High Tech Industry Development in the Opportunity Florida Region

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Final Report

The Haas Center for Business Research and Economic Development
The University of West Florida

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Final Report

Commissioned by:
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***as a Service Provider for* Opportunity Florida**

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Executive Summary

The Haas Center for Business Research and Economic Development is pleased to submit to the Chipola Regional Workforce Development Board, Inc. and Opportunity Florida the following community assessment and action plan for high technology industry recruitment and development. This report pertains to an eight county region designated by Florida's Governor as a Rural Area of Critical Economic Concern. The eight-county Opportunity Florida region includes Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty and Washington Counties. These counties are characterized by high unemployment, low per capita and median household incomes, and low population density.

- The median household income for the eight-county region is $28,680, compared to the Florida State average of $42,009;
- The population density for the region is 36 persons per square mile, compared to the State average of 301 persons per square mile;
- The region's unemployment rate is 5.3%, compared to the State unemployment rate of 3.6%;
- The region has a lower percentage of people with advanced educations. The percent of residents with a Bachelors degree is 8.7%, and 4.3% of the population have graduate degrees, compared to the State average of 14.9% and 7.1% respectively; and
- Per capita income, at $14,059 in the region, is considerably less than the State average of $22,261.

The purpose of the Haas Center analysis is to provide regional stakeholders with pertinent economic data and a framework for an action plan for economic development that will stimulate private high technology investment, bolster the regions' economy, create high paying jobs, and increase the income and wealth of residents.

Rural economies like the study region have several characteristics that make economic development efforts especially challenging. Businesses located in rural areas have small markets, and must therefore export a greater percentage of their product than businesses located in thriving urban economies. Because of this, transportation and travel expenses are a much larger issue for rural businesses. Rural areas often lack resources, such as business or technical expertise that are needed to promote and sustain entrepreneurial activities. Generally, rural businesses are faced with a much smaller base of qualified workers to choose from than are urban businesses. Lack of capital is also a major concern as rural banks are not as prone to taking risks on start-up enterprises. Additionally, rural areas are generally dominated by a single industry, usually agriculture or a single manufacturer. All of these factors present barriers to economic development efforts that need to be overcome.

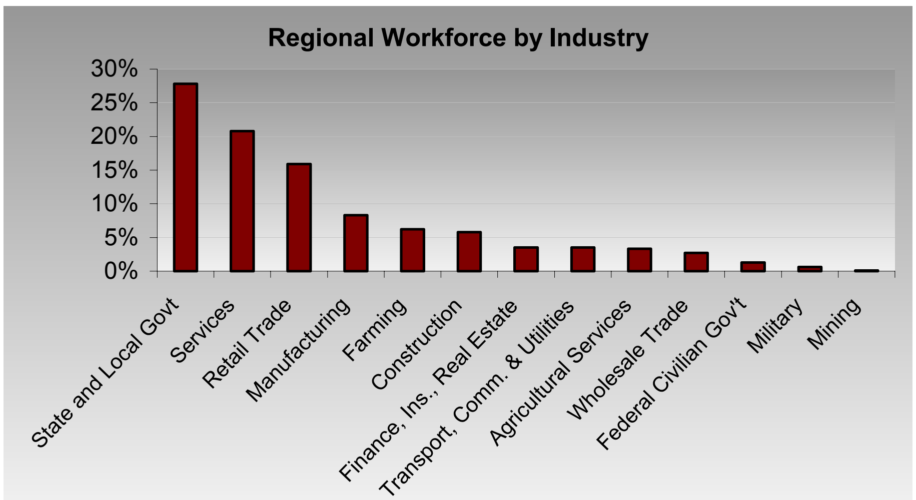
The goal of developing a sustainable high technology economic base will depend on private, for-profit business development, and investments based on economic self-interest and genuine competitive advantage. Therefore, stimulating high-technology economic development will require an economic strategy that recognizes the potential business advantages inherent to the region while dealing head on with the present disadvantages. A successful economic approach must focus on making the region competitive as a business location, and on integrating the region into the larger Northwest Florida and State economy.

Using both survey results and secondary economic data, this analysis provides regional stakeholders with a useful economic description of both the region of interest and of the larger economy within which this region resides, including:

- An overview of the region's existing business assets;
- Description of competitive advantages and disadvantages;
- Summary of barriers to economic development, including a description of the digital divide that exists between this region and more urban areas of the State;
- Best practices of other rural high technology economic development efforts;
- A summary of opportunities for integrating with the Northwest Florida economy.

The desired result of this analysis is to provide both public, nonprofit, and private sector stakeholders with a more common understanding of the strengths, weaknesses, opportunities, and threats facing the region. With a shared understanding of the challenges and opportunities, specific plans and approaches can be developed to stimulate regional economic development. Recommendations are provided on ways that regional businesses might increase business-to-business interaction with the larger area industry clusters, and get directly involved in workforce development efforts. The competitive advantages that this region provides to business owners are reported and provide compelling reasons for private sector investment. Barriers to business growth in the region that require the attention of the public and non-profit sectors are listed.

Although the region is characterized by lower population density and income, it supports significant business activity across a diversified range of industry sectors. The service industry, including a strong representation in health care, and retail trade are the major private employers, ranking second and third in total employment after government. Regional employment is also concentrated in the agricultural services, manufacturing, and farming industries. The existing workforce provides the region with a strong foundation that can be built upon by integrating the region into the larger Northwest Florida economy. The surrounding area economy presents opportunities to develop strategies that tap into rapidly growing health care, technology, and tourism industry clusters.

