

**A Vision Plan for
North Carolina's Eastern Region
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**Prepared by:
Strategic Planning Committee**

With assistance from

Center for
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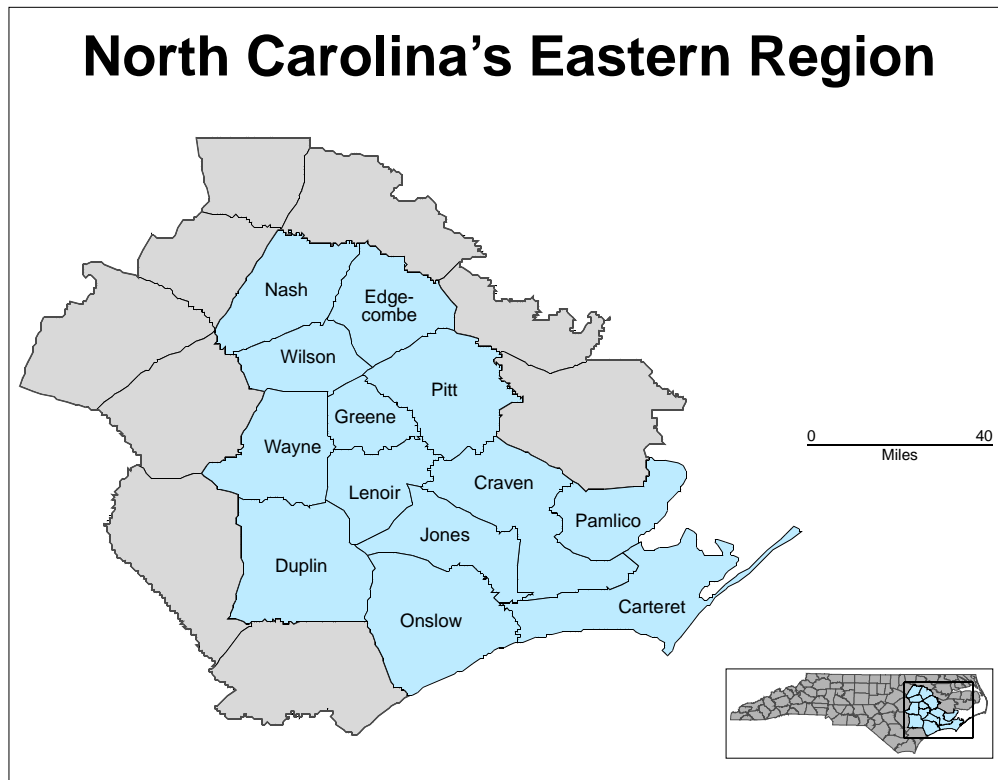
A Vision Plan for North Carolina's Eastern Region

Introduction and Overview

North Carolina's Eastern Region consists of 13 counties with more than 938,000 residents.¹ The region includes counties in east-central North Carolina from the Atlantic Ocean on the east to I-95 on the west (see Map 1). Companies in the region's 7,000 square-mile area employ more than 435,000 people. The region includes a number of smaller metropolitan areas and other notable employment centers such as the region's military facilities at Camp Lejeune, Cherry Point, and Seymour Johnson Air Force Base.

Regional economic development efforts are the responsibility of North Carolina's Eastern Region (NCER) Commission. NCER is one of seven regional economic development partnerships authorized by the North Carolina General Assembly in the early 1990s. NCER's mission is currently to promote and encourage economic development by fostering or sponsoring development projects to provide land, buildings, and infrastructure requirements for business and industry within the NCER development zone. In addition, NCER accomplishes its mission by

Map 1



¹ Source: US Census, 2004 population estimates.



supporting and encouraging regional marketing efforts as well as economic development and infrastructure investment activities.

The NCER Commission consists of 19 members from the region. The Governor, the Speaker of the House of Representatives and the Senate Pro Tempore each appoints two members to the Commission. Each county also appoints a single representative to serve on the Commission. Previously, each of the 13 counties appointed three representatives.

NCER's operating funds are derived from a combination of state appropriations and interest earned on the proceeds from a five-year motor vehicle license tax. The license tax was implemented in the early 1990s through a voter-approved referendum designed to generate funds specifically to promote economic development. The tax has since expired, but the money generated from those tax revenues serve as the principal from which NCER can make investments. The interest earned on this investment supplements state appropriations to underwrite NCER's operations.

In the summer of 2004, the NC General Assembly directed the state's seven economic development partnerships to develop "Vision Plans" unique to their respective regions. The NCER responded to that legislative mandate by undertaking a long-range economic visioning process.

In support of its work, NCER conducted several studies in 2003 and 2004 designed to provide insights into the regional economy. These data provided the foundation for in-depth industry cluster study conducted during the visioning process. NCER sought to combine fact-based research with input from local leadership to describe the region's economic transformation, articulate the wishes of the region's leadership, and define a new approach for investing in the region's economic future.

In January 2005, NCER chose the Center for Regional Economic Competitiveness (CREC), a nonprofit economic development consulting organization affiliated with George Mason University and based in Arlington, Virginia, to review and summarize the key economic issues facing the region, facilitate the Strategic Planning Committee in its deliberations, and assist NCER in follow-up implementation activities related to the Vision Plan. Collaborating with CREC, Dr. Edward Feser of the University of Illinois assisted in conducting a cluster study, and Ms. Eva Klein of Eva Klein & Associates assisted in analyzing the region's workforce assets and facilitating the planning process with NCER's stakeholders.

To initiate the planning process, the NCER Commission's leadership felt that gaining stakeholder input from across the region was critical. Furthermore, in the authorizing legislation, the General Assembly mandated broad community input. To gain that input and broad-based support for the Vision Plan, the NCER Commission asked community leaders from across the region to serve as part of an ad hoc Strategic Planning Committee (SPC). NCER staff worked closely with the Commission leadership and the consultants to recruit more than 65 business, academic, and government leaders from across the region to serve on the SPC.

Throughout the process, SPC members reviewed the results of existing economic research (including the cluster analysis conduct as part of this effort), drew from their own personal experiences and expertise, and provided leadership in guiding the



direction of the vision planning process. The charge to the SPC was to identify the most critical challenges inhibiting economic growth and define the most important opportunities for achieving economic success in the region. Most importantly, the SPC was asked to provide a vision and guidance for the NCER and its regional economic development allies on how best to invest their limited time and resources.

Since the project's start, the SPC—assisted by NCER staff and consultants—examined economic and community background information, identified six strategic priorities, and selected 15 important action items that the SPC felt should be undertaken. In developing appropriate background information, more than 150 other leaders and more than 250 additional business persons provided input to the vision planning process. In the following section, this report describes the region's economic activities and key assets. It also reviews the SPC's data gathering and analysis process. The report defines the most important issues facing the region as selected by the SPC and the rationale for selecting these issues as priorities.

The purpose of this document is to provide a roadmap for action to guide regional leaders – including the private, public, and academic sectors as well as the NCER Commission and staff. The document describes the most important actions that the SPC believes should be implemented to ensure that North Carolina's Eastern Region becomes a more prosperous place to live, work, and play.



About the NCER Economy

Like that of the US and North Carolina, the economy of the Eastern Region's 13 counties is transforming from its traditional base of tobacco and textiles to more knowledge-intensive and high-tech activities. Changes in the marketplace – driven by technology and globalization – demand a greater capacity to innovate continuously in the products and services offered. To support that innovation, the region requires an appropriately skilled workforce and a comprehensive infrastructure.

During the past few years in particular, the changing marketplace has impacted the region's counties in different ways. The region's Atlantic Coast counties enjoyed an expansion of tourism and military-related activities as the nation invested more in national security and spent more its free-time nearer home. The inland counties suffered from declines in both the tobacco industry and traditional manufacturing. The tobacco industry declined as the nation's quota system was dismantled. Traditional manufacturing competed for markets based on price and could not keep pace with imports from Mexico and later China. At the same time, increased consumer demand for health care from an aging population and education from a marketplace demanding increasingly skilled workers have resulted in strong economic expansion and population increases around Greenville. The region's northern counties, especially those with US 64 and US 264 access, are beginning to feel the initial effects of Raleigh's rapid economic and population growth south and eastward.

Job churning is a natural part of an economy's evolution, and the business cycle exemplifies that process. In 2001-2002, the US economy endured a recession that resulted in substantial job losses, especially in the manufacturing sector. Only during the past year has the US begun to realize job gains as companies begin to hire again. However, many rural areas, including NC's Eastern Region, have been slower to rebound from the recession. Since 2001, the Eastern Region lost 10,700 net jobs, much of that from downsizing that occurred during the recession's early months. The region only began to regain some of those jobs during 2004 when it added a net total of 5,600 jobs.

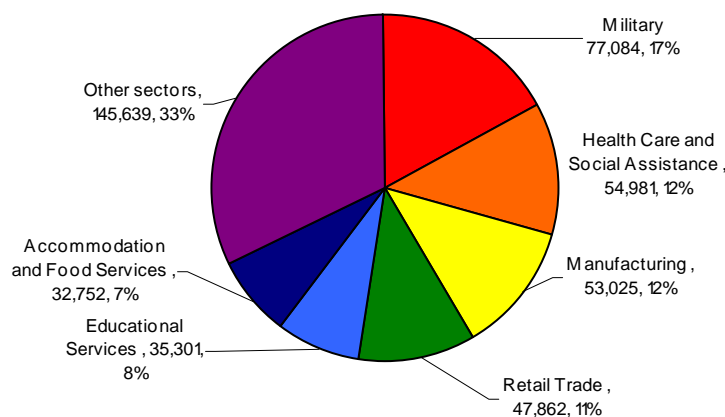
The manufacturing sector bore the brunt of the region's job losses. Since 2001, the region's manufacturers announced mass-layoffs affecting about 15,000 workers.² These lay-offs can be attributed largely to consolidation and down-sizing in tobacco production and continued contraction of the textile and apparel industries. While manufacturing continued to lose employment, the region's service sector added 12,000 net new jobs during that period. These service sector jobs were created primarily in the military, healthcare, education, and accommodation and food services industries. The region benefited economically from (1) increased demand for national security, (2) an aging population, (3) rising employment in high-skilled occupations, and (4) greater consumer preferences for dining out and domestic travel.

² Source: North Carolina Employment Commission, Mass Layoff Statistics.



In 2002, active duty military employment surpassed manufacturing as the region's largest sector. In 2004, healthcare and social assistance became the second largest sector. Today, as illustrated in Figure 1, more than one of every six regional workers are employed in active duty or civilian military jobs,³ and about one in eight are employed in healthcare and social services. These are the two fastest growing employing sectors. The healthcare industry, which includes ambulatory care, hospitals, and nursing and residential care facilities, now account for more than 10 percent of the region's employment. Military, healthcare and social services combine with retail trade, educational services, and accommodations and food services to account for 54 percent of the region's employment base.

**Figure 1: NCER's Largest Employing Sectors
2004 Employment**



Source: NC Employment Security Commission and NCER for military data

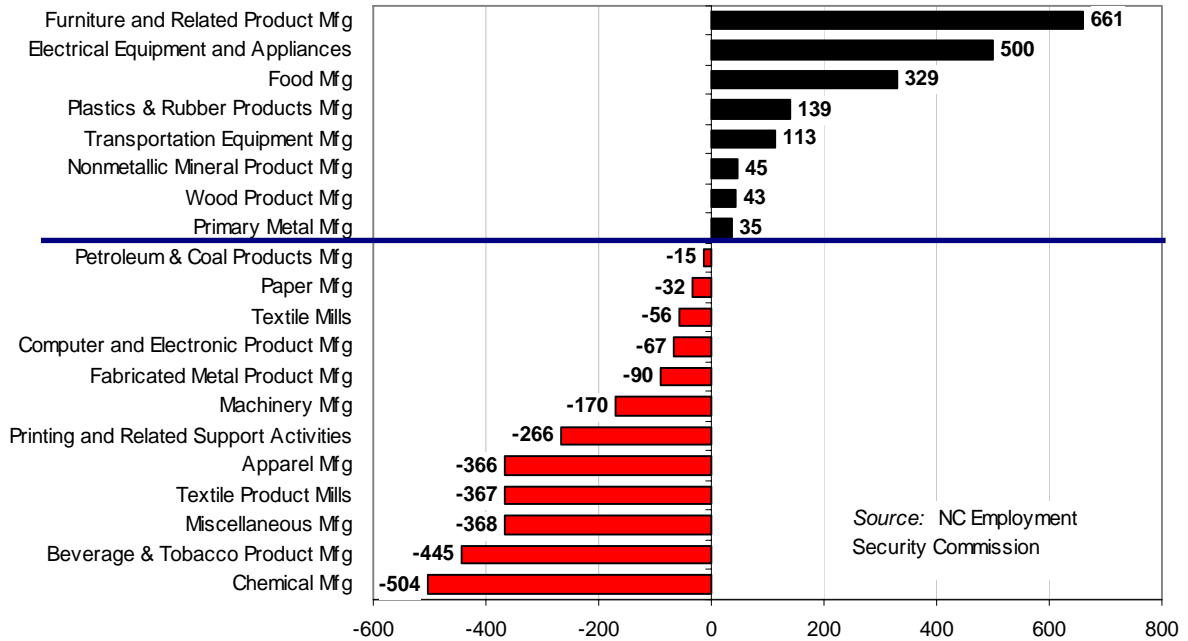
National and regional economic trends suggest that manufacturing probably will never again be a major source of new job creation for the region, but this is not really a new phenomenon. The job losses in certain manufacturing industries began well before the 2001-02 recession. Since 1998, the textiles, apparel, and tobacco industries accounted for 8,500 of 12,700 lost manufacturing jobs. The declines in these industries also continued well after the national economy began rebounding in 2004.

Yet, the news for manufacturing employment is not all bad. Some industries are beginning to grow, albeit modestly (see Figure 2). Since 1998, the region's electrical equipment and appliances industries added nearly 1,000 jobs in the region. Half of those job gains occurred in 2004. Furniture and related products gained 661 jobs in 2004. Food manufacturing added 329 jobs in 2004. Plastics and rubber as well as transportation equipment manufacturing each added more than 100 jobs in 2004. Unfortunately, industries such as chemicals, tobacco, textiles, apparel, and miscellaneous manufacturing continue to decline, losing more than 2,000 jobs in 2004. These losses make up for almost all of the gains made in other manufacturing industries.

³ The US Bureau of Economic Analysis does not include civilian employees as part of the military. These workers are represented in other parts of the economy.



Figure 2: NCER Manufacturing Employment Change, 2003-2004



Although the manufacturing sector represents a relatively small and declining proportion of the region’s employment, the sector remains vital to the region’s ability to create economic wealth. Many high wage services industries, such as professional, technical and management services, add their greatest value to the economy in support of the production of manufactured goods. In the future, manufacturing will remain an important source of regional wealth creation, but likely will not be a large new job generator. Thus, it will be critical for regional leaders to understand which service industries link to manufacturing because these services will likely be the sources of new jobs.

Identifying NCER’s Sub-regional Economies

While employment gains have been modest at best, the region added nearly 22,000 residents since 2000. While healthy relative to the rest of the US, this growth has been slower than the state as a whole. Most of North Carolina’s population growth during the first half of the decade occurred in the Raleigh and Charlotte metropolitan areas. In particular, Wake County’s population grew by more than twice the state average. Between 2000 and 2004, Wake County’s added more than four net new people for every one net new resident in the Eastern Region. This point is important for two reasons. First, the Raleigh-Durham area is a powerful economic force driving growth for the entire state of North Carolina. Second, the Research Triangle area represents a powerful economic magnet that draws people (especially talented young adults) seeking job opportunities in high-skilled occupations from the Eastern Region. The Raleigh growth rate appears to be an unstoppable force so any strategy developed for NCER should account for the Research Triangle area as a potential engine for part of the Eastern Region’s growth.

Many economic regions around the world have a common identity developed around an urban core that serves as a central focus for work, shopping, and/or



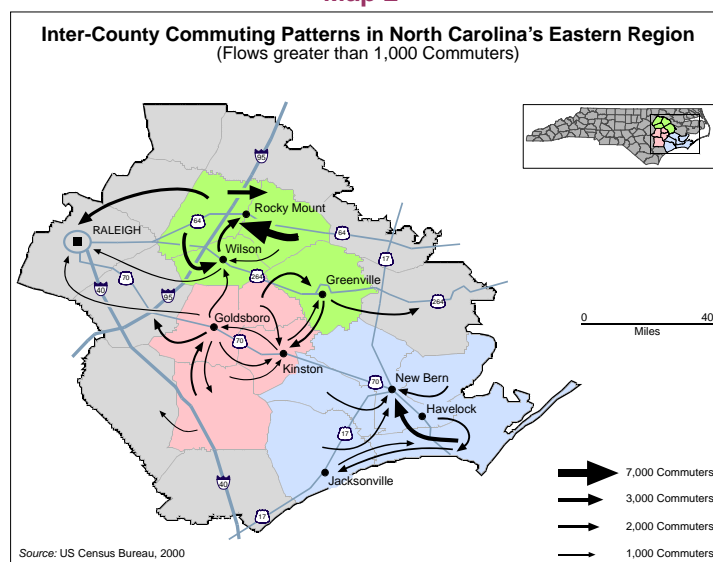
leisure. Raleigh exemplifies this basic principle at work in the North Carolina economy. One of the practical ways to determine whether or not a region exists is to consider how a resident describes the region to others when traveling outside North Carolina, especially outside the Southeastern US. Is the region: “near Camp Lejeune,” “near Greenville,” “outside Raleigh,” “near the North Carolina coast,” or “eastern North Carolina”? These descriptions provide an illustration of what one believes will help the listener identify the region’s geography. It also represents the first step in establishing the region’s identity to other parts of the world.

