are up about 3 percent over 1991, when the Wolfpack shared the market with the Skyhawks.

Other recent casualties in the sports entertainment wars include the East Coast Hockey League's Winston-Salem Thunderbirds, who moved to West Virginia, and the Greensboro City Gators of the

Global Basketball Association. Like the Skyhawks, these teams played in existing facilities, so the impact of their failure was limited. Playing host to the Thunderbirds, for example, had been a losing proposition for the Winston-Salem coliseum. "Overall, when you plug all the numbers in, it has been a money loser," says Bucky Dame, the coliseum's assistant director. "Having a pro team of any type adds to the quality of life, so obviously, it takes away from that."

The Charlotte Heat has taken a one-year sabbatical from professional team tennis, while the Raleigh Bullfrogs, yet another Global Basketball Association franchise, are now defunct. The Bullfrogs suffered through an inaugural 1991-92 season of poor attendance and heavy financial losses, capped off by the loss of their home court, Dorton Arena at the N.C. State Fair grounds.<sup>26</sup>

## Conclusion

Given the fits and starts of minor league sports franchises, experts recommend caution in developing public-private ventures. In negotiating minor league baseball contracts, for example, the ICMA advises city officials to work with league officials and "attempt to deal with more than one franchise owner." The city should seek information about the owners and "avoid those who relocate frequently or have little experience in the entertainment industry or otherwise are not known for being successful operators."

In building a facility, ICMA advises, city leaders should reject "an owner's demand to finance a stadium completely with government funds." And if public funds must be used, "officials should expect to invest from \$3 million to \$20 million . . . and should seek as many government and private sources as possible to share the costs." ICMA also advises cities to plan the stadium with broader community goals in mind such as amateur events, to have these other uses clearly spelled out in the contract, and to have the lease in hand before investing any public money.<sup>27</sup>

Durham Bulls owner Jim Goodmon adds that a long-term lease provides stability to a franchise and thwarts costly city hopping. Recent examples of changes of address at the major league level include the Los Angeles Raiders (from Oakland), the Indianapolis Colts (from Baltimore), and the Phoenix Cardinals (from St. Louis), all of the NFL. The average lease in professional sports is seven years. Goodmon was prepared to negotiate a 20-year lease at Triangle Central Park or lease the stadium for as long as it took to pay the debt service.

But most important in negotiating public facilities, says Goodmon, is "to make sure you have a team." Some cities build first solely in the hope of finding a team later. As Spencer Stolpen observes, that doesn't always work. "St. Petersburg, Fla., built a domed, 45,000-seat stadium, and they don't have a team," says Stolpen. "That's how *not* to do it." Still St. Pete may land on its feet with an

## *Making a fashion statement in bygone days at Pinehurst No. 2.*



offer by local investors to buy and move the San Francisco Giants.<sup>28</sup>

The success of amateur and professional sports in North Carolina has prompted concentrated interest in this segment of the state's economy. This interest is manifest in the state's own Sports Development Office and in similar local municipal offices, some of which are supported by tax revenues. Many observers believe that popular spectator sports have measurable economic benefits to their host cities and that sports also have less tangible cultural advantages that enhance a community's entertainment opportunities. These are the major pluses of using sports as an economic development tool.

Among the minuses are that tax dollars may be required to secure a team or event, even from citizens who have no interest in sports, that these dollars may be diverted from other, more noble public purposes, and that public dollars may be placed at risk in the event that a franchise folds or moves.

Still, to recruit sports developments, local governments usually are expected to provide use of public facilities, whether existing or new. These public-private partnerships may be unfamiliar to many North Carolinians, but they are the rule in traditional major and minor league sports.

Finally, the arrangements between public bodies and sports organizations usually are negotiated on a case-by-case basis. Thus, *caveat emptor*. □ □ □

## FOOTNOTES

<sup>1</sup> The 1992 General Assembly passed a law changing the name of the Department of Economic and Community Development to the Department of Commerce effective Jan. 1, 1993.

<sup>2</sup> Carrow says the Olympic Festival lost an undisclosed amount in 1981, earned \$100,000 in 1982, earned \$75,000 in 1983, lost \$500,000 in 1985, and earned \$20,000 in 1986 before the successful festival in the Triangle. The 1991 Olympic Festival in Los Angeles produced the event's worst ledger sheet ever. There, festival organizers lost more than \$1.2 million, declared bankruptcy, and paid creditors 10 cents per dollar of debt.

<sup>3</sup> Tish Stoker, "U.S. Olympic Festival: Economic Impact," First Union National Bank, Charlotte, November 1987, pp. 1-3.

<sup>4</sup> As reported in *The Atlanta Journal/Constitution*, Atlanta, Ga., Sept. 21, 1991, p. 2D.

<sup>5</sup> A 1987 report commissioned by the North Carolina Division of Travel and Tourism indicated motor racing contributed \$541.4 million to the state's economy in 1987 alone.

<sup>6</sup> Caulton Tudor, "Charlotte Has a Man of Vision," *The News & Observer*, Raleigh, N.C., May 27, 1992, p. 1C.

<sup>7</sup> Hill Carrow, "Big Event or Small, Sports Offer a Financial Hit," *Triangle Business Journal*, April 20, 1992, p. 9.

<sup>8</sup> John E. Connaughton, "The Economic Impact of the

Charlotte Hornets on Charlotte, North Carolina," 1989, p. 23.

<sup>9</sup> Jaqui Brumm *et al.*, "Prologue to a Report to the Greater Cincinnati Community on Keeping the Reds and the Bengals in Cincinnati," Leadership Cincinnati Class XIII (1989-90), Greater Cincinnati Chamber of Commerce Long-Range Planning Committee, Cincinnati, Ohio, 1990, p. 8.

<sup>10</sup> As quoted in Chip Alexander, "Franchise Could Cost You, Too," *The News and Observer*, Raleigh, N.C., Oct. 13, 1991, p. 11B.

<sup>11</sup> "Local Government and the Business of Minor League Baseball," the International City Management Association, Washington, D.C., 1990, p. 3. Durham Bulls owner Jim Goodmon was widely reported to have paid \$3 million when he purchased the single-A team from former owner Miles Wolff in 1991. Goodmon acknowledges that figure is in the ballpark, although he declines to reveal the exact purchase price.

<sup>12</sup> *Ibid.*, pp. 7-8.

<sup>13</sup> *Ibid.*, p. 6.

<sup>14</sup> Outside expenditures are comprised of payroll expenditures by the Houston Astros, plus spending for: bats; balls; training supplies; laundry; medical supplies; and spending for lodging, meals and goods and services by visiting teams, scouts, umpires, and other visitors. Local spending includes printing, sign painting, advertising, concession goods, utilities, cleaning, and miscellaneous park help, according to the Tourists' business office.

<sup>15</sup> Brumm, note 9 above, at p. 2.

<sup>16</sup> Forrest Johnson, "Some Spirits Not Lifted," *The News and Observer*, Raleigh, N.C., July 8, 1992, p. 6A.

<sup>17</sup> Arthur T. Johnson, "Local Government and Minor League Baseball: A Survey of Issues and Trends," International City Management Association, Washington, D.C., 1989, p. 11.

<sup>18</sup> Tudor, note 6 above.

<sup>19</sup> In 1992, the appropriation was made through a special provision in the legislature's capital budget bill (SB 1205). It authorizes statewide highway maintenance money to be spent for traffic control at events drawing 30,000 or more cars per day. Besides the Charlotte Motor Speedway, only the State Fair draws such a large number of cars in a single day. Privette says the appropriation is for the speedway and decries the use of "pothole money" for this purpose.

<sup>20</sup> Julie Powers Rives, "Charlotte Builds on Dream Team," *The News and Observer*, Raleigh, N.C., June 28, 1992, p. 1A.

<sup>21</sup> As quoted in Charles Chandler and Liz Clarke, "Vinroot: NFL Bid OK Without Public Funds," *The Charlotte Observer*, Charlotte, N.C., July 1, 1992, p. 1B.

<sup>22</sup> As quoted in David Mildenberg, "Goal to Gold Play," *Business / North Carolina*, Charlotte, N.C., July 1992, p. 41.

<sup>23</sup> Excerpted from a report by UNCC economist John Connaughton. Connaughton declined to provide a copy of the report, which he prepared for Richardson Sports, the group attempting to bring an NFL team to Charlotte. Muhleman, who also works with the Richardsons, provided excerpts.

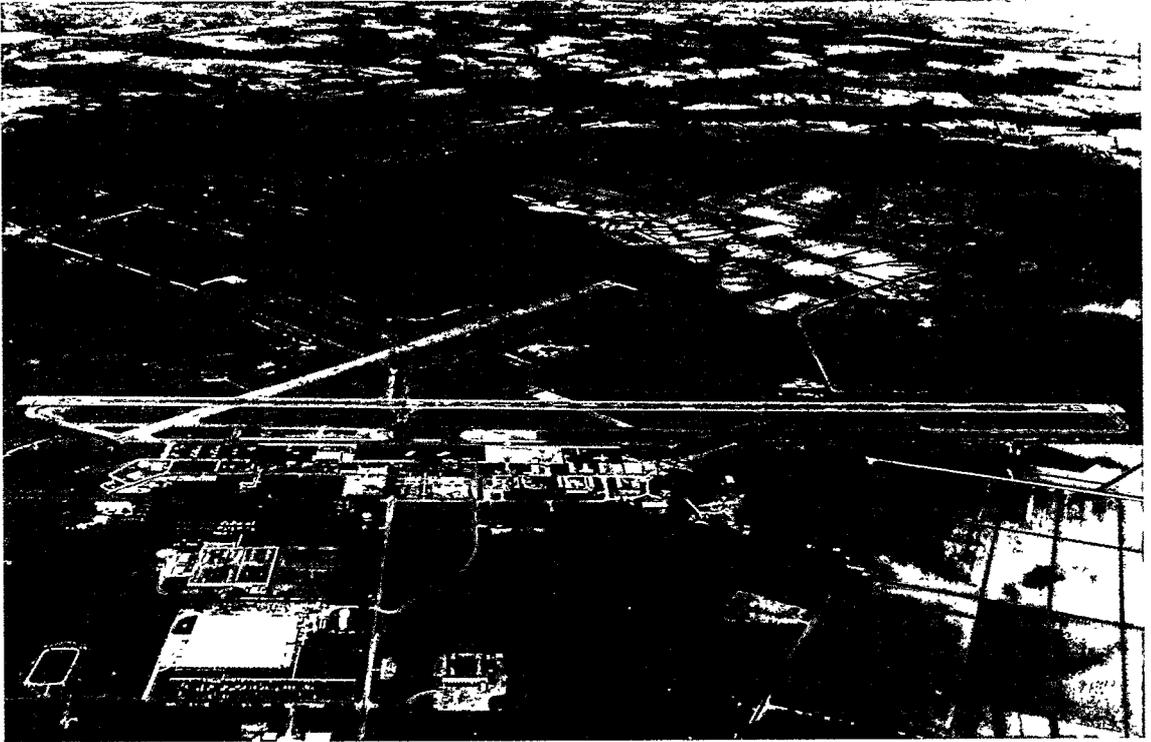
<sup>24</sup> Arthur T. Johnson, "Local Government and the Business of Minor League Baseball: A Guide for Decisionmakers," International City Management Association, Washington, D.C., 1990, p. 13.

<sup>25</sup> Tim Simmons, "Taxpayers Help Foot Bill for Pro Sports," *The News and Observer*, Dec. 29, 1991, p. 8A.

<sup>26</sup> A.J. Carr, "Bullfrogs' GBA Franchise Nearly Dead in the Water," *The News and Observer*, Raleigh, N.C., July 15, 1992, p. 1C.

<sup>27</sup> Johnson, note 24 above, p. 13-15.

<sup>28</sup> Four separate bond issues to replace windswept Candlestick park have been rejected by Bay Area voters. Giants owner Bob Lurie says he is ready to sell and let the team leave, but there is also a movement to keep the team in San Francisco. One potential investor in *this* effort is Hornets' owner George Shinn.



Charles L. Buchanan

**The state has proposed locating the Global TransPark at Kinston Regional Jetport, which is largely surrounded by farmland.**

# Air Cargo Complex: Flight or Fancy?

by Tom Mather

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*Supporters of Global TransPark, North Carolina's proposed air cargo/industrial park, describe the concept as the logical next step in the evolution of world trade. Fast-tracking the project could give the state the "first-mover's advantage," eventually pumping billions of dollars into the economy and creating thousands of jobs in an economically depressed region. But there's some risk involved—mainly the estimated \$156 million that it would cost the state to develop the complex at an existing airport. This article sets the stage for a pro-con discussion, with the pro side written by Gov. James G. Martin and the con side by Michael L. Walden, an economist with N.C. State University.*

**“F**irst in Flight,” the familiar motto on North Carolina’s license plates, could take on new meaning if John D. Kasarda has his way. Kasarda,

Kenan Professor of Business Administration at the University of North Carolina at Chapel Hill, would like to see the state go beyond its claim as the birthplace of aviation, the site of the Wright brothers’ first airplane flight.

The next major step in economic trade, Kasarda predicts, is the development of international cargo airports that serve as global manufacturing and distribution centers. (See Figure 1, p. 28.) And he believes that North Carolina is the ideal place to build such a complex, which would include a large airport geared toward national and international cargo flights combined with a large, technologically sophisticated industrial park for companies utilizing “just-in-time” manufacturing.<sup>1</sup>

“This complex will make North Carolina the crossroads of global air commerce,” says Kasarda, director of the Kenan Institute for Private Enterprise, a branch of UNC’s Kenan-Flagler Business School that tries to promote economic growth by linking academia, business, and government. “This is much more than a modern air-cargo complex. This is really a computer-age industrial complex, in which global aviation plays the pivotal distributional role.”

Kasarda’s concept, first proposed in a Kenan Institute paper two years ago, has won enthusiastic support from Gov. James G. Martin and some business leaders. (See Table 1 on p. 29 and Martin’s article, “Pro: Global TransPark Is An Investment In The Future,” on page 40.) The state legislature was interested enough that in 1991 it created the N.C. Air Cargo Airport Authority and appropriated \$6.6 million for studying and marketing the so-called Global TransPark.<sup>2</sup>

But not everyone is enamored with the proposal. Some critics say it is unwise for the state to bankroll such a massive economic development project, especially considering the recent shortfalls in state revenues.<sup>3</sup> (See Table 1 on p. 29 and Michael Walden’s article, “Con: Global TransPark Is A Risky Investment For The State,” on page 49.) Indeed, preliminary studies have projected development costs starting at \$156 million.<sup>4</sup> Questions also remain about the project’s effect on the state’s existing commercial airports and its potential strain on the environment and nearby communities.

*Tom Mather is associate editor of North Carolina Insight.*

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**“We’ve been out ahead of everybody. I would say we’re a year ahead of the game right now, from a time standpoint. But other states can get where we are a lot quicker than we did.”**

—PAUL A. SHUMAKER JR., DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

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### Project On The Fast Track

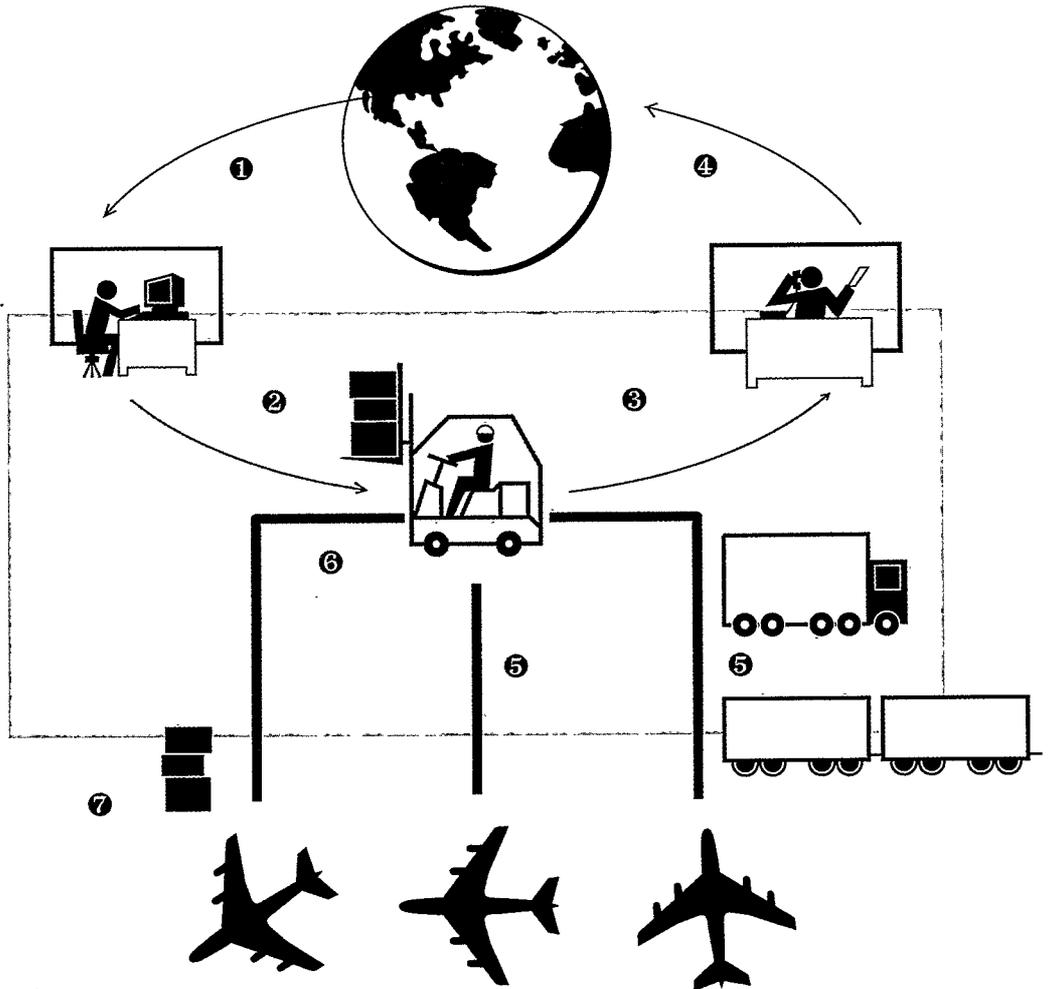
**A**s envisioned by proponents, the complex would dwarf—in size as well as money invested—previous state economic development projects such as Research Triangle Park and the Microelectronics Center of N.C. Kasarda initially envisioned a complex that would cover at least 15,000 acres,<sup>5</sup> about 20 square miles, and generate nearly 100 flights daily when fully operational.<sup>6</sup> State officials now estimate that the airport and cargo complex would cover about 4,700 acres, with an additional 28,000 acres zoned for industrial development.

Proponents claim the complex would be the first of its kind. Although others have built or proposed all-freight airports, Kasarda says that no one has yet combined a cargo airport, transportation hub, and manufacturing center in an integrated complex. But at least four existing airports contain substantial elements of the proposed complex and a number of other states are considering plans for comparable facilities. (See Table 2, pp. 32–33.)

Various observers, however, say that North Carolina is leading the pack—at least for now.<sup>7</sup> North Carolina got the jump in August 1991, when the General Assembly appropriated \$6.2 million to create the Air Cargo Airport Authority, while setting aside another \$400,000 for marketing the Global TransPark through the state Department of Economic and Community Development. In July 1992, the legislature appropriated another \$2 million to the authority for designing runway and cargo-handling facilities at the proposed complex, plus another \$500,000 to continue marketing the project.

“We’ve been out ahead of everybody,” says Paul A. Shumaker Jr., the department’s chief as-

**Figure 1. How Global TransPark Would Work**



- ① Orders sent to production facility
- ② Orders sent to factory floor
- ③ Factory requests raw materials and components
- ④ Purchasing sends orders to local and remote suppliers
- ⑤ Raw materials delivered to factory
- ⑥ Production of goods
- ⑦ Finished goods shipped air freight to customer

sistant secretary. "I would say we're a year ahead of the game right now, from a time standpoint. But other states can get where we are a lot quicker than we did."

Proponents say it's important that the state maintain its "first-mover's advantage" because the eastern United States probably could not support more than one such complex. That thinking has led Governor Martin, who chairs the air cargo authority, to unabashedly fast-track the proposal. "We've moved at something close to the bureau-

cratic speed of light to get to where we are today," Martin said at the authority's meeting in May 1992. "We need to pick a preferred site, so we can move forward. Otherwise we'll still be talking about this 20 years from now."

Nevertheless, the state has not yet committed to building the complex. That decision depends on the Air Cargo Airport Authority, which in addition to Martin and State Treasurer Harlan E. Boyles includes six other members appointed by the governor, three by House Speaker Daniel T. Blue Jr.,

**Table 1. Key Arguments For And Against The Global TransPark Project**

PRO	CON
1. Global TransPark would create an estimated 28,000 jobs at the complex and 59,200 statewide by the year 2000.	1. Job and economic projections are based on overly optimistic assumptions regarding plant relocations. State government has a history of inflating estimates of job creations.
2. Would generate an estimated \$3.8 billion in total economic impact statewide by the year 2000, and \$12.9 billion by the year 2010.	2. Economic forecasts are dependent on assumptions that workers and materials would be available for just-in-time production, and that fuel would remain cheap and plentiful.
3. Would bring jobs and economic growth to eastern North Carolina, a region of the state that largely has missed out in previous state development ventures.	3. Large complex would require the relocation of many families, create excessive noise, and burden local highways, schools, and other facilities.
4. Like Research Triangle Park, would create a government/business partnership that would generate statewide economic impact.	4. Private marketplace is better able to assess the wisdom of investing millions of dollars in such a speculative venture.
5. Would accelerate North Carolina's already growing air-freight business.	5. Could draw business away from existing commercial airports, which have plenty of capacity for growth.
6. Would give North Carolina a jump on other states in developing global markets, particularly in fast-growing Pacific Rim nations.	6. North Carolina is better situated for targeting markets in Europe and North and South America; West Coast states are better able to develop Pacific Rim markets.



***“This complex will  
make North Carolina  
the crossroads of  
global air commerce.”***

—JOHN D. KASARDA,  
KENAN INSTITUTE FOR PRIVATE ENTERPRISE

***John D. Kasarda, left, answers questions about proposed Global TransPark at a meeting of N.C. Air Cargo Airport Authority.***

and three by Senate President Pro Tempore Henson Barnes.<sup>8</sup> (See Table 3, p. 35.)

The 14-member board is charged with determining whether the project is worth pursuing and, if so, when, where and how big it should build the complex. The board's decision hinges not only on the technical merits of the complex, but on whether it can find an airport site that is affordable, has sufficient land, and meets concerns about noise and other environmental factors.

One of the authority's first orders of business was to review a \$475,000 feasibility study, commissioned by the Martin Administration and partially funded by the Federal Aviation Administration, that compared options for the combined cargo airport and industrial park.<sup>9</sup> That study was completed in February 1992 by Transportation Management Group Inc., a Raleigh-based consulting firm. The consultants' study concluded that the Global TransPark could succeed, generating thousands of jobs and pumping billions of dollars into the state's economy.<sup>10</sup> (See Table 4, p. 37.)