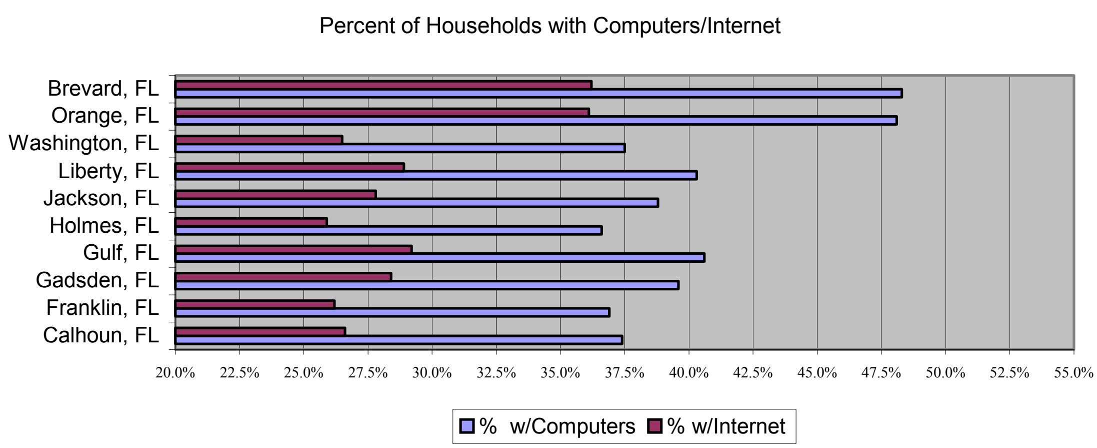


Several factors are recognized as important in attracting high technology industry to an area. These include: a highly educated and productive workforce, good air transportation access, availability of advanced telecommunications, a positive business environment and governmental support, a strong network/cluster of support services, a research and development base, available investment capital, and a high quality of life and attractive community.

To ascertain how the study region stacks up in these areas, interviews of the regions business and civic leaders were conducted. These key stakeholders indicated that the region offers significant competitive advantages over other possible business locations, especially in the areas of quality of life and the cost of land, buildings, and labor, and access to interstate transportation. Over 95% of those interviewed felt that the quality of education, the low crime rate, and the climate offered by the region was superior to other possible business locations. Additionally, 91% rate the cost and productivity of the workforce a competitive advantage. And, 82% rate access/proximity to interstate transportation to be better for regional businesses than for those outside the region. The regions regulatory environment and tax structure are considered a competitive advantage by 73% of stakeholders.

The primary competitive disadvantages of the region identified by stakeholders are access to air transportation, the skill level of the workforce, and access to markets/customers.

The region's telecommunications infrastructure was studied and the digital divide that exists between the Opportunity Florida region and more urban areas of the State was quantified.



Learning, Linking, Leveraging, And Leadership

Specific actions are recommended to build upon the competitive advantages inherent to the region while dealing head on with the present disadvantages. These actions will make the region more competitive as a business location and promote high technology economic development. The recommended actions all fall under the general categories of learning, linking, leveraging, and leadership. Learning refers to building the technical skills of the existing and future workforce by matching regional workforce training with regional business employment requirements for knowledge workers that provide specialized high technology services. Learning also includes efforts to encourage “home-grown” businesses using technology incubators, product development laboratories and test-beds, technology service centers, and innovation centers.

Linking refers to developing partnerships, networks, and alliances that make the region more competitive as a business location by integrating regional businesses into the larger surrounding economy. Partnerships that cut across geo-political borders, that link government, universities, and business, and that foster widespread economic opportunity are the keys to success. Technology development centers and manufacturing extension programs are linked with to obtain mentoring which accelerates the commercialization and deployment of technology to existing industry. Linking also involves improving or capitalizing of the region’s research base. This action strategy recognizes the importance of maintaining, strengthening, and becoming more involved in the applied research and economic development programs of the area’s community colleges, universities, and the military.

Leveraging refers the requirement to leverage public funds with industry, foundation, state and federal government, and university funds to stimulate technology investment. Communities can aggregate customer and private industry demand to attract high-speed telecommunications infrastructure investment, or pool resources to purchase their own advanced telecommunications capability, industrial parks, laboratories, business incubators, or other advanced technologies and services.

Leadership is the essential ingredient needed with each of the action strategies to bring all of the relevant players to the table where they can develop consensus, forge partnerships, and develop the means to see that recommendations are implemented.

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Introduction

Background

Until approximately the decade of the 1950's, rural economic development was based on natural resource-based primary industries such as agriculture, forestry, fishing or mining. A large percentage of the workforce in a rural community were either directly employed in the primary industry, or found employment in businesses that supported it. An effective economic development strategy in this environment was to support polices and practices that assisted the specific primary industry, in the expectation that enhancing the income of that industry sector would in turn create direct and indirect economic impacts benefiting a large percentage of the area's workforce. Effective strategies focused on agricultural or forestry research, enhancing rural transportation infrastructure, providing price support for key commodities, and improving access to credit. These strategies resulted in fundamental changes in the agriculture and forestry industries. New technologies, credit programs, and improved transportation emphasized the benefits of economies of scale. Consequently, resource-based industries began replacing labor with capital. In the process, they created less direct and less indirect employment. As resource-based industries employed a smaller percentage of the local workforce, strategies that benefit those industries resulted in economic benefits for a much smaller percentage of the area's workforce.