Another practical definition for a region is engendered from the patterns of economic interactions that occur across traditional political boundaries. What are the workplace commuting, retail trade, television coverage, newspaper circulation, or other similar patterns that demonstrate people from one community interact economically with one

another? Map 2 illustrates one view of the economic interactions across the region. Each of the arrows represents at least 1,000 workers traveling across county lines each day.⁴ The map illustrates that none of the counties in the region are self-contained. A large number of workers cross boundaries for their jobs. The map also illustrates the relative importance of Wake County as a destination for commuters from the region’s northwestern part. It also illustrates the distinction between the labor markets along the coast and those inland around Kinston, Goldsboro, Greenville, Wilson, and Rocky Mount.

While the state treats NC’s Eastern Region as a single unit for planning and investment purposes, most leaders recognize that the region does not function as a single economic entity. The commuting pattern identified in Map 2 hints that there may be sub-regional differences. Recent research suggested that the 13-county region includes at least three different economic structures – the North, Central, and Coastal area.⁵ Each sub-region has its own economic focus. CREC examined the question of whether there are sub-regional economies and concluded that these three categories are as useful in understanding the economy as any other approach. However, CREC made one modest change in this sub-regional designation by

Map 2



⁴ This map illustrates the number of people involved in inter-county commuting rather than the proportion of the local workforce. The primary purpose of the map is to illustrate the daily flow of people across county boundaries. The commuter flows with fewer than 1,000 people are not shown.

⁵ Market Street Services, Inc., “Target Business Analysis for North Carolina’s Eastern Region, February 19, 2004.

identifying Pitt County as a separate sub-region. This separation was done for two primary reasons. First, the County's largest economic assets, East Carolina University and the medical complex, have created unique growth patterns in Pitt County that should be better understood. Second, the labor market area serving Pitt County interacts differently than the road infrastructure and other economic activity might suggest, making it difficult to distinguish whether Pitt should be aligned with the North or Central areas. In reality, it is a major administrative and economic center for the entire area east of I-95, including counties in the NC's Northeast Region partnership. Consequently, we conducted the economic and industry cluster analysis using four economic sub-regions as illustrated in Map 3.

In addition to Pitt as a sub-region, CREC examined the economic structure of three other sub-regions in the Eastern Region. The North Sub-region includes the Rocky Mount metropolitan area (Nash and Edgecombe

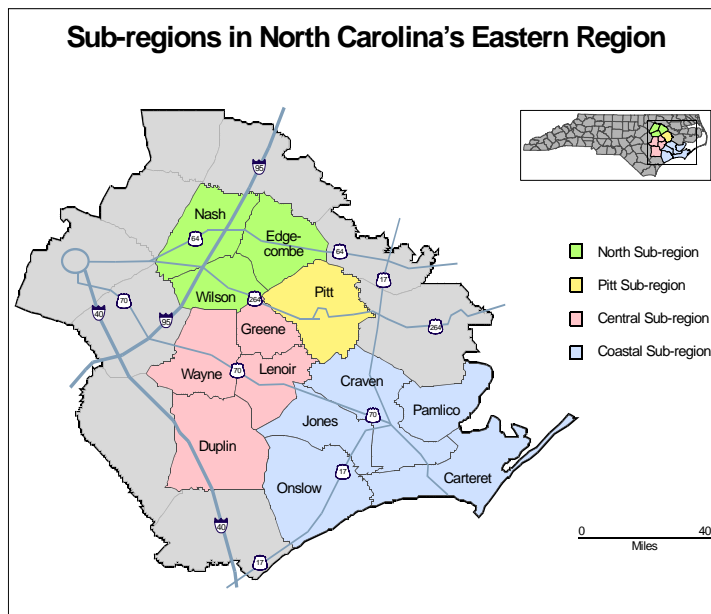
Counties) combined with the Wilson micropolitan area (Wilson County). Raleigh's outward growth influences this sub-region heavily. The Central Sub-region (including Wayne, Lenoir, and Duplin Counties) consists of counties with traditionally agricultural-oriented economies. The Coastal Sub-region includes Onslow, Carteret, Craven, Pamlico, and Jones Counties. Two major assets – the Water access and the Military presence– dominate the economy of the Coastal sub-region.

Cluster Analysis Approach

As part of the background research conducted to better understand the NCER economy and its subregions, the Center for Regional Economic Competitiveness conducted an in-depth cluster analysis of the region's industrial base.⁶ The study builds on prior targeting studies, which identified the region's fastest growing industries and those industries that represented the best targets for economic development. The prior studies were aimed at examining the region's growth sectors, but these studies were never intended to explore how targeted industry growth might affect supplier industries.

The goal of the cluster analysis is to recognize that these growth industries buy from and sell to other industries. Combined, the growth industries and their related

Map 3



⁶ Center for Regional Economic Competitiveness, "Cluster Analysis of NC's Eastern Region," December 2005.



buying/selling industries represent a “value-chain” for producing certain products or services. This value chain is the basic premise of the cluster analysis approach. Some industries in a value-chain cluster may be more likely to choose a location near other firms in their supply chain. Cluster analysis helps to identify groups of industries in which North Carolina’s Eastern Region appears to specialize. The goal is to help economic developers seek out firms that might be more interested in locating in the region to be near potential customers or suppliers.

As an illustration, prior NCER-sponsored research identified marine trades and boat building as a target industry for the Eastern Region. Yet, none examined the related industries that support marine trades and boat building, such as electronics for navigation systems, specialized wood products for built-in cabinetry, components for engines, or fiberglass and metal structures for the hull. Furthermore, many services – including boat design, marketing/advertising, transportation/logistics, and even finance – are critical contributors to the boat building process. Combined, these complimentary industries form a “value-chain cluster.” Essentially, value chain clusters include supplier industries that may not be categorized as part of the target industry, but their presence or absence of these industries may be critical to that industry’s success in the region.

It is important to understand how cluster-related industries interact because the presence of a cluster can affect which economic development strategies will be most effective. Trying to create a cluster from scratch is almost impossible without a massive investment of public incentives (as exemplified by the introduction of automotive assemblers in South Carolina and Alabama). Frequently, the most cost-effective economic development strategies involve activities such as:

- Supporting the expansion of existing clusters that are growing,
- Encouraging innovation among key firms that serve as the core of mature clusters,
- Attracting or creating new businesses to support potential or emerging clusters,
- Ensuring that target clusters have the appropriate public infrastructure to complement private investment and innovation.

As noted earlier in its cluster research for NCER, CREC examined the region’s economic base to delineate its existing value chain clusters and help NCER: (1) narrow its target sectors to more specific industries and (2) examine the patterns of industries that buy from and sell to these target industries. With additional information about industry-to-industry cluster linkages, economic developers can attract jobs and investment by expanding helping existing industries in these clusters grow or by filling gaps in the region’s value chain clusters through recruitment and entrepreneurial development efforts.

It is important to note that cluster researchers often assume that linked or related industries are located geographically near one another. In reality, linkages among industries are often national or global. For instance, North Carolina’s contract pharmaceutical manufacturers sell to major pharmaceutical companies around the world, and these contract manufacturers also buy their equipment or acquire their operating capital from global sources. CREC’s approach to cluster analysis first analyzes how given industry clusters are structured *nationally*. Then, CREC searches for the strongest clusters *locally*. The goal is to build on the stronger clusters and



recruit or grow companies in industries where cluster gaps exist.

Not every cluster found on the national list of clusters is present in NC's Eastern Region. At the same time, the region also has a significant amount of local employment in certain clusters. For instance, the region has a relatively large tobacco processing cluster. Clusters such as tobacco processing are said to “specialize” in eastern North Carolina because they are not found in many other regions and because they employ so many people in the local economy.

A higher percentage of workers are employed in tobacco processing in NCER than in the US as a whole. This relative percentage of the region's cluster employment as compared with the national share of employment in the cluster is an index of concentration called a “location quotient” (LQ). To illustrate, if an industry cluster employs 4,350 people and the Eastern Region has 435,000 total workers, then the cluster accounts for 1 percent of total employment. At the same time, if nationally firms in that industry cluster also employ 1 percent of all US workers, then the location quotient is 1.0. The LQ is calculated by dividing the regional employment percentage by the national employment percentage (e.g., 1 percent divided by 1 percent which equals 1.0). Analysts would typically interpret an LQ of 1.0 for an NCER cluster as meaning that the cluster employs just enough people to meet local demand for the products or services being produced by that cluster. If the LQ is higher than 1, then one might assume that the excess employment is used to produce goods or services for export from the region.

While rarely does a cluster have an LQ of exactly 1.0, frequently, the LQ approaches 1.0 for many clusters and industries. This is especially true for relatively large employing clusters that serve the local population – such as health care, retail, and many business services. Only highly specialized regional clusters that tend to export a significant portion of their products or services to other regions have location quotients of 2.0 or higher. As will be described later, the military, tobacco processing, and grain milling represent just such NCER clusters. Upon examining the region's mix of industries, CREC highlighted 24 clusters of related industries that had both a significant local presence AND a significant concentration of activity. Each of these value-chain clusters employed at least 1,000 employees in the region, and almost all had location quotients above 1.0. In addition, quite a number of these industries were adding jobs. Presumably, the value-chain clusters are competing quite effectively in NCER.

Summary of Cluster Findings

In analyzing the regional economy, CREC identified 24 clusters that it viewed as a significant source of both jobs and potential wealth creation activity for the region. These regional clusters were divided into three broad categories: (1) **existing**, (2) **emerging**, and (3) **potential**. **Existing** clusters possess a large number of firms and employees relative to other clusters in the region. They also tend to have greater depth and diversity than other clusters in terms of the types of firms operating regionally. Some of the NCER's existing clusters are recognized as mature industries with declining employment—like apparel and tobacco—while others are growing—like the military and hotels and transportation (including tourism).



Seldom are **existing clusters** the source of rapid growth, and frequently they are characterized by very little innovation activity. **Emerging clusters** are those that show signs of reaching a large size in terms of the number of sectors and types of firms represented locally. At a certain point, **emerging clusters** may be recognized as a possible regional specialty—such as NCER’s pharmaceutical production or wood building products. In contrast, **potential clusters** are small and are greatly affected by either existing policy initiatives or growth occurring in the surrounding area. In many cases, **potential clusters** may exhibit rapid employment growth or represent good development opportunities, but these clusters are frequently dominated by one or two large firms. For instance, Bridgestone/ Firestone’s employment represents nearly half of the region’s rubber products cluster workers.

Table 2 lists the region’s most important clusters. The **existing clusters** identified include the region’s traditional manufacturing clusters, such as textiles and apparel, farming and related businesses (including tobacco and animal husbandry), and food processing (especially packaged food products). The table also identifies several **emerging clusters** including pharmaceutical production, wood building products, concrete and brick building products, and construction equipment manufacturing. **Potential clusters** listed include metalworking, precision instruments, rubber, and nonresidential building products.

In examining the region’s cluster make-up, CREC paid particular attention to clusters utilizing or producing technology-related products or services. These clusters are important because they represent some of the most important sources of innovation among firms and high-paying jobs for the region’s workers. Frequently, technology-intensive industries are critical drivers in knowledge-intensive economic development in a region.

Table 2: Summary of Benchmark Analysis Findings for North Carolina’s Eastern Region

	<i>Membership in Extended Buyer-Supplier Chains</i>	<i>Membership in Extended High-Tech Buyer-Supplier Chains</i>
Existing	<ul style="list-style-type: none"> -Textiles & Apparel -Packaged Food Products -Feed Products -Tobacco Products -Farming -Appliances -Grain Milling -Wood Processing -Marine Trades -Hotels & Transportations Services (<i>Tourism</i>) -Military (<i>industry</i>) 	
Emerging	<ul style="list-style-type: none"> -Pharmaceuticals -Construction Machinery & Distribution Equip. -Concrete & Brick Bldg Products -Wood Bldg Products 	<ul style="list-style-type: none"> -Pharmaceuticals -Engine Equip.
Potential	<ul style="list-style-type: none"> -Metalworking & Fab Metal Products -Precision Instruments -Nonresidential Building Products -Rubber Products 	<ul style="list-style-type: none"> -Industrial Machinery & Distribution Equip. -Military (Aviation) -Wiring Devices & Switches -Precision Instruments -Cable Mfg



CREC found only a few technology-intensive value chain clusters, and none were significant contributors to the region's existing economic base. Companies in the pharmaceuticals and engine equipment manufacturing clusters represented important components of what appears to be two **emerging technology clusters**. The region also has several **potential technology clusters** that could represent future growth opportunities in industrial machinery, military-related aviation, wiring devices, precision instruments, and cable manufacturing.

Primarily, military procurement in the region seems to be mostly focused on providing maintenance, support services, and logistics to the area bases. The single exception to this included the aircraft/rotorcraft repair activity at the Naval Aviation Depot (NADEP) in Havelock. Some of this activity could be defined as technology-intensive, but given the limited amount of similar activities elsewhere in the region, it is categorized as a potential technology-intensive cluster.

Certain local serving clusters, such as healthcare, retail, and business services, have a large number of workers, but this may not be especially significant since a substantial amount of these service jobs rely on the local population to fuel demand. In the Eastern Region, these clusters have a cluster concentration index (or LQ) slightly below one. This suggests that there still may be unmet local demand from local consumers. In fact, citizens may even be leaving the region to gain access to specialized medical services or purchase more expensive durable retail goods. While the healthcare, retail, and business services clusters represent an important source of jobs, these clusters are not necessarily a source of new "wealth creation." Wealth creation occurs when the regional economy produces goods or services (via its value chain clusters) that attract dollars from outside the region.

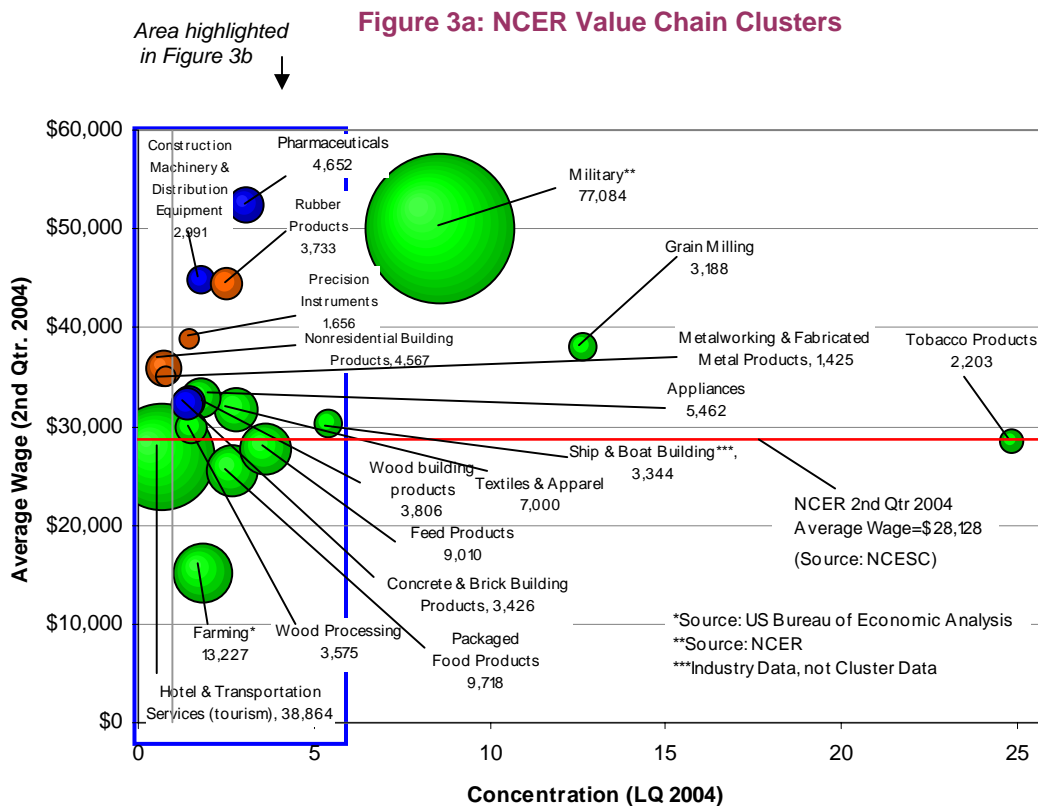
At the sub-regional level, these clusters may be a bit more concentrated. For instance, in Pitt County, the healthcare complex serves 29 counties of eastern North Carolina, providing distinctive healthcare options not available in other counties of the Eastern Region. Onslow County has a higher proportion of retail than the region, serving the Marines at Camp Lejeune and many of the surrounding counties. Carteret County has a high concentration of travel and tourism activities. Therefore, a later section of this report will examine the region's clusters to identify distinctions among the sub-regional economies.

The region's most important clusters are illustrated in Figure 3a. The region's **existing clusters** have a relatively large number of workers employed in many establishments. These clusters tend to represent the traditional source of wealth creation for the region, but seldom are these clusters growing rapidly. **Emerging clusters** identified in the figure may have sizable employment, but the clusters have only a few growing establishments. The **potential clusters** identified have a large number of employees but very few establishments.