### **Proponents Hope To Capitalize On Boom In Air Cargo**

***T***he consultants' optimistic forecasts are largely based on the assumption that air-freight business will continue to boom. Worldwide, air-cargo traffic increased at an average rate of 8.6 percent annually over the past two decades,<sup>11</sup> and the growth rate has been even higher at North Carolina's largest airports.<sup>12</sup> At Raleigh-Durham International Airport alone, carriers handled nearly six times more cargo by weight in 1991 than they did in 1980.<sup>13</sup> That increase was tied to the growth of nearby Research Triangle Park, as well as American Airlines' decision to locate a regional hub at the airport in 1987. The opening of American's route to Paris in 1988 also has increased international trade, with about one-fifth of RDU's freight headed for foreign markets.

“This is a slow day, believe it or not, for us,” Tom Thurmbuchler, American Airline's supervisor of cargo services at RDU, said in March 1992



Karen Tom

***Air cargo traffic has grown at an average rate of 8.6 percent worldwide over the past two decades, and at an even faster rate at North Carolina's largest airports.***

as trucks whizzed in and out of the airline's freight center. "We average close to 3.75 million pounds a month, and we're still growing. The last three months, including this month, we've been growing on average 6 percent monthly. So we must be doing something right. We'll handle everything from textiles to computer parts to horse meat."

Air freight has grown so rapidly at Raleigh-Durham that the volume of cargo shipments by 1985 had surpassed projections for the year 2000.<sup>14</sup> To cope with that growth, the RDU Airport Authority has begun constructing a new \$30-million facility that will triple the amount of space available for processing freight and parking cargo planes when it's completed early in 1993. "It's planned right now for the dedicated cargo carriers," says RDU spokesperson Teresa Damiano, referring to

the all-freight airlines such as Federal Express and United Parcel Service. "Since the late 1970s and early '80s, there's been a real squeeze for places for the all-cargo carriers to park."

North Carolina's three largest commercial airports—Raleigh-Durham International, Charlotte/Douglas International, and Piedmont Triad International in Greensboro—together accounted for virtually all (98 percent) of the state's air cargo traffic in 1990. (See Table 5, p. 44.) The state as a whole produced more than 195,000 tons of air cargo that year, with the three large airports handling 254,000 tons (including out-of-state freight).<sup>15</sup> The Global TransPark feasibility study predicts that air-cargo traffic at the state's commercial airports will increase by nearly eight-fold between 1990 and 2010, even without the proposed cargo complex.

**Table 2. Projects Comparable To Global TransPark In Other States**

Global TransPark proponents say the complex would be the first of its kind — a state-of-the-art manufacturing center linked to global markets through an all-cargo airport, four-lane highways, and nearby seaports. But at least four existing airports possess substantial elements of the proposed air-cargo/industrial park complex, and others are under consideration. Following is a summary of some comparable existing and proposed facilities:

Name	Location	Status	Description
Alliance Airport	Fort Worth, Texas	Existing	This "commercial industrial cargo airport" is a joint venture between the city of Fort Worth and private investors — most notably Ross Perot Jr., son of the well-known billionaire. Airport covers 678 acres, surrounded by some 4,000 acres marketed to industrial tenants geared to just-in-time production. Linked to interstate highways and rail lines. Opened in 1989.
Huntsville International Airport	Huntsville, Alabama	Existing	Airport located on 3,500-acre site that includes a new air-cargo center and a large industrial park. Tenants include Chrysler, Boeing, and other corporations, some engaged in just-in-time production. Linked to interstate highways and rail lines. Opened 1986.
Memphis International Airport	Memphis, Tennessee	Existing	This 4,000-acre airport is the central hub for Federal Express Corp., the nation's largest air-cargo carrier. Airport dominated by passenger traffic by day, cargo at night. Federal Express hub a catalyst for development, attracting manufacturers to adjacent industrial park. Linked to interstate highways, rail lines, and shipping via the Mississippi River.
Front Range Airport	Denver, Colorado	Expansion underway	This 5,000-acre cargo airport is surrounded by a 10,000-acre industrial park. Complex opened in 1984, with an expansion scheduled for completion in 1993. Firms can lease land in industrial park or along runways. Linked closely to interstate highways, rail lines, and Denver International Airport, primarily a passenger facility.

—continues

Name	Location	Status	Description
Jacksonville International Airport	Jacksonville, Florida	Proposed expansion	This 7,500-acre airport is linked to interstate highways, rail lines, and a seaport. Primarily a passenger facility, managers are seeking to locate an air-cargo hub and/or manufacturing plants on airport property.
Calverton Airport	Long Island, New York	Proposed conversion	Feasibility study underway considering conversion of 7,000-acre Navy base into an air cargo/industrial park complex. Linked to interstate highways, railroads, and seaports.
Pease Air Force Base	Portsmouth, New Hampshire	Proposed conversion	Study underway considering conversion of 4,300-acre military base into an air-cargo/industrial park complex. Linked to interstate highways, rail lines, and seaport.
Central - Midwest International Airport	Central City, Kentucky	Proposed	State developing master plan for proposed cargo airport/industrial park complex on a 20,000-acre site. Targeted for just-in-time manufacturers and international trade. Interstate highway links would have to be built, but rail line already runs through property.
Global TransPark	Kinston, North Carolina	Proposed	State developing master plan for proposed cargo airport/industrial park complex. To be located at existing 1,250-acre airport, with about 20,000 acres of nearby land available for development. Would be linked to interstate highways, rail lines, and seaports.

*N.C. Center intern Mebane Rash conducted research for this table.*

### Location Critical To Project's Success

A key factor influencing the potential success of the complex is siting, and the feasibility study compares three broad options: existing commercial airports, military bases, and new "greenfield" locations. (See Table 6, p. 54.) Building the complex at an existing airport would be the least expensive option, costing \$156 million. But the consultants' first choice was that the state develop a "joint-use" complex at a military base, with an estimated cost of \$281 million, because of fewer constraints regarding air traffic, noise, and

other factors. That recommendation led to much speculation that the authority would propose locating the cargo complex at Seymour Johnson Air Force Base in Goldsboro, the state's only military facility with enough available land for the project. But the air cargo authority decided to focus its attention on commercial airports because of lower projected costs and time delays that likely would result from seeking military approval for a joint-use facility.

In February 1992, Governor Martin announced that the board would pick a final site at its May 19 meeting after reviewing proposals from communi-

ties hoping to land the complex. That announcement created a frenzy among economic development coordinators across the state, and 13 groups representing 23 counties submitted bids for the project by the April 16 deadline. "Never before have I seen local elected officials so excited about a project," says Rep. Daniel H. DeVane (D-Hoke).

On May 15, Martin and the authority's executive director, Seddon "Rusty" Goode, narrowed the list of potential airport sites to two finalists without a vote of the entire board—a move that apparently perturbed at least one board member. Cameron Harris of Charlotte, the only member to vote against the board's final choice, referred to that process when asked to explain his opposition: "I am very much for the air cargo facility; I think it's a great idea. But I had some problems with the procedures."

### And The Winner Is ...

**A**t its May 19 meeting, the board heard presentations from groups representing the two finalists: Laurinburg-Maxton Airport in Scotland

County and Kinston Regional Jetport in Lenoir County. The authority selected the Kinston airport as the preferred site, following a lengthy closed-door discussion. (See Figure 2, p. 38.) Although both groups offered to donate land, utilities, and airport facilities worth millions of dollars, several factors weighed in Kinston's favor:

- It is centrally located in eastern North Carolina, an economically depressed region in need of jobs, and close to East Carolina University in Greenville.
- The airport has ready access to four-lane highways (U.S. 70 and Interstates 40 and 95), railroad lines, and ports in Wilmington and Morehead City.
- Officials from 17 surrounding counties and a number of nearby towns supported the Kinston proposal.
- The airport has an existing air-traffic control tower operated by the Federal Aviation Administration, a 7,500-foot runway that can handle large cargo aircraft, and an approved master plan for a second parallel runway.
- The airport is surrounded by more than 30,000

***More than half the nation's air-cargo is transported by all-freight carriers, such as Federal Express.***



Karen Tam

**Table 3. N.C. Air Cargo Airport Authority**

The authority's 14 members serve two-year terms. Membership includes seven appointed by the Governor, three by the House Speaker, three by the Senate President Pro Tempore, and the State Treasurer. Staff support is provided by the Department of Transportation.<sup>1</sup>

<b>Member</b>	<b>Appointed By:</b>	<b>Representation:</b>
Gov. James G. Martin, Chair of Authority	Governor	At large
James C. Gardner, Lieutenant Governor	Governor	At large
Seddon "Rusty" Goode, First Union Plaza, Charlotte	Governor	At large
James T. Broyhill, former U.S. Senator and Representative	Governor	Industry
S. Malcolm Gillis, Dean of the Faculty of Arts and Sciences, Duke University	Governor	Environment
Paul J. Rizzo, Dean, School of Business Administration, UNC-Chapel Hill	Governor	Business
William H. Prestage, Owner and President, Prestage Farms, Clinton	Governor	Agribusiness
Gordon S. Myers, President, Commercial Developers Inc., Asheville	House	At large
Roger A. McLean, Vice Chancellor for Business and Finance, Elizabeth City State University	House	At large
Thomas W. Bradshaw, Transportation Director, The First Boston Corp., New York, N.Y.	House	At large
Nancy R. Stallings, Director, Area Agency of Aging, Neuse River Council of Governments, New Bern	Senate	At large
Charles A. Hayes, Chairman, Guilford Mills, Greensboro	Senate	At large
Cameron Harris, Cameron M. Harris & Co., Charlotte	Senate	At large
Harlan Boyles, State Treasurer	Legislation	Ex-officio

<sup>1</sup> See N.C. G.S. 63A-3.

acres of generally open, level land that potentially could be developed.

Governor Martin says that choosing a site was a crucial step in moving the project forward. Without a specific location, he says, the state couldn't prepare a master plan for the complex, conduct environmental studies, market the complex to prospective customers, or arrange financing.

"By selecting this site we are saying, 'We believe it will work; we believe we can market this concept and our state,'" Martin said after the May 19 meeting. "We've taken another vital step."

Local leaders predict the complex will put Kinston on the map, while creating an economic boon for all of eastern North Carolina. "The

outward migration of our youngest and our brightest can be reversed," says Vernon Rochelle, the city attorney for Kinston. But some local landowners already have formed a group opposing the

project, saying they won't easily part with their property.<sup>16</sup> As one farmer, J.P. Hill of Lenoir County, told *The News & Observer* of Raleigh: "They think we ought to just give our land so they can do whatever they want, but it ain't going to work that way. I know

some that's going to put up a fight, including me. The farm I own is not for sale at any price. I don't want to sell and I don't want them to take it."<sup>17</sup> That sentiment drew support from the *Fayetteville Observer-Times*, which editorialized of local opponents: "They have every right to fight back, and

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***"The outward migration of our youngest and our brightest can be reversed."***

—VERNON ROCHELLE,  
CITY ATTORNEY FOR KINSTON

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***Vernon Rochelle and other Kinston officials celebrate after the N.C. Air Cargo Airport Authority selects the city's airport as the site for the proposed Global TransPark.***



Karen Tam

**Table 4. Global TransPark: Projected Economic Impact**

Forecasts	2000	2010
Flights (all-cargo) <sup>1</sup>	29/day	95/day
Cargo (weight)	123,000 tons/year	418,000 tons/year
Employment (new jobs)		
At Complex	28,000	48,000
Statewide <sup>2</sup>	59,200	101,200
Total Statewide Impact (dollars)	\$3.8 billion	\$12.9 billion

Source: Transportation Management Group, *North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study*, Executive Summary, February 1992, p. 2.

<sup>1</sup>For comparison, the number of departures in 1991 averaged 343/day at Charlotte/Douglas International Airport, 165/day at Raleigh-Durham International Airport, and 53/day at Piedmont Triad International Airport. See Transportation Management Group, Chapter 3, pp. 49-50.

<sup>2</sup>Total number of jobs created statewide in companies that supply or service cargo carriers and manufacturing plants at Global TransPark.

if they win they could even save the state from wasting money. The influx of high-technology manufacturing plants envisioned for the project could easily be made up of ghosts that, unlike the players in [the movie] 'Field of Dreams,' would do nothing."<sup>18</sup>

### What's Left?

With these and other concerns, the Global TransPark is no sure thing. The air cargo authority still must prepare a detailed master plan for the project and conduct studies analyzing the potential environmental impact at the Kinston site. One looming question is the project's effect on wetlands, which are widespread in Eastern North Carolina. The authority also has yet to propose a method for funding the project, and legislators could balk at the final price tag. Governor Martin, however, is optimistic that such

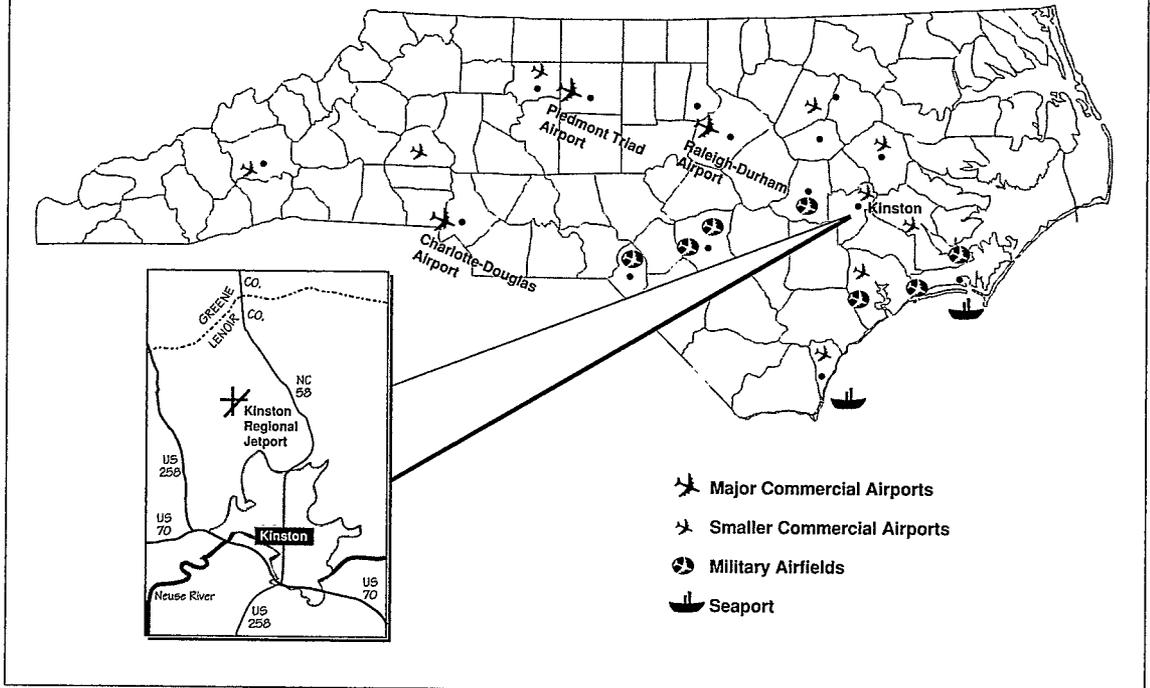
concerns can be resolved.

"There's a lot of support for this idea politically, in the General Assembly and among leaders across the state," Martin says. "The biggest concern in our discussions now is how to finance whatever we do.

"But we've only committed to spend the necessary money to figure out where to go, what to do, and whether to go forward with it. ... We have not authorized the expenditure of large, massive amounts of money. We still have to do the master planning. It would be foolish to pour a lot of concrete or spend a lot of money until we do that."

Some see Martin's support for the Global Transpark as a final attempt by the governor to establish a legacy in a pro-business administration that has had its share of economic setbacks—including the \$1.2-billion budget shortfall in 1991 and the failure of bids to attract large federal projects such as Sematech in 1987 and the Super-

**Figure 2. Proposed Global TransPark Site in Relation to Existing Commercial Airports in North Carolina**



conducting Super Collider in 1988.<sup>19</sup> “What I see this as is the governor trying to make his mark,” says Michael F. Corcoran, executive vice president of the N.C. Wildlife Federation, the state’s largest conservation group. “I see this as the governor trying to establish another Research Triangle Park.”

Others don’t mind the comparison to Research Triangle Park. Kasarda, the UNC professor who conceived the air cargo/industrial complex concept, notes that the state’s investment in the park since the early 1960s has created thousands of new jobs, increased tax revenues, and spurred economic growth across North Carolina. And like Research Triangle Park, he says, Global TransPark probably won’t take off unless state government provides the seed money and institutional support.

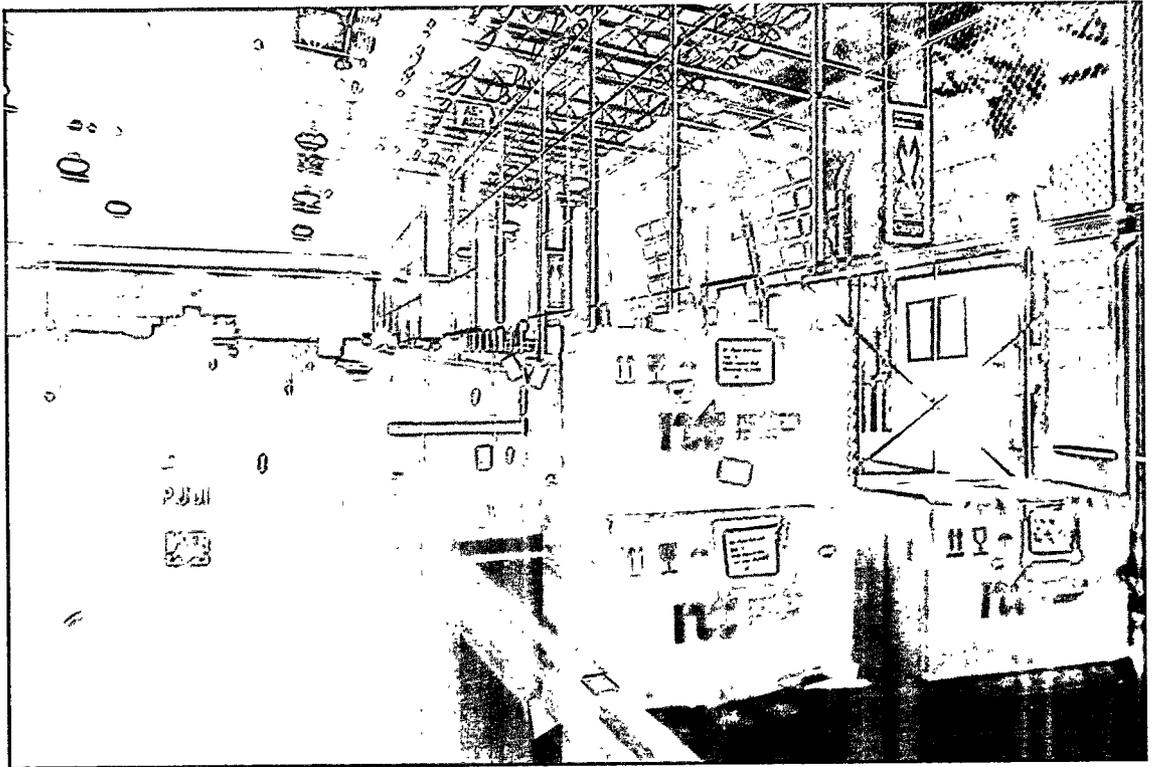
“Research Triangle Park would have never happened if it hadn’t been a state-instigated venture, because you need something to jump-start it,” Kasarda says. “You need somebody to acquire the land, exercise eminent domain. Private enterprise doesn’t have eminent domain, it can’t con-

demn land. It can’t set up the kind of policy needed to make this happen. It can’t float revenue bonds and industrial development bonds.

“If we could sit back and wait for the private sector to do something, are they going to pick North Carolina? We don’t know. But this is the time for us to do something preemptive. If North Carolina wants to shape its destiny, it has the opportunity. And if it seizes it fast, it could have that first-mover advantage.”

***“What I see this as is the governor trying to make his mark. I see this as the governor trying to establish another Research Triangle Park.”***

—MICHAEL F. CORCORAN,  
N.C. WILDLIFE FEDERATION



**Much of the air cargo handled at Raleigh-Durham airport is high-value-to-weight goods, such as electronics and computer equipment manufactured by plants in nearby Research Triangle Park.**

## FOOTNOTES

<sup>1</sup> John D. Kasarda, "A Global Air Cargo-Industrial Complex for the State of North Carolina," Kenan Institute of Private Enterprise, UNC Business School, Chapel Hill, N.C., pp. 1-ff.

<sup>2</sup> See N.C. G.S. 63A-2(8).

<sup>3</sup> For more on the state's recent budget problems, see Mike McLaughlin, "North Carolina's Biennial Budget—Oil Change or Overhaul?" *North Carolina Insight*, Vol. 13, No. 2 (June 1991), pp. 2-19.

<sup>4</sup> See Transportation Management Group Inc., *North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study*, Raleigh, N.C., February 1992, Chapter 7, p. 69. The group is a Raleigh-based consulting firm that the state selected to prepare a feasibility study on the proposed Global TransPark.

<sup>5</sup> Kasarda, p. 15.

<sup>6</sup> Transportation Management Group, Chapter 1, p. 3.

<sup>7</sup> Articles in various trade publications have portrayed North Carolina as leading the way toward developing an all-cargo airport complex. For examples, see: Nancy Nachman-Hunt, "If they build them, will global-minded corporations come?" *Expansion Management*, Jan./Feb. 1992, pp. 14-22; Ralph Gardner, "And Now The Fifth Wave," *Air Cargo USA*, Oct. 1991, pp. 8-10; and Gardner, "Tarheel State Places its Bets on a Future in Air Cargo," *Air Cargo News*, Vol. 16, No. 8 (Sept. 1991), pp. 9-10.

<sup>8</sup> Governor Martin named himself to the authority as one of the seven gubernatorial appointees stipulated by the law.

<sup>9</sup> Transportation Management Group, Executive Summary, p. 21.

<sup>10</sup> *Ibid.*, Executive Summary, p. 2.

<sup>11</sup> *Ibid.*, Executive Summary, p. 1.

<sup>12</sup> *Ibid.*, Chapter 3, p. 26.

<sup>13</sup> According to Teresa Damiano, public affairs manager for the Raleigh-Durham Airport Authority, cargo traffic at RDU increased from 7,318 tons in 1980 to 41,745 tons in 1991.

<sup>14</sup> Judith Schonbak, "Raleigh-Durham International Airport Outlines Growth Strategy," *Jet Cargo News*, February 1991, p. 18.

<sup>15</sup> Transportation Management Group, Executive Summary, pp. 1-2, 9.

<sup>16</sup> "Group to fight air cargo complex," *The News & Observer*, Raleigh, N.C., June 26, 1992, p. 8C.

