

Dr. Michael E. Porter
Founder and Chairman, ICIC

OpportunityNewark Strategic Context

- OpportunityNewark (ON) is a market-driven economic development initiative to **increase the competitiveness of Newark** as a business location, **stimulate business development**, and **better connect residents to job opportunities**
- A **deliberate** approach in which Newark chooses to compete in a **strategic** and structured manner
- Provides an ongoing public-private **collaborative forum** to debate issues, exchange ideas and develop actionable solutions, and serve as the backbone to sustain Newark's progress
- **Identified numerous important actions** to improve the business environment, encourage job creation, and increase Newark resident access to jobs
- **ICIC perspective**: The level of collaboration evident by the participation of over 400 stakeholders is unprecedented. Coupled with Newark's economic assets, this effort positions Newark to compete successfully

Newark is an Important Economic Center for the State of New Jersey

Core Economic Assets

- The Port of Newark, combined with the Elizabeth Marine Terminal, is the largest port on the East Coast and the 3rd largest port in the country
- Newark airport contributes approximately \$11 billion in economic activity to the New York/New Jersey metropolitan region, including \$3.3 billion in wages for some 110,000 jobs derived from airport activity
- Newark represents the largest education center in the state, with over 50,000 students and faculty at its five colleges and universities
- Newark is the premier arts and cultural center in the state with the New Jersey Performing Arts Center and cultural neighborhoods, such as the Ironbound district
- Newark is a state designated innovation zone with University Heights Science Park, five technology incubators and the planned Digital Century complex

Planned Investments

- Over \$4 billion is being invested in projects such as Portsfield and Portways to increase capacity at the port. Over 350,000 sq. ft. in new retail space, over 1,000,000 square feet in class A office space, and over 10,000 new housing units are planned in Newark over the next decade
- The Newark sports arena (with associated retail and entertainment) and the waterfront development project are fueling downtown redevelopment

Connecting residents to Newark's economic opportunities is ON's primary objective

Job Creation that Benefits Newark Residents

Job creation is dependent on the **competitiveness** of businesses within Newark's industry clusters, which is based on the **productivity** of the business environment. **Residents'** must have the ability to capture job opportunities. Opportunity Newark is focused on these issues

Business Environment

- Focus on investments and resources needed to enhance the business environment
- Identified actions to strengthen coordination and increase capacity in local institutions for collaboration

Business Development

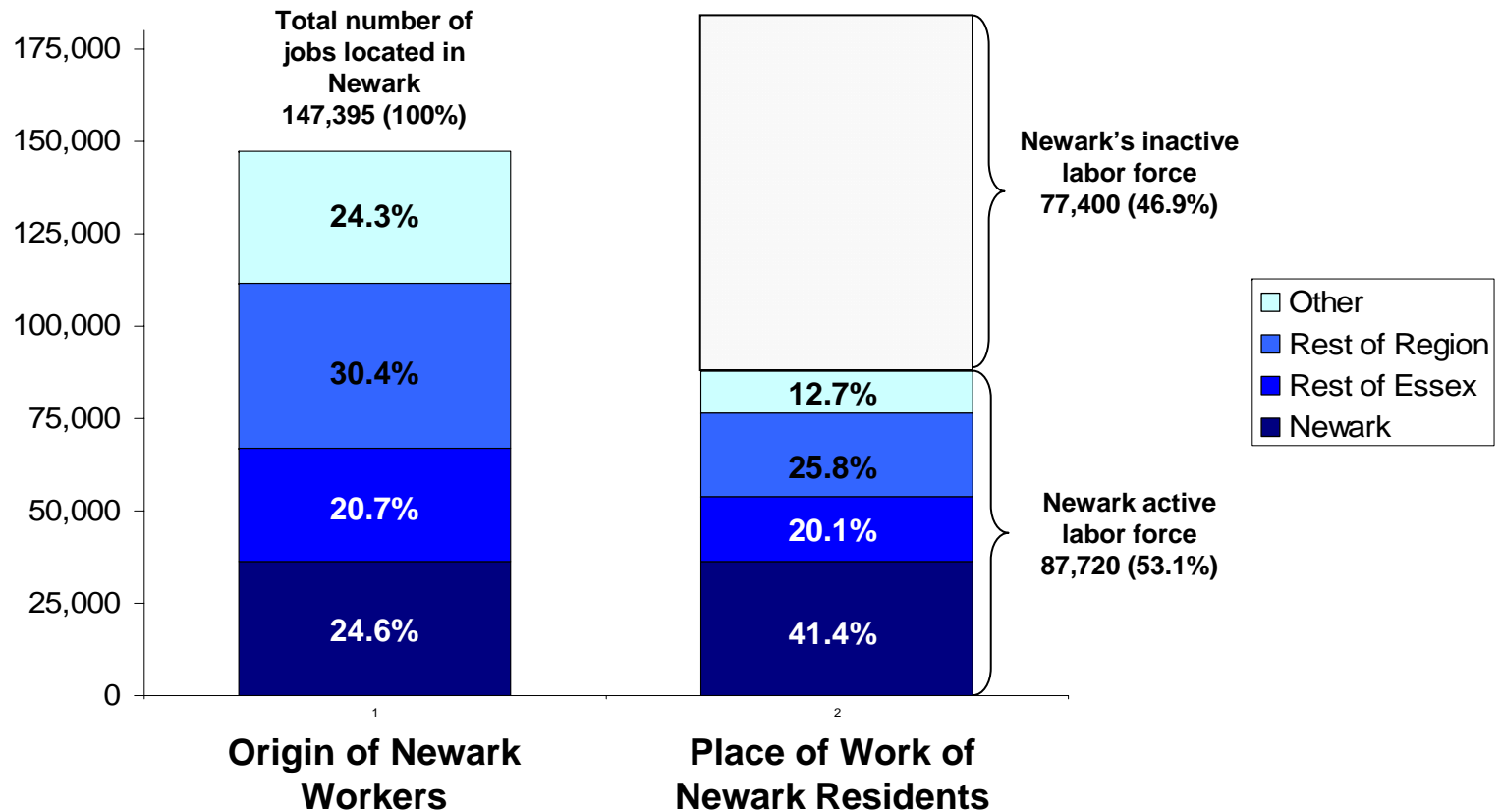
- Focus on strategies to capture market opportunities and create jobs within the **target industry clusters**
- Identified actions to assist with **business attraction and retention**