Many of the clusters identified in Figure 3a pay above average wages. A few, such as the military and grain milling, pay wages that are well above the region's 2004 average of \$28,128 per year. However, several **existing clusters** like tobacco production farming and packaged foods pay near or below average. While existing clusters were included because they have a lot of firms and employ a lot of workers, the **emerging** and **potential clusters** were selected for inclusion in Figure 3a in no small part



because they pay above average wages and appear to be concentrating in North Carolina's Eastern Region.



How to Read the "Bubble Charts"

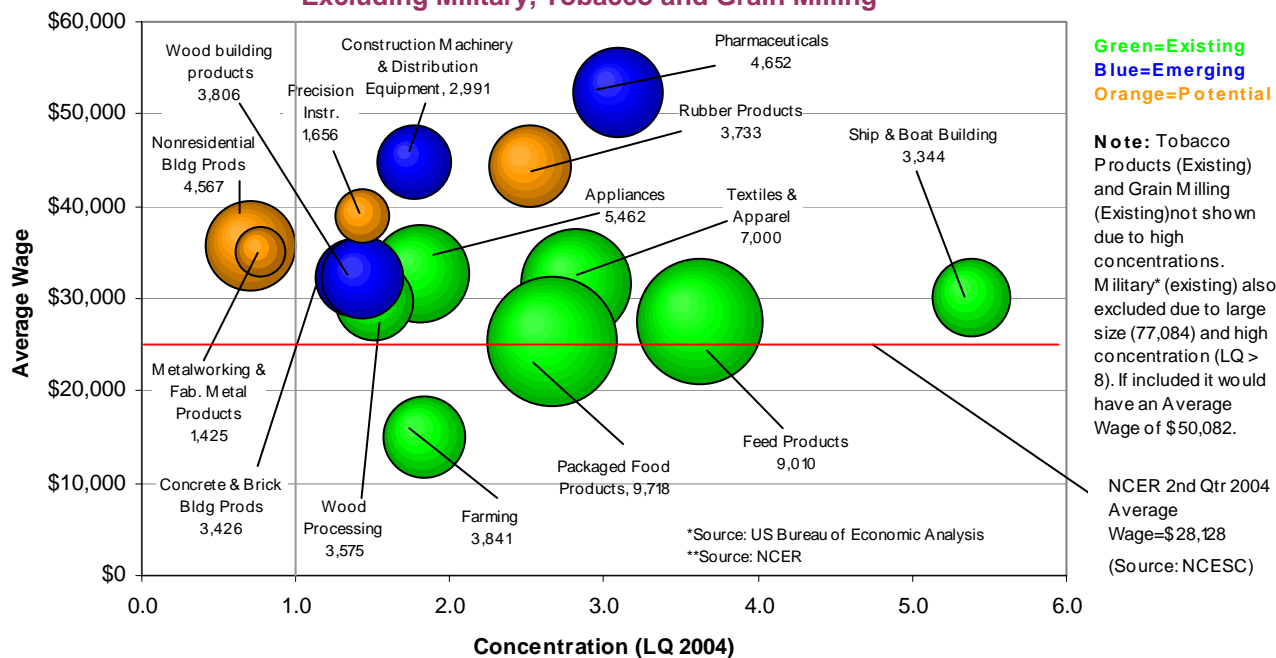
Figures 3a and 3b illustrate the region's most significant clusters. In these and subsequent "bubble charts," **existing clusters** are depicted in green; **emerging clusters** are represented in blue; and **potential clusters** are highlighted in orange. The size of the "bubble" reflects the relative size of employment in the cluster compared with others in the region. Each bubble's center represents the cluster's average wage and the relative concentration or location quotient of the cluster. The farther right on the diagram, the more highly specialized the cluster in the Eastern Region. The higher the cluster on the chart, the greater the average wage offered.

Large location quotients (like those exhibited by tobacco production, grain milling, and military) indicate that the region's economy is highly specialized in these clusters. These clusters stand out in Figure 3a, but the clusters outlined in blue on the graph's left side reveal important data about many of the region's larger growing private sector clusters. These are detailed in Figure 3b.

Figure 3b also demonstrates more clearly that all of the **emerging value chain clusters** and most of the **potential value chain clusters** have a high relative concentration in the local economy. Only the metalworking and nonresidential building product clusters have LQs below 1.0. The **emerging** and **potential** clusters



**Figure 3b: Selected Key Value Chain Clusters:
Excluding Military, Tobacco and Grain Milling**



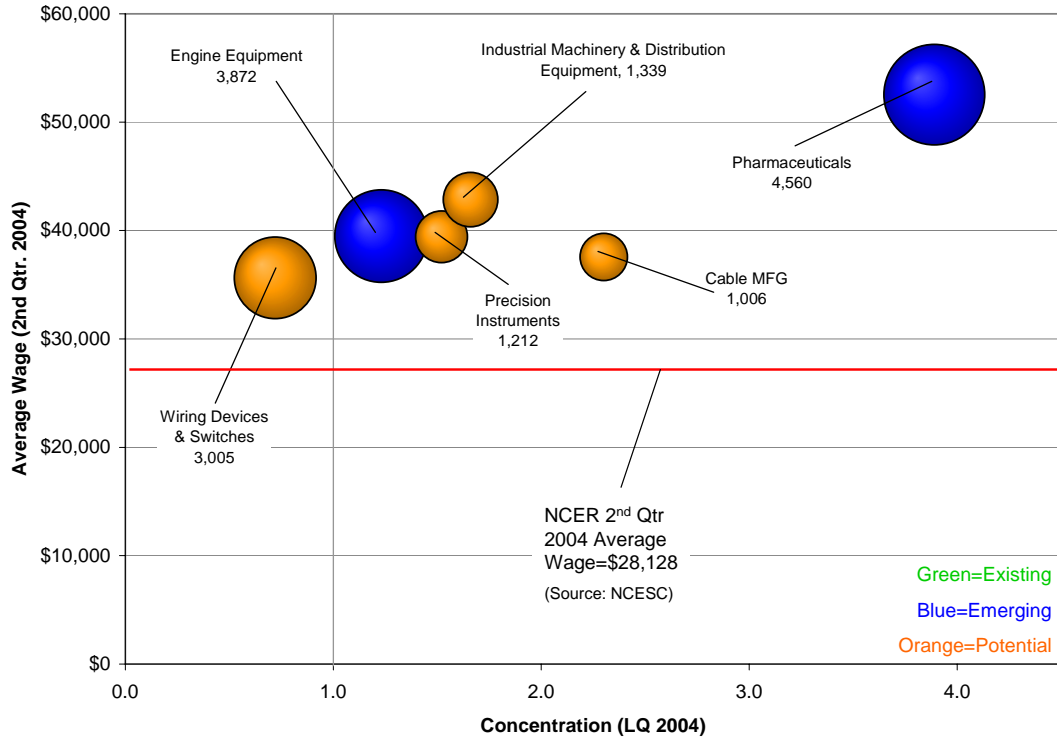
also pay wages at least 10 percent higher than the region’s average wage. However, employment in these clusters is typically smaller and much less concentrated than the region’s **existing** clusters.

Some clusters like pharmaceuticals and rubber products have a large employment in the region, but one or two firms account for the overwhelming majority of these workers. In the case of pharmaceuticals, for instance, Hospira and DSM account for nearly two-thirds of the cluster’s workforce. Similarly, the Bridgestone/Firestone facility in Wilson comprises most of the rubber products cluster’s employment. Combined, several **emerging** and **potential** clusters (including wood, concrete, brick, and nonresidential building products) have grown to support the production of components for manufactured homes and the Research Triangle’s fast-growing commercial construction industry.

CREC’s research has been unable to identify any significant **existing high technology value chains**, but the region does appear to have some **emerging technology-intensive clusters**. Figure 4 illustrates the relative size of the **emerging** pharmaceuticals and engine equipment manufacturing clusters. Wiring devices, cable production, precision instruments (especially related to appliance and engine electronics with some medical devices activity) and industrial machinery/distribution are identified as **potential clusters** for the region. With the region’s large military presence, one might expect military procurement to represent an important cluster opportunity, but existing military procurement activity is limited in scope. Such a modest level of employment in technology-intensive procurement (such as equipment, supplies, and professional/technical services) precludes it from being included on this chart as a **potential technology-intensive cluster** at this time.



Figure 4: Key Technology-based Value Chain Clusters

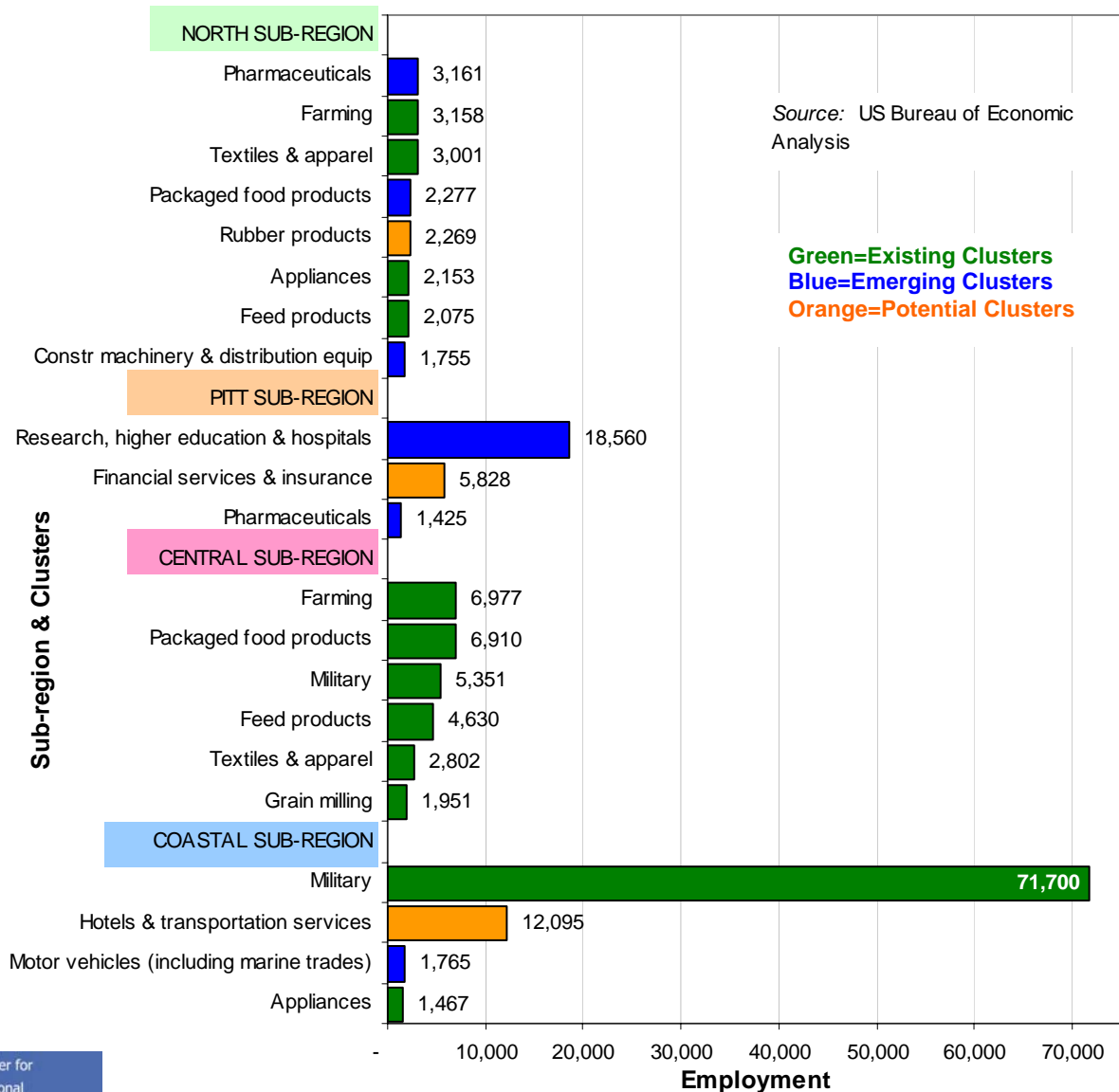




Clusters in the Sub-regions

Looking at NCER’s economic structure from a regional perspective can mask unique local economic activities. As Figure 5 illustrates, the military is particularly important to certain parts of the region, namely the Coastal and Central sub-regions. Meanwhile, research/higher education and financial services emerge as unique priorities for the Pitt sub-region. The North sub-region relies on a diverse mix of clusters including pharmaceutical, farming, textiles, and durable manufacturing. In the Central sub-region, the primary economic drivers consist of farming, packaged foods, and the military. In the Coastal counties, the military dominates the economic landscape with hotels and transportation services (i.e., tourism) serving as a large secondary cluster. More details about the cluster composition of various sub-regions can be found in “Cluster Analysis of the North Carolina’s Eastern Region,” prepared by CREC in December 2005.

Figure 5: Key Industry Clusters by Sub-region





Selecting the Region's Targeted Clusters

NC's Eastern Region offers a diverse set of opportunities for cluster development. Very few of those cluster development opportunities affect all four sub-regions at once. Therefore, NCER must recognize that its efforts to target clusters for development will have a differing impact on the sub-regions. To treat the regions equitably will require efforts aimed at several clusters, identified in Table 3. Details about these industries and the process for selecting the clusters can be found in the December 2005 cluster analysis for NCER. Some of these clusters rank as higher priorities for certain sub-regions, but all combined should serve as the focus for the 13-county regional commission's economic development efforts.

Table 3: Targeted Clusters for North Carolina's Eastern Region

- Pharmaceuticals & Medicine MFG
- Kitchen building products
- Wood Kitchen Cabinets & Countertops MFG
- Appliances
- Food MFG and Wholesaling (Incl. high value-added agriculture)
- 'Advanced' Manufacturing
- Electrical Instruments
- Engine Equipment
- Heating Equipment
- Marine Trades
- Tourism (incl. Retiree Attraction)
- Military & Military Procurement
- Construction
- Logistics
- Aviation



Strategic Priorities

NCER Vision Statement

North Carolina's Eastern Region will:

- Promote lifelong education as a core value of our citizens,
- Embrace an entrepreneurial culture that creates and nourishes home grown businesses capable of continuously providing new and innovative goods and services,
- Define our region's competitive advantages in the global economy,
- Create an attractive environment for our businesses and citizens to live, work and play,
- Establish easy, affordable access to move people, goods and information throughout the region and to other regions, and
- Develop collaborative leadership that encourages active participation in identifying and solving regional issues.

To implement its vision, the NCER Strategic Planning Committee (SPC) identified more than 50 key issues that should be considered in moving forward. From that initial list, the SPC narrowed that list to the 22 most important issues. These issues were then summarized and condensed into six strategic priority areas:

- Knowledge Capacity and Institutions
- Innovation
- Global Image and Competitive Location
- "The Third Place:" Urban and Outdoor Amenities
- Connectivity
- Governance

Knowledge Capacity and Institutions

In the knowledge-driven economy, people represent a particularly vital asset and can offer a region its competitive advantage (or disadvantage). At present, the NC Eastern Region, as a whole, lags both the North Carolina state average and the US average on indicators of educational attainment, as shown in Table 4. In the very broadest context, this is an even more serious long-term problem than it appears. The US, as a nation, lags behind other national and regional economies in educational attainment.

- The US national average for high school graduation is 80 percent of the population. The North Carolina state average is 78 percent, and the NC Eastern Region is 76 percent.
- At 17 percent, the percent of the Eastern region's population that holds a bachelor's degree or higher, lags far behind the North Carolina average of 23 percent and the national average of 25 percent.
- Drop-out rates for the region and the North/Pitt sub-regions are much higher than the North Carolina rate.



The Strategic Planning Committee noted that the issue of poor educational attainment is at the root of many of the region’s economic challenges. In particular, the Strategic Planning Committee concluded that high school graduation rates must improve and public schools must become more effective in teaching math and science as well as language and communication skills – especially for “career-bound” (rather than “college-bound”) students. A variety of approaches were suggested to address these issues, including evaluating different teaching tools that would be useful at the K-12 level and would improve the quality of students entering area community colleges and universities. However, a limited tax base and federal No Child Left Behind requirements have tightened local budgets for the public school system. The community college system is also strained from the large number of individuals going back for GEDs and adult basic education.

The region has a large number of working poor and is finding that some areas of the region has an aging population that is combining with the loss of young adults (especially the most educated) who are leaving for large metropolitan areas. A substantial portion of the region’s remaining workforce was trained for low-skilled jobs in farming and labor-intensive manufacturing. These industries do not demand much in the way of an education, and therefore they leave a legacy of low educational attainment and low wage jobs. Today, limited workforce skills represent a critical challenge that the region must overcome.

**Table 4: NC Eastern Region
Selected Education Attainment Statistics**

	% High School Grads 2000	% with BA Degree or Higher, 2000	Dropout rate, Grades 9-12, 2003
United States	80.4	24.5	n/a
North Carolina	78.1	22.5	4.8%
NC Eastern Region	76.0	17.4	5.4%
Pitt Sub-region	79.9	26.4	6.8%
North (Edgecombe, Nash, Wilson)	70.9	14.3	6.2%
Central (Wayne, Lenoir, Greene, Duplin)	73.3	13.6	4.7%
Coastal (Onslow, Carteret, Craven, Pamlico, Jones)	82.9	19.5	4.9%

Source: US Census Bureau and 2004 North Carolina Public Schools Statistical Profile, NC Dept of Public Instruction

University and College Assets

In spite of the region’s low educational attainment and rural/small town tradition, it is certainly well endowed with a variety of post-secondary institutions – offering a variety of advanced degree and technical and career educational opportunities to improve workforce skills. A major research university, three colleges, and 11 community colleges provide a vast array of post-secondary educational opportunities.