<sup>17</sup> Jerry Allegood, "Huge Kinston airport plan doesn't sit well with some neighbors," *The News & Observer*, Raleigh, N.C., May 25, 1992, p. 6A.

<sup>18</sup> "The state's airfield of dreams," *Fayetteville Observer-Times*, reprinted in *The News & Observer*, Raleigh, N.C., June 7, 1992, editorial page.

<sup>19</sup> The state of Texas landed both projects. Sematech, located in Austin, is a joint industry/university/government consortium aimed at improving the production of semiconductors, or computer chips, in the United States. The Superconducting Super Collider is an \$8-billion federal project aimed at building a massive proton accelerator to explore the fundamental nature of matter; the future of that project is in doubt, however, because Congress recently cut its funding.

## Global TransPark Is an Investment in the Future

by Gov. James G. Martin



*North Carolina can seize a unique and profitable opportunity by pursuing plans for an air-cargo/industrial park complex. Like Research Triangle Park, the Global TransPark is a far-sighted venture that could create thousands of jobs and pump millions of dollars into the state's economy. The East Coast might support only one such complex, however. So, North Carolina must move quickly—before other states capitalize on the idea.*



Imagine you own a North Carolina company that has just received a large order from a major European client. The company needs your product for use on its assembly line—tomorrow. How do you fill the order and ship it as quickly as possible, while saving you and your client time and money?

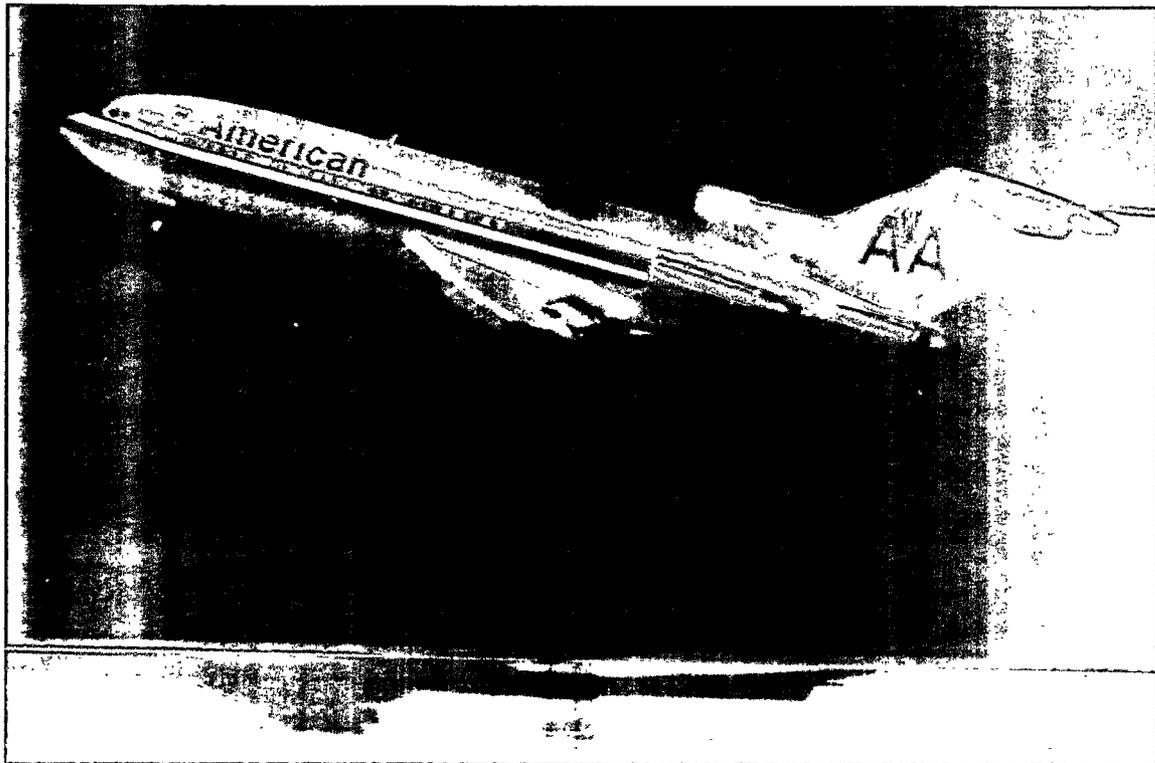
If your company were located at the proposed Global TransPark, you could begin processing the order the same day it arrived and ship your product to any point on the globe in a matter of hours. For products assembled from parts made elsewhere, those parts could be flown in overnight. Such “just-in-time” production would give your company an edge in the increasingly stiff competition for world trade, at the same time cutting expenses by limiting the need for storing large inventories.

That scenario illustrates how the Global TransPark could revolutionize business practices in the 21st Century—by providing the access,

speed, and reliability needed for just-in-time production. As envisioned by John D. Kasarda, director of the Kenan Institute of Private Enterprise at UNC-Chapel Hill, the Global TransPark would consist of an industrial park clustered around an advanced transportation network that includes an international cargo airport. (See Figure 1, p.28.) The complex would improve access to global markets by combining the most up-to-date technology in transportation, cargo handling, industrial production, and telecommunications. Cargo planes would fly components, finished products, and raw materials all over the nation and the world. Manufacturers would assemble products on demand and

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*James G. Martin, a Republican, has served as North Carolina's governor since 1985. He also chairs the N.C. Air Cargo Authority Board, which is charged with evaluating the proposed Global TransPark. When his second term expires in January 1993, he plans to chair the research development board directing the James G. Cannon Research Center at Carolinas Medical Center in Charlotte.*



**Nearly half the nation's air cargo is transported in the bellies of passenger planes, such as this American Airlines' craft taking off at Raleigh-Durham International Airport.**

then dispatch them to domestic and international markets using state-of-the-art aviation, trucking, rail, and shipping facilities.

Just-in-time manufacturing is a process in which companies try to avoid stocking large inventories of supplies and finished products. Instead, they rely on fast communication and transportation to supply them with just enough components and raw materials to meet their orders, while delivering finished products to their customers on short notice.

A just-in-time plant is like an industrial fast-food restaurant. But instead of hamburgers or pizza, it produces made-to-order clothing, computers, or automobiles. More and more manufacturers are shifting toward such customized production, primarily as a means to cut storage costs.

"All manufacturers are trying to move toward minimizing their inventories," Kasarda says. "If you have a huge inventory, who's paying for that? Basically you've got your money tied up in stock that isn't moving. Inventory is nothing but lost money. What just-in-time does is it synchronizes all elements of manufacturing and distribution so

that production and delivery times are minimized and inventories eliminated. In the ideal case, you would have no inventories. Everything would be a seamless process of production and distribution. Whether it's the finished product or the raw materials, things arrive just in time—at the precise time when they are needed."

Just-in-time production also enables manufacturers to keep up better with quickly changing styles and lets them tailor their production to customers' needs. "Research shows that tastes are changing much more rapidly today than they did in previous decades," Kasarda says. "What is hot one month may not be so hot the next month."<sup>1</sup>

### **Transportation: The Key To Economic Growth**

**H**istory teaches us that transportation is a catalyst for economic development—wherever roads led, development followed. Kasarda calls global air-cargo/industrial parks the logical next step in the evolution of trade. So far, he says, the United States has gone through four "waves" of

economic growth—all tied to transportation advances. In the first wave, cities like Boston and New York developed at *seaports* with access to major shipping routes. The second wave of development occurred in cities like Buffalo, Pittsburgh, and St. Louis located along *rivers and canals*. The next growth wave was linked to *railroad lines*, with cities like Atlanta springing up at major junctions. In the most recent wave, development has prospered most in cities and suburbs with access to *major highways*.<sup>2</sup>

North Carolina is currently riding the crest of that fourth wave of economic development. The state's roadways, railways, and airports place North Carolina businesses within easy access of New York, Atlanta, and other major cities along the East Coast. That transportation network provides distribution routes to both national and international markets.

Already known as the "Good Roads State,"<sup>3</sup> North Carolina plans to build 3,000 miles of four-lane divided highways that will reach within 10 miles of 96 percent of the state's population and will open distribution routes to businesses statewide.<sup>4</sup> The state's deep-water ports in Wilmington and Morehead City, as well as its international airports in Charlotte, Greensboro, and Raleigh-Durham, also offer gateways to a number of foreign markets.

Businesses have taken advantage of the opportunities offered by the state's transportation network. In 1987, North Carolina companies exported \$4.5 billion worth of products. In just five short years, after a strong promotion effort, export sales nearly doubled—jumping to \$8.5 billion. During that time, North Carolina was one of the few states with a trade surplus, growing from \$1.4 million in 1987 to \$596.8 million in 1991.

The numbers show that North Carolina has increased its competitiveness in the global marketplace at a phenomenal rate—and that trend should continue. But competing successfully with other states and nations will depend on North Carolina's ability to increase the speed and efficiency in which its businesses can ship quality products to markets around the world.

### **Air Cargo: The 5th Wave Of Economic Growth?**

**T**o meet that challenge, North Carolina must leap forward to the next stage of transportation and economic development. As defined by Kasarda, the "5th wave" is the integration of three

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***The Global TransPark proposal is visionary, just as the Research Triangle Park was in its conceptual stages. The state's investment in Research Triangle Park since the early 1960s has paid for itself many times over, in new jobs, increased tax revenues, and economic growth across North Carolina.***

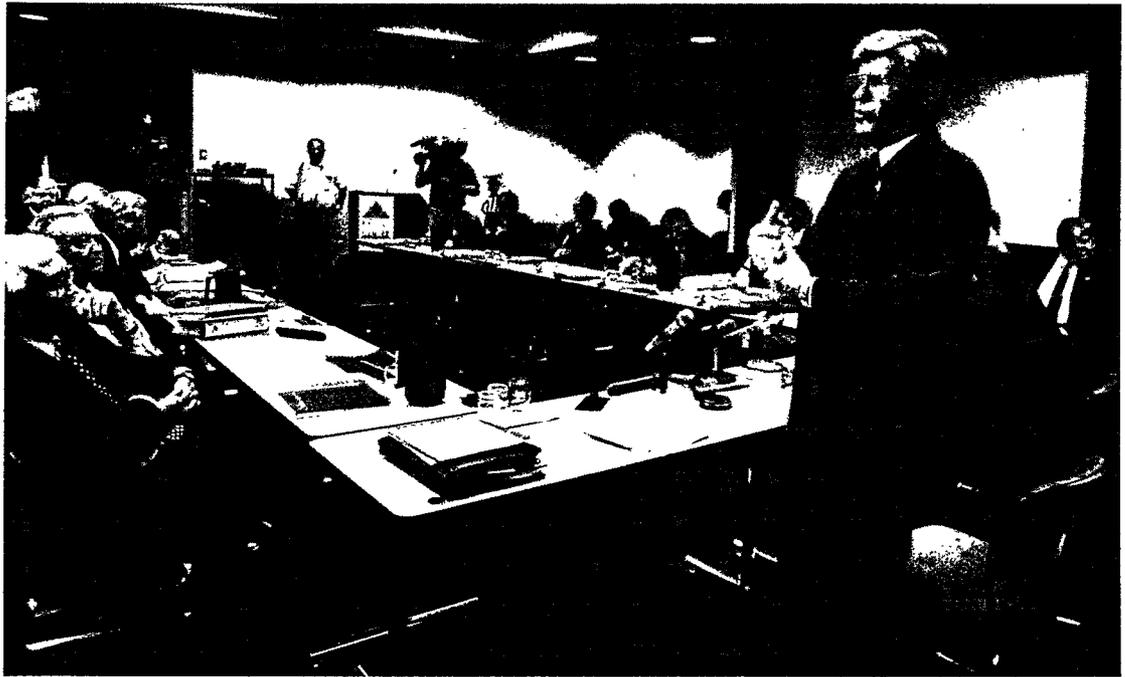
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components—globalization, just-in-time production, and aviation. These three forces are irreversible. In the new economy, time is the critical competitive factor. Speed, speed, and more speed will separate global winners from losers.

The Global TransPark represents the 5th wave—the logical next step in the evolution of trade. And records show that the progression already is underway. Worldwide, air-cargo traffic increased at an average rate of 8.6 percent between 1970 and 1990. That trend is expected to intensify in the future, with the growing importance of international trade. (See Table 5, p. 44.) Over the past two decades, for instance, the volume of U.S. exports grew at an average rate of 19 percent per year.<sup>5</sup>

North Carolina has experienced similar trends. In 1990, the state's 100 counties produced more than 195,000 tons of air cargo traffic. That figure is expected to increase six-fold by the year 2010. The total weight of cargo handled at the state's largest airports grew by more than 12 percent annually from 1983 to 1990.<sup>6</sup>

Air freight has continued to grow in spite of rising fuel costs. "Today 35 percent of the U.S. exports by value goes by air," Kasarda says. "Pretty soon that will be 50 percent. Air freight went up in the face of the oil crises in the 1970s. It hasn't gone down with recessions. It steadily climbs in volume and value."



**Gov. James G. Martin speaks to the N.C. Air Cargo Airport Authority.**

## **Global TransPark: The Next Research Triangle Park?**

**T**he Global TransPark proposal is visionary, just as the Research Triangle Park was in its conceptual stages. The state's investment in Research Triangle Park since the early 1960s has paid for itself many times over, in new jobs, increased tax revenues, and economic growth across North Carolina. After 33 years, the Triangle's research and development center has achieved world renown; it covers 6,800 acres, employs more than 33,000 people, and has a total investment of \$2 billion.

In comparison, the Global TransPark complex is expected to employ nearly 28,000 by the year 2000, with more than 59,000 related jobs statewide. (See Table 4, p. 37.) The park should increase employment at businesses across North Carolina as more companies locate here to use the complex and supply its associated companies. Moreover, most of the new jobs should be relatively high paying, because they would be associated with high-tech industries in areas such as electronics, computers, pharmaceuticals, and medical equipment.<sup>7</sup>

Some mistakenly have compared Global TransPark to existing cargo airports, such as the

Alliance Airport near Fort Worth, Texas.<sup>8</sup> (See Table 2, p. 32-33.) Although elements of the proposal have been implemented elsewhere, no facility in the world incorporates all of the features proposed for the North Carolina complex. Nevertheless, other states are considering similar projects and some, such as Kentucky and Florida, have taken advantage of North Carolina's feasibility study in developing private venture proposals.

It's unlikely, however, that there's enough business to support more than one such complex in the Eastern United States. That means North Carolina must move quickly if it hopes to forestall competitors by being the first to build an air cargo/industrial park complex.

A Global TransPark will be built somewhere. The question is: Will it be in North Carolina, or will it be in another state? Right now, North Carolina enjoys what strategists call the first-mover's advantage. The state must maintain that edge if it is to enjoy the full benefits of such a facility. Alternatively, North Carolina could sacrifice jobs, revenue, and economic growth to another state with greater foresight if state leaders lack the energy and commitment to carry out this project.

The N.C. Air Cargo Airport Authority is responsible for determining the study's final feasibility, which includes market acceptance and fi-

financial prospects. The authority is determined to study the proposal, work out details, and seek solutions to problems as they arise. By keeping the project on track, the board hopes to keep North Carolina ahead of its competitors and first in line for the Global TransPark's benefits.

### Potential Benefits Staggering

Other states are developing competing proposals for good reasons. In total economic impact, Global TransPark would generate an estimated \$3.8 billion in 2000 and \$12.9 billion in 2010, according to the feasibility study prepared for the state.<sup>9</sup> (See Table 4, p. 37.) These estimates show the benefits of such a facility would be

staggering—not just for the community where it is located, but for the entire state. The feasibility study predicts that by the year 2000 the complex would:

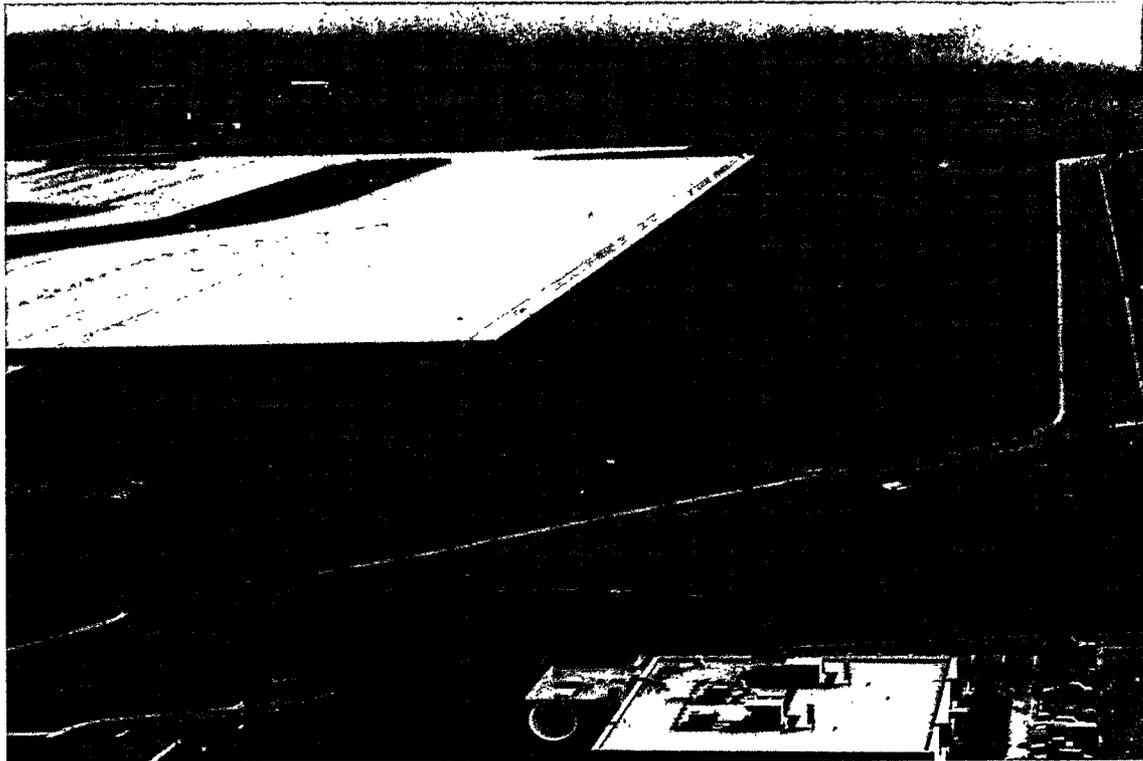
- Generate nearly 123,000 tons of air cargo—roughly half the amount now handled by the state's three largest commercial airports.
- Create nearly 28,000 jobs at the complex—almost as many as the number of people who now work in Research Triangle Park.
- Contribute to the formation of nearly 59,200 jobs statewide—about the same number of people who live in the city of Asheville.
- Produce \$3.8 billion in total economic impact—nearly half the amount of the state government's 1991-92 General Fund budget.

**Table 5. Current and Projected Air Cargo Traffic At North Carolina Commercial Airports, Without Proposed Global TransPark**  
(thousands of tons)

Airport	1990	1995	2000	2010
Charlotte/Douglas International	125.1	247.9	424.3	1,179.9
Piedmont Triad International	50.3	96.9	155.2	431.8
Raleigh-Durham International	75.1	135.8	414.7	626.7
All Others <sup>1</sup>	4.0	7.3	11.6	29.0
<b>TOTAL</b>	<b>254.5</b>	<b>487.8</b>	<b>820.0</b>	<b>2,267.3</b>

Source: Transportation Management Group, *North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study*, Executive Summary, February 1992, p. 9.

<sup>1</sup> Includes 10 commercial airports in Asheville, Fayetteville, Greenville, Hickory, Jacksonville, Kinston, New Bern, Rocky Mount, Wilmington, and Winston-Salem.



Karen Tam

**Raleigh-Durham International Airport is building a new \$30 million facility to handle its booming air-cargo business, which expanded six-fold from 1980 to 1991.**

Like any large development, the project also would require a sizable initial investment. Transportation Management Group Inc., the Raleigh consulting firm that prepared the state's feasibility study, estimated that building the complex would cost: \$156 million, if located at an existing airport; \$281 million, if located at a military base; and \$552 million, if located at a new "greenfield" site.<sup>10</sup> (See Table 6, p. 54.) Development costs could be less if the state obtains funding from the Federal Aviation Administration, which typically pays 90 percent of the cost of building approved airport facilities.

Moreover, the state could develop the air-cargo complex without drawing public funds from schools, roads, and other infrastructure. The huge revenue flow created by this project will more than pay for the additional costs—the roads, the schools—generated by increased economic growth.

While building such a facility certainly could be expensive, that cost would be an investment in our state's future. North Carolina cannot hope to expand significantly its existing foothold in world trade unless it establishes the transportation sys-

tem that would foster that growth.

Communities hoping to attract new industries often provide water, sewer, transportation, and other improvements to make their areas more attractive for investment. That same principle applies to the Global TransPark, only on an international scale. The project is sure to attract industry and investment from around the world, once the state provides an infrastructure of runways, roads, and railroads that would guarantee access, speed, and reliability to global markets.

### Problems Can Be Overcome

**Y**et, for all the potential benefits, the state must overcome many challenges before it can build this facility. For example, about 2,000 bilateral agreements, dating back to 1945, currently determine what routes international carriers can fly. The nation drastically needs to modify the framework for these agreements because they severely hinder the ability of American business to compete in the global economy. Perhaps air cargo will lead the way toward more open flight policies.

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***While building such a facility certainly could be expensive, that cost would be an investment in our state's future.***

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Global TransPark, because of its projected size and scope of operation, also would present a number of environmental challenges, such as the potential noise from cargo aircraft. The key to success is recognizing those problems and providing an acceptable balance between progress and environmental protection. For example, plans for the Global TransPark currently call for a wide, natural buffer zone that would help shield neighboring communities from excess noise.

Even some environmentalists agree that the complex, if properly sited and designed, could cause minimal harm. "I think this is a project, that if put in the right place, could be environmentally neutral to environmentally beneficial," says Michael F. Corcoran, executive vice president of the N.C. Wildlife Federation. Conservationists probably would oppose the project if it destroyed wetlands or critical habitats for wildlife and endangered species, he says. But they might support the project, if it included large buffer zones that shielded residential areas from noise while doubling as habitat reserves for plants and animals.

"We're at the point now that if we can conserve habitat, we'll do it wherever and whenever we can," Corcoran says. "The environmental community isn't against growth. We're just asking for managed and properly handled growth—and this complex has the potential to be that, if it's handled right. It's clearly being fast-tracked, there's no doubt about that. But the site you choose makes all the difference in the world."

### **Complex Would Benefit All of North Carolina**

**I**n May, the Air Cargo Airport Authority selected Kinston Regional Jetport as its preferred site. (See Figure 2, p. 38.) Kinston already has \$220 million in assets and resources available, including a runway capable of handling large airplanes. The airport also has an air-traffic control tower, scheduled commercial flights, and a master

plan for building a second 7,500-foot runway—all approved by the Federal Aviation Administration.