Workforce Development

- Focus on how to **connect** local residents to the over **6,000 jobs** expected annually over the next six years in the target clusters
- Identified actions that can remove barriers to employment and facilitate access to job opportunities

Only 25% of Newark Jobs are Held by Newark Residents

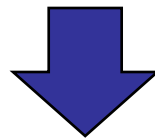


Source: 2000 US Census

Note: Rest of Essex does not include Newark, and Rest of Region includes Bergen, Hudson, Morris, Passaic, and Union counties, but not Essex.

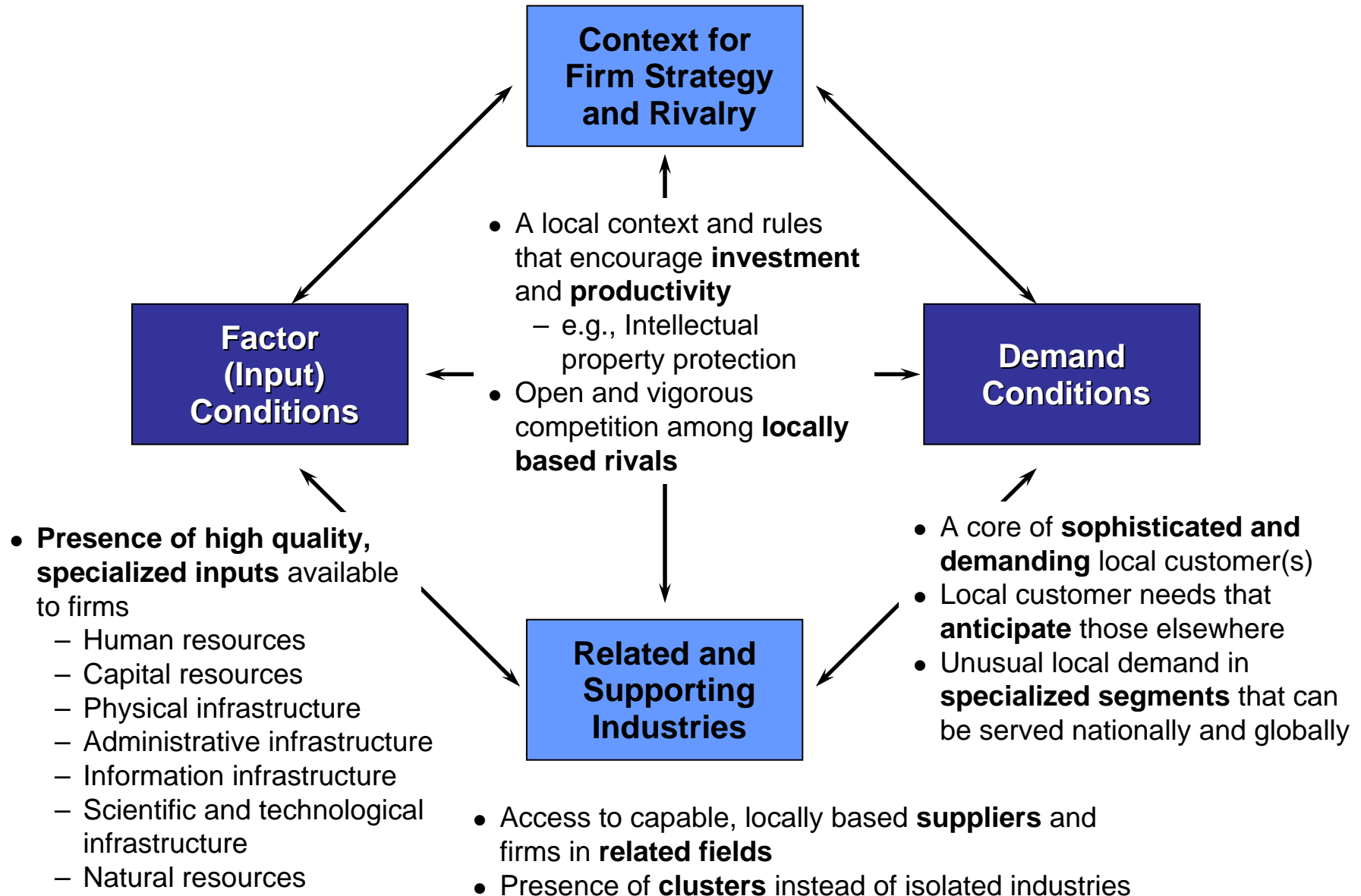
What is Competitiveness?