Table 5 provides a summary of the basic statistics that illustrate the scale of higher education activity in the region. Overall, some 50,000 full-time equivalent (FTE) students are enrolled in undergraduate programs, with another 6,000 in graduate, professional, and extension programs. There are approximately 2,000 full-time faculty members in these institutions. The institutions generate as much as \$500



million a year directly for the local/regional economies.

East Carolina University (ECU) represents, by far, the single largest higher education presence in the region. Established in 1907, ECU is among the largest and most programmatically diverse of the 16 constituent institutions of the University of North Carolina system. ECU enrolls a total of about 22,000 students in undergraduate, graduate and professional programs. Students are served by about 1,400 full-time faculty and nearly 3,000 staff. The University's extensive campus facilities include a 520-acre main campus, a 205-acre health sciences campus (which through the Brody School of Medicine represents one of UNC's two health sciences divisions), and a 650-acre West Research campus.

ECU spends about \$300 million, producing a \$2 billion impact on the regional economy and generating approximately \$40 million annually in direct research grants/awards to enhance its research base in health sciences and other areas. The

Table 5: NC's Eastern Region Higher Educational "Stock"

Institution	Full-Time Equivalent (FTE) Students				Fall 2003 FTEs	Faculty Full-Time	Expenditures (informal data only)
	UG	Graduate	1 st Prof	Extension*			
East Carolina University	16,146	3,351	304	1,725	21,796	1,313	\$300,000,000
Private Colleges							
NC Wesleyan	1,073				1,400	46	17,000,000
Barton College	2,101				1,073	79	50,000,000
Mount Olive College	1,400			758	2,859	59	32,000,000
Subtotal-Private Colleges	4,574			758	5,332	184	\$99,000,000
Community Colleges:							
Carteret CC	1,722				1,722	37	
Coastal Carolina CC	4,170				4,170	73	
Craven CC	2,688				2,688	38	
Edgecombe CC	2,459				2,459	55	
James Sprunt CC	1,446				1,446	34	
Lenoir CC	3,048				3,048	56	
Nash CC	2,357				2,357	16	
Pamlico CC	487				487	89	
Pitt CC	5,227				5,227	63	
Wayne CC	3,503				3,503	37	
Wilson CC	2,186				2,186		
Subtotal-Community Colleges	29,293				29,293	556	N/Avail
All NCER Institutions	50,013	3,351	304	2,483	56,421	2,053	\$399,000,000

Notes:

1. The University of North Carolina, *Statistical Abstract of Higher Education, 2003-04*, Table 5 (FTE student enrollment data), Table 20 (extension enrollment data), and Table 43 (full-time faculty data)
2. Expenditure data exclude the community colleges and are drawn from informal data sources. These are provided only to indicate an "order of magnitude" estimate of higher education's direct economic activity in the region.
3. "FTE" student calculations equate part-time attendance to full-time equivalence. The actual numbers of persons taking courses (the "head count") is higher.
4. Extension activity is defined as any on or off campus instructional, research application, or public service activity sponsored by the reporting institution which is in



Brody School of Medicine was established as a regional medical school in the 1970s to increase the supply of primary care physicians serving the state. Major medical research programs target new therapies for diabetes, cardiovascular disease, cancer, neurological disorders, robotic cardiac surgery, and the viability of blood products. The University Health System of Eastern Carolina (UHSEC) employs 5,600 people and serves 29 counties in Eastern North Carolina. UHSEC provides specialized care with a Level 1 Trauma Center, cardiac care, and surgical facilities and therefore 'imports' patients into the region.

In addition to ECU, the region has three private four-year colleges: Barton, Mount Olive, and North Carolina Wesleyan. Barton College offers undergraduate education programs in Arts/Sciences, Behavioral Sciences, Education, Nursing, and Business. The College enrolls about 1,000 students at its campus in Wilson, NC.



Mount Olive College is a private, co-educational, liberal arts institution with academic programs in more than 40 majors and 20 minors including Arts & Science, Business, Professional Studies, and Teacher Education. In addition to traditional classroom formats, Mount Olive offers programs accelerated, modular programs for working adults on campus and at Seymour Johnson Air Force Base, New Bern, Research Triangle Park, and in Wilmington. The College enrolls 700 traditional students and about 2,600 working adults.

North Carolina Wesleyan serves Nash and Edgecombe Counties and offers undergraduate liberal arts education. About 900 students are enrolled in the traditional residential programs at the 200-acre Rocky Mount campus. Another 1,300 are enrolled in evening programs (adult degree completion) in Rocky Mount, Goldsboro, and adjacent to the Research Triangle Park in Morrisville. The college offers a variety of programs including: business and accounting, physical sciences and pre-medicine, computing and math, environmental science, justice, education, the dramatic arts, and liberal arts. NC Wesleyan is also involved in the Gateway Technology Center -- a partnership between NC State, ECU, NC Wesleyan and the community colleges in Nash, Edgecombe, Wilson and Halifax counties. The center is designed to provide the region's adults with access to higher education courses and degree programs through distance learning.

Community Colleges

The region's 11 community colleges are frequently cited as a critical regional asset. The area's two-year colleges offer a number of specialized degree and non-degree programs in areas such as healthcare, boat building, hospitality, avionics, forest management, pharmaceutical production, and advanced manufacturing. The community colleges have become a critical resource for remedial skill training.



In 2003-04, “curriculum” full-time equivalent (FTE) enrollments in the region’s 11 community college institutions collectively totaled 22,580 students. Another 6,000 FTE students are enrolled in basic skills/occupational programs and 630 FTEs are enrolled in other continuing education programs. The Basic Skills educational programs, including GED and adult basic education, account for approximately 9 percent of the region’s FTE enrollment (or 2,622 FTEs trying to achieve a high school equivalency diploma or remediate some high school educational deficiency). This is about the same proportion as the overall state average. Table 6 shows the detailed distribution of “curriculum” and “continuing education” FTE enrollments for each of the 11 community colleges within the NC Eastern Region. The good news is that the region currently has a large influx of adult learners returning to the classroom, but this burgeoning population has placed unprecedented demands on the colleges’ facilities and finances.



The 13-county NC Eastern Region seems to account for more than its proportionate share of system-wide FTE enrollments in the NC Community College System. For example, the region’s share of the State’s 18-49 year-old population is 11.2 percent – the most likely age at which adults enroll in a community college program. In 2003-04, enrollment in NCER’s 11 community colleges comprised 15 percent of statewide FTE enrollments in the NC Community College System. Pitt and Coastal Carolina Community Colleges have the largest number of students in curriculum programs, accounting for almost one-third of all FTE enrollments in the region.

The community college system is the region’s most important workforce training resource for new and expanding companies; however, enrollment in these industry-specific programs have been declining the past several years. In 2003-2004, the region’s 11 community colleges enrolled only 88 people in the New and Expanding Industry (NEI) and Focused Industry Training (FIT) programs. This represents only 9 percent of the statewide total of 936 FTE enrollees in 2004. This limited use is due to two factors: the programs are only available for new jobs created, and they are typically limited to jobs created in manufacturing or related sectors. Thus, workers employed in growing economic sectors are not even eligible to participate in NEI or FIT training programs. Given the nation’s changing economy, this situation must be rectified.



Table 6: Community Colleges in the NC Eastern Region
Annualized Curriculum and Continuing Education FTE (Full-Time Equivalent) Enrollments, 2003-2004

Community Colleges in the 13-County NC Eastern Region	FTE Enrollment/Curriculum Programs (Fall & Spring)					FTE Enrollment in Continuing Education Programs (Spring, Summer & Fall)												Subtotal Non Budget (Cont Educ)	FTE Totals by College
	Associate	Certificate	Diploma	Transitional	Subtotal Curric Progs	Basic Skills	Occ RB	Subtotal Budget	CSG	FIT	HRD	Learning Lab	NEI	SS Non Occ	SS Occ	Small Bus.Ctr			
Carteret CC	991	100	133	135	1,359	134	197	332	9	0	0	0	0	3	12	6	31	1,722	
Coastal Carolina CC	2,639	121	322	146	3,228	237	621	858	40	1	0	0	0	30	7	4	83	4,170	
Craven CC	1,704	60	151	165	2,081	195	316	511	31	1	0	0	35	22	4	3	97	2,688	
Edgecombe CC	1,325	33	243	284	1,884	335	222	557	11	2	0	0	2	1	0	2	18	2,459	
James Sprunt CC	663	130	269	115	1,177	95	124	219	18	4	0	2	0	21	0	5	50	1,446	
Lenoir CC	1,588	165	104	207	2,064	441	449	890	30	3	0	0	0	55	0	5	93	3,048	
Nash CC	1,341	79	71	210	1,701	220	383	603	26	3	0	1	0	9	12	3	53	2,357	
Pamlico CC	150	83	39	29	302	98	75	173	12	0	0	0	0	0	0	1	13	487	
Pitt CC	3,857	200	299	304	4,660	291	217	507	7	3	3	0	19	3	24	2	60	5,227	
Wayne CC	2,112	111	179	118	2,520	390	527	918	20	3	0	7	4	26	1	5	66	3,503	
Wilson CC	1,138	126	208	132	1,604	186	331	517	44	5	0	0	3	1	12	1	66	2,186	
NCER Region Totals	17,508	1,208	2,018	1,845	22,580	2,622	3,462	6,085	248	25	3	10	63	171	72	37	630	29,293	
NCCCS Total FTEs	108,732	9,023	13,451	17,236	148,441	17,927	21,480	39,407	1,389	188	8	72	748	1,160	1,106	173	4,844	192,693	
NCER CC FTEs as % of NCCCS FTEs	16%	13%	15%	11%	15%	15%	16%	15%	18%	13%	38%	14%	8%	15%	7%	21%	13%	15%	

Programs/Abbreviations:

Occ RB = Occupational Regular Budget Program

CSG = Community Service Grant Supported and Receipt Supported

FIT = Focused Industry Training

HRD = Human Resource Development

NEI = New and Expanding Industry (NIT and EIT)

SS Non Occ = Self-Supported Non Occupational

SS Occ = Self Supported Occupational

Source: NC Community College System Fact Book, 2005



NCCCS Bioprocessing Center

A unique statewide educational program is the North Carolina Community College System's BioNetwork. The BioNetwork initiative is designed to provide the training, curricula and equipment needed to develop a workforce for the biotechnology, pharmaceutical and life sciences industries. Among other objectives, this initiative contributes to wider state efforts for retraining displaced workers and upgrading the skills of incumbent workers. The BioNetwork, funded by the Golden Leaf Foundation, has six centers based at community colleges across the state focused on biotechnology education, pharmaceutical training, bioagriculture, biobusiness, and bioprocessing.

BioNetwork
PREPARING A WORLD-CLASS BIOTECH WORKFORCE



North Carolina
Community College System

Pitt Community College is home to the network's Bioprocessing Center. Bioprocessing of biotech products consists of "upstream processing" and "downstream processing." In upstream processing, workers grow or culture cells and microorganisms through cell cultures or fermentation to create a bulk bio-product. In downstream processing, workers often use separation, purification, or sterilization procedures to refine bulk bio-products into a form suitable for its end use. The Bioprocessing Center aims to develop a local workforce capable of managing both of these production processes – critical skills required for the region's emerging pharmaceutical and other biotechnology-related industries.

Identified SPC Priorities

After reviewing all of these education assets and identifying key concerns, the SPC agreed that four were their top "priority challenges" related to the quality of the existing workforce and the capacity of local institutions to meet the needs of the future "knowledge" workforce. Those challenges were:

- 1) *The region's workforce needs improved skill levels in math, science, information technology, and languages to compete globally.*
- 2) *Educational attainment levels among adults in the region are too low.*
- 3) *Local public schools are not adequately preparing graduates for "knowledge economy" jobs.*
- 4) *Young adults who earn a post-secondary degree (from a university or community college) are migrating from the region.*

Innovation Capabilities

North Carolina's Eastern Region is not typically viewed as a source for innovative new technologies. Its role in the state economy has traditionally been that of a "producer" or "maker" region. Not surprisingly, the Eastern Region does not possess the same depth of knowledge assets or high value-added activities as the nearby Research Triangle region.



Nevertheless, regional leaders note that it has several key innovation sources on which to build. In addition to the previously mentioned Brody School of Medicine and Bioprocessing Center, the region has research capacity in support of marine sciences and agriculture. These assets provide the Eastern Region with an important potential source for research that could lead to innovation and regional competitive advantage.

The Marine Science and Education Partnership

The area's research and development capacity includes a number of federal, state, and nonprofit investments to promote applied research and innovation in the marine sciences. Based in Morehead City, ten institutions have joined forces to create the Marine Science and Education Partnership (MSEP), employing more than 400 people including the largest concentration of marine scientists on the East Coast. The institutions include:

- National Oceanic and Atmospheric Administration (NOAA) Center for Coastal Fisheries and Habitat Research
- North Carolina Maritime Museum
- North Carolina Division of Marine Fisheries
- Duke University Marine Lab
- University of North Carolina Institute of Marine Science
- North Carolina Sea Grant
- North Carolina Department of Environment and Natural Resources (DENR) office of the NC Division of Coast Management
- North Carolina Aquarium at Pine Knoll Shores
- North Carolina State University's Center for Marine Sciences and Technology (CMAST)
- Carteret Community College's Aquaculture Technology Program.



The MSEP research facilities offer research, product development and personnel training for corporations around the world. Area laboratories have been involved in developing many products through contract research with companies such as Strohs Brewery, W. R. Grace, Hercules Chemical, Biosponge Aquaculture Products, International Paint, Allied Chemical, Sunshine Makers, Aquanautics, Mann Bait Company, 3M Corporation and General Dynamics.

Agricultural Research Stations

North Carolina's Eastern Region also boasts four agricultural research stations—Cherry Research Farm in Goldsboro, Caswell Research Farm in Kinston, Upper Coastal Plain Research Station in Rocky Mount, and Lower Coastal Plain Tobacco/Cunningham Research Station in Kinston. With over 2,000 acres, Cherry Research Farm in Goldsboro is the largest experimental station in the region and houses the Center for Environmental Farming Systems. Funding from the North



Carolina Department of Agriculture and Consumer Services, North Carolina State University and North Carolina A&T State University supports the station, which attempts to simulate the conditions of real farms in eastern North Carolina. Its main mission is to develop techniques appropriate to make farms environmentally, economically and socially sustainable. As a result, it conducts a variety of experiments related to low impact (e.g. no till) and organic farming.

The Caswell Research Farm in Kinston has 1,400 acres and provides another location for large plot research. Caswell focuses its research on long-term swine and dairy herd studies. Livestock studies and veterinary teaching for NC State University's College of Veterinary Medicine is combined at Caswell with experiments



related to field crops like corn and soya beans as well as loblolly pine forests while also addressing issues related to pest management and plant genetics. In addition, two other smaller experimental stations -- Rocky Mount's Upper Coastal Plain Research Station and Kinston's combined Lower Coastal Plain

Tobacco/Cunningham Research Stations are devoted primarily to tobacco-related production research with additional testing on other field crops like peanuts, cotton, corn and soya as well as grocery produce such as melons, blackberries, and chili peppers as alternative crops for tobacco farmers. Researchers at the Rocky Mount facility also study swine production and related environmental management issues.

A New Culture of Innovation and Entrepreneurship

The research and development assets could serve as the foundation for an innovation-oriented strategy designed to create new businesses and commercial products. Because the region's workforce traditionally depended on long-standing existing farms or factories, few entrepreneurs were ever encouraged to develop and sell their own products and services locally so little new business start-up or new



product development activity ever occurred. This capability to innovate is important to help the regional economy transform from its traditional dependence on mature, but declining industries. Emerging and existing industries are much more likely to succeed if the companies (and their people) can respond to opportunities resulting from increasing global competition and fast-paced technological change.

A key goal in moving forward should be to get leaders both in the region and throughout the state to recognize the importance of these assets. This visibility is important in two ways: it attracts resources (including dollars and researchers) to the region, and it also can help to create a demand from the private sector for access to these resources as they develop new products or services. In addition, there may be



other opportunities – particularly at East Carolina University – that are not being fully developed because the region’s leadership is not aware of all the available assets.

Identified SPC Priorities

The SPC identified two priority issues focused on increasing the ability of the region to innovate.