Kinston has another advantage as well. It is close to the state's major military bases. Like manufactured goods, military personnel and equipment could be moved through the Global TransPark "just-in-time" to carry out the nation's military objectives overseas. Therefore, the facility would be a major asset for the military's capability in deploying its forces swiftly and efficiently to anywhere on the globe. The complex's proximity to ports in Wilmington and Morehead City also would benefit industries that continue to rely on shipping for obtaining raw materials or delivering finished products.

But the benefits from Global TransPark would not be confined just to Kinston or eastern North Carolina. The complex would spur economic growth statewide, just as the proximity of Research Triangle Park has attracted new industries to Charlotte, Greensboro, and other cities outside the Triangle. For example, rather than competing with the state's existing commercial airports, the Global TransPark eventually would *help* other facilities because its international trade would generate more cargo business for nearby airports that primarily focus on domestic markets. Although other airports initially may see slower growth in their freight business, they will continue to fill national and regional needs. As the complex grows and captures new markets, all commercial airports should benefit from increased freight and passenger traffic.

Many local leaders recognize such potential benefits. For instance, G. Smedes York, former Raleigh mayor and current chair of the Raleigh-Durham International Airport Authority, says his board generally supports the Global TransPark concept. "The authority members feel that this is a visionary concept that could be very good for the state of North Carolina," York says. "I don't think we feel threatened by it. We serve our region and will continue to do that. We feel that it will be more complementary than it will be competitive."

Already, the Global TransPark has brought major benefits to North Carolina due to increased visibility in domestic and foreign business communities. Some 15 companies are considering locating at the complex, and we expect more interest as the project progresses. "I'm getting fax's from people all around the world who are interested in this," Kasarda says. "Knowledgeable people in the industry are saying this can work, that this has merit."<sup>11</sup> That view is supported by

Tom W. Bradshaw, a cargo authority member and director of transportation for the First Boston Corp. in New York. "Outside North Carolina, they have had tremendous interest in this [project]—in companies across the spectrum," says Bradshaw, a former Raleigh mayor and state secretary of transportation. "In the professional transportation community itself, North Carolina is being recognized for looking at this transportation/air cargo/industrial park complex."

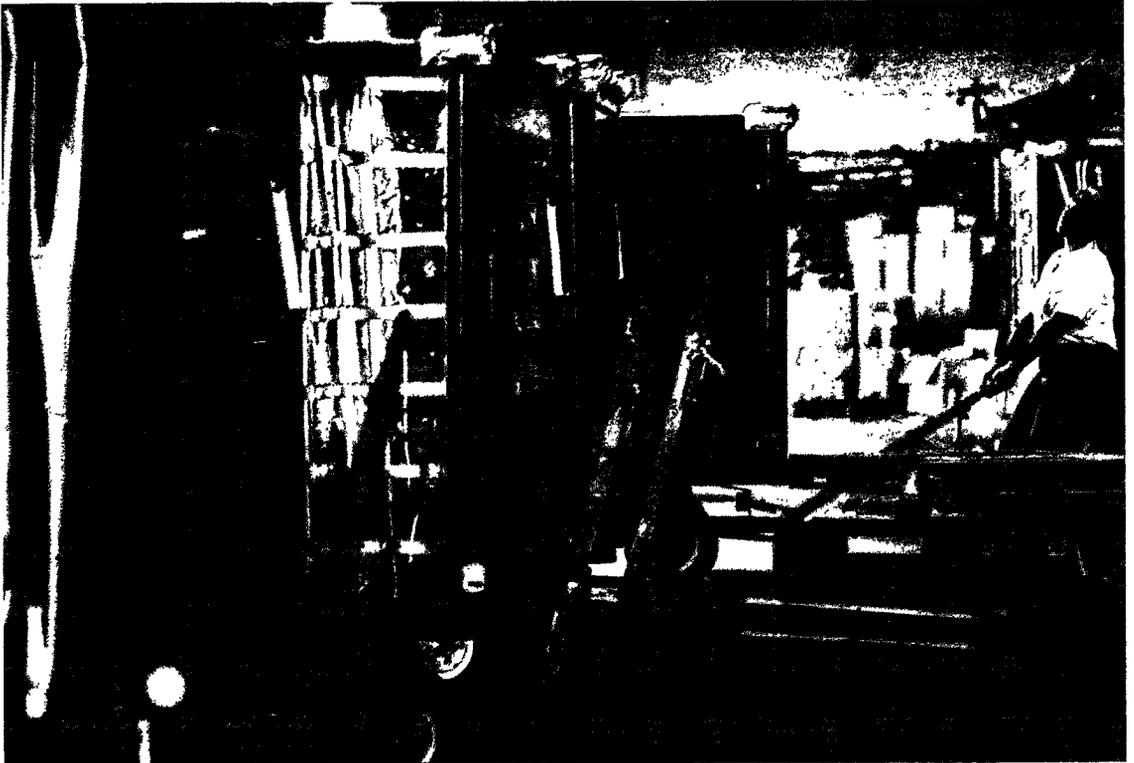
Marketing the complex also makes it possible to promote other economic opportunities in the state as well. Under normal circumstances, it is difficult to open doors to corporate offices to talk about investment opportunities in North Carolina. The Global TransPark has opened doors wide, however, because of the high degree of corporate interest in the project. As a result, a wide variety of companies have expressed increased interest in North Carolina as a site for business investment. In 1991, North Carolina led the nation—for the fourth time in five years—with 111 major new factories. That growth represented a 9 percent increase, during a recessionary period when such investment declined 35 percent nationwide. Clearly, the Global TransPark proposal has brought

North Carolina to the attention of corporate decision makers.

But the Global TransPark is only one piece in our economic puzzle. Although it holds a great deal of promise for North Carolina, it will not overshadow other efforts to create public-private partnerships for economic development across the state. In fact, if North Carolina is to compete internationally, the United States must better understand how government and the private sector can work together to improve commerce. The success of joint efforts in European and Pacific-Rim countries shows that we must continue our efforts to develop such partnerships.

### **Global TransPark The Key To International Trade**

**G**lobal marketing is becoming increasingly important for companies trying to maintain or increase their business. But aviation is the only mode of transportation that can guarantee just-in-time distribution, particularly for companies dealing in international trade. "There's no question that the richest markets for North Carolina businesses in the 21st century are going to be in the



Karen Tam

Pacific Rim countries," Kasarda says, referring to Japan, China, and other Far Eastern nations. "That's the biggest market for exports.

"Today the Pacific Rim is a \$4-trillion-a-year market, growing at \$5 billion a week. It has 60 percent of the world's population, huge increases in its middle classes and growing consumption rates. But North Carolina is on the wrong side of the country to compete effectively—except by aviation. Air freight levels the playing field for North Carolina and the West Coast states in dealing with the booming Pacific Rim."

With air freight, companies in North Carolina are only three hours further (the time it takes for a cross-country flight) from the Far East than California and other Pacific Coast states. Eventually, air freight will be used for transporting heavy, bulky, and low value-to-weight items that generally go by less-expensive means such as boats, trucks, and railroads. That view challenges long-held assumptions in transportation economics, but Kasarda says the shift is already occurring in textiles and many food products.

"Traditional transportation economics, the models don't hold up any more," he says. "That was the original theory, that materials shipped by air would be small, light, compact, and high value-to-weight. Today, virtually anything that can be put into a cargo pallet or container goes by air—even heavy machinery, autos, and cattle. What industry is competing over now is quality and time. So air freight is going to gain in importance. The only thing that can guarantee just-in-time manufacturing on a global scale is aviation."

The Global TransPark also is symbolic. It marks a new path that government and private enterprise can follow toward renewed prosperity and competitiveness in global markets. The Global TransPark would set a new agenda that integrates a highly expensive and fragmented transportation network to strengthen the economic future of both our state and nation.

North Carolina now has the opportunity to shape its destiny. Whatever the Global TransPark's final form, it is sure to become a shining star on the map of international investment. That will mean better jobs, roads, schools, and economic opportunities for our citizens. We can make that future happen at Kinston.

#### FOOTNOTES

<sup>1</sup> See John D. Kasarda, "Global Air Cargo-Industrial Complexes as Development Tools," *Economic Development Quarterly*, Vol. 5, No. 3 (August 1991), pp. 187-196.

<sup>2</sup> John D. Kasarda, "A Global Air Cargo-Industrial Complex for the State of North Carolina," Kenan Institute of Private Enterprise, UNC Business School, Chapel Hill, N.C., December 1990, p. 1.

<sup>3</sup> According to the 1989-90 *North Carolina Manual*, edited by John L. Cheney Jr. and published by the Secretary of State, North Carolina's reputation dates back to 1879. That's when the legislature enacted the Mecklenberg Road Law, which allowed counties to build roads with revenues from property taxes. By 1893, there was widespread interest in better roads—as evidenced by a "Good Roads Conference" that attracted business and government leaders from across the state.

<sup>4</sup> In 1989, the General Assembly enacted legislation advocated by Gov. Martin that called for \$9.2 billion in highway construction over the following 12 years.

<sup>5</sup> Transportation Management Group Inc., "North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study," Executive Summary, February 1992, p. 1.

<sup>6</sup> *Ibid.*, Chapter 3, p. 26.

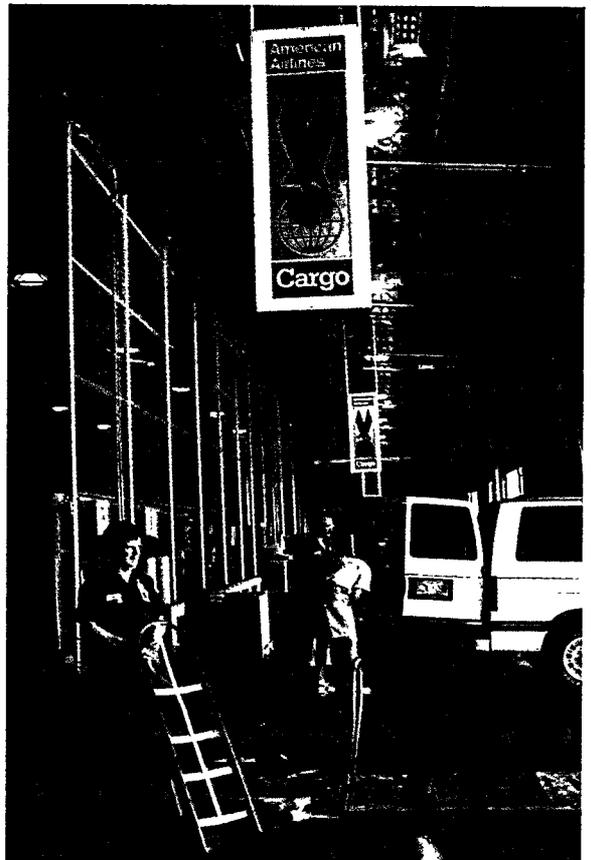
<sup>7</sup> *Ibid.*, Executive Summary, pp. 19-20.

<sup>8</sup> Alliance Airport was developed in part by Ross Perot Jr., son of the well-known Texas billionaire H. Ross Perot.

<sup>9</sup> Transportation Management Group Inc., Executive Summary, p. 2.

<sup>10</sup> *Ibid.*, p. 2.

<sup>11</sup> For more on what industry observers are saying, for and against the feasibility of large air cargo/industrial park complexes, see Nancy Nachman-Hunt, "If they build them, will global-minded corporations come?" *Expansion Management*, Jan.-Feb. 1992, pp. 14-22.



Karen Tam

# Global TransPark Is a Risky Investment for the State

by Michael L. Walden



*Far from a can't-miss proposal, Global TransPark would be a risky venture in which to invest taxpayers' hard-earned money. Proponents' rosy economic forecasts are speculative at best, and are based on some shaky assumptions and questionable methodologies. Those projections also underestimate potential problems caused by noise and other environmental considerations. In sum, the proposal invites the question: If it's such a good idea, why doesn't private industry do it?*

 Think about it: A new concept in transportation and manufacturing that could create thousands of jobs and pump billions of dollars into the state's economy. That's how supporters promote the proposed air-cargo industrial complex, or Global TransPark. In short, the project would integrate an airport with an industrial park. Companies there would use "just-in-time" manufacturing techniques and the adjacent jetport to rapidly respond to product demand while creating satisfied customers worldwide. (See Figure 1, p. 28.)

Promoters envision Global TransPark as a major competitor to California's Silicon Valley, while claiming it would bring enormous benefits to the state. Indeed, the project's feasibility study estimates the complex could create 59,200 jobs and \$3.8 billion in annual revenue by the year 2000 and 101,200 jobs and \$12.9 billion in annual revenue by 2010.<sup>1</sup> (See Table 4, p. 37.) The report estimates that benefits compared to costs could

reach 8:1 by 2000 and 29:1 by 2010. With such projections, it looks like the proposal can't miss. Right? Well, not necessarily.

## Study Is Based on Questionable Assumptions, Techniques

**A**lthough the Global TransPark report reaches some optimistic conclusions, a closer look at the study raises some troubling questions. How did the consultants who wrote the report derive the benefit/cost estimates? What assumptions and techniques did they use? What happens to the conclusions if their major assumptions are altered?

The Global TransPark study is really two reports. The first part looks at the future of air cargo in North Carolina in general; the second part stud-

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ies the economic feasibility of the global air-cargo/ industrial park complex.

The first portion reaches reasonable conclusions about the future of the air-freight business. Air cargo shipments have grown rapidly in the state and the report predicts that will continue. (See Table 5, p. 44.) It forecasts that the 12 percent average growth rate from 1983-1990 will continue for the next 20 years, increasing air cargo at North Carolina airports from 254,500 tons in 1990 to 2.2 million tons in 2010. But that may be overly optimistic because the baseline period—hence, the forecast—doesn't include any full recessions. A key point, however, is that the report shows that this expected growth can be accommodated at *existing* North Carolina airports, primarily those in Charlotte, Greensboro and Raleigh-Durham. That is, there's no need to build a new air-cargo facility to handle projected loads from existing North Carolina firms. Quoting from the report, "All of the airports in the State have adequate land to meet these needs . . ." <sup>2</sup> Furthermore, a recent Federal Aviation Administration study concluded that all air-cargo airports aren't economically feasible at this time.<sup>3</sup>

Therefore, to justify an all air-cargo airport, it must be combined with an industrial park—the so-called Global TransPark. The second part of the Global TransPark study deals with the proposed complex, concluding that it would be economically feasible. Unfortunately, the assumptions and methodology used to reach that conclusion are highly questionable. For example, the report's authors surveyed potential in-state users and found almost two-thirds expressing no desire to locate there. The report then concludes that out-of-state firms would be the primary targets for Global TransPark. But the consultants did not survey any

firms outside North Carolina to determine their interest in the complex.

## The Fifteen Percent Solution

Without surveying out-of-state firms, how did the consultants develop their employment and revenue projections for the years 2000 and 2010? They guessed. Quoting from the report, "Since most North Carolina firms surveyed did not express a desire to relocate within the State to a hypothetical [Global TransPark] location, and since the scope of this study did not include re-searching a broad sample of firms outside of North Carolina, it was necessary to postulate 'a priori' the mix of industries and levels of future activity/output which could be be attracted to the [Global TransPark] by the years 2000 and 2010."<sup>4</sup> In other words, the report speculates—without any hard evidence—about the growth the complex would attract.

What was this guess? The report assumes that firms that would locate in the Global TransPark would be similar to the air-cargo intensive firms currently located in the Silicon Valley of Santa Clara, Calif. I might buy this assumption. But hold on to your hats for the next, and most critical, assumption. The report assumes that by the year 2000, the complex would attract the number of plants (and associated employees) equal to 15 percent of the air-cargo intensive plants in Silicon Valley in 1990. Furthermore, the report assumes that comparable North Carolina firms would expand to Global TransPark, reaching 10 percent of the number of such plants statewide in 1990.

To estimate the economic impact for 2010, the consultants assume that the number of plants would increase by 5 percent per year from 2000 to 2010,

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***In short, the consultants took a "build it and they will come" approach to their economic forecasts. The impressive estimates of employment and revenue growth generated by the Global TransPark proposal come tumbling down if one makes lower assumptions about plant relocations.***

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Karen Tam

***Studies show that North Carolina's existing airports can handle projected growth in air cargo and that the proposed Global TransPark could draw business away from those facilities, at least in the short run.***

and that the number of employees per plant would increase by 1 percent annually. In short, the consultants took a "build it and they will come" approach to their economic forecasts. Presuming that Global TransPark will reach a capacity equivalent to 15 percent of Silicon Valley by the year 2000 is no small assumption. Silicon Valley is one of the largest producers of computers, computer parts, and electronic components and equipment in the world. In 1990, the valley had 150,000 people employed in more than 1,000 cargo-intensive plants, and those industries generated 268 million pounds of air freight.

The impressive estimates of employment and revenue growth generated by the Global TransPark proposal come tumbling down if one makes lower assumptions about plant relocations. In short, no one can really say if the complex would attract plants and employment equal to 15 percent of Silicon Valley by 2000. The actual percentage may be more, or it may be less. Because that assumption is a guess, there's much "softness" or risk in the economic projections.

Overly optimistic economic projections are nothing new when it comes to state announcements about industrial growth. In 1985, for instance, two independent studies found that the

N.C. Department of Commerce had vastly overstated the number of jobs created by new and expanding industries in North Carolina. One of those studies, by researchers at N.C. State University, found that during the 1971-80 period, less than half (47 percent) of the announced new jobs actually came to exist. The other study, by the N.C. Center for Public Policy Research, found similar results: Only 61 percent of the new jobs announced during the 1978-84 period actually came to exist.<sup>5</sup>

### **Project Could Hurt Existing Airports**

**T**here are many other questions raised by the Global TransPark proposal. One is whether existing airports could be expanded to handle any new traffic generated by a massive influx of new firms. Even with the 15 percent assumption, the report doesn't justify the need for a new cargo airport to handle the additional traffic. Moreover, some airport administrators question the assumption that Global TransPark would enhance rather than draw business away from existing airports.

"Their own numbers don't bear that out," says T. Jerome "Jerry" Orr, aviation director for Charlotte-Douglas International Airport. Indeed, the

feasibility study forecasts that by 2000 the Charlotte airport would handle approximately 370,000 tons of cargo if the Global TransPark were built and about 424,000 tons if it were not.<sup>6</sup> Similar trends were forecasted for Raleigh-Durham and Piedmont Triad airports. Nevertheless, the study predicts that by the end of the decade the total amount of air cargo handled in the state would increase from 820,000 tons to 911,000 tons if the new complex were built.<sup>7</sup>

The report also doesn't address questions concerning "just-in-time" manufacturing, a process in which firms limit inventories and start production only after receiving orders. Speed is the essence of just-in-time production. But it assumes that raw materials will always be available and that laborers will agree to work only when there's an order. That means workers must be flexible, understanding, and available on demand.

Even if one accepts the premise that global trade, just-in-time manufacturing, and air freight are growing in importance, there is reason to question the need for an all-cargo airport. Orr of the Charlotte airport says most airlines have plenty of

unused space for more cargo. Likewise, he maintains that most airports should have no trouble meeting future demands, even though air-freight business has increased tremendously over the past decade and is expected to continue growing. "We have plenty of excess capacity for freight," Orr says. "Seven [Boeing] 747s a day full of freight would be less than 1 percent of our traffic. The point is that seven 747s a day is a lot of freight, and that is an insignificant amount of our [total air] traffic."

Orr also questions the notion that companies would want to locate factories right at an airport. "We have 5,000 acres of land and miles of taxiway frontage," he says of the Charlotte airport. "Yet we haven't had any interest in that type of development. You can speculate on that all day long, but I would assume it's because nobody's interested in doing it. Just-in-time has certainly come. It's here. But the way cargo is carried doesn't require that the cargo-makers be located right next to the taxiway."

A better way to encourage more air-cargo business, Orr says, is to invest more money in

***United Parcel Service truck delivers packages for transporting via American Airlines' air-cargo center at Raleigh-Durham airport.***



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***It makes sense for the airlines and industrial tenants to assume the financing risk, because they would be the major beneficiaries of the facility.***

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existing airports. "We're building a new road right now on the cargo side of our airport, funded with \$3 million of our money, because the state did not have the money available—and it's their road."

### **Who Should Pay?**

Since the Global TransPark is no sure thing, and since it won't be cheap (projected costs start at \$156 million), we must consider carefully who would finance the project. (See Table 6, p. 54.) The feasibility study favors public financing because it claims state tax-exempt bonds are cheaper than private bonds. (Tax-exempt bonds pay a lower interest rate than private bonds; therefore, interest costs are less.) That assumption is false. State tax-exempt bonds are cheaper mainly because holders don't pay federal (and usually state) taxes on the interest earnings. But that also means that federal and state governments receive less revenues—a factor that should be considered an additional cost of the tax-exempt bonds.

There are private alternatives for financing the Global TransPark, and to the report's credit, it identifies them. Presumably the cargo airport would generate revenues from the services it provides to industrial park tenants. Operators, therefore, could secure private bonds for construction based on the airport's projected revenues. The interest rates on the bonds necessary to attract the funding would reflect the private market's (e.g., venture capitalists and investment bankers) view of the soundness or riskiness of the proposal.

Another private option is that airport operators could issue construction bonds backed by the airlines and industrial park tenants that plan to locate there. This is the "let them come and we will build it" approach, meaning that operators would line up users before committing to build

the complex. It makes sense for the airlines and industrial tenants to assume the financing risk, because they would be the major beneficiaries of the facility.

### **Industrial Policy Vs. Market Signals**

The question of how to finance the Global TransPark gets to the heart of the issue: Should the state of North Carolina be involved in an industrial policy that identifies and finances business ventures? Or, should we rely on the private market and investors to decide which projects are feasible?

I support the private market. It should surprise no one that private firms and investors have not jumped forward to put their money on the line. In fact, the feasibility study admits that "much of the support for the Global TransPark has come from potential beneficiaries of the project, i.e., potential host communities, engineering firms, political groups, developers, etc., while less enthusiasm has been shown by potential private sector users and tenants."<sup>8</sup> Private firms and investors apparently view the project as too risky and uncertain at this time. If the private market is implicitly sending us a signal to hold back, then why should the state ignore this signal and proceed? Why should the state be a better judge of the potential payoff to business ventures than the private marketplace? What does the state know that profit-seeking entrepreneurs don't know?

Those who support public funding argue that if North Carolina doesn't develop Global TransPark, some other East Coast state will build

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***Private firms and investors apparently view the project as too risky and uncertain at this time. If the private market is implicitly sending us a signal to hold back, then why should the state ignore this signal and proceed?***

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the facility and reap the benefits. That argument assumes, however, that the complex would generate large profits. But, again, I maintain that the private market is better able to judge this than state government. Certainly there are other uses for \$150 million or more in state funds that have a more certain rate of return than the proposed air-cargo complex. Alternatively, that money could be left in the pockets of North Carolina's citizens for their best use. It is often ignored that private-sector spending generates economic benefits. The state must justify any shifting of spending from the private to the public sector by showing that the benefits of public use would exceed those from private use.