As this was occurring, the nation was experiencing a period of strong employment growth in the manufacturing sector. Many manufacturing firms, especially those requiring low-skilled labor, found it profitable to locate branch plants in rural areas, thereby providing local employment opportunities. Rural communities responded to this change in the national economy by adopting economic development strategies that would attract manufacturing firms to their location. Improved infrastructure, low interest financing, tax credits, abatements, deferments and exemptions, subsidized industrial job training, and assistance with site selection and preparation were all employed to make their location more attractive than other locations. By the 1970's, however, manufacturing began to face increased competitive pressures from foreign firms. Manufacturing firms used technological advances to improve productivity, reducing the need for some of their labor force. Reduced national employment in the manufacturing sector has been exacerbated by increased competition from firms with lower labor costs in developing countries. Consequently, efforts to recruit business relocation to rural areas have become more challenging, as firms increasingly consider foreign as well as domestic sites. Even when recruitment efforts are successful, the majority of jobs go to non-residents, because local workers lack the necessary job skills. Once again, rural employment was negatively impacted by structural changes in the national economy.

In the last several decades, the structure of the national economy has again changed, and we now have a large percentage of the workforce employed in the service sector. The shift from manufacturing to services as the leading employment sector has been accompanied by numerous other changes that are affecting all sectors of our society, but especially rural areas. The Director of Rural Studies for the Tennessee Valley Authority, David Freshwater, states that:

> It is clear that we live in a highly unstable time. The list of significant changes impacting rural and urban places seems to keep expanding. It includes globalization; rapid technological change in all sectors of the economy; changing organizational structures within firms and industries; falling transport costs; more intense competition among places for growth; the influence of advanced telecommunications and information

> systems, particularly the Internet; declining political influence of rural residents; and a reduced demand for raw materials. Each of these factors has a significant impact on rural economies, and the cumulative effect will necessitate change in most rural places.[1]

Rapid technological change has had several negative impacts on rural employment. Rapid change reduces the useful life of capital investments, necessitating a faster return on investment. This makes the small markets and large distance from sources of innovations that characterize rural areas less attractive to firms selling leading edge technology. Similarly, employees of high-technology firms require specific educations or skills that are more readily found in urban areas. High paying service businesses that support the technology industry, such as engineering firms, financial specialists, software development, and legal services are also much more attracted to locations that offer a high concentration of potential customers and related industries, a combination usually found in urban centers.

The rapid development of the telecommunications industry has special significance for rural areas. The integration of computer development and communication technology has provided a worldwide catalyst for economic growth and improved quality of life. Perhaps more than any other technical area, information and communication technologies are what make our society "modern." Despite the incredible benefits resulting from the growth of information technology since the early 1990s, many citizens still do not have easy access to basic information technology resources. Access is an issue that affects people at home, at school, at work, and in the community at large. Communities with less technology access are at a disadvantage to those communities with more access when it

[1] David Freshwater, The “New” Open Economy: What Has Changed for Rural Areas? November, 2000.

comes to seeking better education, better jobs, and even higher levels of civic participation. In rural America, the high cost of establishing a communications infrastructure has meant that these areas are often the last to see the benefits of advancements in information technology. The Federal Communications Commission (FCC) recently completed a study on the availability of high-speed and advanced telecommunications service, and concluded that there has been appreciable growth in the deployment of high-speed services, but that citizens living outside of population centers, including rural residents, are particularly vulnerable to not receiving timely access to such services. For example, 57% of the FCC's sample of small town zip codes had at least one subscriber to high-speed service, whereas only 19% of sparsely-populated zip codes could make the same claim. The FCC also found that in zip codes with lowest household incomes only 42% include a high-speed subscriber, compared to 90% of zip codes with the highest household income. The FCC further voiced the concern that rural communities may not get advanced services in a timely fashion relying on market forces alone.[2]

In addition to diminished access to government services and educational advances, local economic development is inhibited by the digital divide that exists between rural and urban areas. Communities with the infrastructure and skills to compete in the digital economy are at a distinct advantage over communities lacking those resources. Global investment dollars will gravitate to the best-educated minds, the most skilled workforce, the most modern infrastructure, and the highest quality of life. A community with a well-educated, technology-literate population is more likely to attract and retain business investment, and these new businesses in turn attract more well-educated, technology-literate

[2] Report on the Availability of High-speed and Advanced Telecommunications Services, Federal Communications Commission, August 22, 2000.

workforce into the area. Conversely, communities that lack reliable access to technology and the skills to use it are less likely to attract or retain businesses that will serve as a catalyst to economic prosperity.

Obstacles to Rural Telecommunications Investment

Florida's rural communities face a variety of obstacles in gaining access to and benefiting from advanced telecommunications. These obstacles fall into four general categories.[3] First, there are regulatory obstacles. The Telecommunications Act of 1996 calls upon private sector determination of service delivery based upon competitive market forces. Most experts agree that market forces will find urban centers much more economically efficient and profitable than rural areas. Additionally, regulations covering depreciation policies, exchange boundaries, entry into information services and other policy areas are often written to deal with urban conditions and sometimes have unintended consequences for rural areas.