- 1) *The region does not have adequate services to support entrepreneurial development (e.g., incubation, equity capital, mentoring, and networking).*
- 2) *The region’s economic development efforts do not adequately respond to the needs of existing companies that wish to stay and grow in eastern North Carolina.*

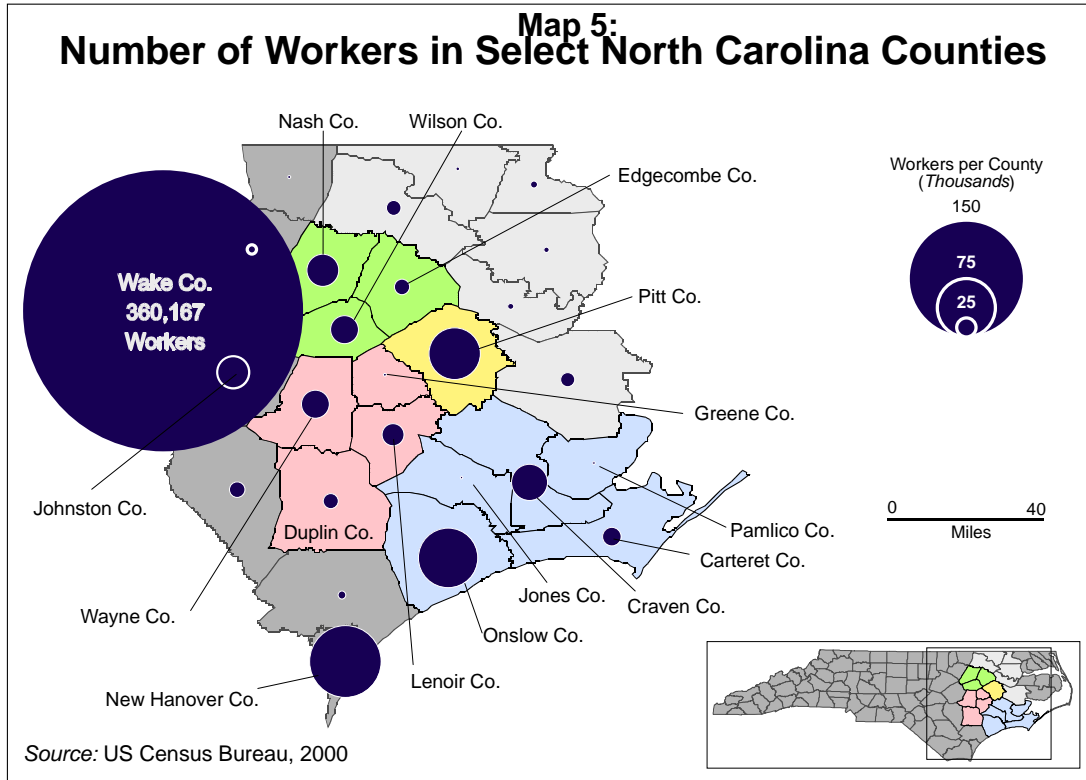
Global Image and Competitive Location

North Carolina’s Eastern Region is not really a ‘natural’ economic region because there is no central urban core (like Raleigh) that typically defines a region. Consequently, many of the counties have either focused internally or associated with areas outside the region. For instance, many people look to the Raleigh area for jobs, medical services, entertainment, or retail opportunities. In the southern parts of the Eastern Region, businesses and residents alike find greater affinity with other coastal areas than the inland counties. Within the state, the Eastern Region counties are typically associated with other areas east of Interstate 95. Outside the state, the Eastern Region really has no clearly articulated identity. This presents a major challenge for marketing the region to potential investors and in generating support for regional initiatives.

In spite of these challenges, the Eastern region does possess several key location assets that could serve as a foundation on which to build a clear regional image. First and possibly foremost, the region’s northwestern counties benefit from immediate access to “America’s Main Street”—Interstate 95. The region’s central counties possess large stretches of agricultural land and a long agricultural tradition. Pitt County’s primary asset—East Carolina University—is important not only as a source of innovation but also as a source of direct and indirect employment for the entire region. The Coastal counties obviously possess the unique advantage of ocean beaches which serve as an attraction for residents and tourists alike.

The region will also continue to benefit from its proximity to both Raleigh and Wilmington. These rapidly growing metropolitan areas are creating opportunities for parts of the Eastern Region. The spread of Raleigh eastward and the improvement of the region’s highway linkages to Raleigh have expanded opportunities for Greenville and points in between. For instance, the completion of the Knightdale Bypass on US 64 and the Outer Beltline (I-440) east of Raleigh greatly enhances the linkages between northern parts of the Eastern Region with the Research Triangle area and Raleigh-Durham airport. I-40 and I-95 provide critical highway access to markets and suppliers along the entire Eastern Seaboard.

While NC’s Eastern Region is predominantly rural, its economic success is dependent on how well its economic activities link to nearby urban growth areas where significant new development is concentrating. Even within the region, growth has occurred most rapidly in the region’s larger urban communities. For instance, in



2004 there were 20 percent more workers in the Jacksonville MSA than there were in 1994, and 15 percent more in the Greenville MSA. By comparison, the US Bureau of Labor Statistics reports that the NCER’s overall employment grew by 11 percent between 1994 and 2004.

Even so, Map 5 illustrates that none of these urban areas can compete with the size of the Raleigh area as an employment center. The diverse employment opportunities in Raleigh attract much-needed talented workers and business investment capital from the Eastern Region and other parts of the state. The smaller NCER urban areas depend on different economic drivers to explain their growth. For instance,

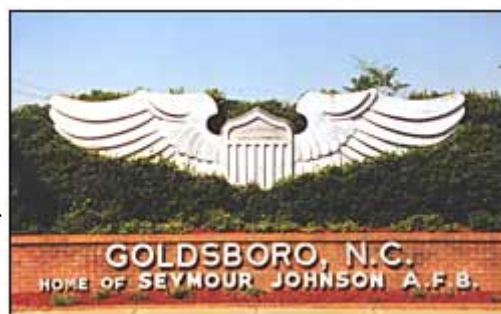
- The North sub-region (Rocky Mount and Wilson) depends on manufacturing linked in no small part to the economies to the west and north—especially the Research Triangle,
- Greenville/Pitt’s growth is linked directly to its major educational and healthcare institutions,
- Jacksonville (Onslow), Goldsboro (Wayne), and New Bern (Craven) rely on their military heritage,
- All of the Coastal Counties depend on their access to water amenities, and
- The Central and Northern Counties are tied to their tobacco and farming heritage.

With a number of smaller employment centers, each vying for attention from public and private investors, it should come as little surprise that there are limited resources available to address the substantial challenges that each faces. First and foremost, regional leaders must confront the challenge of combining these fragmented interests into a common call to action.



Two other issues present both threats and opportunities for the region. First, globalization creates a clear and present threat for many area businesses and workers. Many manufacturing activities, especially textiles and apparel, have already relocated to low-cost offshore locations. Paradoxically, globalization also offers emerging market and joint venture opportunities for some new and existing industries. For instance, the area's pharmaceutical manufacturers are producing for world markets. Innovations in agriculture, marine sciences, and medicine have global application if regional companies could be among the first to commercialize these findings and if regional research centers were positioned at the leading edge of these research breakthroughs.

The large military complex in the region represents a second regional asset presenting both threats and opportunities. The region has enjoyed tremendous benefits from the national defense build-up in the first three years of this decade. According to the US Bureau of Economic Analysis, the region's military employment increased by 13 percent between 2001 and 2003, rising by 6,700 active duty and civilian workers during that period. Per capita military compensation – at 62 percent above the regional average – provides a critical source of jobs and income. The Department of Defense's Base Realignment and Closures (BRAC) Commission-recommended impacts will affect the region, but not significantly. The Marine Corps Air Station Cherry Point is recommended to realign 628 personnel and Camp Lejeune will lose 183 jobs. The Pentagon recommended adding 362 military and civilian jobs at Seymour Johnson Air Force Base. The net job losses from these facilities represent less than 1 percent of the total military presence in the region. The threat of job losses from the BRAC recommendations is more than offset by the opportunities available to area companies if they could develop stronger relationships with military procurement or if area economic developers could be more successful in attracting existing military suppliers to locate in the region.



These and other development opportunities may well be stymied, however, due to critical infrastructure shortfalls. For instance, lack of water may be a particularly large impediment to future growth according to a recent study by the North Carolina Rural Economic Development Center.⁷ The study found that NCER's groundwater accounts for about 66 percent of local water use, and daily demand for water is expected to increase 54 percent by 2020. The increased need for potable water is greater than the ability of the groundwater to replenish itself. More than half of the region's anticipated growth is expected to affect the water systems of the major military-dependent communities (Goldsboro, New Bern, and Jacksonville) as well as Greenville, Wilson, and Kinston where capacity use is already influencing development prospects.

In response to this issue, the North Carolina Division of Water Resources

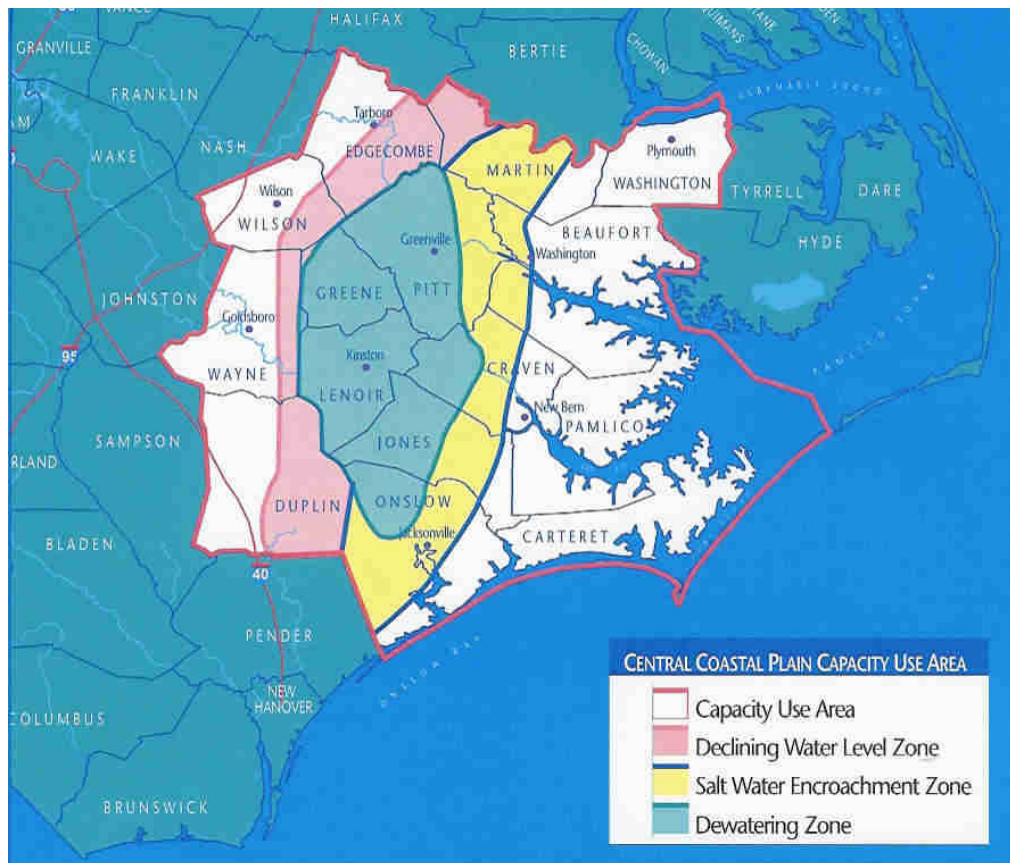
⁷ North Carolina Rural Economic Development Center, Inc., "Water Woes in Eastern North Carolina: Facing the Facts, Reaching Solutions," May 2002.



implemented the Central Coastal Plain Capacity Use Rule in 2002 to address the declining water levels, salt water intrusion, and de-watering of areas of 15 eastern North Carolina counties (including 12 of the 13 NCER counties). The rule requires that water use be reduced by 75 percent in the de-watering zone (see Map 4). For the salt-water intrusion zone, water use must be reduced between 30 and 75 percent, and the declining water area requires continuous monitoring and water use reductions of up to 30 percent. All groundwater users withdrawing more than 100,000 gallons per day must apply for a water use permit to continue withdrawing water.

Finding alternatives to the necessary water supply for residential and industrial usage as well as conducting adequate water treatment will be critical for the Region's future economic development. The Rural Center report identified several recommendations including the creation of a Water Resources Study Commission, statewide water supply planning, a public education campaign, and evaluating the impact of economic development policies on water resources. The Center report also encouraged strategies aimed at regionalizing and consolidating local water systems, using the Rural Center's capacity grants for improving system utilization,

Map 4: Central Coastal Plain Water Capacity Use Area



Prepared by:
Golder Associates, Inc. for NC Rural Economic Development Center, 2002



and investing in efforts to monitor the network of wells across the state.

Water is not the only environmental challenge facing the region, the SPC also expressed concern about air quality issues, especially in Nash and Edgecombe Counties which have been designated as ozone non-attainment areas because their atmosphere contains too many air contaminants (created in large part as a result of congestion in areas immediately west of the region). This non-attainment status will significantly impede certain types of development in those counties.

Identified SPC Priorities

In discussing these issues, the SPC focused on four “priority challenges” that affect the region’s ability to compete globally for businesses and wealth as follows.

- 1) *The area has no "identity" outside the region or the state.*
- 2) *Existing fresh water and sewer capacity will be inadequate to meet the region's future needs.*
- 3) *The area's military bases look to businesses outside the region to meet their high-tech needs.*
- 4) *The northwestern part of the region is in an 8-hour ozone nonattainment area.*

“The Third Place:” Urban and Outdoor Amenities

Developments in information and communications technology allow knowledge workers to live almost anywhere . Successful regions are those able to attract and retain talented people. Life involves more than having a nice home and a great job. Successful communities also rely on their amenity assets to offer a “third place” for their residents. A region with unique amenity assets can influence the location choices for mobile educated adults that can opt to live almost anywhere they wish. Consequently, identifying ways to make the region different from elsewhere is a critical element of a successful economic development strategy. Not surprisingly, many of the amenity assets important for attracting and retaining talented residents also appeal to tourists. Consequently, tourism “product development” efforts assume a complimentary role in economic development by ensuring that places appeal to both local residents and potential visitors.

Many places possess a variety of amenities. For instance, urban locations typically possess amenity assets that appeal to people as “social creatures.” Movie theatres, restaurants, shopping, and nightlife activities are among the activities that typify urban amenities. In addition, access to educational opportunities, sporting events,



regional festivals and fairs, urban parks, and historic sites represent examples of other types of amenities that are readily available in urban environments. Many knowledge industries and their workers crave access to these amenities as they represent an important “third place” alternative to home and work. For a predominantly rural area, NCER has a number of

unique assets: East Carolina University and the local community colleges, the Kinston Indians minor league baseball team, the Havelock Air Show and Spring Festival, the Neuseway Planetarium, Health and Science Museum, Rocky Mount’s Imperial Center for Arts and Sciences and the Tryon Palace to name but a few.



Where the region may be even more significantly endowed is in its natural amenities. In particular, the region has an extensive array of “water” and “land” amenities. “Water” amenities in the form of the region’s coastline and waterways serve as the nucleus for the region’s travel and tourism-related industries. In particular, the Coastal sub-region offers an abundance of recreational assets that make the Eastern Region unique. Carteret, Craven, Onslow, and Pamlico counties all offer direct access to the Atlantic Ocean. The beaches are a world-class draw for the region – especially since some areas are still relatively unspoiled by development. The Croatan National Forest also provides one of the most unique sports fishing environments in the world. Cliffs of the Neuse State Park south of Goldsboro is a distinctive hiking, boating, and swimming location.

The region’s “land” assets begin with its agricultural heritage. Wide-open spaces allow for a variety of opportunities. This has led to new opportunities such as “Pick Your Own” farms and organic farming. This farm and small-town tradition has engendered a warm “people-friendly” local culture. Combined with a mild climate, the Eastern Region has become an increasingly attractive location for retirees, pre-retirees and second home owners. For many communities, in-migrants provide an important source of new income as well as a potential new source of entrepreneurial activity. Major new developments are underway including retiree communities such as the 1,300-acre River Dunes residential and boating community in Pamlico County and the 1,000-acre Ford’s Colony residential golf community in Rocky Mount.



The key challenge for the region is that these assets – when considered together – offer a wide diversity for residents and tourist, but none are concentrated in any single county. The opportunity lies in the region packaging its amenities together as a single offering to prospective businesses, residents, and tourists alike. While many of the region’s most unique assets are located in the Coastal counties, these are ironically the most difficult to access due to the limited interstate highway system so it behooves all parts of the region to consider how best to improve access to these amenities for all.

The SPC discussed these issues and felt that the region needs to develop and market amenities designed to attract and retain young professionals that are vital for the area’s success in a knowledge-based economy. The area simply does not possess certain kinds of “urban amenities,” such as the nightlife, needed to attract and retain young professionals. In this case, young professionals will naturally look to Raleigh



for both job and recreational opportunities.

Given that the region probably cannot compete with Raleigh in offering the diversity of urban amenities, the SPC suggested that regional leaders focus on developing “outdoor amenities” (trails, waterways, etc.). This strategy would



focus attraction and retention strategies on residents and workers predisposed to be more interested in the outdoor amenities readily available in the region. Even so, the region's success in this effort depends on its ability to upgrade many of its recreational facilities to provide more and better quality access points (such as parking and boat launches along the region's rivers and streams or parking for bike trails). The SPC agreed that the region should also develop a plan that includes linking its existing set of assets into a single focus that could be integrated into regional branding and marketing activities.

Identified SPC Priorities

The SPC summarized their discussion by focusing on three "priority challenges" that affect area quality of life and the region's attractiveness to residents and businesses.