Global TransPark supporters talk about the need for government and business cooperation for

North Carolina (and the U.S.) to compete in the world economy. In doing so, supporters compare the proposed complex to Research Triangle Park, which they claim never would have succeeded without state support. Talk of government and business cooperation may sound nice, but such words are loaded with danger. Do we really want the state attempting to pick economic winners and losers by committing public money to the chosen few industries and projects? Why would the state be better able to select economic winners than the private market? Do we want to entangle the political and the economic processes?

That explains why some of the project's most vocal criticism has come from administrators at existing commercial airports. "I am not opposed to the concept; I am opposed to the state doing it,"

**Table 6. Global TransPark: Projected Costs For Options**

(In millions, adjusted to 1991 dollars)

Components Of Global TransPark	Options		
	Expansion Of Existing Airport	Joint Use— Combined With Military Base	Greenfield— Built At New Site
Airport	\$56	\$133	\$375
Cargo Center	\$56	\$56	\$56
Industrial Park	\$22	\$27	\$55
Roadways	\$22	\$65	\$66
<b>TOTAL<sup>1</sup></b>	<b>\$156</b>	<b>\$281</b>	<b>\$552</b>
Financing Expenses	\$378	\$539	\$1,112

SOURCE: Transportation Management Group, *North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study*, Executive Summary, February 1992, pp. 2, 21.

<sup>1</sup>Totals would be lower if state obtained a grant from the Federal Aviation Administration, which pays up to 90 percent of the construction costs for approved airport facilities.



***Much of the air-cargo business—including loading, flying, and unloading—takes place in evening and early morning hours when passenger business is slowest.***

says Orr of Charlotte-Douglas airport. “That’s because I don’t think the state should be involved in building airports to compete with its cities. It seems to me that the state getting involved is putting the state in the position of having to choose between her children, as to which one she will favor. And I don’t think the state ought to do that.”

Of course, many observers point to Japan and its well-known Ministry of International Trade and Industry (MITI) as the shining example of successful industrial policy. But a closer look at MITI reveals a less than shining record and—more than anything—a good propaganda job. Admirers forget that MITI bureaucrats tried to prevent the development of the transistor in Japan in the 1950s and opposed the country’s auto companies moving into the export market.<sup>9</sup> The major benefit that the Japanese government provided to its businesses in the 1960s and 70s was a favorable economic environment—that is, stable inflation and interest rates, low taxation, brief and mild recessions, and a relatively small central government.<sup>10</sup> Similar policies pursued by both our state and federal governments would do more to promote economic development than any collective “industrial policy.”

### What About The Environment?

Questions also remain about the massive complex’s potential strain on the environment and nearby housing, schools, and roads. The airport would cover at least 15,000 acres,<sup>11</sup> about 20 square miles, and would generate nearly 100 flights daily when fully operational.<sup>12</sup>

Such concerns already have spurred opposition to the proposed Global TransPark. Within days after the N.C. Air Cargo Airport Authority selected Kinston Regional Jetport as the preferred location for the complex, local landowners were vowing to fight the project.<sup>13</sup> (See Figure 2, p. 38.) A key point of contention is likely to be the potential noise from planes flying in and out of the airport. Cargo flights generally are busiest when people are most sensitive to noise, during the late evening and early morning hours. Such concerns led Chatham and Randolph county residents to quickly form a group called Land Owner United Defense, or LOUD, in the autumn of 1991 after the Siler City town council considered bidding for the air-cargo complex. “Basically our group was not willing to give up the peace and tranquility of the

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***“What happens if we get this thing started and another energy crisis comes along? If energy is as significant a factor as I think it is, you would see us as very vulnerable. If energy prices went way up, you could see this thing close down virtually overnight.”***

—ROBERT J. WASSON, SIERRA CLUB

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countryside for the economic benefits,” said Benjamin S. Albright, a Randolph County attorney who helped organize the opposition group. “It would be a loss of our way of life, our lifestyle.”

Potential noise was one reason why Raleigh-Durham airport made no attempt to land the complex—even though the airport has a \$30-million project underway that will quadruple its freight capacity by 1993. “We do want our cargo business to grow here, but not as the global air-cargo complex for the whole eastern United States,” says G. Smedes York, chairman of the RDU International Airport Authority and former mayor of Raleigh. “I don’t think there’s anyone clamoring for this to be located right next to Research Triangle Park. The night-time flights, quite frankly, would be a very big problem for an airport located like RDU. We’ve got noise issues that we’re very sensitive to.”

Some environmentalists also question whether the state can build the complex without destroying valuable wetlands and wildlife habitats. And they ask whether it’s wise to promote greater dependence on aviation, which is arguably the least energy-efficient mode of transportation. “Energy is the big question,” says Robert J. Wasson, transportation issues chairman for the state chapter of the Sierra Club. “The airport would be primarily for all-cargo aircraft, and it takes a heck of a lot of energy to fly cargo around. Before you start a new

program, you’re supposed to look at the energy consequences of doing it. This looks to me like we’re heading off in the wrong direction.”

Wasson points to federal studies showing that it takes seven times more fuel to send freight by air than by truck.<sup>14</sup> If, instead, goods are transported in the bellies of scheduled passenger planes, the energy efficiency of air cargo is roughly equivalent to trucking—assuming that the air freight uses only the extra fuel needed to carry the additional weight. But future increases in petroleum prices would likely raise costs for the more energy-intensive carriers, in particular, the all-cargo planes. That leads Wasson to question the economic and environmental wisdom of using public money to lure air-cargo dependent industries to a complex more than 80 miles from the nearest major passenger airport. “What happens if we get this thing started and another energy crisis comes along?” Wasson says. “If energy is as significant a factor as I think it is, you would see us as very vulnerable. If energy prices went way up, you could see this thing close down virtually overnight.”

Other critics worry that a project as large as the proposed cargo complex would put tremendous strain on nearby infrastructure—the roads, bridges, schools, hospitals, and other services largely paid for by local taxpayers. “When you take a county of 25,000 people and you talk about creating 55,000 new jobs, you’re talking about major changes,” says Albright, the lawyer from Randolph County.

## Conclusion

**G**lobal TransPark may be a great idea—some day. But promoters can economically justify it right now only by guessing how many firms would locate there. The fact that private firms and entrepreneurs have shown little interest in the facility is a “market signal” that the concept is too risky and speculative. Given that uncertainty, the state should not commit millions of dollars in public funds to this project.

That is not to say that the air cargo/industrial park concept should be discarded. The state should encourage private entrepreneurs, venture capitalists, and investment bankers to pursue the concept if they deem it economically feasible. But the decision-making and funding should be left where it belongs—in private hands.

Private investors and entrepreneurs are best suited to judge where North Carolina’s markets are and what role an air cargo facility would have

in reaching those markets. Global Transpark proponents claim the facility would enable North Carolina businesses to compete with West Coast firms in Pacific Rim markets. But the marketplace indicates that North Carolina is better positioned geographically to compete in European and North and South American markets, which are the destinations of most of the state's exports.<sup>15</sup> As the trade journal *Traffic World* reported, "At first glance, North Carolina seems an unlikely venue for a cargo airport, especially since most cargo airlines have their hubs in the U.S. Midwest and most of the international growth is likely to come across the trans-Pacific."<sup>16</sup>

Leaders should use the debate over the Global TransPark to review the state's proper role in economic development. In my mind, the proposed complex is an example of the popular buzzwords, "industrial policy." I reject the notion of an industrial policy, which suggests that the state should direct resources to private ventures that will be economically successful. The state shouldn't try to take the place of the private market. Private investors are best suited for acquiring and processing information about business ventures and deciding which ones to pursue. The state is best suited for providing a supportive climate in which the private market can function—including sen-

sible regulations, a reasonable tax system, and efficient public expenditures. □□□

## FOOTNOTES

<sup>1</sup> All dollars expressed in 1990 values. For more details, see: Transportation Management Group Inc., *North Carolina Air Cargo System Plan and a Global Air Cargo Industrial Complex Study*, Raleigh, N.C., February 1992, Chapter 7, p. 89.

<sup>2</sup> *Ibid.*, Chapter 6, p. 4.

<sup>3</sup> U.S. Department of Transportation, Federal Aviation Administration, *A Feasibility Study of Regional Air-Cargo Airports*, Washington, D.C., 1992.

<sup>4</sup> Transportation Management Group, Chapter 7, p. 43.

<sup>5</sup> For more information on inflated job forecasts, see Bill Finger, "Phantom Jobs: New Studies Find Department of Commerce Data To Be Misleading," *North Carolina Insight*, Vol. 8, No. 3-4 (April 1986), pp. 50-52.

<sup>6</sup> Transportation Management Group, Executive Summary, pp. 9 and 20.

<sup>7</sup> *Ibid.*, Executive Summary, p. 20.

<sup>8</sup> *Ibid.*, Chapter 7, p. 77.

<sup>9</sup> See Don Lavoie, "Two Varieties of Industrial Policy: A Critique," *The Cato Journal*, Vol. 4, No. 2 (Fall 1984), pp. 437-484. The journal is published by the Cato Institute, a libertarian think-tank based in Washington, D.C.

<sup>10</sup> See Katsuro Sakoh, "Japanese Economic Success: Industrial Policy or Free Market?," *The Cato Journal*, Vol 4, No. 2 (Fall 1984), pp. 521-543.

<sup>11</sup> John D. Kasarda, "A Global Air Cargo-Industrial Complex for the State of North Carolina," Kenan Institute of Private Enterprise, UNC Business School, Chapel Hill, N.C., February 1991, p. 15.

<sup>12</sup> Transportation Management Group, Chapter 1, p. 3.

<sup>13</sup> Jerry Allegood, "Huge Kingston airport plan doesn't sit well with some neighbors," *The News & Observer*, Raleigh, N.C., May 25, 1992, p. 6A.

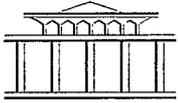
<sup>14</sup> U.S. Department of Energy, *Energy Efficiency: How Far Can We Go?*, Oak Ridge National Laboratory, Oak Ridge, Tenn., Publ. No. ORNL/TM-11441, January 1990, pp. 58, 61.

<sup>15</sup> John Dutton and Edward Erickson, *Highlights of North Carolina Exports: 1987-1990*, Division of Economics and Business, N.C. State University, June 1991, p. 7.

<sup>16</sup> "North Carolina considering plan to build first all-cargo airport," *Traffic World*, Dec. 31, 1990, p. 26.



Karen Tam



# IN THE LEGISLATURE

## *The General Assembly of the 21st Century*

by Paul T. O'Connor

*What will the legislature look like in 10 years? For one, computers and other high-tech equipment will play a larger role. The legislature of the future also is likely to have a much different demographic make-up. It may have more women and fewer men. It probably will have more minorities and retirees, but fewer lawyers and business people. There also is likely to be a larger legislative staff and expanded cable television coverage of the General Assembly, but perhaps fewer newspaper correspondents following the legislature.*

**I**magine it's a spring weekend in the year 2001. Rep. Ann Smith is writing a proposal to present to a House appropriations subcommittee the following week. Smith plans to recommend doubling the funding for the state's adult day-care program. But the subcommittee's chairs support only a 10-percent increase.

Somehow, Smith must find nine votes for her proposal—about twice the number she has now. So, using the state-loaned personal computer that she's installed in the upstairs bedroom of her house, Smith calls up the names of every subcommittee member. She then begins research aimed at identifying those members most sympathetic to her proposal and perhaps most vulnerable to senior citizen voters.

Welcome to the General Assembly of the 21st Century!

Between January and May 1992, several dozen legislators, lobbyists, and other legislative observers were asked in interviews the same question: What will the General Assembly look like in 10 years? They predicted sweeping changes in the

legislature's racial, gender, and political make-up. But their least speculative forecast, perhaps, may be the assembly's increasing reliance on new technology—particularly computers.

### **Increased Use of Computers and Databases**

The hypothetical legislator, Rep. Smith, is linked by telephone from her home computer to the main legislative network in Raleigh. Her administrative assistant communicates directly with her using a computer in Smith's office in the Legislative Building. Helping the aide is a budget analyst from the legislative staff, now divided into separate House and Senate contingents.

Using the computer, Smith scans the voting records of each subcommittee member going back to the 1993 legislative session, when the General Assembly first computerized floor votes. She asks for the members' votes on a list of key issues related to aging and child day care.

Next, she calls up a state database first used for the 1991 redistricting but kept current with fresh data over the past 10 years. The file catalogues every road, stream, and neighborhood in the state. It's also blended with state files on voting records and U.S. Census files on demographics. With a few keystrokes, Smith pulls up other state databases showing Medicare/Medicaid usage and tax records showing senior-citizen income and the number of families claiming senior

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citizens as dependents. To her computer, she also adds the state's files on local unemployment rates and jobless workers who are seeking human service positions.

Finally, she tells the computer to mix all the databases and compile profiles of the 16 subcommittee members' districts. Smith is now ready to start politicking. Using the computer data, she has compiled a profile of the need for adult day care and the impact her proposal would have in each district—for both the coming biennium and decade. That's because the Assembly now requires legislators to project long-range goals and costs when they propose new spending. Smith then selects a few key facts for each district and fax's them to the desk-top computers in the homes of the other subcommittee members.

When Smith buttonholes the subcommittee members on Monday, she won't appeal to their sense of compassion for the aged or the families of senior citizens who need someone to care for their parents and grandparents while they work. Instead, flashing her research findings for each district, she'll talk about votes back home and the

potential for state jobs in those day-care centers.<sup>1</sup> She'll also threaten to talk about the needs of individual districts at the subcommittee meeting—in front of cameras of the statewide cable television network that airs live, gavel-to-gavel coverage of the legislature.<sup>2</sup>

Don't get caught up in the futuristic-sounding technology, however. Much of what Rep. Smith does in 2001 already can be done in 1992. "I don't see any problem with your scenario," says M. Glenn Newkirk, chief of the legislature's Automated Services Division.

The technology to do such research exists now, and legislation recently adopted or under consideration almost guarantees that lawmakers will be able to use that technology during the coming decade. For example, the Legislative Services Commission voted on March 26, 1992 to replace the voting systems in both houses of the Assembly. The Legislative Services Commission's plan will allow floor votes to be captured by the Assembly's computer network and stored in databases that will be open to the public. Other proposals before the commission would supply legis-

***Future legislative sessions may be aired live, gavel-to-gavel, on cable television systems statewide. Here, N.C. Public Television covers a Senate Committee as Sen. Roy Cooper, D-Nash, votes.***



Karen Tan

“THE ASSUMPTION IS THAT THEY WILL USE THE INFORMATION AND TECHNOLOGY.

THEY MAY HAVE MORE INFORMATION AVAILABLE, BUT WHETHER OR NOT LEGISLATORS, ON AVERAGE, ARE GOING TO MAKE USE OF IT IS ANOTHER ISSUE. YOU COULD MAKE THE CASE THAT THE MORE INFORMATION LEGISLATORS HAVE, THE LESS THEY USE—THAT THEY TURN TO STAFF AND SPECIAL INTEREST GROUPS AND SAY, ‘TELL ME WHAT YOU THINK I SHOULD THINK.’”

— REP. JOSEPHUS MAVRETIC  
(D-EDGECOMBE)



lators with individual personal computers and let them use the state computer network from outside the government complex.

Thad Beyle, a professor of political science at the University of North Carolina at Chapel Hill, predicts that in the age of computers, those who control the new technology will have a new source of power. That is particularly true for House and Senate leaders, because they can utilize staff members who know *how* to use the technology. But some observers note that legislatures, in general, have been slow to take advantage of computer technology. That has shifted the balance of power in some states where the executive and judicial branches have more readily made use of computers.

“Legislators are losing out because they are not paying enough attention to the possibilities in information technology,” Rick Krueger, speaker pro tem of the Minnesota House of Representatives, writes in the journal, *State Legislatures*. “But despite the pervasive manner in which [computers] are changing the world, information technologies don’t seem to interest legislators beyond certain narrow applications. High-tech information systems have caught the attention of the other branches of government and of decision makers in

the business world who use them to great advantage.”<sup>33</sup>

### Changes in the Demographics of the Legislature

If the technology is a sure thing, the least certain aspect of the scenario is Rep. Smith—a dedicated, tenacious, technologically literate legislator who has a vision and is ready to pursue it. As Rep. Joe Mavretic (D-Edgecombe) puts it: “The assumption is that they will use the information and technology. They may have more information available, but whether or not legislators, on average, are going to make use of it is another issue. You could make the case that the more information legislators have, the less they use—that they turn instead to staff and special interest groups and say, ‘Tell me what you think I should think.’”

Those interviewed for this article expressed considerable skepticism about the General Assembly’s ability to attract high-quality, dedicated people for service. Probably no one was more pessimistic than a veteran industry lobbyist who asks that his name not be used. “There’s a dearth of leadership down here,” he says. “The idea of government service has deteriorated” among

the state's leading citizens. That view is echoed by Gordon Allen, who owns a Roxboro insurance company and lobbies for the N.C. Alliance of Community Financial Institutions. "We're getting a bunch of retirees now who are out of touch," says Allen, a three-term legislator who was Senate president pro tem from 1971 to 1974. In the past, he says, "all of the guys were family men who had an immediate need to have an impact."

Many observers believe that retirees will play increasingly larger roles in future legislative sessions, as they have in recent years. From 1971 to 1991, the number of retirees serving in the General Assembly more than tripled, from 11 to 34.<sup>4</sup> During that same period, the average ages of House members rose from 49 to 57 and Senate members from 51 to 58. Many observers say they expect those retirees to come mainly from government service, teaching, and other fields that allow early retirements and pensions that would supplement legislative pay.

"We'll have more retired people," says House Speaker Dan Blue (D-Wake). Rep. George Miller (D-Durham) agrees: "Young people can't afford to serve. The young professional, the worker at the factory, can't serve."

Although the 1991 session was shorter than

previous ones, the shifting of federal responsibilities to the states will force ever-longer sessions in the coming decade.<sup>5</sup> That time commitment will force many young and middle-aged legislators to abandon public service and could keep others from even running. Retirees, in contrast, generally have more time available to serve.

Sen. Betsy Cochrane (R-Davie) says that the combination of an aging electorate and a legislature increasingly made up of retired people has serious implications for programs for the young, especially education. Jim Johnson, a budget analyst with the legislature's Fiscal Research Division, notes that the state's population of school children, as well as its senior citizens, will grow through the 1990s. That means that the legislature and local governments will be asked to increase spending on education at the same time that retirees—the voting group traditionally least favorable to such spending—will be increasing their clout.

In contrast, practicing attorneys will continue to decline in numbers. Whether or not one likes attorneys, there's no disputing that their legal training, bill-drafting ability, and analytical skills suit them well for legislative service. Yet the number of lawyer-legislators has dropped for the past 20



RURAL AREAS WILL ELECT  
MORE REPUBLICANS AS  
WELL AS MORE BLACK  
DEMOCRATS. URBAN  
DELEGATIONS WILL BE SPLIT  
ALONG PARTISAN LINES.

— REP. ART POPE  
(R-WAKE)

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**Whether or not one likes attorneys, there's no disputing that their legal training, bill-drafting ability, and analytical skills suit them well for legislative service. Yet the number of lawyer-legislators has dropped for the past 20 years and that decline is likely to continue.**

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years and that decline is likely to continue. In 1991, the number of lawyers, 35, was nearly half the number, 68, that served in the General Assembly in 1971.<sup>6</sup>

Business leaders, perhaps, will miss their own kind the most. The perception that business people are a dying breed in the legislature may or may not be accurate. But it's clear that no longer will the state's traditional leading industries—furniture, textiles and cigarette manufacturing—provide some of their most important officers for legislative service.<sup>7</sup> “There will never be another Dwight Quinn,” says Johnson, the legislative budget analyst, referring to the late Cabarrus County Democrat who served a total of 36 years in the Assembly while also rising to become a vice president of Cannon Mills. Fewer lawyers and business executives will seek office because many law firms and major corporations are unwilling to accommodate or encourage employees who also want political careers.

Allen, the Roxboro lobbyist and insurance company owner, says that in his day, and those of his father and grandfather, serving in the General Assembly was considered an obligation that fell upon a community's leading citizens. “Charlie Cannon owned Cannon Mills and the whole town of Kannapolis, but he saw it as an obligation [to have his executives serve in the legislature]. Many law firms saw it as an obligation. But not any longer. They want that quick money coming in. It used to be a great honor to serve and also an obligation. Who better to do the work of man than the leaders of the community?” Another lobbyist

and former state senator, Zeb Alley of Raleigh, says the cost of serving in the General Assembly has had a big impact. “There's a trend away from actively employed people to independently wealthy and retired people,” he says. “If you're a doctor, or lawyer, or pharmacist, you're going to lose 10 times [the legislative compensation] by being down here.” Adds Paula Gupton, a lobbyist for the N.C. Farm Bureau Federation, “It takes so much time away from business. They can't afford to take seven months off [during the long session in odd-numbered years] to come down here.”

### **Legislature Also Will Be More Diverse**

On the flip side, the General Assembly of 2001 probably will be much more diverse than previous sessions with regard to race, gender, and political affiliations. In 1989, for the first time this century, white male Democrats no longer held a majority of seats in the two chambers.<sup>8</sup> The 48 percent of seats held by white, male Democrats in 1991 is likely to decrease during the decade for several reasons.

A key factor is the increasing numbers of female legislators. In 1991, the General Assembly had 25 women—up from two in 1971. Surprising, however, is the near absence of baby-boomer-aged women. (According to birth dates listed in The Center's publication, *Article II: A Guide to the 1991-1992 N.C. Legislature*, only one female senator and two female representatives were born after World War II, and none were born after 1949.) Sharon Thompson, a Durham lawyer who served in the House from 1987 to 1990, attributes that trend to “sexual politics” at home. “I think the biggest problem you're going to have with younger women—those in their 30s and 40s—is that they're still primarily the ones responsible for raising the children,” she says. “I don't see this same issue with men at this point.”

But more women are seeking public office, bolstered by polls indicating increased interest in female candidates by female voters. The State Board of Elections does not keep records on the percentage of registered voters by sex, but the 1990 census found that women outnumbered men by a 52-to-48 percent margin in the state's voting age population.<sup>9</sup> That trend could further intensify if the U.S. Supreme Court decides to turn the question of legal abortions back to the states.

Sen. Cochrane says that more women will serve in the legislature of the future because of changing social attitudes: It's now an acceptable thing to do, and women are winning. “We may

actually see women work their way into the leadership," she says. Already, Rep. Marie Colton (D-Buncombe) serves as the House speaker pro tem, while a number of other female legislators chair key committees in the 1991-92 session. With more women in the Assembly, Cochrane says that more attention will be focused on women's issues, which she defines as aging, the environment, children, child support, and small business. "Women's issues will pass more quickly, and closer to the form that they were originally introduced," she predicts.

### The Continuing Effects of Redistricting

Other demographic changes are related to redistricting. For one, the number of black legislators should grow because the General Assembly's 1991 reapportionment increased the number of districts in which minorities are a majority of the population. In the 120-member House, the number of minority-dominated districts rose from 13 to 19. In the 50-member Senate, the tally rose from three to six. If the trend continues, the legislature of the future is likely to focus more attention on issues such as civil rights, housing, and social services.