- Competitiveness is determined by the **productivity** with which a region uses its human, capital, and natural resources
 - Productivity sets the region's standard of living (wages, returns to capital, returns to natural resource endowments)
 - Productivity depends both on the **value** of products and services (e.g. uniqueness, quality) as well as the **efficiency** with which they are produced.
 - It is not **what** industries a region competes in that matters for prosperity, but **how** firms compete in those industries

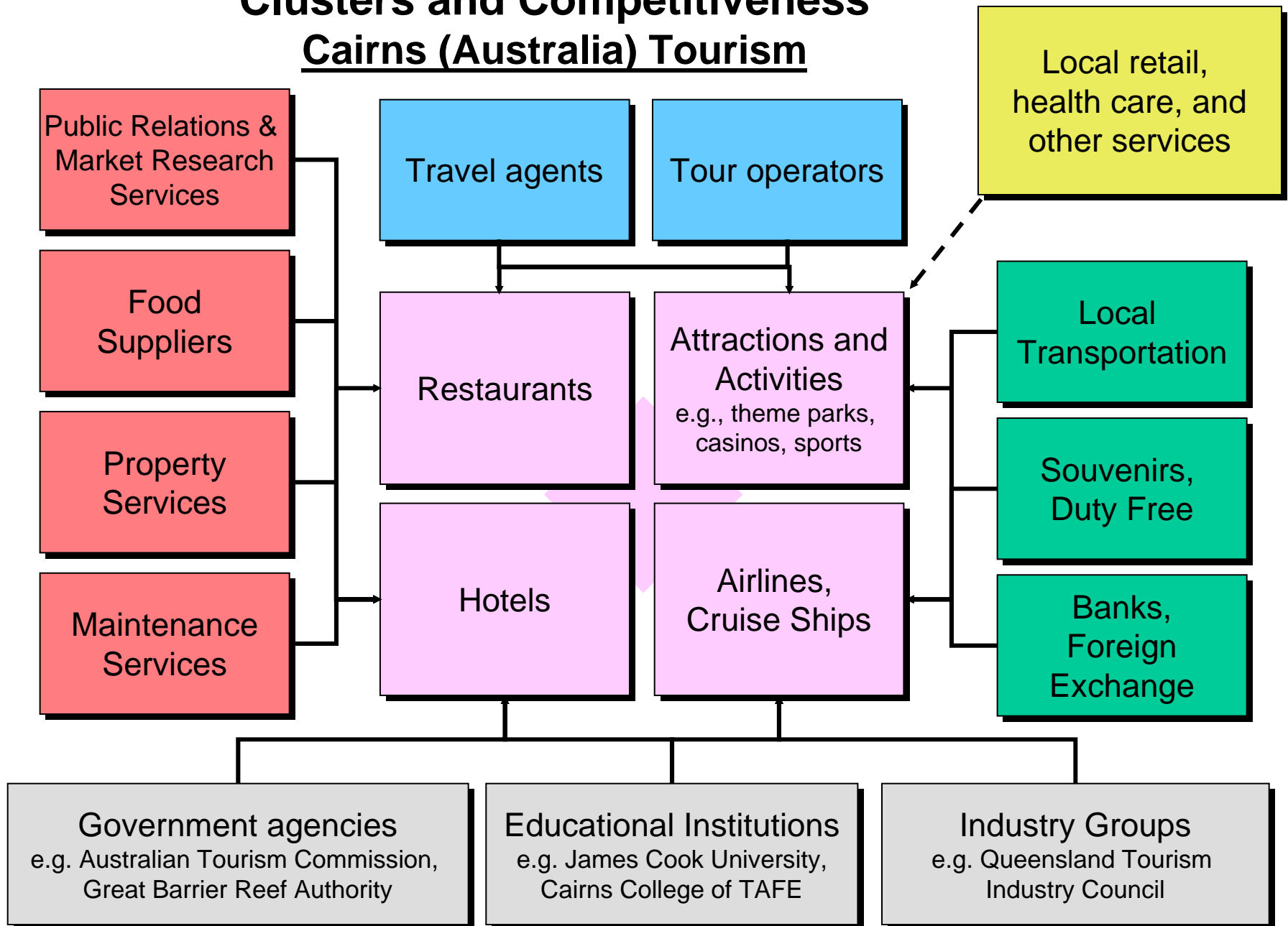


- Regions compete in offering the **most productive environment** for business
- The public and private sectors play **different but interrelated roles** in creating a productive economy