- 1) *The region lacks sufficient amenities necessary to attract and retain young professionals.*
- 2) *Local tourism and recreational assets are not sufficiently integrated across the region.*
- 3) *Access to the region's recreational assets is inadequate.*

Connectivity

To support and expand continuous economic growth, the region needs a well connected and sound physical infrastructure system to move goods and services quickly and efficiently to points inside and outside the region. Although two major Interstate highways (I-95 & I-40) and several US highways run through parts of the region, the existing physical infrastructure still poses challenges for potential growth. According to a 2004 study, overall regional access to North Carolina's interstate highway system is simply not sufficient to meet the area's economic needs.⁸

The essential interstate highway assets (I-95 and I-40) skirt the western edge of the region, offering easy access to the west, north, and south. Several four-lane "interstate quality" highways, including US 264 and US 64, provide critical links to the interstates and the nearby Raleigh metro area for parts of the region; however, other parts do not have similar access.

Based on the recently released draft of Transportation Improvement Plan (TIP) for FY 2006-2012, the state plans to invest \$1.4 billion in the 13 counties of North Carolina's Eastern Region during the next seven years. The planned investment in the region accounts for approximately 15% of the overall \$9.4 billion allocated for the state between FY2006 and FY2012⁹. Nearly 78% of the funding is allocated to improve and modernize key US highways and rural roads through widening, pavement preservation and safety improvements. The rest of funding is planned for bridge replacements (14%), public transportation (5%), passenger rail projects (2.7%), and expanding bicycle and pedestrian projects (0.2%). This mix of investments is built on the state's Strategic Highway Corridors initiative endorsed by various state departments (Commerce, Transportation, Environment and Natural Resources, and the Governor's office) in order to improve, protect and maximize the use of existing highway facilities critical to statewide mobility and regional

⁸ "Competitive Assessment for North Carolina's Eastern Region," Market Street Services, Inc., February 2004, pp. 44.

⁹ The draft document just released in April 2005, and will seek comments and inputs from citizens. The final FY2006-2012 TIP will be presented to the Board of Transportation for approval on July 5, 2005.



connectivity.

The lack of a fully inter-connected interstate-quality, four-lane highway system within the region has hindered economic interactions among the region's urban centers. This, in turn, has inhibited the development and/or utilization of other assets such as the seaport and airport.

One of the region's most unique assets is the Port of Morehead City. With a 45-foot channel, the port is one of the deepest on the U.S. East Coast. The port is critical for national security, serving the US Marine Corps at Camp Lejeune. The port's primary access to the vital interstate freight transportation network of I-95 and I-40 is via US 70 and US 17 as well as daily train service to transport goods to its destinations. Continued investment in port development and facilities could enhance the opportunity for the Eastern Region to become a major gateway for world shipping, but its success depends on improving four-lane highway access along US 70.

In addition to highway access, the port's success also depends on waterway access. The region's pattern of natural channels requires continuous dredging to make travel for sea-going vessels possible. This dredging provides lanes for fishing vessels and recreational craft as well. The port's future as well as the region's fishing and leisure craft industries will also depend on the treatment given to silt building up along key waterways, including the Morehead City Harbor, the New River Inlet, the channel between Back Sound and Lookout Bight, the Atlantic Intracoastal Waterway, & Beaufort Harbor among others. The US Army Corps of Engineers historically dredged these waterways, but the Corps has cut back its role due to budget limitations and environmental concerns.

The region's proximity to water resources provides abundant opportunities for various tourism activities in the Region, including fishing, boating and sailing. Like the port, the region's tourism potential may also rely on continued dredging as well as other infrastructure investments. Likewise, the proposed development of a fast ferry for Cedar Island and Ocracoke would allow better access to the Outer Banks through NC 70 to NC 12, increasing tourism travel in the region.

If silt continues to build in the Intracoastal Waterway, poor accessibility could have a huge economic impact not only on the tourist and the marine trades industries in the Coastal counties, but also on the broader regional economy. SPC members continue to debate whether dredging should remain the purview of the federal government or whether state or local action will be required.

Like the Port of Morehead City, the Global TransPark—envisioned as an inland port with superior air transportation—has also been limited by highway access. Given the choice about which transportation mode to address first, many SPC members felt that completing the US 70 upgrade was the most pressing issue facing the region because it impacts the Port, the Global TransPark and by extension the freight movement industry as well as tourism. Suggestions on actions to be taken to shorten the US 70 planning and development cycle ranged from increasing political pressure in Raleigh to utilizing toll roads as a source of funds to accelerate the project.

The challenges in moving US 70 forward were repeated in the region's fragmented

(and often non-existent) public transportation system. Localized public transportation is mainly used to serve the needs of the elderly and disabled, but it is not available to the economically disadvantaged who may have no other means for traveling to work.

Inter-city freight and passenger service is also limited by the quality of the area's air and rail transportation network. The region is well endowed with numerous airports with daily commercial service available at four area airports, including Albert J. Ellis Airport in Jacksonville, Pitt-Greenville Airport in Greenville, Craven County Regional Airport in New Bern, and the Kinston Regional Jetport at the Global



TransPark. In fact, the physical facilities are quite good as illustrated by the Global TransPark's airport where one can find the longest commercial airway between Washington DC and Atlanta. However, the service is limited primarily to the hubs in Charlotte and Atlanta. The multiple airports pull traffic from one another and ironically all lose as local residents frequently travel to Raleigh-Durham and Wilmington for better and more affordable air transportation services. Because the area airports are spread widely across the region and serve small population catchment areas, air service is frequently inadequate to meet the demands of global businesses. Ironically, lack of interstate and major regional highways limit the market draw of each of these four smaller airports, including access to passenger and cargo facilities. While SPC members recognized this issue, they also viewed possible solutions – such as a single “super-regional” airport in the Eastern Region – as politically divisive.

The region's freight rail system is fairly well developed, with a few important gaps – especially north-south between Goldsboro and Wilmington (where passenger rail opportunities may exist), east-west between Rocky Mount and Raleigh, and north-south between Kinston and Greenville. The SPC also noted that rail access hinders the region's competitiveness, particularly the inadequacy of the rail linkages to the Port at Morehead City. SPC suggestions for addressing this issue focused on advocating support for rail development. A recently completed feasibility study endorsed a new rail route link Goldsboro to Wilmington that would improve access to the Port of Wilmington.



The region's success will depend not only on transportation linkages but also on better communications, especially access to broadband Internet.¹⁰ The percentage of households with access to high speed internet in Wilson, Craven, Carteret, and Pitt Counties are all greater than the state average of 82 percent. However the region as a whole lags behind the state

¹⁰ The data is based on the 100 County Report on High Speed Internet Access for 2004, released by the e-NC Authority in May 2005.



average. Overall 76 percent of the households in the NCER have access to broadband.

The region's more rural counties – Greene, Jones, Pamlico, and Duplin – have the greatest need for improved access to the internet. In fact, Greene, Jones and Pamlico are three of the nine North Carolina counties where less than half of the households currently have high-speed internet access. To better provide high-speed Internet services for commercial and residential use, the e-NC Authority established a telecenter in Duplin County in 2001 that offers technological resources, services and training programs. Rural communities in particular need access to the Internet to allow businesses and citizens to participate and compete in the global economy.

Many of these issues intersect with one another by reinforcing the need for better transportation and communications services. Addressing the highways issue, in particular, appears to have achieved the greatest consensus throughout the region. The regional stakeholders agree that they must be organized around common solutions if they were to achieve any effective solutions. This issue is particularly relevant for US 70 because progress may require unique ideas such as the toll road proposal to generate the necessary resources or enlisting local military support to cast the improvement as a matter of national security. The involvement of the military in completing US 70 upgrades not only has the benefit of bringing a very large and influential player to the table, but could offer a unique justification for improvements to US 70 that might open up new funding opportunities. The SPC also suggested that the Global TransPark is an invaluable resource whose success depends on continued facility and infrastructure investments as well as sustained marketing.

Identified SPC Priorities

A recurring theme among the issues raised was the concern that the Eastern Region is underdeveloped due to inadequate transportation infrastructure. Many SPC members felt that access to key destinations within the region or outside the region may well be the single most important impediment to the region's economic growth and competitiveness. In summarizing their priorities, the SPC identified six key "priority challenges."

- 1) *The lack of "interstate-quality" roads in critical areas of the region hinders industrial/economic growth.*
- 2) *The region's railroad system is inadequate to meet the needs of major freight movement.*
- 3) *Passenger air service is infrequent and expensive because the region's airports compete against one another with limited scheduled service.*
- 4) *Increased silt in the area's inlets and Intracoastal Waterways has resulted in decreased boat traffic and has a significant negative impact on the region's and state's economy.*
- 5) *The Global TransPark is an underutilized resource.*
- 6) *"Pockets" of the region do not have broadband internet access.*

Governance

The 13 counties of North Carolina's Eastern Region have a unique opportunity to work together. Collaboration has enabled these counties to generate a \$22 million low-interest loan fund to support infrastructure and development projects in the region. These assets helped the counties invest \$18.3 million in sites, buildings, and



infrastructure projects. The interest earned from the fund supports the operations of the Commission as well as provides grants for incentive packages, certified sites, environmental planning, and economic or product development activities.

The region can further engender support for local economic development efforts by accessing funds available through the Golden Leaf Foundation. During the 2004-2005 funding cycle, Golden Leaf's allocated \$1.6 million of its \$10.2 million in grants to projects designed exclusively to serve Eastern Region counties. Examples of these projects include: the Gateway Technology Center, the North Carolina Aerospace Alliance (at Lenoir Community College), MS MEGA (at the Trenton Industrial Park in Jones County), the Duplin County Turkey Farmer Job Preservation Project, the Virtual Incubator Platform for Eastern North Carolina, and Greene County Schools' Project iTech laptop program. An additional \$975,000 was allocated to projects that served certain specific counties in the region as well as other counties outside the region. These initiatives provided funding for the Workplace Readiness program for careers in hospitality and tourism, the Turtle Island Pre-development Project, the Eastern NC School Medical Coordinator Program, and NC State University's Institute for Maintenance Science and Technology (serving the region's military training needs). Combined, these local initiatives accounted for 25 percent of Golden Leaf's statewide funding.

During the interview process, it was clear that local leaders differed in their view of NCER's role in supporting economic development. Some felt that NCER should be a granting foundation – spending its resources until the full principle raised is depleted while others felt it imperative that NCER ensure its long-term viability as a facilitator for regional action and collaboration. Furthermore, even those who understood the NCER mission felt that it may be time to reconsider the toolkit of available economic development incentives and investments. Some felt that NCER's current set of incentives reflect traditional industrial development strategies at a time when NCER needs a more flexible arsenal of resources to respond to the challenges of global competition for investment and jobs.

Some of the fundamental governance challenges facing NC's Eastern Region and its initiatives can be attributed to continued parochialism among the region's leadership. Even though the region possesses a suitable number of strengths on which to build, its leaders remain fragmented in their outlook in part because few consider the Eastern Region a cohesive economic unit. In fact, many constituents viewed NCER as a collection of county leaders, each primarily concerned with addressing his or her county's individual issues and concerns. Both, the board make-up in which each county appoints a member to represent individual county interests as well as the trust-fund account structure, reinforces this preconception among outside observers. Legislative changes made in the board structure during 2005 could conceivably change this outlook, but it is still early in the transition.





NCER's current incentives and tools were designed to be equitable across the counties. Each county has access to the same set of economic development resources, even though all leaders recognize the problems facing the 13 counties can differ widely. The economic development needs of the larger and more industrial counties in the northern part of the region focus on attracting industrial enterprises and serving businesses. Conversely, the coastal counties tend to focus more on supporting their tourism- and military-driven economic base with additional emphasis on related manufacturing in areas such as boat building. Meanwhile, the region's smaller counties have neither the critical mass of activity nor expertise to sustain an on-going and aggressive program (especially without full-time staff dedicated to economic development). Each of these groups of counties has different needs that require different solutions. As the Commission moves forward, an important challenge will be to re-examine its mix of services and programs to determine how to best structure its services to respond to these varying needs, while concurrently diffusing any concerns of favoritism.

In discussing these issues, the SPC noted that NC's Eastern Region includes 13 very unique counties brought together more from political necessity than from common economic purpose. Consequently, the varied county needs portend widely different demands on the NCER partnership. From the perspective of each county, NCER's success has traditionally been measured on how well they meet that individual county's needs rather than the organization's overall impact on the region.

NCER's stated mission is focused on supporting local efforts. This mission has not previously entailed taking leadership on regional issues. Even so, the 13 counties face a number of similar challenges that the SPC feels require broader regional leadership. The SPC agreed felt that NCER's mission should be revisited within the context of this Vision Planning process and the plan's call for regional action.

Furthermore, one critical role that must be filled is helping local elected and appointed officials better understand the benefits from regional collaboration in solving the area's "big" challenges. This may involve revamping NCER's programs to focus less on providing small county-specific grants and more on encouraging and implementing collaborative actions. Because local leaders are rightfully focused on their own county's respective needs, these leaders may require guidance on how regional collaboration can help achieve greater success for individual counties than NCER's current efforts to provide support for projects in individual counties.

Identified SPC Priorities

SPC members agreed that area leaders must think and act regionally in order for the Vision Plan to be successful. Several key issues emerged as potential obstacles to finding and implementing regional economic development solutions. Those "priority challenges" include the following:

- 1) *NCER needs a mission that more closely reflects the emerging Vision Plan priorities*
- 2) *NCER's constituents expect different and sometimes conflicting outcomes from the North Carolina's Eastern Region partnership.*
- 3) *Many local leaders focus on addressing county-specific issues without fully exploring solutions that include greater regional cooperation.*



- 4) *The counties vary widely in their capabilities and resources to meet their economic development needs.*

The Strategic Planning Committee was asked to review all of the opportunities and challenges listed above to focus on identifying potential approaches for addressing a few that are most critical for the region's economic success. In the following section, the SPC identified a number of strategies that it felt would have the greatest impact on the region's economy while recognizing existing efforts (e.g., regional and local marketing efforts, investments in education and training reform, or infrastructure advocacy) that might contribute to possible solutions.



Developing Preliminary Recommendations

During 2005, the NCER Strategic Planning Committee met three times to review extensive background materials relating to the region's economic challenges and opportunities. In collaboration with the NCER Commissioners, the SPC met again in January 2006 to identify actions for implementation. From the committee's proposals and related discussions, the consultants developed 15 draft recommendations designed to clarify key points and consolidate related activities into sequential steps. The recommendations, associated with the respective strategic priorities, are provided below.

Strategic Priority Recommendations—Knowledge Capacity

The Strategic Planning Committee determined that, with traditional jobs at risk in a changed economy, the region faces a real human capital talent deficiency. Many area workers and jobseekers lack adequate skills to complete critical tasks and to compete for today's jobs. Others in the existing workforce lack "adequate" pride in their work and suitable work ethic, according to several participants. Low rates of adult literacy certainly affect workplace attitudes and skills. Ultimately, the region must significantly improve basic skills among its adult workforce. The SPC agreed that such improvements would need to begin at a basic sociological level.

To address these challenges, the SPC agreed that regional efforts should focus on changing the region's attitude toward education and learning. The region must help establish a "social culture" that values education at all levels, especially among its young people. The key to success is motivation—"a yearning for lifelong learning." The SPC felt that Eastern North Carolina's culture simply does not yet place enough emphasis on or value in education.



In such an environment, it may be difficult to attract talented people and knowledge-oriented companies. So, any economic development strategy for the region must emphasize and sell the economic benefits of education to existing residents. Strategies aimed at improving educational attainment levels should also recognize that poverty-related issues may inhibit children and adults from learning. The SPC acknowledged that successful strategies to improve educational attainment levels must engage the public schools and explore alternative education delivery mechanisms wherever necessary to ensure lower-income residents have an opportunity to succeed. Many of these solutions must engage statewide leaders as well as local efforts.

Even so, it is important for younger adults of all economic and cultural backgrounds to understand that learning math, science and communications skills, in particular, can translate into better paying jobs and more disposable income in the long term. Efforts to improve these capabilities must begin at the middle school level, participants agreed. Waiting until high school to generate interest among students is



too late. Furthermore, teachers, constrained by their curriculum and federal mandates, are frequently focused more on meeting national educational standards rather than teaching children relevant skills. One participant suggested that regional leaders must act to identify efforts that reinforce excellence in science and math, so that students will become as interested in these areas as they are in sports.

The SPC identified two major actions to address the region's "Knowledge Capacity" challenges. Those actions include:

ACTION #1: Develop a regional education policy and targets for increased educational attainment and a culture of learning

Rationale:

With a regional education policy and defined educational attainment targets, the region hopes to address three major challenges:

- Education attainment levels among adults in the region are too low.
- The region's workforce needs improved skill levels in math, science, information technology, languages, etc. to compete globally.
- Local public schools are not adequately preparing grads for "new economy" jobs.