Second, there are market obstacles. Rural areas are characterized by low population densities, and relatively few industries or institutions. These characteristics reduce the demand for advanced telecommunications, raise the cost, reduce the profits of providing services, and limit suppliers. Compared to densely populated urban areas, profit-seeking firms have little incentive to serve rural areas.

Third, there are physical obstacles. Distance from urban centers and between users increases the cost and length of time required to install telecommunications infrastructure. Distance reduces the quality of transmission, and often results in deterioration of service levels.

[3] Rural Telecommunications: Why Your Community Isn't Connected and What You Can Do About It, TVA Rural Studies, Tom Rowley, January 1999

Finally, there are end-user obstacles. Even when telecommunications service is deployed to rural areas, there is no guarantee that this service will be embraced by the local community. At almost every income level, households in rural areas are less likely to own computers or have home Internet access than households in urban areas.[4] Similarly, businesses generally have less access to the variety of technology training programs that exist in urban areas.

Strategies to Promote Technology in Rural Areas

With a shared understanding of the challenges facing them, communities are better able to develop specific plans and approaches to promote technology based economic development. What are other communities doing to overcome rural barriers to technology related economic development? The following examples are representative[5]:

- Building the technical skills of the existing and future workforce. This strategy acknowledges that the availability of an educated, highly skilled workforce is a prerequisite for a technology-based economy. Efforts include improving math and science education at the K-12 level and emphasis on the importance of technical training for students as well as life long learning opportunities for the existing workforce.
- Creating a climate supportive of entrepreneurs and technology-based businesses. This includes efforts to encourage "home-grown" businesses using technology incubators, product development laboratories and test-beds, service centers, and innovation centers. Similarly, tax and regulatory policies are reviewed considering the interests of technology

[4] Falling Through the Net: Toward Digital Inclusion, A Report on Americans' Access to Technology Tools, October 2000, National Telecommunications and Information Administration, US Department of Commerce

[5] Science and Technology Strategic Planning: Creating Economic Opportunity, Economic Development Administration, U.S. Department of Commerce

development and programs are developed to provide financial and non-financial assistance to entrepreneurs and technology-based companies.

- Improving or capitalizing of the region's research base. **This strategy recognizes the importance of maintaining , strengthening, and becoming more involved in the applied research and economic development capacity of colleges, universities, and the military.**
- Accelerating the commercialization and deployment of technology. **Rural businesses and institutions are increasingly trying to facilitate the incorporation of new technology into existing processes and products by incorporating "best practices" of industry leaders.**
- Investing in technology infrastructure. **Rural areas suffering from the digital divide are finding ways to aggregate demand and pool resources (to overcome the market obstacle described above) to obtain the infrastructure needed to support technology based economic development.**
- Developing partnerships, strategic alliances, or coalitions **of higher education, government, and industry within the region and incorporating the larger economic assets of the surrounding area. Economists regularly point out that the stronger the interconnections among producers, customers, and suppliers, the greater the competitive advantage of a community. This strategy focuses on making the region competitive as a business location by integrating regional businesses into the larger surrounding economy.**

The Opportunity Florida Region

Quality and Size of the Labor Force

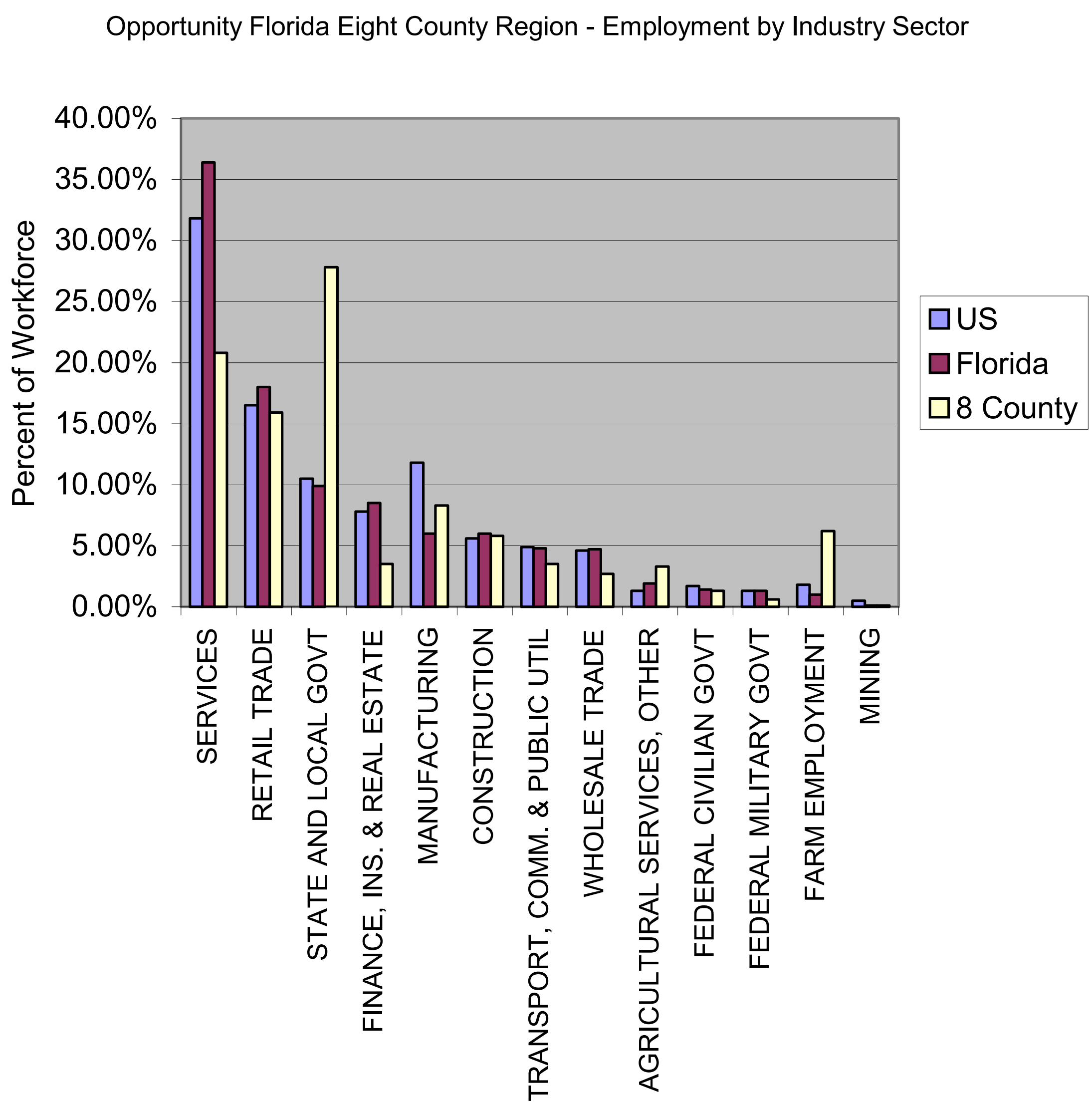
The quality, size, and cost of the labor force are often cited as the most important factors in a business relocation decision. Businesses will not remain in or move to locations that cannot provide a labor force possessing the skills that they require. They are also interested in the availability and quality of training and education programs. Economic developers have found that to ensure the quality and quantity of the local workforce, they must harness the potential of their entire population, including:

- Women, who are a major part of the labor supply. Their full participation may require improving the quality and affordability of day care.
- Young adults entering the workforce need strong school-to-work transition programs, apprenticeship programs, and vocational educational education programs.
- Mature and displaced workers often require career transition assistance to provide them with the confidence and skills they need to move forward. This assistance should develop a match between the skills of the individuals with the needs of the marketplace.
- Local businesses can strengthen the workforce by retraining workers before they become unemployed. Businesses can identify areas where they could become competitive if they had the workforce with the requisite skills, and provide this information to workforce development professionals. Then programs can be established with local colleges or vocational schools to provide the necessary training.

A review of employment data is a good way to identify and understand the Opportunity Florida region's labor force and key industries. Employment data provides the number of people whose incomes depend directly on each particular industry. Employment data can also be used to help determine: 1) which industries are growing and which are declining, 2) the importance of an industry to the local economy relative to its

importance nationally, and 3) how competitive regional industries are compared with their counterparts nationally. Figure 1 compares relative employment by industry sector for the United States, Florida, and the eight-county Opportunity Florida region.

Figure 1 - Employment by Industry Sector for the US, Florida, and Opportunity Florida Region, 2001



The eight-county region is shown in Figure 1 to have a high percent of its workforce employed in the state and local government, services, retail trade, manufacturing, and farming. Figure 2 (below) shows historical and current employment broken out by major industry sector. Here, the period from 1980 to 2001 is shown. While sectors such as manufacturing, wholesale trade and farm employment have experienced declines in the number of people employed; other sectors have grown substantially, both on sheer numbers and as a share of regional employment (see Figure 3 below). Most notable in Figure 2 is the expansion of employment in services and retail trade. These growth trends reflect structural changes in the national economy that are projected to continue over the next decade.