A second factor that is likely to change the make-up of the legislature is the continued growth and viability of the state's Republican Party.<sup>10</sup> Although redistricting in 1991 probably strengthened Democratic Party hands in the short term, hardly anyone disputes that North Carolina is now a two-party state. Republicans should gain more

legislators because of two factors: The state's urban areas picked up seats in the reapportionment, and the two houses are now dominated by members elected from single-member districts. Republicans tend to fare much better in affluent suburbs, and they are more likely to hold majorities in smaller single-seat districts than in multi-seat districts that cover larger regions.

At a press conference held to announce the GOP's failed court challenge to the 1991 redistricting, party chairman Jack Hawke said the lawsuit was a favor of sorts to the Democrats. "Because the next time we have redistricting (in 2001), the Republicans will be in control and I don't want us doing this to the Democrats," he said.

Redistricting is likely to foster other changes as well. That's because the legislature has transformed both houses from chambers dominated by members from multi-seat districts to those from single-seat districts. In 1991, 80 House members came from multi-member districts and 40 from single-member districts. By 1993, 39 will come from multi-member districts and 81 from single-member districts. On the Senate side, in 1991, 28 members came from multi-seat districts and 22 from single-seat districts. By 1993, 16 Senators will come from multi-seat districts and 34 from single-seat districts. As a result of those changes, legislators will have more allegiance to their specific areas and will be less likely to think in terms of larger regions or the state as a whole. In urban areas, the growth of single-member districts could lead to delegations torn by geographic and parti-



Karen Tam

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— ZEB ALLEY,  
RALEIGH LOBBYIST AND  
FORMER STATE SENATOR

"THE BIGGEST PROBLEM YOU'RE GOING TO HAVE WITH YOUNGER WOMEN—THOSE IN THEIR 30S AND 40S—IS THAT THEY'RE STILL PRIMARILY THE ONES RESPONSIBLE FOR RAISING THE CHILDREN. I DON'T SEE THIS SAME ISSUE WITH MEN AT THIS POINT."

— SHARON A. THOMPSON, DURHAM LAWYER AND FORMER STATE REPRESENTATIVE



san politics that have trouble representing the interests of the cities where their constituents reside. Also, we are likely to see higher rates of turnover in the more competitive urban districts, except in those that are predominantly black.

### **New Coalitions in the Legislature**

Such changes will bring new coalitions to the legislature. Sen. Joe Johnson (D-Wake) expects urban votes to increase beginning in 1993, although he questions whether they will form a strong coalition due to members' partisan differences. It may be that many Republicans from suburban districts will band with conservative Democrats from rural areas, Johnson says. It is also likely that urban Democrats will find kindred spirits among new members from minority-dominated rural districts.

Rep. Art Pope (R-Wake), a candidate for lieutenant governor, has a differing view. Pope predicts that rural areas will elect more Republicans as well as more black Democrats. Urban delegations will be split along partisan lines, he says.

The working coalitions of 2001 may change considerably for other reasons as well. Sen. Cochrane expects to see the growth of regional

coalitions that will include members of both parties. "All of which will be an effort to counter the Eastern coalition," she says. "[But] the philosophical differences between Republicans and Democrats will make urban coalitions difficult." Others expect to see more coalitions of activists, businesses, and other groups that lobby or threaten to litigate the Assembly. "What we're seeing is a lot of coalitions forming outside the legislature, and not just among the legislators themselves," says Jim Johnson, the legislative budget analyst. A good example of that trend is illustrated by recent legislative debates over the distribution of money for public schools. In that case, poorer school districts have banded together in seeking a more equitable formula for distributing state funds, while wealthier districts have united to preserve the status quo.

This might be a good time to consider our hypothetical legislator, Rep. Smith. You'll recall that she was leading the charge for adult day care even though she was only a first-termer lacking the support of House leaders.

In the past, Smith's defiance of the leadership would have earned her a stern reprimand—probably in the form of tabling her motion in subcommittee, if her effort even got that far. Smith prob-



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— SEN. BETSY L. COCHRANE (R-DAVIE)

ably also would have had trouble getting information for her research. Clearly, the power of committee chairs often has stemmed from their control of information.

But in 2001, the new technology will enable Smith to access this information from her home. Sen. Marc Basnight (D-Dare), a likely candidate for Senate president pro tem in 1993, says that the hypothetical legislator could get this information for one other key reason: changes that have let more legislators participate in the budget-writing process while opening it up more to the press and the general public. In fact, the General Assembly of 2001 may see a vast diffusion of power to a number of individual fiefdoms due to the new technology, the more flexible coalitions, and the breakdown of leadership’s powerful grip on the process.

Take Rep. Smith. She could become the “queen of adult day care” through her interest in issues related to the aged, her ability to gather information, and her willingness to work harder than anyone else on the issue. Subcommittee chairs would have to take Smith and her proposals seriously because of her access to information and her ability to reach the public independently through the electronic media.

To reach such a position, however, Smith probably would have to make a considerable time commitment. That leads to the most commonly asked question about the future of the legislature: Will it be a full-time body or remain a part-time citizen legislature?<sup>11</sup>

### **A Professional Legislature Or Still A Citizen One?**

Full-time, say some who argue that legislating already is like a regular job. Blue and Basnight point to members who are in the Legislative Building nearly every week for study commissions and operational committees. Over the next decade, they say, the number of legislators who make such commitments probably will grow. Many legislators, even those who don’t serve on many study commissions, say the job is full-time now because of the large load of constituent demands. And such duties will become even more time-consuming. That’s because citizens increasingly are finding they must contact their legislators in Raleigh rather than their congressmen in Washington as the federal government transfers services such as housing, highways, and water and sewer facilities to state jurisdictions.

Defined in other ways, however, the Assembly will not be a full-time body. For one, it won't have full-time pay. Blue says that public sentiment is against a legislature that is formally "full time." So the legislature probably will never hold a single, defining vote to which historians will point as the day the body became full-time. Nor will there be a single vote that will raise legislators' salaries to full-time equivalency, Blue says, although their pay likely will increase as responsibilities grow.

### **An Increased Role For A Larger Staff**

One relief valve for legislators' growing responsibilities could be larger staffs. Legislative staff has grown steadily since the 1970s and that trend is likely to continue.<sup>12</sup> Notes Rep. Harold Brubaker (R-Randolph): "I've already heard discussions of providing for home offices and/or having a clerk in the office here in Raleigh two or three days a week." House Speaker Blue predicts that legislators will hire more staff to help them respond to constituents. But the public will resist significant increases, he says, so leaders may need to find improved technologies to get their work done without adding a lot of new employees. Some states already are scaling back their legislative staffs in the face of budget shortfalls. "What you're seeing in other parts of the country, and in Washington too, is a reaction to the larger staffs," says Jim Johnson, the legislative budget analyst. "They've cut the legislature's legs off out in California."

Those employees can expect to see major changes in the coming years. Blue and Basnight predict that there will be separate House and Senate staffs. Even now, some legislators are taking matters into their own hands. In 1991, House Republicans pooled some of their per diem expense money to pay for a staff member who helped the party caucus with communications, research, and constituent services.



**House Speaker Dan Blue (D-Wake)**

### **Fewer Capital Correspondents, But More Coverage?**

While the staff grows, the number of news reporters covering the Assembly probably will shrink. Already, the state's television and radio stations have virtually abandoned the Assembly.<sup>13</sup> The state's major newspapers also are trimming the number of reporters they assign to Raleigh as well as the number of government stories they print.<sup>14</sup> For instance, *The Charlotte Observer*, the *News & Record* of Greensboro, and *The Virginian Pilot* all have scaled back their capital bureaus in recent years.<sup>15</sup>

But the same computer technology used by

future legislators will be available to reporters—and that could dramatically improve the quality and depth of state-government coverage. Pat Stith, investigative reporter for *The News & Observer* of Raleigh, says reporters will find new kinds of stories in the state's huge computer databases. The newspaper may have provided a glimpse of the future in February 1992 when it cross-tabulated records from the state medical examiner's office and the N.C. Department of Labor.<sup>16</sup> Its finding: The department was unaware of about one-fourth of the state's on-the-job fatal accidents.

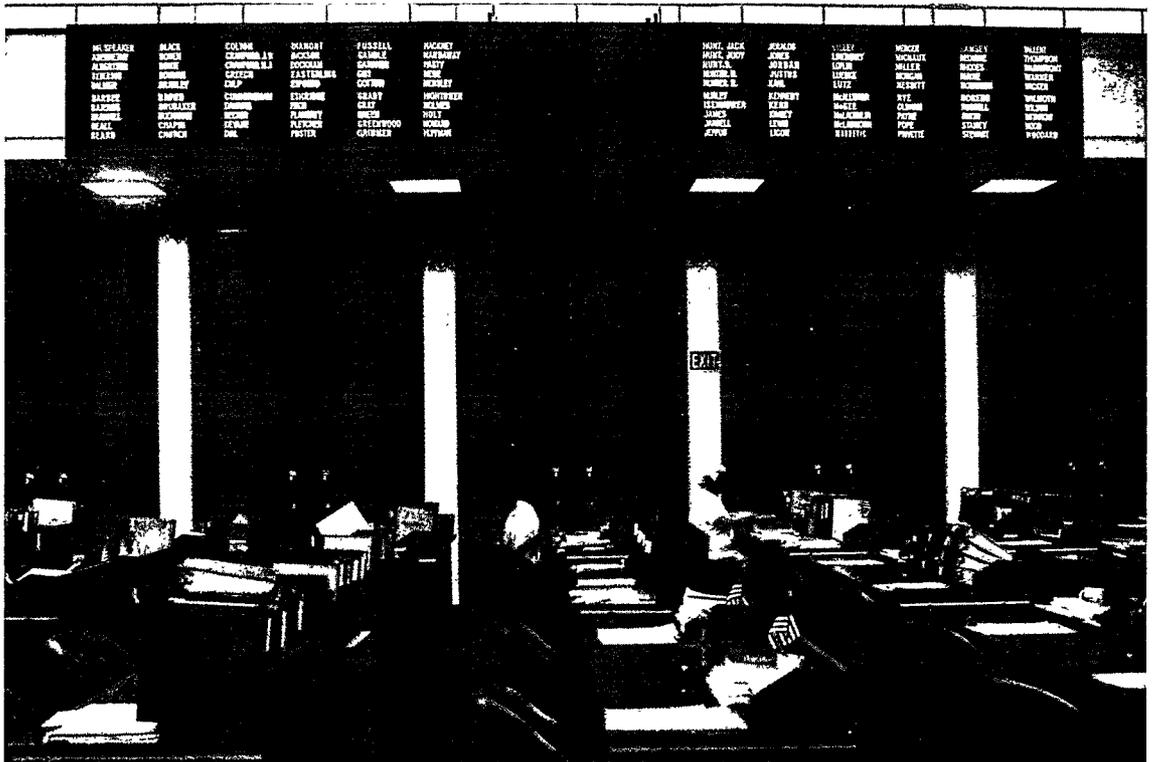
Likewise, although commercial television stations might send fewer reporters to Raleigh to gather political news, that could be offset by expanded cable television coverage. The Agency for Public Telecommunications, a division of the state Department of Administration, likely will provide the television cameras and equipment needed for

**Many legislators, even those who don't serve on many study commissions, say the job is full-time now because of the large load of constituent demands.**

excerpt portions for their news and public affairs programs, while cable systems would carry the sessions live—much as C-SPAN now covers the U.S. Congress. Thus, voters across the state would have instantaneous access to the General Assembly.

Some predict that live cablecasts could boost newspaper coverage as well, particularly at smaller papers that cannot afford to send reporters to Raleigh. Rich Oppel, editor of *The Charlotte Observer*, says that reporters and editors could sit in their offices back home and monitor the Assembly on their television screens, if the cablecasts are approved.

**The legislature soon plans to replace its electronic voting system, which often breaks down. Lawmakers will use that as an opportunity to increase public access to voting records.**



Karen Tam

Such coverage would supplement, but not replace, the reporting provided by capital correspondents. Reporters who tried to "cover" the legislature solely by television couldn't ask tough questions, gather background information from staff, observe behind-the-scenes maneuvering, or watch all-important committee meetings that didn't make the telecasts. Such cablecasts also could be manipulated by lawmakers, just as some U.S. congressmen have been known to deliver long-winded speeches to empty chambers so they could appear on C-SPAN.

Imagine now that it is the Tuesday morning in the late Spring of 2001. Rep. Smith has used modern technology and ages-old methods of political arm-twisting, all to push her call for an expansion of the adult day care program.

And it will be at that time that the subcommittee chair, after a one-hour opening delay, will come to the rostrum to announce that the meeting for that day has been postponed. True to tradition, the chair blames the delay on a breakdown in the Assembly's computer system, allegedly preventing the staff from drafting the budget bill.<sup>18</sup>

Let's not expect too much change in only a decade. □□

## FOOTNOTES

<sup>1</sup> In 2001, the senior citizen constituency will be considerably stronger according to demographic projections cited in, "The Aging Services Guide For Legislators," published by the N.C. Commission on Aging, 1990. The guide projects that, by the year 2000, the proportion of older adults in North Carolina will actually exceed the national average by 13.7 percent to 13.0 percent. The number of North Carolinians aged 65 or older was approximately 225,000 in 1950 and 603,000 in 1980. By the year 2010, that age group is projected to increase to nearly 1.2 million.

<sup>2</sup> The "network" would be privately owned, but the state would own and operate the cameras. Cable television systems — not broadcast stations — would provide the "gavel-to-gavel" coverage.

<sup>3</sup> See Rick Krueger, "Unused Power: Legislators Ignore Technology," *State Legislatures*, June 1992, pp. 14-15.

<sup>4</sup> For more on the legislature's changing makeup, see Jack Betts, "In the Legislature, White Male Democrats Become a Minority," *North Carolina Insight*, Vol. 13, No. 2 (June 1991), pp. 65-71. Also see Ran Coble, "Three Key Trends Shaping the General Assembly Since 1971," Vol. 9, No. 4 (June 1987), pp. 35-39. Legislative trends are summarized in Kim Kebschull, *Article II: A Guide to the 1991-1992 N.C. Legislature*, N.C. Center for Public Policy Research, May 1991, pp. 236-237.

<sup>5</sup> Thomas Covington, director of the state Fiscal Research Division, says the shifting of federal responsibilities to the state will mean major increases in Medicaid costs and less federal money for water and sewers, urban and economic development, and school lunch subsidies. "Basically, it's the shrinking of federal support for federal entitlements," he says.

<sup>6</sup> Betts., p. 70.

<sup>7</sup> *Ibid.* Some business-related fields have decreased their presence in the General Assembly, while others have increased.

For instance, from 1971 to 1991, the occupations that declined in numbers included: business and sales, 66 to 49; farming, 21 to 17; manufacturing, 5 to 0; and banking, 4 to 1. Fields that grew included: real estate, 7 to 26; insurance, 9 to 13; construction and contracting, 3 to 5; education, 7 to 19; and health care, 1 to 9.

<sup>8</sup> *Ibid.*, p. 69. From 1971 to 1991, the number of black legislators increased from two to 19. During that same period, female legislators increased from two to 25.

<sup>9</sup> According to the State Data Center, women comprised 51.5 percent (3,414,347) of the state's total population (6,628,637) in the 1990 census. In the voting age population, women comprised 52.3 percent (2,628,510) of the 5,022,488 people 18 years and older.

<sup>10</sup> Betts, p. 69. From 1971 to 1991, Republicans nearly doubled their numbers in the legislature, from 31 to 53. Also see, Jack Betts and Vanessa Goodman, *The Growth of a Two-Party System in North Carolina*, N.C. Center for Public Policy Research, 1987, 63 pp. That report was summarized in the article, "Center's First Joint Production With Public Television Examines Two-Party System in North Carolina," *North Carolina Insight*, Vol. 10, No. 4 (June 1988), pp. 31-39.

<sup>11</sup> For more on the increasing demands placed on state legislators, see Chuck Alston, "The Citizen Legislature: Fact or Fable?" *North Carolina Insight*, Vol. 8, No. 2 (November 1985), pp. 50-52.

<sup>12</sup> The Legislative Services Office now has 128 employees in five divisions: fiscal research (created in 1971), general research, (1971), administration (1976), bill drafting (1977), and automated services (1984).

<sup>13</sup> Currently, no television stations have a full-time correspondent covering the legislature. Radio coverage includes three full-time correspondents, representing WUNC, WPTF, and the North Carolina News Network.

<sup>14</sup> For more on press coverage of the legislature, see the following articles in *North Carolina Insight*: Jack Betts, "The Capital Press Corps: When Being There Isn't Enough," Vol. 9, No. 2 (September 1986), pp. 48-51; Betts, "Radio Journalism in North Carolina: Listening for Less News," Vol. 9, No. 4 (June 1987), pp. 44-46; Paul T. O'Connor, "Is the Afternoon Newspaper a Dinosaur in North Carolina?" Vol. 10, No. 1 (October 1987), pp. 68-71; Betts, "Covering the Legislature: As Hierarchical As A Chess Set," Vol. 12, No. 1 (December 1989), pp. 66-67; and Ferrel Guillory, *et al.*, "Customers or Citizens? The Redefining of Newspaper Readers," Vol. 12, No. 4 (September 1990), pp. 30-38.

<sup>15</sup> Newspapers with full-time capital correspondents include the *Asheville Citizen*, *Charlotte Observer*, *Durham Herald*, *Fayetteville Observer*, *News & Record* of Greensboro, N.C., and *The News & Observer* of Raleigh, N.C. Full-time coverage also is provided by the Associated Press, Freedom Newspapers, New York Times Regional Newspaper Group, and the Capital Press Association.

<sup>16</sup> Steve Riley and C.E. Yandle, "Many On-Job Deaths Not Investigated," *The News & Observer*, Raleigh, N.C., Feb. 16, 1992, p. 1A.

<sup>17</sup> On April 21, 1992, the Open Government Through Public Telecommunications Study Commission recommended that the legislature approve unedited, gavel-to-gavel television coverage of House and Senate proceedings. According to a March 29, 1992, editorial in *The Charlotte Observer*, the commission recommended an 11-fold increase in OPEN/NET's weekly television time — from a mere four hours to as much as 45 hours.

<sup>18</sup> Glenn Newkirk, who oversees the legislature's Automated Services Division, says records show that the computer system has not "broken down" during the budget bill drafting process since January 1987. Nevertheless, many capital correspondents will attest that legislators often have "blamed" delays on computer breakdowns.

# Slowly But Surely, Legislature Opening Its Doors

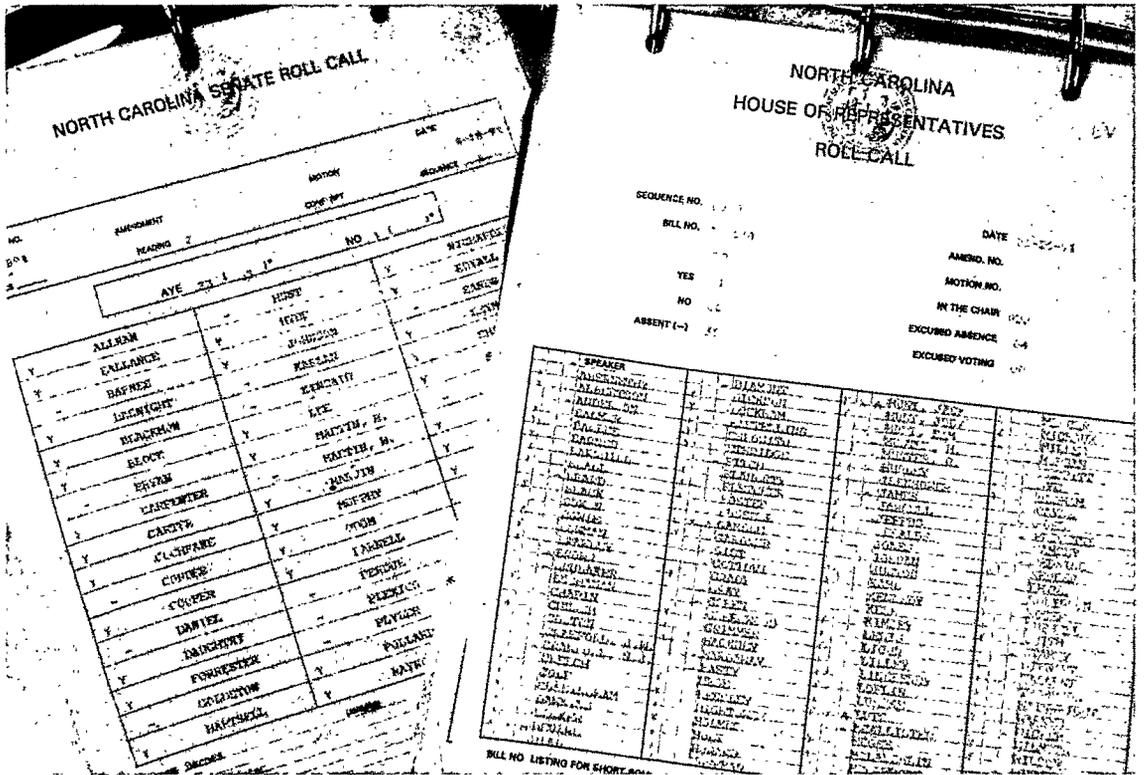
State lawmakers are moving toward publishing their votes from the General Assembly—a goal long advocated by the N.C. Center for Public Policy Research. That, coupled with a plan to broadcast legislative sessions on cable television, could go a long way toward opening the assembly's doors to the public.

Legislators are taking a hard look at publishing their votes as part of a plan to revamp the computerized vote-recording systems used in the House and the Senate. The Legislative Services Commission, a bipartisan panel that directs the legislative staff, voted in March 1992 to replace the electronic voting systems—which are 15 years

old and frequently break down. House Speaker Dan Blue (D-Wake), in response to a letter from Center Director Ran Coble, said lawmakers will use that project as an opportunity to increase public access to voting records and the assembly's computerized bill-status system.

"The North Carolina House of Representatives is currently revising its computer system to allow the electronic storage and retrieval of votes...." Blue wrote in a Dec. 12, 1991, letter to Coble. "At this time I cannot ensure that this will be completed in time for the 1992 short session, but I do anticipate the completion of this effort in time for the 1993 long session. I believe that this

**Researching legislative votes can be a time-consuming process, as shown by these roll calls—which provide no explanations beyond bill numbers and vote tallies.**





“DEMOCRACY REQUIRES OPEN ACCESS BY THE PUBLIC. THIS IS A SMALL PRICE TO PAY TO GIVE NORTH CAROLINIANS FIRSTHAND ACCESS TO THE DEBATE AND DELIBERATIONS OF REPRESENTATIVES IN THE GENERAL ASSEMBLY.”

— REP. JUDY F. HUNT (D-WATAUGA),  
COMMENTING ON THE PROPOSAL TO TELECAST  
LIVE, GAVEL-TO-GAVEL COVERAGE OF THE  
GENERAL ASSEMBLY.

system will address most of the needs outlined in your request.”