Productivity and the Business Environment

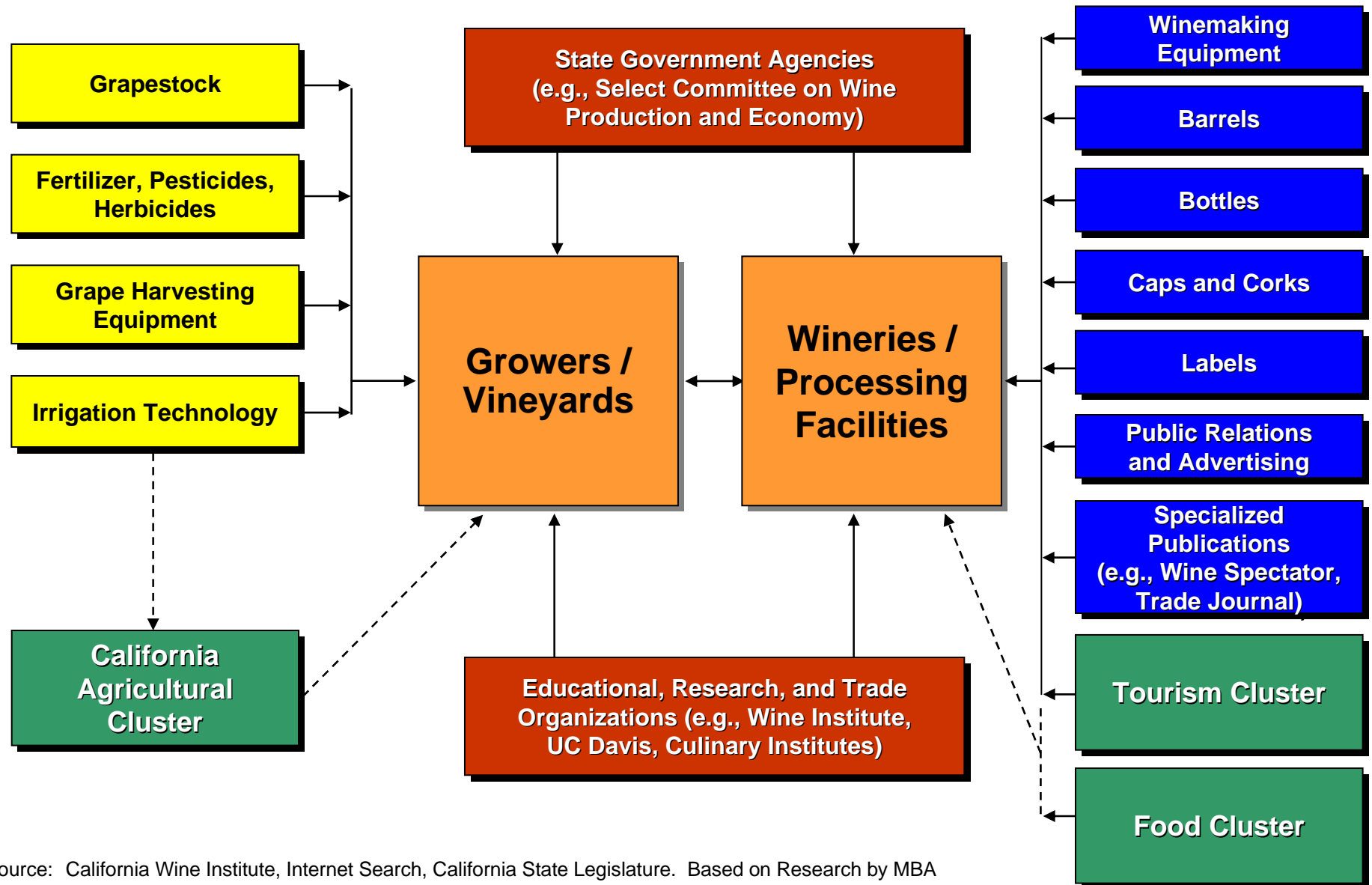


Clusters and Competitiveness Cairns (Australia) Tourism



Clusters and Competitiveness

California Wine



Source: California Wine Institute, Internet Search, California State Legislature. Based on Research by MBA 1997 Students R. Alexander, R. Arney, N. Black, E. Frost, and A. Shivananda

Inner City Economic Revitalization A New Model

Traditional Model

Reduce Poverty

Focus on Deficiencies

**Need:
Social Services**

**Geographic Space:
Neighborhood**

**Lead:
Government**



New Model

Create Jobs and Wealth

**Focus on Competitive
Advantage**

**Need:
Investment**

**Geographic Space:
Region**

**Lead:
Private Sector**

Newark's Competitive Advantages

Strategic location

- Transportation hub with immediate access to 7 major highways, 14th largest airport in the world, & major NJTransit/Amtrak station; 20 minutes to midtown Manhattan
- Largest port on the East Coast and 3rd largest in the nation
- Largest education center in the state with formidable research base; over 50,000 students and faculty at 5 higher education institutions colleges populate the college town
- One of three state-designated Innovation Zones
- Flourishing cultural and arts; NJPAC is the 4th largest performing arts center in the nation
- Vibrant neighborhoods; Ironbound District home to the largest Portuguese population in the nation

Underutilized workforce

- Hispanic population grew by 16%
- 42% speak languages other than English
- Over 8,760 job vacancies in 2005
- Diversity creates unique niches and business opportunities