Figure 2 - Number Employed in Eight County Region by Industry, 1980-2001

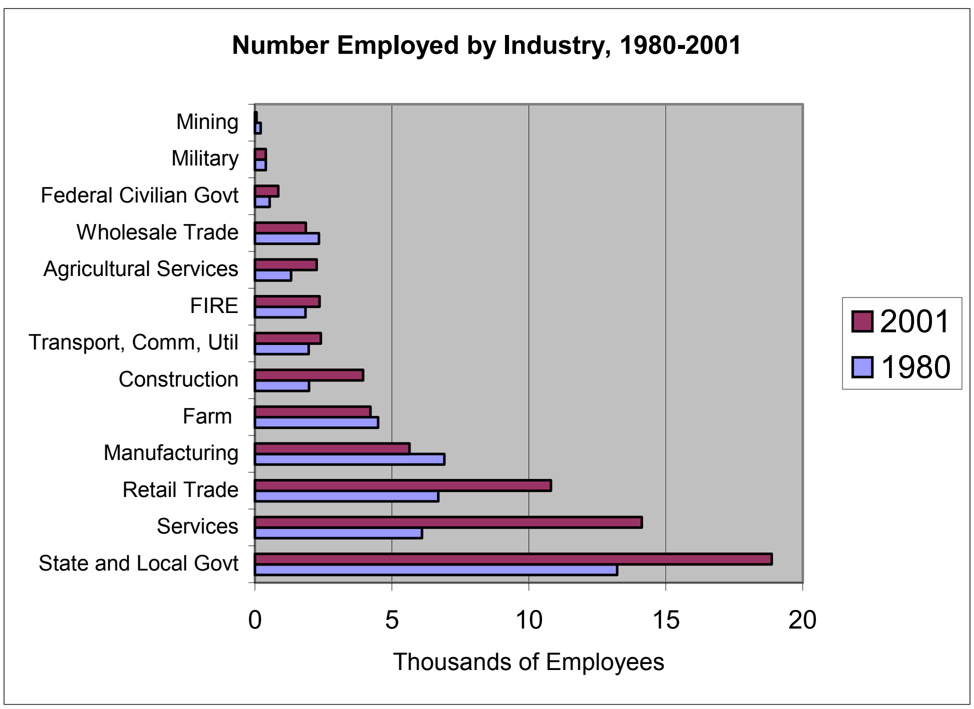
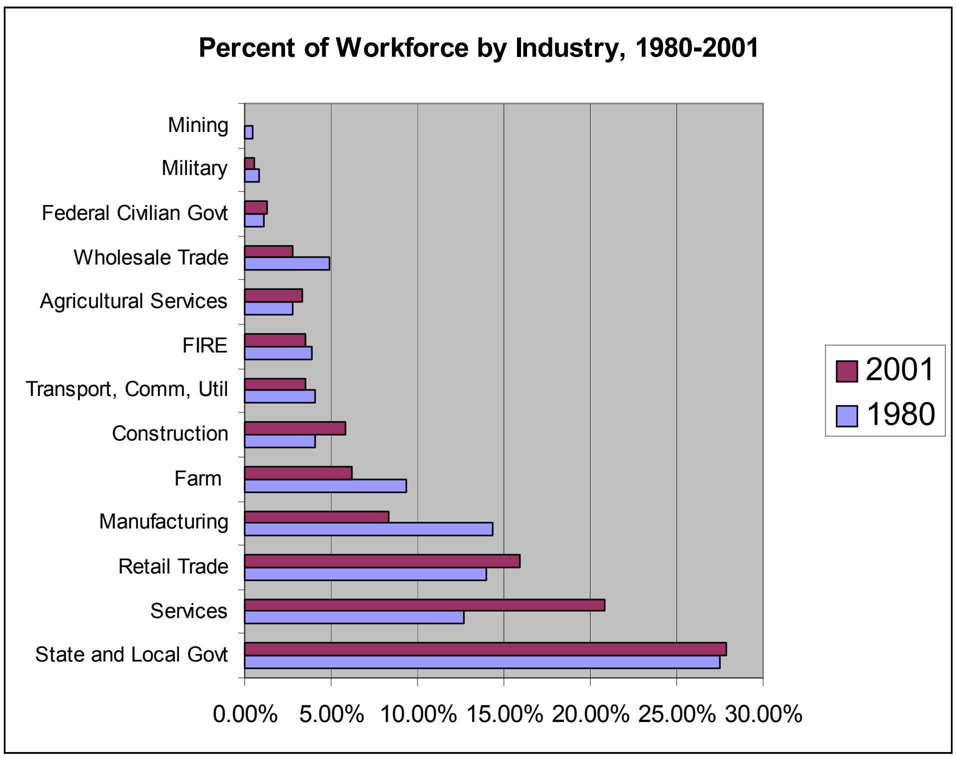


Figure 3 shows what this differential job growth has meant for the share of regional employment for different sectors. Here again, the 1980-2001 period is shown. Over the past two decades, the eight-county region has experienced changes in its workforce that reflect structural changes in the national economy. Service industries have increased from employing 12.7% of the workforce to almost 21%. Retail trade has grown from 13.9% to 15.9%, and construction has increased from 4.1% to almost 6% of the area workforce during the 1980 to 2001 time period. Meanwhile, manufacturing employment has declined from 14.4% of the area workforce in 1980 to 8.3% in 2001, and farm employment dropped from 9.4% to 6.2% during the last two decades.

Figure 3 - Percent of Eight County Regional Workforce Employed by Industry, 1980-2001



The Opportunity Florida regional economy is described in greater detail below in terms of several standard measures of economic output. Table 1 below shows the relative value of inter-industry sales and purchases (industry output) generated by the region’s fifty largest industries (by number of persons employed). The table also provides estimates of

employment, employee compensation, total business taxes generated, and wages plus profits and taxes (value added) generated by each of those industry sectors.