Recommended tasks to be implemented:

- Create a permanent Regional Education Forum (of education providers, business leaders, and constituencies) with a long-term agenda to define challenges and promote education solutions (e.g., high school curriculum reform, enhanced communications between schools and stakeholders, and better integration of high school and community college curricula)
- Organize 2006 baseline data on educational attainment for the region and by county that includes establishing metrics with mid-term and long-term improvement targets
- Develop a professional communications program (via media, community organizations, and schools) to "sell" the value of education, learning, and skills to families
- Work with school systems (and the State Board of Education) to identify best practices and expand/implement promising new alternatives for improving math/science education and outcomes (including the creative use of new technologies)
- Expand student mentoring programs (for adult and youth) to tap existing talent (especially in math and sciences), among retirees, military, and business community

Proposed success measures

- Student achievement results (e.g. 'Adequately Yearly Progress' accountability measures)
- High school completion rate
- College-going rate
- 6-year college completion rate
- Number of mentors and volunteers supporting youth education
- Value of federal and other funding supporting educational achievement activities



- Percent of area residents deeming post-secondary education as “very important” (from household attitude survey results)
- Employment of residents in targeted clusters

Proposed implementation milestones

- Inventory of resources
- Implementation of first meeting of the Regional Education Forum with “active” participation of business persons
- Implementation of “benchmark” and follow-up surveys of household attitudes toward education
- Identify funding resources to support region-wide “value of education” campaign
- Schedule of meetings of the Regional Education Forum and target of 50 percent participation involving business persons
- Development of region-wide “value of education” campaign

Proposed convening partners

- Need to recruit regional collaborators (especially representing the business community and educators)

***ACTION #2:* Expand the existing base of “special-focus” education and training opportunities for adults consistent with regional industry clusters.**

Rationale:

With an expansion of the region’s education and training initiatives focused on the targeted clusters (in Figure 5), regional leaders hope to address three challenges:

- The region's workforce needs improved skill levels in math, science, information technology, languages, etc. to compete globally.
- Education attainment levels among adults in the region are too low.
- East Carolina University (ECU) has a mission to play a significant role as an economic leader in Eastern NC

Recommended tasks to be implemented:

- Inventory and evaluate the region’s information about existing adult education and training programs (including those in adjacent counties) that support technical and high-skill occupations and industries related to the region’s targeted clusters.
- Implement new programs to fill identified gaps in special-focus education/training (for targeted clusters), with leadership from ECU’s engineering program and related community college programs.

**Figure 5:
Targeted Clusters for “Special Focus” Activities**

- 1) *marine trades*
- 2) *pharmaceutical and medicine manufacturing*
- 3) *building products (including kitchen)*
- 4) *tourism (including retiree attraction)*
- 5) *advanced manufacturing (including heating, electrical, and engine equipment)*
- 6) *food manufacturing and wholesaling (including high value-added agriculture)*
- 7) *military and military procurement (especially construction, logistics, and aviation)*



- Develop an aggressive regional cross-institutional recruitment program to increase participation in special-focus training programs for targeted clusters.
- Identify approaches, including apprenticeships, to encourage adults to move into skilled trades using apprenticeships

Proposed success measures

- Adult workers participating in area education and training programs
- Number of completers of education and training programs (for targeted industry clusters)

Proposed implementation milestones

- Inventory of education and training resources
- Identification of training program gaps
- Identification of workers in “at-risk” occupations
- Creation of consortium agreement for community colleges in targeted special focus training programs (e.g., Wilson, Nash, Edge, Halifax community colleges)
- Development of curriculum for new special-focus training programs

Proposed convening partners

- Workforce development boards working especially closely with higher education and economic development organizations

Strategic Priority Recommendations—Innovation

The SPC noted that some areas of the region are currently too dependent on one or two major industries. The region’s mature industries—textiles and apparel, among others—have been devastated by global competition. The region has created few new industries to replace these jobs and take full advantage of global market opportunities. Innovation is the solution to replacing the lost jobs in traditional industries.

Education is the first prerequisite for innovative behavior, but it is not sufficient for the region’s long-term success. Innovation represents a focus on the future, depends on entrepreneurial behavior, excels when “smart, talented” people apply their know-how and skills, and can be found within existing businesses – no matter their industry.

Capital, facilities, management advice, and marketing assistance are four areas important to promoting innovative, entrepreneurial behavior in area firms. Of these issues, many SPC members felt that the single most critical challenge facing most entrepreneurial enterprises is lack of equity capital (from seed to venture capital). Currently, the region depends on two major sources for this capital: local “angel funds” and the Golden Leaf Foundation. The region boasts an “angel” network serving the East Carolina University community as well as other financial assistance programs available statewide in the region. SPC members also felt that a clearinghouse for funding agencies and organizations would help entrepreneurs in accessing these angel networks. Golden Leaf has been instrumental in helping one such funding network: the Defense Ventures Fund (DVF). DVF targets defense-



related businesses to entrepreneurs in financial packaging, not only to access funding from angel networks, but also to access other sources including banks and Small Business Administration (SBA) lenders. Even so, financing sources such as the DVF are not visible to or frequently go untapped by economic developers and small business persons in the Eastern Region. This financing model might also be employed for other target clusters, such as marine trades.

Any response to the capital access challenge should also address what one participant called “a huge gap” in funding opportunities at the low economic end. Financial information exchange and business mentoring are both key needs for these types of enterprises. The region features at least one successful incubator, which provides both space and management assistance to new companies. While this approach has worked in some areas, not everyone in the SPC agreed that incubators would address the fundamental local challenges to creating new entrepreneurs.

In addition, the North Carolina Rural Economic Development Center (Rural Center) received a \$2 million grant from the W.K. Kellogg Foundation through the Spring of 2007 to (1) develop a directory of entrepreneurial education programs including distance education; (2) provide technical assistance to community brokers of entrepreneurial services to eliminate “wrong turns” and “road blocks,” (3) provide outreach and education about existing capital program including the development of angel networks; (4) develop business-to-business networks, local entrepreneurs' clubs, mentor/apprentice arrangements and topical forums; and (5) conduct “Homegrown Jobs” workshops and an annual entrepreneurship summit to inform local and state policy makers about the power of entrepreneurship as a rural economic development strategy.

In addition to entrepreneurship, SPC members suggested that existing businesses should become a much higher priority for the region’s economic development. The SPC suggested that the region’s strategy should consider ways to link existing companies—especially those in targeted clusters—to available resources.

The SPC identified two major actions to address the region’s “Innovation” challenges. Those actions include:

***ACTION #3:* Cultivate entrepreneurs as a major source of economic growth for the region**

Rationale:

By increasing the number of new businesses starting up, regional leaders hope to address three major challenges:

- The region has inadequate services to support entrepreneurial development (e.g., incubation, equity capital, mentoring, and networking).
- The region could take greater advantage of the research, commercialization and science capacity of the agriculture-research stations, the Marine Sciences complex in Carteret County, and East Carolina University’s health sciences research capacity.

Recommended tasks to be implemented:

- Educate local leaders about the importance of entrepreneurship



- Inventory and evaluate the effectiveness of existing resources and services for the region to extend current Rural Economic Development Center activities
- Implement programs in collaboration with the Rural Economic Development Center and other organizations to implant resources that fill gaps in available business development services and angel/seed capital
- Market these programs aggressively to grow a “culture of entrepreneurship” in the region.
- Assist in the continued development of existing Angel Investor Networks
- Examine the impact of state regulations and tax policies on entrepreneurial behaviors

Proposed success measures

- Number of business formations and new proprietorships
- Amount of business capital investment made
- Amount of seed and venture capital invested in area enterprises
- Employment in firms with 10 or less workers

Proposed implementation milestones

- Inventory of entrepreneurial assets (building on Rural Center initiatives)
- Identification of program gaps
- Development of educational program for elected and non-elected leaders regarding entrepreneurship (“entrepreneurs’ forum”)
- Completion of benchmark analysis of new business formation
- Establishment of annual “entrepreneurs’ forum”
- Development of marketing programs
- Development of cohesive “entrepreneurial program marketing” plan

Proposed convening partners

- North Carolina’s Eastern Region in close collaboration with the NC Rural Economic Center and the Neuse River Development Authority

***ACTION #4:* Invest in promoting improvements in efforts to retain and grow the region’s existing businesses**

Rationale:

By investing economic development efforts on existing companies, the region hopes to address a critical challenge:

- Economic development efforts do not adequately address the need of existing companies that wish to stay and grow.

Recommended tasks to be implemented:

- Convene an economic summit to educate local leaders about the importance of business retention efforts to the region’s economic success and examine what is currently being done



- Conduct an evaluation study of business losses, retentions, and expansions during the past five years to assess the effectiveness of existing business retention and expansion services
- Use the results to enhance the delivery of services for retention and expansion
- Create/expand statewide incentives targeted to helping existing businesses that are investing in technologies and training—even those that may be downsizing—to become more globally competitive

Proposed success measures

- Fewer mass layoffs
- Company announcements of new products lines
- Total firm investments and cost savings reported by Industrial Extension Service clients
- Total economic output (or value-added) and productivity
- Increased payroll per worker in targeted industries (relative to inflation)

Proposed implementation milestones

- Implementation of economic development summit – with emphasis on the needs of existing industry
- Completion of benchmark evaluation study of existing business services, including industrial extension and other retention efforts
- Baseline and follow-on data about business satisfaction rates with and market penetration rates for existing business services programs
- Identification of the most effective incentives required and elimination of ineffective incentive programs
- New or revamped statewide incentives for business expansion and retention

Proposed convening partners

- North Carolina Department of Commerce in close collaboration with North Carolina's Eastern Region

Strategic Priority Recommendations—Global Image & Competitive Location

Strategic Planning Committee members agreed that the 13-county area of North Carolina's Eastern Region has no clear identity outside the region or the state, but the question is whether the region could actually develop a global identity if it were to focus only on its traditional “brand” as central eastern North Carolina or the Global TransPark development zone.



In discussing this question, the SPC felt that the region might find greater success by collaborating with organizations serving other parts of eastern North Carolina to develop a “super-regional” brand. As an example, the Foundation of Renewal for Eastern North Carolina (“For ENC,”) has developed a campaign focused on the towns and cities of the Intracoastal Waterway that builds on the “Venture East – Inner Banks” (IBX) as a regional tourism brand. The regional commissions in Northeast and Southeast North Carolina also have a related impediment to building their own identity.



By building a regional brand and related marketing strategy, all areas of Eastern North Carolina would be able to tout certain advantages as part of their asset base in their respective marketing materials or sales presentations—such a nearby beach (along the Atlantic Ocean), a regional medical institution (at East Carolina University), a significant military presence, and a sizable airport presence (in the form of the four regional airports).

The SPC suggested that the effort of creating a viable identity should begin by building partnerships with, first, the other eastern North Carolina Partnerships and, second, with “For ENC.” By acting together, the region might well be able to develop a broader brand that takes advantage of key assets (such as the Atlantic Beaches, Global TransPark, and so forth) and helps to brand “Eastern North Carolina” as a preferred location for knowledge-economy businesses.

Whatever the ultimate brand identity, the SPC concluded that a professional marketing firm will likely be needed to assist in developing a brand and in facilitating collaboration with the NC Department of Commerce, the partnerships, and “ForENC.” Investing in a professional “branding firm” might be relatively expensive, but such an investment may well be worth the expense. Marketing assistance is particularly important to help the region to view itself as others from outside the region see it—something that local leaders cannot really do alone.

Beyond its identity, the SPC also expressed concern that limited access to adequate fresh water supplies and waste water treatment capacity will likely be major issues facing the entire region as development continues. Historically, most of the communities drew their water from the region’s underlying aquifers, but steady population and industrial growth have combined to drop ground water levels and allow salt water to intrude into some areas previously occupied by fresh water. To address this problem, the General Assembly passed Capacity Use legislation in 2002 that require communities to reduce usage or find other water sources to sustain their growth. This same economic growth has begun to strain the capacity of waste water treatment facilities to handle the discharge as well.

Regional cooperation will be important in addressing the water and wastewater issue, with collaborative activity already underway in the Kinston and Greenville areas.



Responding to this challenge may also require creative regional solutions. At the state level, North Carolina's Rural Center is implementing the Water 2030 initiative, aimed at providing ideas for local jurisdictions on how to address this concern. In addition, many expect a legislative initiative on eastern North Carolina's water issue in spring 2006 that could exacerbate the problems further.

SPC members also expressed concern about air quality issues, especially in Nash and Edgecombe Counties which have been designated as ozone non-attainment areas because their atmosphere contains too many air contaminants (created in large part as a result of congestion in areas immediately west of the region). This non-attainment status will significantly impede certain types of development in those counties.

During their deliberations, the SPC also discussed how regional leaders might support efforts of the newly created North Carolina Military Business Center at Fayetteville Technical Community College. This asset could help to support entrepreneurs and contractors in finding ways to take greater advantage of the state's military bases as a market for local products and services.

Based on the broad array of challenges facing NC's Eastern Region in building a strong market presence, the SPC identified four major actions to help in addressing the region's "Global Image and Competitive Location" challenges. Those actions include:

***ACTION #5:* Create a cogent, cohesive regional marketing brand for business development in Eastern North Carolina**

Rationale:

By creating a regional business development brand, regional leaders hope to address the following major challenge:

- The area has no "identity" outside the region or the state.

Recommended tasks to be implemented:

- Develop partnerships in support of brand development (including NC Commerce, For ENC, other regional partnerships, tourism, Global TransPark, etc.)
- Engage professional expertise to develop a brand for eastern NC
- Develop an NC's Eastern Region marketing plan that builds on the brand

Proposed success measures

- Number of organizations using a common Eastern NC brand

Proposed implementation milestones

- Acquire funding and expertise to support brand development
- Completion of new brand buy-in and design process
- Marketing plan design and roll-out
- Identify key strengths, emphasize positives
- Spread message far and wide to people who travel elsewhere



Proposed convening partners

- North Carolina’s Eastern Region in close collaboration with adjacent regional partnerships and Foundation of Renewal for Eastern North Carolina (FoR ENC)

ACTION #6

Update the concept of the Global TransPark as a valued “knowledge-economy” asset

Rationale:

By redefining the Global TransPark, regional leaders hope to address the following key challenge:

- The Global TransPark is an underutilized resource.

Recommended tasks to be implemented:

- Evaluate the viability of the original concept plan as well as alternative concepts for the GTP in light of the region’s economic transformation
- Identify major investment requirements to make GTP viable as a “knowledge economy” destination, including the implementation of alternative development and land-use concepts (such as high-value agriculture, mixed-use, technology-based, or education-oriented development)
- Evaluate the potential for acquiring appropriate state and federal investments in this concept during the next five to ten years

Proposed success measures

- Amount of square feet under development
- Size of the investment in GTP
- Number of jobs created on site

Proposed implementation milestones

- Assessment of current GTP concept plan and development of alternative concepts
- Adoption of refined GTP concept plan, including identification of investment needs
- Development of resource plan (including related legislative advocacy) to support the refined GTP concept plan
- Acquisition of resources to support major infrastructure investment needs
- Increased development activity at the GTP, including completion of any proposed “seed” projects

Proposed convening partners

- Global TransPark Authority and Foundation (proposed)

***ACTION #7:* Focus marketing and business development to attract companies in the targeted clusters**

Rationale:

By developing a targeted marketing plan, regional leaders hope to address the following challenges:



- The area has no "identity" outside the region or the state.
- The area's military bases look to businesses outside the region to meet their high-tech needs.

Recommended tasks to be implemented:

- Focus business attraction and recruitment efforts to targeted clusters (identified earlier in Figure 5)
- Identify local expertise in regional target clusters to support state, regional, and local marketing efforts
- Conduct systematic industry research and prospect identification in targeted industries
- Identify, organize, evaluate, and implement the needed regional assets required for attracting companies in the target clusters
- Organize and disseminate marketing information for each cluster
- Adopt a comprehensive client handling agreement among NC Department of Commerce, NCER, local economic developers, and other allies

Proposed success measures

- Number of new projects announced for target industry clusters
- Amount of total investments announced related to target industry clusters
- Number of jobs created in target industry clusters

Proposed implementation milestones

- Development of collateral marketing materials including regional website portal for marketing to targeted industries
- Identification of local expert resources and relevant regional assets related to each of the targeted clusters
- Increased marketing leads disseminated to stakeholder partners within targeted clusters
- Implementation of on-going marketing research in support of on-going marketing/sales activities related to each cluster

Proposed convening partners

- North Carolina's Eastern Region working closely in collaboration with NC Department of Commerce, area chambers of commerce, and local economic development organizations

ACTION #8: Sustain an ecological environment that ensures adequate capacity and quality to reinforce our growth strategy

Rationale:

By becoming good environmental stewards as an integral part of the region's future economic development, regional leaders hope to address the following challenges:

- Existing fresh water and sewer capacity will be inadequate to meet the region's future needs.



- The northwestern part of the region is in an 8-hour ozone non-attainment area.

Recommended tasks to be implemented:

- Engage multi-county collaborations in managing water and sewer capacity, including the potential for a regional water authority using alternative water sources
- Assess the investment requirements and potential benefits of alternative technologies for obtaining, moving, and storing water
- Conduct a public information campaign about water conservation
- Incorporate environmental impact, including air quality and water usage, as one factor in prioritizing business prospects for assistance

Proposed success measures

- Achieve redesignation of region’s ozone nonattainment areas to attainment status
- Increased total water and sewer capacity
- Number of “regional” (multi-community) water authorities created
- Reduction in water usage per capita and per business establishment

Proposed implementation milestones

- Accepted criteria related to environmental stewardship to incorporate in making appropriate economic development investments
- Identification of potential regional (multi-community) collaborations that might be encouraged and/or incentivized
- Public water conservation information campaign plan
- Study of new technologies to obtain, move, and store water

Proposed convening partners

- Ad hoc network of the area councils of government water/sewer resource planning officials facilitated by NCER (proposed)

Strategic Priority Recommendations—The Third Place

As noted earlier, the “third place” refers to the amenities that residents and workers enjoy during their leisure time away from home or work. The SPC agreed that the region lacks many of the amenity assets important to young professionals, but were unsure how best to remedy this situation. However, the region does have a unique opportunity to link the experience and knowledge of retirees to “the third place” and to use retirees’ skills to advance the region.