In letters dated Nov. 12, 1991, Coble urged Blue and Senate President Pro Tem Henson P. Barnes (D-Wayne) to improve public access to legislative votes by taking advantage of available computer technology. On behalf of the Center’s board of directors, Coble specifically asked the legislature to:

- Obtain the computer software needed to record, store, retrieve, and *publish* all votes taken in the House and the Senate;
- Expand the current bill-status system with remote terminals outside the legislative building, so that citizens could access such information using computers, modems, and other call-in technology.

### **Researching Votes Is A Long And Winding Road**

If legislators follow through with Coble’s pro-

posal, it would culminate a long, hard-fought struggle by the Center, which for years has urged the General Assembly to make voting records more easily accessible. In principle, legislative votes are public records. But in reality, the recording system is so complex that researching even a single vote can be extremely difficult.<sup>1</sup> As an editorial in *The News & Observer* of Raleigh described it, “Trying to thread one’s way through that maze can lead to hair-pulling frustration long before it leads to accurate voting records. . . . The result, obviously, is to shield legislators from full accountability to the public.”<sup>2</sup>

The Center itself shouldered that task for more than three years. For part of 1981 and all of 1982, 1983 and 1984, the Center recorded and published the votes of all 170 legislators on all public bills. During that period, the service published the results of more than 4,000 recorded votes—drawing widespread editorial praise from newspapers across the state. But the Center halted the project after the 1984 session because of high costs and the lack

of paying subscribers to the service. The cost of staffing the Center's vote project in 1983 alone ran to \$45,932—far more than the nonprofit organization was able to generate in subscription fees.

For years, one of the key opponents of vote publication was former House Speaker Liston B. Ramsey, who maintained that it would cost too much money. Ramsey also opposed computerized vote storage, fearing that computer hackers could enter the system and tamper with records. Both Blue and Barnes, however, support the change to computer tabulation. The new electronic-voting system, which will cost \$140,000 to install, will allow floor votes to be stored in a computer data base. But several questions remain:

- Will the legislature *print the votes in a publication* or just make them available in the legislative library, as is done now?
- Will any publication of votes include a *description* of what the votes are about?
- Will the public be allowed to access the vote database using computers outside the legislature?

### Tune In For More Details

The legislature is taking other steps, as well, to open its doors to the public. In April, the Open Government Through Public Telecommunication Study Commission recommended that the legislature provide gavel-to-gavel coverage of House and Senate proceedings—similar to what C-SPAN does for the U.S. Congress. Coverage would be provided by the Agency for Public Telecommunications, a division of the state Department of Administration. Although the proposal failed to pass during the 1992 session, the issue is certain to return during future sessions.

Under the study commission's proposal, the telecast would be carried live by cable television systems across the state, with excerpts edited for inclusion in the news programs of commercial radio and television stations. Public schools and community colleges also could receive the telecasts via satellite dishes. To pay for the program, the commission recommended allocating: \$2.4 million for installing television equipment in the House and Senate chambers; \$314,000 to match a federal grant for equipping one public library in each county with a satellite dish; and \$500,000 in

additional operating funds to the Agency for Public Telecommunications, which would produce and distribute the show.

"Democracy requires open access by the public," Rep. Judy F. Hunt (D-Watauga), who chairs the study commission, said in a statement. "This is a small price to pay to give North Carolinians firsthand access to the debate and deliberations of the representatives in the General Assembly."

Commission members say that live coverage could begin as early as mid-1993. The big question is: Will viewers tune in? Some newspaper editors think so. Comparing the proposal to the Agency for Public Telecommunications' current programming, called OPEN/NET, an editorial in *The Charlotte Observer* stated: "Nobody knew whether anyone would watch it, but it has worked splendidly for eight years. Now it's time for the General Assembly to provide the money to make (OPEN/NET) more of a full-time link between the state's 6.6 million citizens and their government."<sup>3</sup>

—Tom Mather

### FOOTNOTES

<sup>1</sup>For more on researching legislative votes, see Paul T. O'Connor, "So You Think It's Easy To Find Out How Legislators Voted, Eh?" *North Carolina Insight*, Vol. 10, No. 4 (June 1988), pp. 45-50.

<sup>2</sup>"Tracks through a voting maze," *The News & Observer*, Raleigh, N.C., June 16, 1988, editorial page.

<sup>3</sup>Quoted from the editorial, "Expand Open/net," *The Charlotte Observer*, March 29, 1992, p. 2C.

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***In principle, legislative votes are public records. But in reality, the recording system is so complex that researching even a single vote can be extremely difficult.***

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## *Lobbyist Rankings Reveal Some Subtle Surprises; Legislative Rankings Show a Major Shakeup to Come in '93*

by Mike McLaughlin

**A**t first glance, release of the 1991-1992 lobbyist rankings might provoke a yawn and a recitation of the old maxim, "the more things change, the more they stay the same." The quickest ticket to the top 10 is still the former-legislator, lawyer route. And Zeb Alley, Al Adams, and Sam Johnson still rule the rankings, their place in the big three seemingly as predictable as names on the door of a venerable old Raleigh law firm.

But nuances of change ripple through the rankings, starting with the second place position, which now belongs to contract lobbyist Al Adams, rather than contract lobbyist Sam Johnson. Also, nine women now rank among the top 37—the highest number ever.

This is the sixth time the Center has released its lobbyist rankings, which are based on surveys of all 170 legislators, registered lobbyists in the 1991 session, and capital news correspondents. Earlier in 1992, the Center released its legislative effectiveness rankings, based on surveys of these same three groups.

### **Rankings of the Effectiveness of Legislators**

The results of that survey—the eighth such survey by the Center—were not so subtle. The Speaker of the House returned to his traditional number one ranking, displacing Rep. David Diamont (D-Surry), who had enjoyed a one-term turn at the top before dropping to number two. This turn of events was set in motion by the ascent of Speaker Dan Blue (D-Wake), who restored unity among a Democratic House divided over the fall of four-term

Speaker Liston Ramsey at the start of the 1989-90 session through the vote of a bipartisan coalition.

A changing of the guard also was apparent in the Senate, where Sen. Ken Royall's grip on the number one ranking since 1978 was finally broken by President Pro Tempore Henson Barnes. The legislative rankings also held promise of still more change. Three of the Senate's 10 most effective members—Royall (D-Durham), Barnes (D-Wayne), and William D. Goldston (D-Rockingham)—are retiring from the legislature.

Four of the 10 most effective members of the House—Dennis Wicker (D-Lee), Harry E. Payne Jr. (D-New Hanover), H.M. "Mickey" Michaux Jr. (D-Durham), and Sam Hunt (D-Alamance)—are either retiring or leaving to run for other office. Altogether, 11 of the 50 senators did not file for reelection to the Senate, and 28 of the 120 representatives chose not to return to the House.

"There are different reasons for turnover in the two chambers," says Ran Coble, executive director of the N.C. Center for Public Policy Research. "In the Senate, the Old Guard is retiring and giving way to the Young Turks. In the House, many of those leaving have ambitions for higher office—whether it be Congress or the Council of State or the cozier confines of the state Senate."

In the Senate, for example, both Barnes and Royall are retiring. Ambitions for higher office have hit hard in the House. Wicker, for example, is the Democratic nominee for lieutenant governor and will oppose a House colleague, Rep. Art Pope (R-Wake). Pope ranked 18th in effectiveness, up

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*Mike McLaughlin is editor of North Carolina Insight.*

from 64th in 1989-90, so Republicans lost a rising star in the rankings.

Redistricting of both legislative and Congressional seats also played a role in decisions by incumbents on whether to seek office and which office to seek. Sen. Tommy Pollard (R-Onslow) and six House members, for example, left the legislature to seek Congressional seats. Four state House members left the house to run for the state Senate, and one Senate member gave up his seat to run for the House.

All of this means turnover in the General Assembly will be higher than usual next year. Regardless of the outcome of elections in November, more than a full 20 percent of the membership of the General Assembly will not be back next session.

At least two other factors play a role in the rankings: longevity of service and who is in charge. Of the legislators ranked in the bottom 25 in the

120-member House, only six had served more than one prior term. In the 50-member Senate, only two of the senators ranked in the bottom 10 had served more than one prior term.

Blue's allies in the House also moved up in the rankings, reflecting the importance of who holds the speaker's office. That meant increased clout for minorities, like Rep. Toby Fitch (D-Wilson), who moved from 23rd to eighth. But it also meant a backward step for Republicans who had advanced under the bipartisan leadership of former Speaker Joe Mavretic (D-Edgecombe). House Minority Leader Johnathan L. Rhyne Jr. (R-Lincoln), for example, fell from fourth in the 1989-90 session to 14th for 1991-92.

### Most Influential Lobbyists

In the lobbyist rankings, Roger Bone, a former legislator like the top three, moved up six places to

## Rankings of Effectiveness of the Top 10 Members of the 1991 General Assembly N.C. Senate

Name of Senator	Effectiveness Ranking in 1991	Previous Effectiveness Rankings (Where Applicable)					
		1989	1987	1985	1983	1981	1979
BARNES, HENSON P. (D-Wayne)	1	3	5	6	5	7	7 (tie)
BASNIGHT, MARC (D-Dare)	2	4	16	34	NA	NA	NA
DANIEL, GEORGE B. (D-Caswell)	3	7	32	NA	NA	NA	NA
ROYALL, KENNETH C., JR. (D-Durham)	4	1	1	1	1	1	1
WINNER, DENNIS J. (D-Buncombe)	5	5	12	16	30	NA	NA
PLYLER, AARON W., SR. (D-Union)	6	14	4	3 (tie)	25	(18)*	(28 tie)*
SOLES, R.C., JR. (D-Columbus)	7	11	10	10	17	14	25 (tie)
SANDS, ALEXANDER P., III (D-Rockingham)	8	20	37	NA	NA	NA	NA
WARD, MARVIN M. (D-Forsyth)	9	13	14	17	27	32	39 (tie)
GOLDSTON, WILLIAM D. (D-Rockingham)	10	6	15	38	NA	NA	NA

\* Effectiveness ranking while in the N.C. House of Representatives.

## Rankings of Effectiveness of the Top 20 Members of the 1991 General Assembly N.C. House Of Representatives

Name of Representative	Effectiveness	Previous Effectiveness Rankings (Where Applicable)					
	Ranking in 1991	1989	1987	1985	1983	1981	1979
BLUE, DANIEL T., JR. (D-Wake)	1	6	6	7	8	30	NA
DIAMONT, DAVID H. (D-Surry)	2	1	18	16 (tie)	18 (tie)	39	23 (tie)
MILLER, GEORGE W., JR. (D-Durham)	3	3	4	4	4	4	9
NESBITT, MARTIN L., JR. (D-Buncombe)	4	12	5	13	21 (tie)	65	NA
HACKNEY, JOE (D-Orange)	5	9	7	10	15	60	NA
WICKER, DENNIS A. (D-Lee)	6	7	9	15	24	48	NA
PAYNE, HARRY E., JR. (D-New Hanover)	7	5	12	14	28	69 (tie)	NA
FITCH, MILTON F., JR. (D-Wilson)	8	23	56 (tie)	79	NA	NA	NA
MICHAUX, H.M., JR. (D-Durham)	9	15	15	24	NA	NA	NA
HUNT, R. SAMUEL, III (D-Alamance)	10	8	43	NA	NA	NA	NA
HUNTER, ROBERT C. (D-McDowell)	11	10	11	20	25	56	NA
RAMSEY, LISTON B. (D-Madison)	12	11	1	1	1	1	3
BARNES, ANNE C. (D-Orange)	13	21	20	28 (tie)	49	NA	NA
RHYNE, JOHNATHAN L., JR. (R-Lincoln)	14 (tie)	4	69	82 (tie)	NA	NA	NA
COLTON, MARIE W. (D-Buncombe)	14 (tie)	30	26	31 (tie)	64	66	94 (tie)
KERR, JOHN H., III (D-Wayne)	16	24	62	NA	NA	NA	NA
REDWINE, E. DAVID (D-Brunswick)	17	18	28	44	NA	NA	NA
POPE, JAMES ARTHUR (R-Wake)	18	64 (tie)	NA	NA	NA	NA	NA
HUNT, JOHN J. (D-Cleveland)	19	36	8	12	12 (tie)	12	57 (tie)
MAVRETIC, JOSEPHUS L. (D-Edgecombe)	20	2	13	18	18 (tie)	64	NA



**Lobbyists Zeb Alley (left) and Marvin Musselwhite celebrate a success in the halls of the legislative building.**

fourth from his 10th place finish in 1989-90. "I approach it from a grassroots standpoint," says Bone, the highest ranking non-lawyer. "Every legislator is important." Bone, a two-term former House member, served in the same freshman class as Blue, the 1981-82 session. He returned to the House in 1985 as a member of former Speaker Liston Ramsey's staff, then worked full time as legislative liaison for the Department of Community Colleges before hanging out his shingle as a contract lobbyist in 1987. Bone still represents Community Colleges under contract.

Bone says his experience as a legislator and staff member helped him in the rankings, as did his work on highly visible issues such as the proposed state lottery.

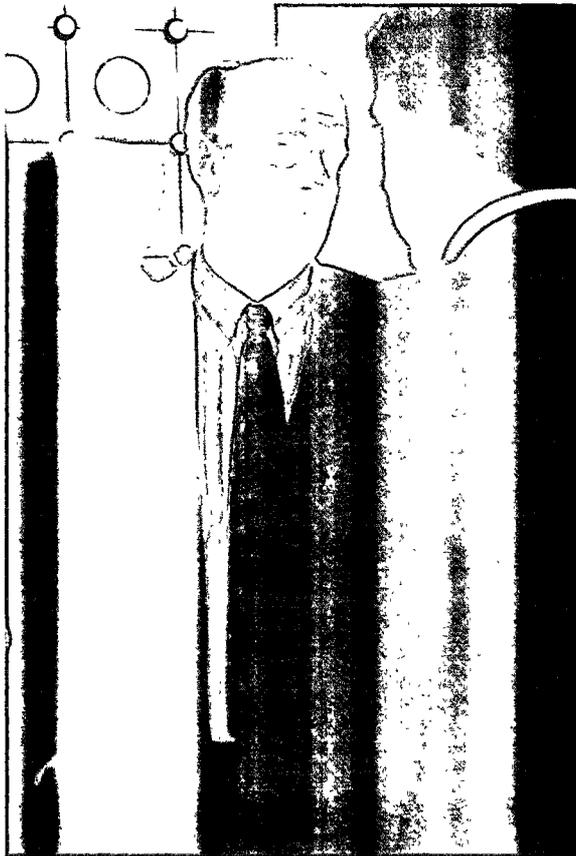
Contract lobbyists are those who represent multiple clients on a contract basis. These lobbyists often do well in the rankings because they represent a number of different clients and issues and thus are exposed to more legislators. Lobbyists representing a single entity or organization generally are at a disadvantage because they work with a limited number of legislators and fewer

committees. Still, these lobbyists also can be highly effective, particularly if they have a state-wide membership or an interest in a broad range of issues.

"Most of the 10 new entrants into the rankings represent a single corporation or association," says Center policy analyst Kim Kebschull Otten, who compiled the report. "Rather than the company hiring a lobbying firm to represent them in the General Assembly, they have a permanent employee for that purpose."

Among these lobbyists (including those ranked in previous years) are William C. Rustin of the N.C. Retail Merchants Association; William A. Pully of the N.C. Hospital Association; F. Bryan Houck, representing Southern Bell Telephone Company; Thomas A. Morrow of Carolina Telephone and Telegraph Company; Alice Garland of Electricities of North Carolina; and Robert A. Berlam of the State Employees Association of North Carolina.

Four other newcomers to the rankings represent multiple interests. These include Janis Ramquist, representing groups including the N.C.



**Lobbyist Bill Holman makes a point to Rep. David Diamont (D-Surry).**

Counseling Association, N.C. Acupuncture Associates, and the N.C. State Optometric Society; Glenn R. Jernigan, representing business and associations including Colonial Life & Accident Insurance Company, the Pesticide Association of N.C., and the N.C. Sheriffs' Association; Durwood S. Laughinghouse, representing business interests including the American Paper Institute and the N.C. Outdoor Advertising Association; and George M. Teague of the law firm of Moore and Van Allen, representing business interests including the Chemical Industry Council, General Electric Company, and the Mortgage Bankers Association of the Carolinas.

Rounding out the top 10 are Bill Holman, who represents environmental and planning interests and seems to have a lock on the fifth position; Rustin, sixth, the top-ranking lobbyist representing a single entity or organization; and Paul Pulley Jr., seventh, a contract lobbyist and a lawyer and former legislator.

Jay Robinson ranks eighth, representing the

University of North Carolina system; Marvin Musselwhite Jr., ninth, also a contract lobbyist and a former legislator and lawyer; and John Bode, 10th, a contract lobbyist and lawyer who was a top adviser to former Lieutenant Gov. Bob Jordan.

Roslyn Savitt, a public interest lobbyist who represents the North Carolina chapter of the National Association of Social Workers and the N.C. AIDS Service Coalition, moved up three places to 12th and became the top-ranked woman. Susan Valauri followed closely at 14th. Valauri represented the National Federation of Independent Business at the time of the rankings, and began representing Nationwide Insurance Company in March 1992.

Savitt attributes her success in the rankings to long hours, hard work, and persistence. "I worked on a number of issues that passed," says Savitt, including "significant new funding for child protective services." She adds that she also worked on several AIDS bills that drew a lot of media attention.

The results of the Center lobbyist rankings are eagerly awaited by lobbyists intrigued by the ups and downs of their colleagues and those who want to use their own ranking to argue for a raise, attract new clients, or maybe just gloat a little. There are also some broader points of public interest that can be tracked through the rankings—like which issues are hot and which are not and the clout or lack of clout of various interests that work the General Assembly. As the stock market has its bulls and bears, the Center's rankings have their kangaroos and lemmings.

Kangaroos take the highest leap up the rankings. The 1991-92 winners are Ramquist, unranked in 1989-90 but debuting at 17th—a net jump of 23 places in the rankings, and Musselwhite, who moved from 30th in 1989-90 to ninth in 1991-92. Also taking a leap up the rankings were Susan Valauri, up 20 places to 14th, and Anne Griffith of the N.C. Citizens for Business and Industry, a 20-place gainer now ranked 19th.

Ramquist says her successful work on tax fairness issues while representing the N.C. League of Women Voters may have contributed to her lofty debut. Ramquist no longer represents the League, but has broadened her client list, which may also have contributed to more exposure and a higher ranking. "My approach is to put together information that legislators can rely on," says Ramquist. "The whole legislature is moving more toward knowledge of issues, in addition to who you know."

Ramquist's ranking reflects the increasing number of women, who are moving up in the Center rankings for both legislators and lobbyists. "The abilities of women are being recognized," says Ramquist. "It's not necessary to be a man to work within the system."

Savitt agrees. "I don't find any handicap in being a woman," she says. "I won't go into that mindset, because when you do, you create barriers for yourself. I can go head to head with anybody."

Musselwhite attributes his rise to a longer and more diversified client list and hotter issues than in years past. For example, Musselwhite represents ThermalKEM of N.C., which has sought—thus far without success—to locate a hazardous waste treatment facility in North Carolina, and Brown-G-Ferris Industries, a solid waste management firm. "I had a lot of issues that hit," says Musselwhite.

In sharp contrast to the kangaroos, lemmings fall right out of the rankings. Lobbyists ranked in prior sessions who dropped from the 1991-92 ranking of the top 35 lobbyists are Gordon P. Allen, Gene Causby, James E. Harrington, Robert Harris, B. Wade Isaacs, Virgil McBride, J. Ward Purrington, Roy Wall, and Wesley D. Webster.

But Zeb Alley, the top-ranked lobbyist, says a fall from the rankings does not necessarily mean a lobbyist has been ineffective. "I don't think the ratings necessarily reflect overall effectiveness," says Alley, particularly for industry lobbyists who work quietly behind the scenes on controversial issues. "These people are more effective when they keep a low profile," he says. Alley characterizes the rankings as "a beauty contest or popularity contest to a large extent," rather than a true gauge of effectiveness.

Harrington, Webster, and Harrington had strong connections to the administration of Republican Gov. Jim Martin, who is finishing up his second term and has immediate plans for seeking public office. No legislative liaisons from the executive branch were ranked among the most influential lobbyists, although some have been ranked in the past.

Harrington says not being ranked is no surprise to him because he does not lobby anymore. "Except for one instance, reviewing the Triangle Transit Authority legislation for Senator [Ken] Royall, I did not represent any clients in the 1991 session," says Harrington. "I registered as such out of an abundance of caution."

Webster, however, says based on his performance he expected to be ranked. "[I] didn't lose a bill except the lottery bill so I don't understand why I was dropped out."

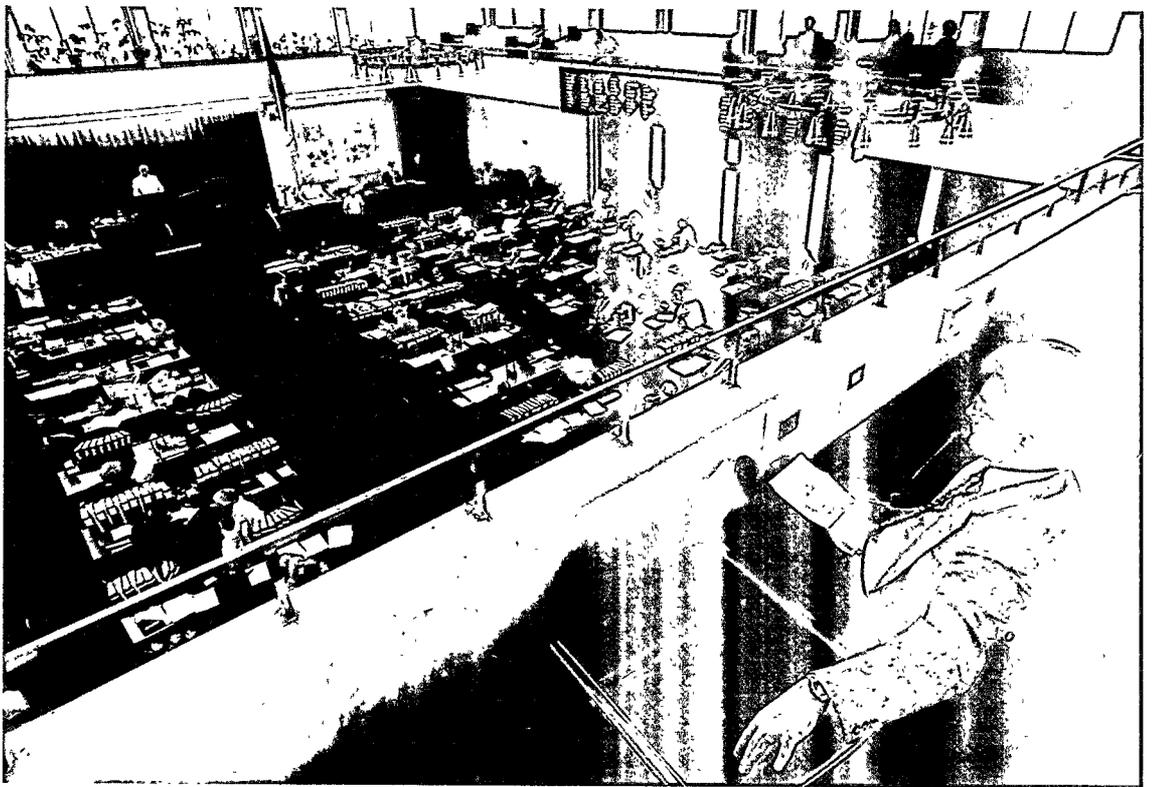
Anyone who registers with the the Secretary of State's Office as a lobbyist is eligible for the biennial rankings. The Center's Coble says lobbyists move up and down in the rankings for any number of reasons. "They might be well-connected to a particular legislator whose fortunes are waxing or waning in the General Assembly. The issue or interest they represent could be in or out of the limelight. Or they might be working more or less effectively."