Inner City: Newark

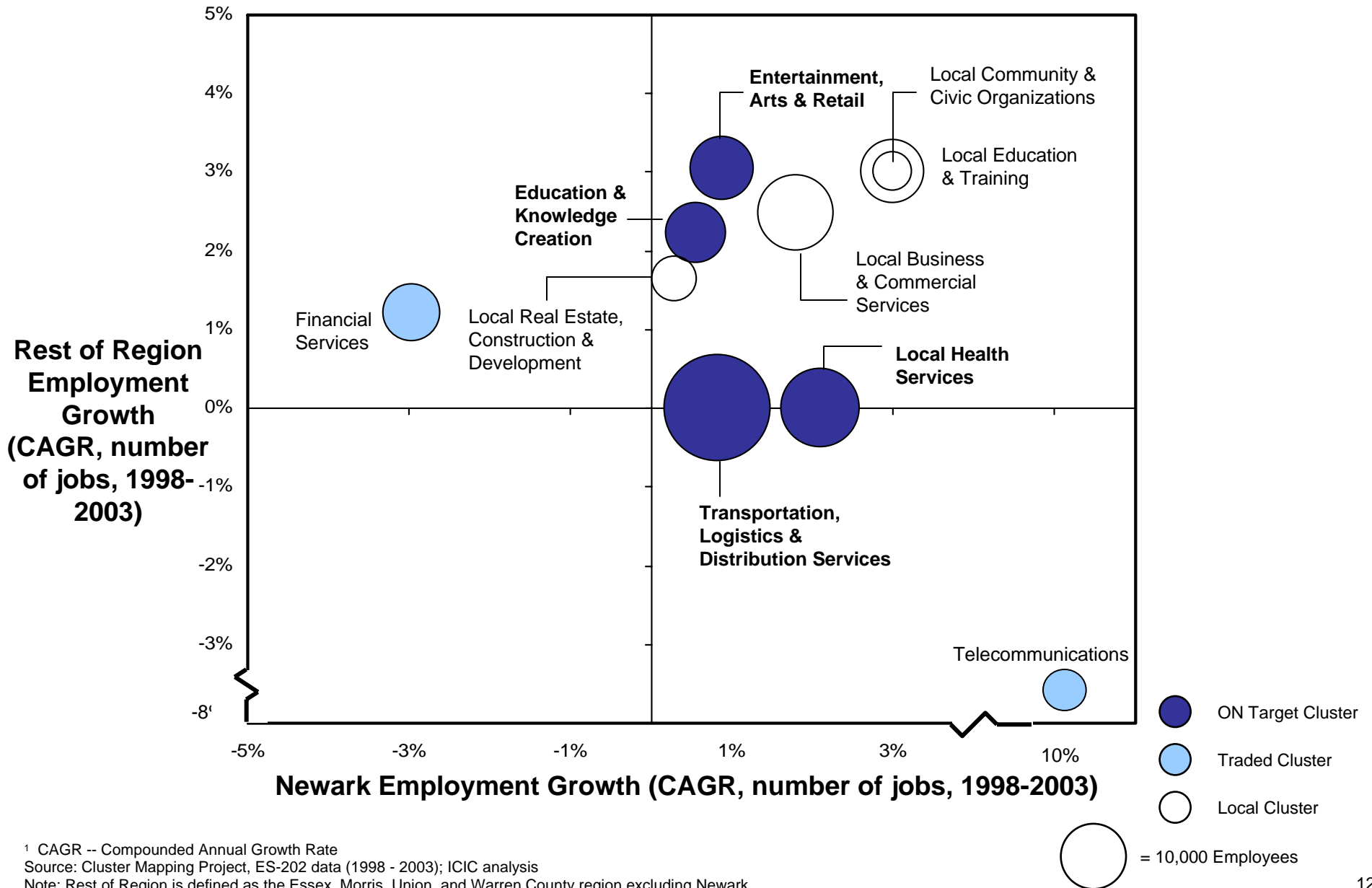
Linkage to industrial/ regional clusters

- Major hub for Transportation & Regional Logistics
- Attractive location for activities linked to dominant clusters in Manhattan due to proximity (e.g., financial services)

Underserved local market

- Over 6X the income density per square mile of the region (\$115M vs \$18M)
- Retail spending potential 55% greater than average inner city
- Growing student and downtown residential base pushes demand for amenities

Job Growth in 10 Largest Clusters by Employment City of Newark versus Rest of Region