Tourism development authorities frequently use “third place” amenities” as assets they promote. For instance, the region’s water assets (for boating, fishing, small boat launches, and beach-oriented activities) are vital amenity assets. However, the region has not paid close attention to some of these assets. For instance, the region has lost much of its public water access to private development. The SPC felt that coastal



communities must address this access issue to ensure that tourists and residents alike have an opportunity to enjoy public waterways. Likewise, concerns about dredging can have both a positive and negative consequence on the region's amenities. To the extent that dredging damages the environment (as some claim), it can have negative consequences. To the extent that it makes waterways accessible for leisure crafts (as most assert), dredging can have positive consequences.

In addition, the region's college towns and marine-oriented communities could serve as "hot spots" to encourage urban-related activities. Efforts to ensure that the region retains or adds appropriate amenities should focus on promoting revitalization of unique commercial areas in all small towns and quality, affordable housing for area workers. The goal in each case is to help communities of all sizes both to provide local services and offer distinctive activities that would make them appealing to residents and tourists.

The SPC identified two major actions to address "The Third Place" challenges, including:

ACTION #9: Continue efforts to enhance lifestyle amenities

Rationale:

By enhancing amenity assets, regional leaders hope to address the following challenges:

- The region lacks sufficient amenities necessary to attract and retain young professionals.
- Access to the region's recreational assets is inadequate.

Recommended tasks to be implemented:

- Inventory and evaluate existing outdoor recreational (e.g., boat launches, greenways, etc.) assets to identify opportunities for enhancement
- Cultivate, preserve, and market the region's unique "hot spots" such as college towns and marina communities, including bringing more events to the region
- Support "small town" improvement initiatives across the region
- Define amenities to be marketed to include those beyond the region's borders such as those in the Research Triangle and the Atlantic beach areas

Proposed success measures

- Increased visitation to regional recreational and small town assets
- Number of special events held in the region
- Increased number/quality of key recreational and "small town" assets included in area inventory

Proposed implementation milestones

- Comprehensive inventory of recreational assets and area "small town" improvement initiatives, including baseline of current attendance levels
- Identification of key amenities "beyond the region" that should be integrated into area marketing efforts



- Marketing messages associated with area recreation and “small town” assets
- Regional plan for enhancing and supporting area recreational and “small town” assets

Proposed convening partners

- Ad hoc network of the area councils of government recreation planning and tourism officials facilitated by NCER (proposed)

ACTION #10: Convene a permanent regional tourism partnership

Rationale:

By ensuring the region invests in tourism marketing and product development activities, regional leaders hope to address the following challenge:

- Local tourism and recreational assets are not sufficiently integrated across the region.

Recommended tasks to be implemented:

- Develop a brand for regional tourism and retirement attraction that complements the region’s business development brand
- Develop a regional tourism marketing program
- Provide support for a regional tourism marketing presence, including a regional tourism marketing website and related materials

Proposed success measures

- Expenditures (\$millions) by area tourists
- Payroll (\$millions) in area’s tourism-related industries
- Employment (thousands) in area’s tourism-related industries
- State Tax Receipts (\$millions) from area tourism-related transactions
- Local Tax Receipts (\$millions) from area tourism-related transactions

Proposed implementation milestones

- Study of regional brand and related marketing options
- Process of achieving regional acceptance of brand
- Development of collaborative tourism website and other marketing materials
- Regional tourism brand
- Tourism marketing program

Proposed convening partners

- Ad hoc association of area tourism officials with facilitated support from NCER (proposed)

Strategic Priority Recommendations—Connectivity

The Strategic Planning Committee examined a number of issues related to the region’s connectivity, but decided that three priorities require the most immediate attention from regional leaders: highways, waterways, and broadband access.



First, the SPC concluded that the region needs greater access to interstate-quality highways (especially through improvements to U.S. 70, U.S. 17, U.S. 258, and I-95) and needs projects already in the state's Transportation Improvement Program (TIP) to be implemented. The SPC urged the region to get behind these projects, in whatever way is necessary—by offering support, writing letters, and providing advocacy for road improvements.

A key question regarding moving any of these highway efforts forward is how best to finance upgrades or improvements given limited state budgets. While regional leaders agreed that they should advocate for efforts to prevent the legislature from raiding the highway trust fund to pay for “non-highway” expenditures, members suggested that even if the legislature repays all of the funds removed to date, the replenished Fund would still not have sufficient resources to meet current highway planning and construction needs.

Using alternative financing mechanisms to get projects such as U.S. 70 completed (outside the TIP process) should also be considered. Many SPC members support exploring tolls and other methods, if they were used to speed up the completion of these regionally important projects.



The SPC also identified the increased silt in the area's inlets and Intracoastal Waterway as an issue that could have a significant negative impact on the region's and state's economy. This silting is a result of federal funding cuts that limit the amount of regular dredging activity, and therefore decreases the amount of boat traffic. Researchers at the University of North Carolina at Wilmington have proposed a “water-access regional economic impact study.” Leaders from across the region are attempting to raise funds to support this study. The SPC suggested that the region might consider supporting these and related efforts to address waterway issues.

The SPC also expressed concern about the region's internet capabilities. Businesses and residents alike complain of limited access to broadband, slow data transfer speeds, and relatively high costs. These factors hinder the region's competitive position. Rural areas are being left behind their urban counterparts economically in areas in which broadband access is not competitive. Nations, such as Japan, offer higher bandwidth at much lower (subsidized) prices, creating a competitive advantage for those countries in supporting knowledge-content companies.

SPC members considered a number of other critical issues such as rail and air passenger service. While the SPC agreed that these issues are indeed important, the SPC opted to select priorities in which progress was considered relatively feasible in the short term. For instance, air passenger service is indeed inadequate, but the solutions offered may not generate consensus support. The Vision Plan, the SPC agreed, should focus on those issues that would bring the region together in building momentum for collaborative implementation (rather than the kind of dissension that proposed solutions to the airport issue might cause).



The SPC identified three major actions to address “Connectivity” challenges, including:

***ACTION #11:* Provide resources and advocacy to complete highest priority highway transportation initiatives**

Rationale:

By actively advocating for targeted highway projects, regional leaders hope to address the following challenge:

- The lack of "interstate-quality" roads in critical areas of the region hinders industrial/economic growth.

Recommended tasks to be implemented:

- Prioritize US 70, US 17, I-95, and US 258 as the region’s first priority highway corridors
- Incorporate into the state’s Transportation Improvement Plan (TIP) projects within the priority highway corridors not already included (such as US 70 interstate quality upgrades, completion of US 17 interstate quality upgrades from Wilmington to Hampton Roads, etc.)
- Advocate for removing obstacles and completing priority projects (e.g., such as US 258, US 17 upgrades, I-95 maintenance, etc.) for those that are already included in the state’s TIP
- Explore toll road and alternative financing mechanisms to ensure faster completion of certain highway priorities

Proposed success measures

- Completion of interstate-quality upgrades to US 70, US 17, and US 258
- Completion of maintenance improvements to I-95

Proposed implementation milestones

- Incorporation of related projects into the TIP
- Creation of advocacy group(s) to support advancement of priority projects
- Alternative Transportation Financing Summit

Proposed convening partners

- Area metropolitan and rural planning organizations (MPOs/RPOs) with North Carolina’s Eastern Region providing a venue for coordination

ACTION #12: Increase investment in dredging and beach re-nourishment along the Intracoastal Waterway

Rationale:

By advocating investment in dredging and beach re-nourishment, regional leaders hope to address the following challenge:



- Increased silt in the area's inlets and Intracoastal Waterways has resulted in decreased boat traffic and has a significant negative impact on the region's and state's economy.

Recommended tasks to be implemented:

- Participate in a planned economic impact study of the area's waterway assets
- Advocate for increased federal and state investment in dredging and beach re-nourishment

Proposed success measures

- Amount of Federal and state investment in Intracoastal waterway dredging activities

Proposed implementation milestones

- Economic impact study completion
- Federal and state funding advocacy activities

Proposed convening partners

- Ad hoc alliance of tourism and port officials facilitated (proposed)

ACTION #13: Promote universal access to high speed, low cost broadband service

Rationale:

By supporting universal access to broadband telecommunications, regional leaders hope to address the following challenge:

- "Pockets" of the region do not have broadband internet access.

Recommended tasks to be implemented:

- Document broadband internet technology options and gaps in access for area businesses and residents
- Develop incentives for private and/or public investments in "pockets of non-access"

Proposed success measures

- Household broadband penetration rates
- Relative cost of broadband internet access

Proposed implementation milestones

- Completion of detailed study of universal access gaps
- Identification of incentives

Proposed convening partners

- E-NC Authority with regional support from NCER (proposed)



Strategic Priority Recommendations—Governance

The Strategic Planning Committee noted that NCER has a unique role in promoting regional economic development. Federal and state granting agencies are increasingly incorporating requirements for counties and municipalities to collaborate as part of their funding criterion. For instance, many water and sewer projects and other similar efforts are now being funded primarily on a regional basis while individual communities are no longer eligible for certain awards. The region recently missed an opportunity to compete for a large grant from the U.S. Department of Labor (i.e., the Workforce Innovations in Regional Economic Development or “WIRED”) because regional leaders did not have a mechanism for the pulling a collaborative project together.

While the NCER was initially formed to play a supporting role to local economic development efforts, the SPC agreed that it may well be time to revamp the NCER mission to reflect new realities. Changes in the economy and a need for greater regional collaboration are compelling NCER to take a stronger leadership role. Yet, NCER must also be careful not to duplicate current local economic development activities. A refined mission statement for NCER should present a compelling case for counties to participate in the regional partnership.

Currently, the region’s 13 counties tend to focus on their individual county efforts, but the counties cannot go it alone. Regional leaders must chart a new course – and must look at regional efforts to help get it there. The SPC felt that NCER should focus its efforts on “regionally important” efforts that no single county in the region could handle on their own.

One concern raised – especially among the region’s economic developers – was the traditional role of NCER in business recruitment “marketing” versus “sales.” Economic developers believe that NCER has a critical role to play in marketing and that certain activities, such as many efforts to interact with the U.S. military services, should be implemented at a regional level, especially when these activities have an impact on more than one county. The SPC noted that local developers in collaboration with the NC Department of Commerce should focus on “closing the deal” while NCER retains its role in regional marketing.

The previous NCER Commission had an advisory board of local economic developers—the Economic Development Advisory Group (EDAG)—that some felt could become a more valuable asset. For instance, the EDAG could help greatly in developing a regional marketing strategy, but a successful strategy may require access to resources not previously available.

After its discussion, the SPC agreed that each of the proposed actions in the Vision Plan may require formation of a committee of stakeholders—one recognized formally by the Commission—in order to implement the pertinent tasks. The SPC suggested that each major priority should have a supporting committee charged with implementing the priority and coordinating resources (including people and dollars) in support of the effort. The respective task-specific committees would review, acknowledge, and respect what the individual counties are already doing, but would function on a regional basis.



NCER has a special role in managing and implementing the Vision Plan. The SPC suggested that NCER's role should be to bring stakeholders and allies together around each of the proposed strategies. These could help to influence the NCER committee structure and provide the NCER Commission the fundamental role of balancing the demands associated with each of the proposed actions and allocating resources to support these regional priorities.

The SPC identified three major actions to address "Governance" challenges.

***ACTION #14*: Reposition and revitalize NCER as the voice for regional economic growth**

Rationale:

By recognizing NCER has a locus for regional economic action, regional leaders hope to address the following challenges:

- NCER needs a mission statement that more closely reflects the emerging Vision Plan priorities
- NCER's constituents expect different and sometimes conflicting outcomes from the North Carolina's Eastern Region partnership.
- Many local leaders focus on addressing county-specific issues without fully exploring solutions that include greater regional cooperation.
- The counties vary widely in their capabilities and resources to meet their economic development needs.

Recommended tasks to be implemented:

- Adopt a new mission statement for NCER that reflects a more aggressive leadership role
- Change the way NCER's resources are deployed to support activities for which it is a convener or support organization

Proposed success measures

- Amount of NCER resources invested in Vision Plan implementation activities

Proposed implementation milestones

- New mission adopted
- Redesign of NCER program

Proposed convening partners

- NCER

ACTION #15: Manage and monitor Vision Plan implementation

Rationale:

By engaging NCER as the acknowledge leader for Vision Plan implementation, regional leaders hope to address the following challenge:

- NCER needs a mission that more closely reflects the emerging Vision Plan priorities.



Recommended tasks to be implemented:

- Obtain organizational commitments to convening and support roles for each of the Vision Plan's actions and related activities
- Organize convening and participating organizations as an implementation committee for each action and related activities
- Obtain endorsement of participating organizations by their incorporation of Vision Plan elements in their own strategic and/or operating plans
- Establish a general Vision Plan coordinating, monitoring, and reporting role for the process
- Convene the Strategic Planning Committee to review progress on a quarterly basis

Proposed success measures

- Total investment from all participating organizations in Vision Plan initiatives
- Number of initiatives currently underway

Proposed implementation milestones

- Creation of on-going implementation committee (i.e., evolution of Strategic Planning Committee) to monitor on-going efforts
- On-going monitoring and reporting of outcome metrics and implementation milestones from all Vision Plan actions

Proposed convening partners

- NCER



The Highest Priority Recommendations

After reviewing these 15 recommendations, the Committee convened to provide additional input on February 28, 2006. Based on the discussion, the SPC (with subsequent input from other SPC members unable to attend) selected eight recommendations as their highest priority.

Those priority actions are:

Provide resources and advocacy to complete highest priority highway transportation initiatives (Action #11)

Invest in promoting improvements in efforts to retain and grow the region's existing businesses (Action #4)

Develop a regional policy and targets for increased educational attainment and a culture of learning (Action #1)

Focus marketing and business development to attract companies in the targeted clusters (Action #7)

Expand the existing base of "special-focus" education and training opportunities for adults consistent with regional industry clusters (Action #2)

Create a cogent, cohesive regional marketing brand for business development in Eastern North Carolina (Action #5)

Cultivate entrepreneurs as the region's primary source of economic growth (Action #3)

Reposition and revitalize NCER as the voice for regional economic growth (Action #14)

These actions will be the focus of the initial vision plan implementation efforts. The convening organizations identified for each of these actions are urged to move forward on implementation. NCER has committed to help in facilitating the efforts of the stakeholder efforts related to each of these actions.

Concluding Comments

The Vision Plan lays out a new direction for NC's Eastern Region Commission and for the counties of eastern North Carolina. This document defines the fundamental challenges inhibiting the region's future economic prosperity. This plan also offers a new set of actions to regional partners that could ensure the region has a competitive and talented workforce, an innovative business community, a presence in global markets, a quality living and working environment, a sound infrastructure, and strong regional leadership.

In the past, the Eastern Region has not prospered as well as other parts of North Carolina. Yet, the region has many of the fundamental assets required to shift the balance of growth in the state. It has a major research institution, a willing



workforce, a major port, a significant highway infrastructure, one of the nation's largest military concentrations, magnificent coastal areas and waterways, and easy access to one of the nation's fastest growing metropolitan areas (in Raleigh). While there are additional investments needed, there is no reason that the region cannot prosper by utilizing these assets to their greatest advantage. Regional leaders have a golden opportunity to build momentum for economic growth in the Eastern Region.

This momentum depends in no small part on how well regional leaders take up the mantle for economic development. Regional leadership involves more than rhetorical support for collaboration. In this competitive economic climate, regional leadership requires aggressive pursuit of both public and private investments in knowledge-driven economic activity. Regional leadership demands a common vision for the future and a willingness to sacrifice for the greater good. Regional leadership requires an innate understanding that unique assets benefit areas well beyond local political boundaries. For instance, a successful port provides spin-off benefits for the I-95 corridor; a sustainable tourism industry attracts private investment from executives interested in purchasing second homes in the area; and a strong military presence creates a wide variety of opportunities for businesses throughout the region.

Unlike many other regions across the nation, NC's Eastern Region has an inherent advantage in the form of the Commission. This unique body provides a structure for regional leadership, with resources to support regional investments. But, the region has not always used this governance body to its advantage. Parochial investments have not led to greater regional cooperation. The impacts of past investments cannot be traced beyond the immediate boundaries of individual counties. Consequently, the North Carolina's Eastern Region Commission has not been utilized to its full benefit and it has not achieved its potential.

Fortunately, local leaders have come to understand the importance of regional collaboration and they look to the Commission for regional leadership. The Commission must now take the up mantle of regionalism and wear it well. The Vision Plan represents an agreed upon blueprint for regional action. The work to be done in this vision plan relies on myriad partners, and this work will no doubt continue to evolve over time. However, the success of the vision plan's implementation will rest squarely on the leadership of the Commission. If eastern North Carolina is to prosper in the future, it will depend on the decisions made and actions taken today by hundreds of local leaders and thousands of local residents. North Carolina's Eastern Region Commission must step forward and provide guidance to local public and private sector leaders so that they might make the "right" decisions in support of the region's greater good and they might take coherent action toward achieving the vision in this Vision Plan. The true challenge laid down by this Vision Plan is how can the Eastern Region Commission step into its acknowledge role and lead the region toward our common goals of bringing economic bounty to the citizens of eastern North Carolina.