Also worth a mention are the bunny-hoppers, those who move up only a place or two in the

**Jay Robinson, lobbyist for the UNC system.**



Karen Tam



Karen Tam

***Ellis Hankins of the N.C. League of Municipalities monitors House action from the gallery.***

rankings. Bunny-hoppers include Ron Aycock, representing the N.C. Association of County Commissioners, who moved up three spaces from 14th to 11th, and Chris Valauri of the N.C. Beer Wholesalers Association, who took more of a jack rabbit jump from 31st to 22nd.

Others moved in the opposite direction. John R. Jordan Jr., a contract lobbyist, dropped from eighth among 40 lobbyists ranked in 1989-90 to a tie for 17th, and John T. Henley of the N.C. Association of Independent Colleges and Universities dropped 12 places from 26th to 34th. Byran Houck of Southern Bell Telephone Co. had moved from 23rd in 1987-88 to 13th in 1989-90, but dropped back to 20th in the most recent rankings.

Other items of interest in the lobbyist rankings:

- Lobbyists for business and industry interests accounted for 25 of the top 37 rankings.
- Public interest lobbyists claimed six of the 37 spots. Public interest lobbyists are defined by the Center as those who "seek a collective good, the achievement of which will not selectively and materially benefit members of the organization."

- Lobbyists who fit neither the categories of business nor public interest, but belong to a third, quasi-government grouping, claimed three spots in the rankings. Aycock led this group with his 11th place ranking, followed closely by Ellis Hankins, 13th, who represents the N.C. League of Municipalities.

During the 1991 session, 460 lobbyists were registered with the Secretary of State's office, representing 468 different companies or organizations. There were also 316 legislative liaisons representing 26 different agencies in the executive branch of state government. By the end of the 1992 short session, 491 lobbyists were registered.

Unlike figures compiled by the Secretary of State's office, the Center's calculations count each lobbyist only once. The Secretary of State's office lists 908 lobbyists, but this reflects multiple listings when the same lobbyist represents more than one client. Marvin Musselwhite, for example, is listed 20 different times in one section of the directory. The rankings were based on lobbyists' performance during the main January-July 1991 session.

The lobbyist rankings are available for \$4.25 from the N.C. Center for Public Policy Research, P.O. Box 430, Raleigh, NC 27602. They are a companion piece to *Article II: A Guide to the 1991-92 N.C. Legislature*, which—with the latest legislative effectiveness rankings—is available for

\$27.44 from the Center. Both prices include postage and handling. *Article II* is a directory of legislators serving in the 1991-92 sessions that includes each legislator's educational background, occupation, list of bills introduced, voting records, and effectiveness rankings from prior terms.

## Rankings of the Most Influential Lobbyists in the 1991 General Assembly

1991-92 Ranking	Previous Rankings (Where Applicable)					Lobbyist	Former	
	1989-90	1987-88	1985-86	1983-84	1981-82		Legislator	Lawyer
1	1	1	4	3	5	<b>Zebulon D. Alley</b> of the Raleigh law office Zebulon D. Alley, P.A., representing 15 business and industry clients, including Carolina Power and Light Company, Duke Power Company, Kaiser Foundation Health Plan of N.C., MCNC, Inc., Southern Bell, the N.C. Vending Association, R.J. Reynolds Tobacco USA, Chambers Development Co., and N.C. Air Cargo Airport Authority.	yes	yes
2	3	3	3			<b>J. Allen Adams</b> of the Raleigh law firm of Parker Poe Adams & Bernstein, representing 16 clients with business/industry, arts, and health care interests, including Arts Advocates of N.C., N.C. Biotechnology Center, Digital Equipment Corporation, GTE Mobil-net, N.C. Headstart Association, Maxicare Health Plans, and the N.C. Retired Government Employees Association.	yes	yes
3	2	2	1	2	2	<b>Samuel H. Johnson</b> of the Raleigh law firm of Johnson, Gamble, Mercer, Hearn, & Vinegar, representing 17 clients with business/industry interests, including Auto Insurance Agents of N.C., I.B.M. Corporation, N.C. Automobile Dealers Association, Waste Management, N.C. Association of Certified Public Accountants, N.C. Associated Industries, and the N.C. Chapter of the American Institute of Architects.	yes	yes

*Note: The rankings list clients represented in both the long and short sessions of the 1991-92 General Assembly.*  
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1991-92 Ranking	Previous Rankings (Where Applicable)					Lobbyist	Former	
	1989-90	1987-88	1985-86	1983-84	1981-82		Legislator	Lawyer
4	10	14				<b>Roger W. Bone</b> of the Raleigh lobbying firm of Bone & Associates, representing Blue Cross and Blue Shield of N.C., Carolina Independent Automobile Dealers Association, Chem-Nuclear Systems, Control Data Corporation, Marathon Oil Company, N.C. Pork Producers, the Tobacco Institute, and the N.C. Department of Community Colleges.	yes	no
5	5	5	6	10 (tie)		<b>William E. Holman</b> representing the N.C. Chapter of the Sierra Club, the Conservation Council of N.C., N.C. Public Transportation Association, and the N.C. Chapter of the American Planning Association.	no	no
6	4	6	8			<b>William C. Rustin</b> of the N.C. Retail Merchants Association.	no	no
7	7	7				<b>W. Paul Pulley Jr.</b> of the Durham law firm of Pulley, Watson, & King, PA, representing business/industry, legal, and education interests including the N.C. Academy of Trial Lawyers, the N.C. Association of Educators, the N.C. Association of Electric Cooperatives, N.C. Association of Life Underwriters, and N.C. Equity.	yes	yes
8	11	10				<b>Jay M. Robinson</b> representing the University of North Carolina system.	no	no
9	30					<b>Marvin D. Musselwhite Jr.</b> of the Raleigh law firm of Poyner & Spruill, representing 20 business/industry and medical interests including Browning-Ferris Industries, Carolina Solite Corporation, Electricities of N.C., Hertz Corporation, Martin Marietta Aggregates, N.C. Enterprise Corporation, the N.C. Obstetrical & Gynecological Society, PepsiCo, Pitt County Memorial Hospital, the Smokeless Tobacco Council, Texaco, and ThermalKEM of N.C.	yes	yes

*Note: The rankings list clients represented in both the long and short sessions of the 1991-92 General Assembly.  
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## Rankings of the Most Influential Lobbyists in the 1991 General Assembly

1991-92 Ranking	Previous Rankings (Where Applicable)					Lobbyist	Former	
	1989-90	1987-88	1985-86	1983-84	1981-82		Legislator	Lawyer
10	9	18				<b>John T. Bode</b> of the Raleigh law firm of Bode, Call & Green, representing business/industry clients including Carolina Power & Light Company, Crown Central Petroleum, Independent Insurance Agents of N.C., Kaiser Foundation Health Plan, Southern Bell, and the N.C. Soft Drink Association.	no	yes
11	14	9	17	15		<b>C. Ronald Aycock</b> of the N.C. Association of County Commissioners.	no	yes
12	15 (tie)	19				<b>Roslyn S. Savitt</b> representing the N.C. Association for Clinical Social Work, the N.C. Chapter of the National Association of Social Workers, and the N.C. AIDS Service Coalition.	no	no
13	29					<b>S. Ellis Hankins</b> representing the N.C. League of Municipalities.	no	yes
14	34					<b>Susan R. Valauri</b> , then of the National Federation of Independent Business, and since March 1992 with Nationwide Insurance Company.	no	no
15	15 (tie)	30				<b>William A. Pully</b> of the N.C. Hospital Association.	no	yes
16	12	8	5	4	4	<b>J. Ruffin Bailey</b> of the Raleigh law firm of Bailey & Dixon, representing the American Insurance Association, the N.C. Credit Union League, and the Lawyers Mutual Liability Insurance Company of N.C.	yes	yes
17 (tie)	8	4	2	1	1	<b>John R. Jordan Jr.</b> of the Raleigh law firm of Jordan, Price, Wall, Gray, & Jones, representing 20 clients with business/industry and health care interests, including the N.C. Association of ABC Boards, American Express, Carolinas Electrical Contractors Association, Kemper National Insurance Companies, the N.C. Association of Life Insurance Companies, the N.C. Public Health Association, N.C. Tobacco Distributors, the N.C. Veterinary Medical Association, and the N.C. Wholesalers Association.	yes	yes

*Note: The rankings list clients represented in both the long and short sessions of the 1991-92 General Assembly.*  
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## Rankings of the Most Influential Lobbyists in the 1991 General Assembly

1991-92 Ranking	Previous Rankings (Where Applicable)					Lobbyist	Former	
	1989-90	1987-88	1985-86	1983-84	1981-82		Legislator	Lawyer
17 (tie)						<b>Janis Ramquist</b> representing health care and education interests, including the N.C. Counseling Association, the Learning Disabilities Association of N.C., Carolinians for Health Care Access, the Coalition for Student Success, the N.C. Acupuncture Association, and the N.C. State Optometric Society.	no	no
19	39					<b>Anne T. Griffith</b> of N.C. Citizens for Business and Industry.	no	no
20	13	23 (tie)				<b>F. Bryan Houck</b> of Southern Bell Telephone Company.	no	no
21	18	17				<b>Margot Saunders</b> , then representing the N.C. Legal Services Resource Center, the N.C. Civil Liberties Union, and the N.C. Consumers Council; now with the Consumer Federation in Washington, D.C.	no	yes
22	31					<b>Chris A. Valauri</b> of the N.C. Beer Wholesalers Association.	no	no
23						<b>Thomas A. Morrow</b> of Carolina Telephone and Telegraph Company.	no	no
24	38	31	18			<b>Jo Ann P. Norris</b> of the Public School Forum of North Carolina.	no	no
25	19	27				<b>Fran E. Preston</b> of the N.C. Retail Merchants Association.	no	no
26 (tie)	6					<b>Alice Dean Garland</b> of Electricities of North Carolina.	no	no
26 (tie)						<b>Glenn R. Jernigan</b> representing business/industry interests including Colonial Life & Accident Insurance Company, the N.C. Medical Society, Monsanto Company, the N.C. Natural Gas Corporation, the Pesticide Association of N.C., and the N.C. Sheriffs' Association.	yes	no

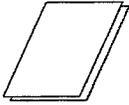
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## Rankings of the Most Influential Lobbyists in the 1991 General Assembly

1991-92 Ranking	Previous Rankings (Where Applicable)					Lobbyist	Former	
	1989-90	1987-88	1985-86	1983-84	1981-82		Legislator	Lawyer
26 (tie)						<b>Durwood S. Laughinghouse</b> representing business/industry interests including the American Paper Institute, the N.C. Association of Independent Schools, the N.C. Association of Personnel Services, the N.C. Outdoor Advertising Association, Philip Morris, U.S.A., and Southeast Toyota Distributors.	no	yes
26 (tie)						<b>George M. Teague</b> of the law firm of Moore and Van Allen, representing 19 business/industry interests, including Alamo Rent-A-Car, the Chemical Industry Council, the Coalition for Scenic Beauty, General Electric Company, Medco Containment Services, Mobil Chemical Company, and the Mortgage Bankers Association of the Carolinas.	no	yes
30						<b>Lawrence A. Bewley</b> of R.J. Reynolds Tobacco USA.	no	no
31 (tie)						<b>Robert A. Berlam</b> of the State Employees Association of N.C.	no	no
31 (tie)						<b>Edwin W. Woodhouse</b> of the N.C. Poultry Federation.	no	no
33	32					<b>B. Davis "Dave" Horne</b> , then representing the N.C. Bar Association and now with Mike Easley's campaign for State Attorney General.	no	yes
34	26	21	10			<b>John T. Henley</b> of the N.C. Association of Independent Colleges and Universities.	yes	no
35 (tie)						<b>Charles D. "Chuck" Barbour</b> of the N.C. Financial Services Association.	no	no
35 (tie)						<b>John F. Bowdish</b> of Burroughs Wellcome Company.	no	no
35 (tie)	37					<b>Pam C. Silberman</b> of the N.C. Legal Services Resource Center.	no	yes

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# MEMORABLE MEMOS



North Carolina General Assembly  
Senate Chamber  
State Legislative Building  
Raleigh, 27601-2808

JUL 6 1992

OFFICE OF  
CHIEF OF POLICE

COMMITTEES:  
LEGISLATIVE REDISTRIBUTING CHAIRMAN  
APPROPRIATIONS VICE-CHAIRMAN  
BASE BUDGET VICE-CHAIRMAN  
BANKS AND TRUST INSTITUTIONS  
CONSTITUTION  
INSURANCE  
JUDICIARY I  
MANUFACTURING AND LABOR  
PUBLIC UTILITIES  
STATE PERSONNEL AND STATE GOVERNMENT

SENATOR JOSEPH E. JOHNSON  
14TH DISTRICT P O Box 31507  
OFFICE ADDRESS: RALEIGH, N.C. 27622-1507  
HOME ADDRESS: 1011 HARVEY STREET  
RALEIGH, N.C. 27608

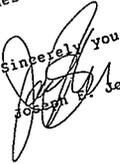
July 2, 1992

Mr. Frederick Heineman  
Chief of Police  
City of Raleigh  
P.O. box 590  
Raleigh, N. C. 27602

Dear Chief Heineman:

On July 1, 1992, after completing my duties at the North Carolina General Assembly (including but not limited to attending a regular session thereof), I proceeded to my car in the basement of North Raleigh to attend a legislative function. I was, while driving my car, pulled over by Officer Hunt by using the blue lights on his police car. Officer Hunt asked for my drivers license and registration card and further stated that I had been stopped because of a seat belt violation (N.C. GS20-135.2A). I informed Officer Hunt that: 1) I was a member of the General Assembly (a fact he did not dispute); 2) that I was in the process of "going from" the General Assembly (a fact he did not dispute); and 3) that his detainment of me was a violation of N.C. GS 120-9.

On being so informed Officer Hunt continued to detain me and further issued to me (after a passage of time) the enclosed. It is clear that Officer Hunt under color of his office violated the law. I therefore request that Officer Hunt be discharged from the police force.

Sincerely yours,  
  
Joseph E. Johnson

P.S. There was a non-uniformed individual in the car with Officer Hunt who got out of the car but did not participate in any conversation. If this individual is a superior officer then the same result should be imposed on him.

cc: Dempsey Benton  
City Manager

Enclosures: 3  
NC GS20-135.2A  
NC GS120-9  
Citation issued

*This bipartisan pair of memorable memos is brought to you by the committee to prevent term limits. After all, it takes a few terms in office to develop the high level of statesmanship demonstrated here by Sen. Joe Johnson (D-Wake) and Sen. Bob Shaw (R-Guilford). Meanwhile, keep hunting those memorable memo candidates. No permit required. You can drop them in the mail or drive them over. Just remember to buckle up first. Anonymity guaranteed.*



**North Carolina Wildlife Resources Commission**  
 512 N. Salisbury Street, Raleigh, North Carolina 27604-1188, 919-733-3391  
 Charles R. Fullwood, Executive Director

January 25, 1992

**MEMORANDUM**

To: Charles R. Fullwood, Executive Director  
 From: Jerry R. Rich, Colonel  
 Subject: Senator Shaw Complaint *J.R.R.*

On January 21, 1992, Officers W. W. Poole, M. E. Long, and a refuge officer were working swan and goose hunting in Hyde County. They encountered two blinds that were being hunted. The refuge officer was dropped off at the first blind and officers Poole and Long watched the second blind from a hedge row. The officers stopped the next vehicle coming out and found that the hunters were legal and the swans they had killed were tagged and validated.

Two other hunters were left in the field. Officers Poole and Long watched them kill a swan. The hunters loaded their equipment and came out. The officers stopped the vehicle as it came out of the field and asked to check their license as and bag limit. The vehicle belonged to Mr. Shaw. The officers found one swan that was tagged but Mr. Shaw did not have a swan permit. Officer Poole explained the necessity of having the permit and having it properly validated. Mr. Shaw stated that you might as well get out your ticket book. Officer Poole got in his patrol vehicle and proceeded to issue Mr. Shaw a citation. At this point Mr. Shaw started cursing and used abusive and profane language directed toward the agency and the officer. He was quoted by Officer Long as saying "that he was on the Wildlife Committee and would have the law changed". Mr. Shaw asked Officer Poole to call Raleigh to check and see if he had a permit. While Officer Poole was issuing the citation, Mr. Shaw was kicking dirt and cursing the officer. Mr. Shaw was also quoted as saying "that this was a chicken ... case and there is no wonder the Wildlife Resources Commission had so many complaints". He also wanted Officer Poole to call Mr. Fullwood on his radio. Mr. Shaw refused to sign the

Charles R. Fullwood  
 January 25, 1992  
 Page 2-

citation. As Officers Poole and Long were leaving the scene, Mr. A. B. Swindale, the land owner (or guide), and two other senators drove up and motioned for them to stop. Mr. Swindale asked what was the problem. Officer Poole told him that Mr. Shaw was cited for failing to have a swan permit in possession. Mr. Swindale said, "You know Mr. Shaw is a senator and it could get out of hand." Officer Poole said, "Yes". Mr. Swindale said, "Just let your supervisors know about it" and Officer Poole said he was going to. Mr. Swindell then said, "Have a good day". At this time Officers Poole and Long left the scene of the violation and contacted Sergeant Willis by radio and asked to meet him.

Officer Poole did not see Mr. Swindale or his party hunting. Therefore, he did not check them. The land owner (or guide) who was with Mr. Shaw, told Officer Poole that he should not write the ticket because Mr. Shaw was a senator and was a higher caliber person than the average citizen.

During the initial portion of this incident, Officers Poole and Long, Mr. Shaw, and Mr. Shaw's hunting companions were the only people present. As Officer Poole prepared to depart the scene, A. B. Swindale, two of his companions and two other senators arrived. The total number of people at the scene of the violation was eight, including the two officers.

Officer Poole said he had never been around a man like that before and notified Sergeant Willis about the incident.

JRR/zmt  
 Attachments



Vol. 14, No. 1

## Health Care in North Carolina: Part II

### *More on Rural Hospitals*

Today I saw your May 1992 issue, in which letters were published in reference to the article about rural hospitals [Vol. 13, Nos. 3-4]. I would like to extend my appreciation to you. It certainly was difficult to balance fair and comprehensive analysis with the simplicity required for assessment of rural hospitals to be comprehensible. There were also real data constraints, which seemed to be the basis of most of the complaints. Yet the dialogue raised by the article has, in my experience, been valuable and I hope that your Center has heard some of the positive comments. As a whole, the two volumes present an incisive, multifaceted view of health care in North Carolina and I am glad that I was able to contribute to the effort.

Thank you again for your repeated and articulate support of the research.

—Jeanne Lambrew\*

*Cecil G. Sheps Center for Health Services Research*

*\*Jeanne Lambrew is the co-author of an article on rural hospitals that appeared in the November 1991 edition of Insight.*

### *Nursing Home Regulation*

Thank you for the advance copy of *Insight*. I also want to let you know how much I appreciate your willingness to consider comments on the early draft. While I readily admit that I have some prejudices about the issue of nursing home regulation, I think the final version is a very balanced analysis. It is difficult to read criticisms from both advocates and providers, but I realize that it would indicate that we are not doing our job well if either group were completely happy with our efforts. Your statement that "regulators face a tricky balancing act" is very true. I hope that your recommendations can be implemented to assist us in that difficult task.

Thank you again for your openness and time consuming thoroughness.

—Lynda McDaniel

*Deputy Director, Division of Facility Services  
N.C. Department of Human Resources*

### *Who Makes Policy in Health Care?*

I have read your article entitled "Who Makes Policy in N.C. Health Care? A Fistful of Dollars and a Few Dollars More" in *N.C. Insight*, Volume 14, No. 1. You begin your article by saying "How much government money is spent on health care in North Carolina every year? A lot. More, in fact, than the gross national product of some third world countries."

What an extraordinarily inaccurate and misleading statement! In reviewing your article, you've included vast numbers of agencies and millions of dollars which have nothing to do with providing health care. You've lumped administrative and regulatory costs in the same category as patient care costs; you have included programs which have absolutely nothing to do with health care, such as vocational training and educational services to the mentally retarded. You've included the expenses for the WIC program, which is a food program, not health care.

This is like saying the paving of highways is a health care expense because it cuts down on automobile accidents and, therefore, is a preventive medical service.

I can't see the logic behind this article, and I certainly don't see any productive needs served by it.

With a little more effort, you could have separated out administrative costs and non health care related costs and produced a productive and useful number.\*

It seems in fact that this article is merely an inflammatory catalyst for further useless debate. By creating the illusion that there is a "3.6 billion dollar" problem, you seem to decry the lack of a central controlling agency.

It looks like an excuse for more government to me.

Perhaps it was simply an effort to fill pages.

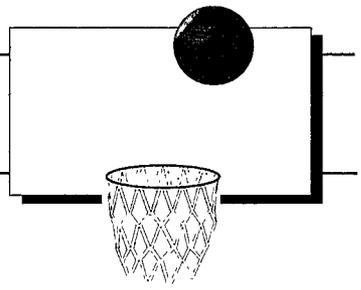
I firmly believe it is better to publish nothing than to publish this sort of pointless pen pushing.

—Dr. Paul B. Duvall, M.D.

*Family Practice, Brevard, N.C.*

*\*Editor's Note: Programs were categorized according to whether they were primarily concerned with treatment, prevention, or administration. Where agencies had a broad mission, an effort was made to include only health-related expenditures. Administrative expenses were included as part of the true cost of delivering services.*

# PARTING SHOT



... THE CHARLOTTE OBSERVER, Thursday, June 23, 1992 58

**A three trillion dollar deficit.**

**New holes in the ozone layer.**

**Unemployment at an all-time high.**

**The Hornets draft Alonzo Mourning.**

**On balance, it's been a pretty good year.**

Congratulations to the Charlotte Hornets on drafting Alonzo Mourning.



*Gee, Hornets basketball is a little more important than we thought! But then again, there's nothing like a good slam dunk or a blocked shot to comfort a jobless woman with skin cancer who is mourning the nation's debt.*

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