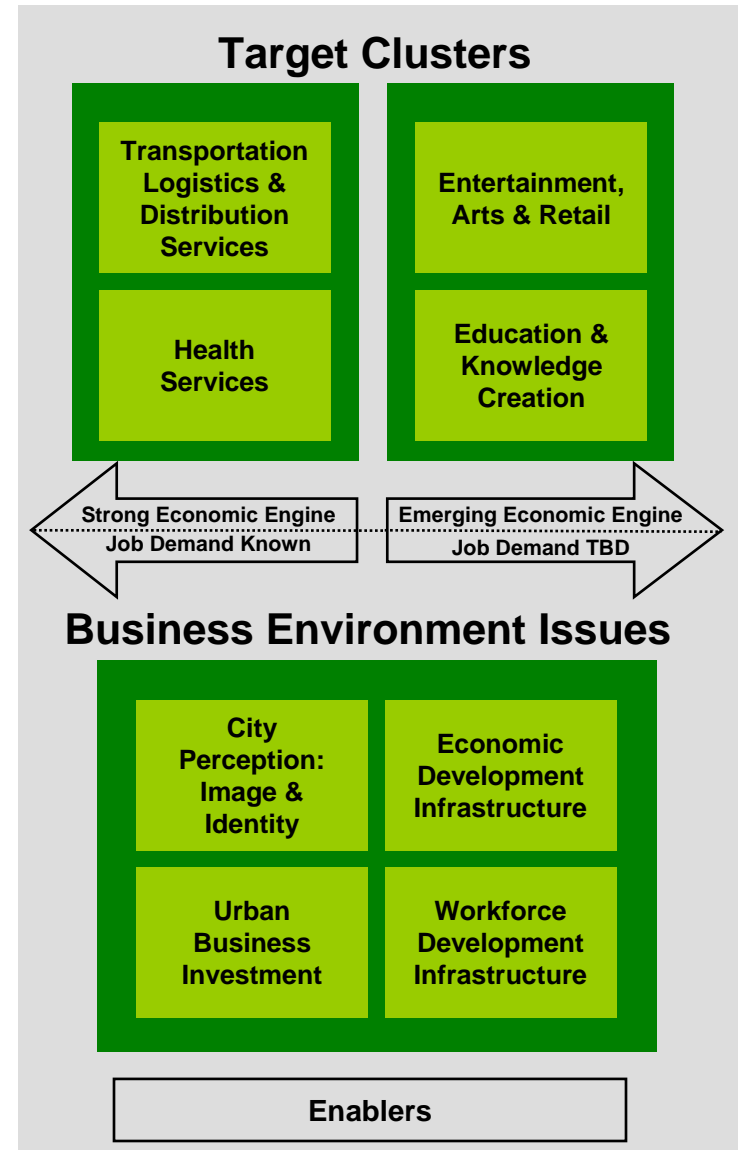


¹ CAGR -- Compounded Annual Growth Rate
 Source: Cluster Mapping Project, ES-202 data (1998 - 2003); ICIC analysis
 Note: Rest of Region is defined as the Essex, Morris, Union, and Warren County region excluding Newark.

OpportunityNewark: Focus Areas

A growing economy relies on established and emerging clusters to sustain job growth

- **Established Newark clusters** have strong job demand. The key is linking residents to the jobs and removing impediments to future job growth.
- **Emerging Newark clusters** are creating new investments and job opportunities. The key is to support these opportunities.
- **Newark's Business Environment** must improve in several core areas to realize the city's economic potential.



Cluster: Transportation, Logistics & Distribution Services

Strategic Context

The largest port on the East Coast must rise to the challenge of a projected doubling of foreign cargo through Newark.

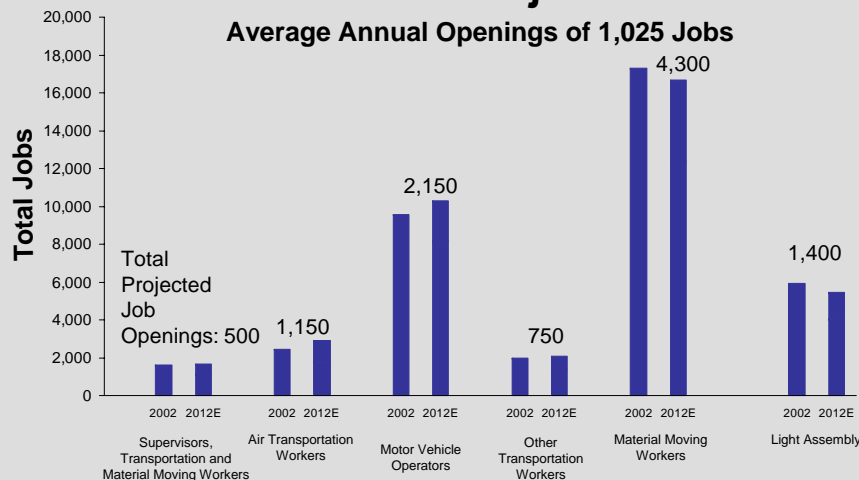
Position of the Cluster

- Current investments are strengthening the port: over \$2B invested in infrastructure (e.g., port dredging, airport expansion and improvements, rail infrastructure)
- Collaborative efforts underway will help Newark to capitalize on increased trade opportunities (e.g., Portways, Portfields, CPIP)
- Further collaborative efforts can help to create strategic plans to improve port infrastructure and other issues
- Given the demand for truck driving, there is a need to address major barriers to employment growth such as cost of training and insurance barriers

Action Plan Highlights

- **Establish a special regional council** (including NJ/NY) to develop a shared vision for the Port's future and strengthen role of intermediaries in economic development
- **Create an insurance pool** to offset higher insurance cost for new drivers
- **Establish scholarships** to support local residents attending private training programs (e.g., Smith & Solomon)

Workforce Projections
Average Annual Openings of 1,025 Jobs



Transportation, Logistics & Distribution Services

Action Area: Truck Driving

Collaboration among key entities will help address barriers facing one of the area's greatest job opportunities

Opportunity	<ul style="list-style-type: none">▪ Estimated 500 – 750 truck driving jobs currently available in and around the Newark area▪ Tremendous projected growth as cargo being transported through port increases
Barriers to Workers	<ul style="list-style-type: none">▪ Insurance restrictions▪ Age limit▪ Cost of training program
Action Plan	<ul style="list-style-type: none">▪ Create scholarship to help Newark residents—especially the underemployed—afford training programs▪ Collaborate with insurance companies, city organizations, private companies and state agencies to address insurance barriers

Cluster: Health Services

Strategic Context

The Health Services industry is growing and creating significant job opportunities. By strengthening its workforce and health care system, Newark will be poised to take advantage of the opportunities that this growth offers