Table 1 - Eight County Employment and Output by Industry Sector

Industry Sector	Total Output	Employment	Employee Compensation	Proprietor Income	Business Taxes	Wages Plus Profits and Taxes
State & Local Government - Education	$331,276,428	10,882	$331,276,428	$0	$0	$331,276,428
State & Local Government - Non-Education	$249,951,920	6,107	$196,097,443	$0	$0	$249,951,900
Eating & Drinking	$87,357,590	2,744	$28,815,550	$3,118,555	$5,788,006	$45,810,132
Food Stores	$60,237,022	2,643	$34,776,234	$1,913,141	$9,976,452	$56,428,131
Wholesale Trade	$167,593,948	1,925	$62,535,908	$1,914,169	$23,860,788	$114,262,402
Nursing and Protective Care	$62,043,945	1,903	$36,464,077	$5,996,465	$1,470,345	$45,157,071
Miscellaneous Retail	$52,671,532	1,587	$24,304,190	$2,845,572	$8,736,718	$44,435,662
New Residential Structures	$192,015,060	1,571	$23,478,642	$6,228,733	$1,189,748	$35,085,443
Automotive Dealers & Service Stations	$48,338,535	1,163	$23,942,783	$2,109,761	$7,991,045	$41,863,105
Doctors and Dentists	$66,164,963	1,062	$29,608,906	$4,977,835	$712,136	$38,253,413
General Merchandise Stores	$29,779,182	1,026	$14,088,659	$134,571	$4,924,215	$23,965,962
Hospitals	$51,252,625	1,021	$24,563,936	$4,245,669	$160,034	$30,199,427
Maintenance and Repair Other Facilities	$48,897,190	975	$21,258,778	$5,523,802	$135,782	$28,297,801
Accounting, Auditing and Bookkeeping	$40,666,119	916	$3,549,916	$30,838,961	$370,809	$36,656,884
Banking	$107,019,783	913	$26,045,612	$575,943	$2,097,991	$79,826,914
Motor Freight Transport and Warehousing	$74,625,809	840	$14,659,006	$5,058,920	$872,486	$26,428,187
Domestic Services	$6,656,940	839	$6,656,940	$0	$0	$6,656,940
Federal Government - Non-Military	$45,065,365	826	$38,726,345	$0	$0	$45,065,366
Agricultural, Forestry, Fishery Services	$14,893,051	824	$6,729,395	$440,361	$346,074	$8,636,500
Greenhouse and Nursery Products	$38,662,594	817	$10,805,796	$10,319,349	$445,547	$35,707,899
Vegetables	$51,459,728	771	$13,284,126	$18,069,832	$1,589,711	$47,084,501
Real Estate	$145,667,450	754	$8,955,818	$8,976,458	$17,233,469	$102,197,330
Oil Bearing Crops	$29,235,868	725	$3,190,033	$8,438,340	$1,633,340	$19,581,226
House Furnishings, N.E.C	$78,289,223	712	$14,410,628	$470,189	$488,153	$22,588,473
Apparel Made From Purchased Materials	$56,696,632	681	$11,006,498	$228,381	$179,358	$13,283,644
Social Services, N.E.C.	$23,013,788	626	$7,359,269	$0	$23,844	$7,531,518
Logging Camps and Logging Contractors	$105,608,307	613	$15,955,969	$2,845,240	$1,002,367	$40,089,122
New Industrial and Commercial Buildings	$62,508,541	582	$12,850,193	$3,326,075	$603,807	$18,670,925
Commercial Fishing	$20,569,839	578	$1,997,677	$4,374,895	$518,049	$18,665,365
Commercial Laundry Equipment	$58,033,562	568	$19,025,497	$374,664	$416,106	$22,873,019
Wood Household Furniture	$48,216,873	553	$13,309,444	$1,610,974	$322,672	$19,575,437

Industry Sector	Total Output	Employment	Employee Compensation	Proprietor Income	Business Taxes	Wages Plus Profits and Taxes
Management and Consulting Services	$27,523,144	536	$8,404,298	$2,437,515	$162,239	$12,169,604
New Government Facilities	$69,063,019	515	$15,382,627	$4,055,927	$487,819	$22,807,042
Labor and Civic Organizations	$80,181,824	483	$78,204,102	$0	$16,464	$78,224,091
Maintenance and Repair, Residential	$32,726,009	474	$9,045,595	$2,363,404	$35,029	$11,734,864
Hotels and Lodging Places	$14,224,977	464	$4,854,451	$598,466	$991,330	$8,718,401
Other Medical and Health Services	$20,502,333	434	$7,895,265	$1,244,467	$326,827	$10,787,380
Building Materials & Gardening	$14,559,295	422	$7,639,451	$426,214	$2,410,823	$12,835,516
Laundry, Cleaning and Shoe Repair	$6,966,352	412	$2,756,897	$1,829,951	$171,205	$5,238,310
Furniture & Home Furnishings Stores	$14,163,206	401	$7,165,493	$363,232	$2,341,420	$12,161,308
Federal Government - Military	$11,123,248	394	$6,436,402	$0	$0	$11,123,246
Hay and Pasture	$6,000,832	389	$306,469	$2,439,300	$380,600	$4,457,216
Landscape and Horticultural Services	$10,464,217	385	$3,913,942	$828,614	$262,296	$6,565,180
Paperboard Mills	$158,227,173	379	$21,390,005	$171,668	$1,609,563	$41,400,988
Other State and Local Govt Enterprises	$58,287,136	373	$12,482,881	$0	$0	$22,181,331
Communications, Except Radio and TV	$76,952,469	366	$15,990,870	$2,323,133	$4,702,228	$49,667,583
Structural Wood Members, N.E.C	$41,628,086	361	$10,121,821	$1,834,906	$376,507	$14,965,206
Automobile Repair and Services	$23,325,380	361	$6,217,386	$1,083,425	$1,099,309	$12,117,935
Business Associations	$32,316,780	360	$26,675,152	$0	$25,668	$27,045,180
Totals	$4,304,354,208	65,103	$1,643,087,591	$207,083,117	$164,570,668	$2,694,466,584