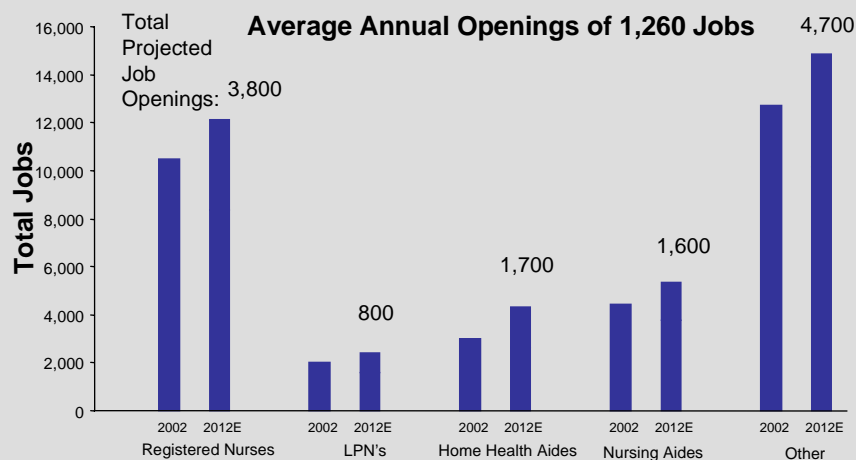
Position of the Cluster

- Health Services is growing nationally and in Newark
- Health Services offers attractive entry-level positions with clear opportunities for advancement
- Many jobs pay good wages (Newark 2003 Average of over \$50,000)
- The cluster is heavily reliant on government funding and reimbursement due to the high uninsured population in Newark
- Emergency care facilities are overburdened by patients with preventable illnesses
- The business environment is challenging for private practice physicians, and few are establishing practices in the area

Action Plan Highlights

- Introduce a Career Lattice model.** Link hospitals, training institutions and the public workforce system to screen, hire and train Newark residents for key healthcare positions, with a focus on underemployed incumbent workers.
- Develop a comprehensive Health Services cluster strategy for Newark.** Newark has numerous health care resources, but the delivery of quality health care is challenged by issues including the high cost of medical insurance and overburdened emergency care facilities. A comprehensive Health Services cluster strategy will help address these issues, improving the quality of health care as well as cluster profitability.

Workforce Projections



Source: NJ Department of Labor and Workforce Development

Health Services Career Lattice

A collaborative approach to address labor shortages and improve the competitiveness of the health care cluster

Institution for Collaboration: Health Services Career Lattice

- Enhance the ability of Health Care providers to compete by strengthening the workforce pipeline
- Create a forum for competitors to collaborate on workforce development with mutually beneficial results
- Eliminate impediments to workforce screening, training, and placement

Training Providers

- Provide training
- Screen candidates
- Provide support for students

Healthcare Employers

- Determine the focus areas
- Define the workforce competencies and needs
- Design training curriculum with training providers
- A source for candidates
- Provide mentors
- Commit to hiring graduates
- Help fund

Workforce Intermediaries (e.g. One-Stop, DoL, CDCs, etc.)

- A source for candidates
- Screen candidates
- Help fund
- Provide support to students



Licensing Agencies Professional Associations

- Ensures training and overall process meet industry standards

Cluster: Education and Knowledge Creation

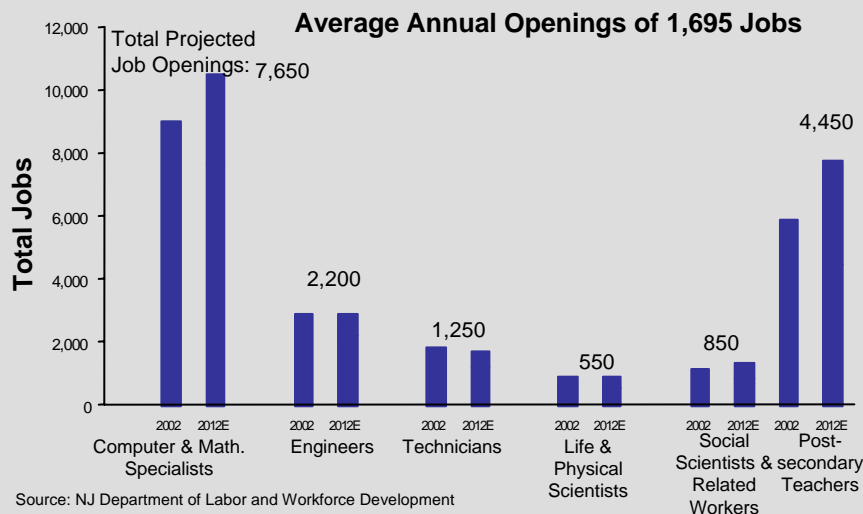
Strategic Context

As the state's center of higher education and designated 'Innovation Zone', with research universities and technology incubators, Newark can foster new business start-ups through better technology commercialization.

Position of the Cluster

- Home to five universities and a number of research institutes; college town populated by more than 50,000 students and faculty
- University Heights Science Park and other university research facilities provide a platform for innovation and company attraction
- Opening of the Digital Century Center commercial facility and Science Park High School
- Limited opportunities for universities, companies and Science Park to collaborate in research and commercialization efforts
- Disparity in technology access and skills of Newark residents

Workforce Projections



Action Plan Highlights

- **Increase number of Newark-based technology businesses** by supporting the Newark Innovation Zone Board, which will drive and develop technology initiatives, and by creating an Innovation/Business Accelerator to strengthen the universities' technology transfer offices and provide world-class guidance, business support, proof-of-concept reviews, mentors, pre-seed funds, and access to emerging companies, scientists and entrepreneurs.
- **Close the digital divide** by rapid launching of wireless hotspots in Newark's key business centers and neighborhoods, establishing a community technology center, developing a Science, Technology, Engineering & Mathematics (STEM) Communications Campaign and creating a technology training consortium.

Cluster: Entertainment, Arts & Retail

Strategic Context

Thriving downtown activities in entertainment, arts and retail are essential to changing perceptions about Newark and can be a key catalyst for Newark's continued transformation

Position of the Cluster

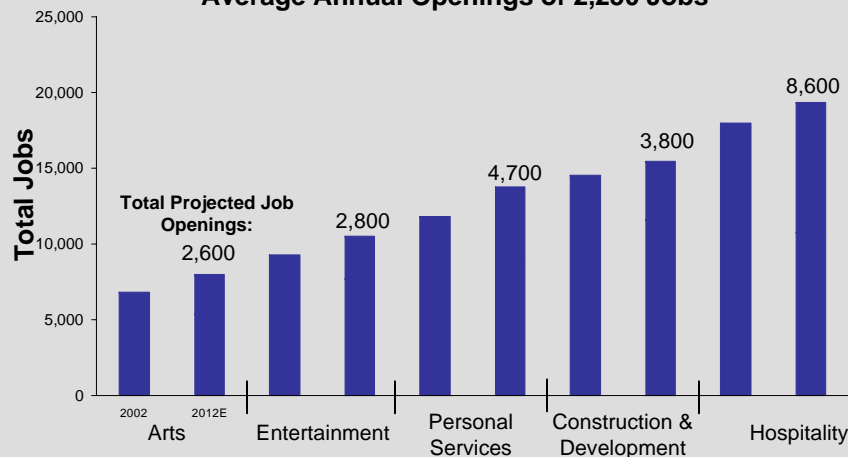
- More than \$1.4 billion invested in cultural and entertainment projects (e.g. NJPAC expansion, Newark Arena, Smithsonian-sponsored Museum of African/American Music)
- Home to state's premiere culture and arts center, NJPAC
- Renown Ironbound neighborhood, capital of Portuguese culinary tradition
- Limited human and financial resources to support coordination and marketing for cluster activities

Action Plan Highlights

- **Create the Newark Hospitality & Culinary Institute** to train Newark residents to access career opportunities in hospitality, the second-fastest growing sector in the nation.
- **Focus on Economic Development Infrastructure & City Perception** action areas. More economic development capacity is needed to respond to the pace of development currently in Newark. The city must also redefine its image in the global marketplace. These two areas are critical especially in business activity associated with entertainment, arts and retail.

Workforce Projections

Average Annual Openings of 2,250 Jobs



Source: NJ Department of Labor & Workforce Development

Business Environment Issues

Economic Development Infrastructure	City Perception: Image & Identity
<p>Strategic Context Newark has over \$4 billion in current and planned development projects. The opportunity to sustain this pace of economic growth depends on increasing resources (i.e., financial, human capital and tools)</p> <p>Action Plan Highlights</p> <ul style="list-style-type: none"> ▪ Increase resources for economic development to complement existing city resources to enhance planning efforts, expedite development and expand business attraction and retention activities ▪ Launch a Newark Community Foundation to build a permanent endowment for the City of Newark 	<p>Strategic Context Image and perception impact all aspects of economic development. Perception of the City of Newark has shown positive improvement, however, more can be done to more aggressively promote Newark's progress and reinforce Newark's changing positive image.</p> <p>Action Plan Highlights</p> <ul style="list-style-type: none"> ▪ Create organizations to promote and develop Newark's identity (e.g. Destination Marketing Organization, Collaborative Marketing Association)
Workforce Development Infrastructure	Urban Business Investment
<p>Strategic Context Job seekers and employers are unaware of the many resources within the city for finding and filling jobs and training people for new careers. Fragmented marketing efforts can be enhanced with better coordination among both training programs and workforce intermediaries.</p> <p>Action Plan Highlights</p> <ul style="list-style-type: none"> ▪ Improve access and awareness of workforce development resources through a multi-tiered communications strategy to bridge the knowledge gap 	<p>Strategic Context Newark intermediaries provide a variety of services to strengthen Newark's small, women and minority-owned businesses. However, state and county studies found significant disparity in the availability and utilization of services by minority and women's business enterprises.</p> <p>Action Plan Highlights</p> <ul style="list-style-type: none"> ▪ Improve awareness and coordination of business assistance resources ▪ Improve access to capital by providing a new source of patient capital. Capital that provides more time than traditional investments to achieve a return in order to support the building of a business

OpportunityNewark Requirements for Success

- ▶ Continued collaboration and support among leaders in the private, public and civic sectors to implement the action plans
- ▶ Appropriate resources to fund the implementation of programs
- ▶ A structured process to ensure ongoing communication about OpportunityNewark's progress
- ▶ Institutional support and facilitation to ensure that OpportunityNewark is an ongoing process
 - Tackle next set of clusters and issues