Location quotients are often used to describe a region's economic base. The location quotient is a measure of an industry's concentration in an area relative to the rest of the nation. Although location quotients require several assumptions, including uniform local consumption patterns and labor productivity across the country, they are useful in determining a region's key industries. A location quotient is simply an industry's share of local employment divided by the industry's share of national employment. If the location quotient is 1 then the industry's share of local employees is the same as the industry's share nationally. A location quotient greater than 1 means the industry employs a greater share of the local workforce than it

does nationally. A location quotient less than 1 implies that the industry's share of local employment is smaller than its share of national employment. A location quotient between .85 and 1.15 is close enough to 1 so that it is not considered particularly significant. A location quotient greater than one implies that the industry is producing more goods and services than are consumed locally. Thus, the industry is exporting the goods or services out of the area and, in the process, bringing new dollars into the area. Industries that bring dollars into the area help the local economy grow. Table 2 below provides the employment location quotients for each of the Opportunity Florida regional industry sectors employing over 400 persons with location quotients greater than one.

Table 2 - Export Industries in the Opportunity Florida Region

Industry Sector	Employment	Opportunity FL	USA	Location Quotient
State & Local Government - Education	10,882	16.71%	5.55%	3.01
State & Local Government - Non-Education	6,107	9.38%	4.53%	2.07
Food Stores	2,643	4.06%	2.33%	1.74
Nursing and Protective Care	1,903	2.92%	1.26%	2.33
Automotive Dealers & Service Stations	1,163	1.79%	1.62%	1.10
Accounting, Auditing and Bookkeeping	916	1.41%	1.15%	1.22
Banking	913	1.40%	1.30%	1.08
Domestic Services	839	1.29%	0.79%	1.62
Agricultural, Forestry, Fishery Services	824	1.27%	0.42%	2.99
Greenhouse and Nursery Products	817	1.25%	0.14%	9.16
Vegetables	771	1.18%	0.08%	14.41
Oil Bearing Crops	725	1.11%	0.17%	6.53
House Furnishings, N.E.C	712	1.09%	0.04%	29.98
Apparel Made From Purchased Materials	681	1.05%	0.36%	2.92
Social Services, N.E.C.	626	0.96%	0.61%	1.57
Logging Camps and Logging Contractors	613	0.94%	0.06%	16.46
Commercial Fishing	578	0.89%	0.04%	19.76
Commercial Laundry Equipment	568	0.87%	0.00%	245.01
Wood Household Furniture	553	0.85%	0.09%	9.88
New Government Facilities	515	0.79%	0.65%	1.21
Maintenance and Repair, Residential	474	0.73%	0.62%	1.17
Building Materials & Gardening	422	0.65%	0.65%	1.00
Total	65,103	100.00%	N/A	N/A

To ascertain regional competitive advantage, the Haas Center held several focus group meetings. Attending the focus groups were key regional

stakeholders representing private business, local government, and economic development agencies. Stakeholders were asked to rate the competitive advantage of the regions workforce, physical infrastructure, access to markets, regulatory environment and other factors compared to other what is available in other possible business locations. Each factor was rated on a scale of 1 to 5, with 1 being a critical advantage, 3 being no effect, and 5 representing a critical disadvantage. Table 3 below shows their responses concerning the regions workforce. Column 2, "Mean", provides the mean rating given by all respondents, the lower (closer to 1) the mean rating, the more that factor is considered a competitive advantage. The sixth column, "Percent Responding Advantage" provides the total percent of respondents who rated the factor either an advantage or a critical advantage. The last column, "Percent Responding Disadvantage" provides the total percent of respondents who rated the factor either a disadvantage or a critical disadvantage. The "Min." and Max." columns provide the range of responses given. A complete table of all of the factors is provided in the Appendix.

According to these economic development stakeholders, the cost competitiveness, productivity, availability, and diversity of the regional workforce are a competitive advantage that the region offers over other possible business locations. The skill level of the local workforce is seen as a competitive disadvantage by 51% of the stakeholders surveyed (see Table 3 below).

Table 3 - Stakeholder Assessment of Competitive Advantages - Workforce

Question	Mean	Std. Deviation	Max.	Min.	Percent Responding Advantage	Percent Responding Disadvantage
Workforce						
Availability of Workforce	**2.14**	**0.99**	**4**	**1**	**73%**	**13%**
Cost Competitiveness of Workforce	**1.82**	**0.73**	**4**	**1**	**91%**	**5%**
Diversity of Workforce	**2.59**	**1.30**	**5**	**1**	**59%**	**36%**
Skills of Workforce	**3.00**	**1.20**	**5**	**1**	**45%**	**51%**
Productivity of Workforce	**2.00**	**0.87**	**4**	**1**	**82%**	**9%**
1=Critical Advantage 2=Advantage 3=No Effect 4=Disadvantage 5=Critical Disadvantage						

Location and Access to Markets

If the workforce is the most important factor in business location decisions, then access to markets is the second most important. Transportation and telecommunications infrastructure provide this access. A standard often used is that a site must be fifteen to thirty minutes from an interstate or major highway.[6] Access should be both north-south and east-west, or the area will be at a competitive disadvantage. Rail access is particularly important if local industry must transport bulk goods. Airport access is increasing in importance especially with high technology firms. Having an airport within thirty minutes is usually believed to offer competitive advantage. The "information highway" and its ability to link regional communication networks to national networks facilitating high-speed communication and information transfer is gaining importance in the infrastructure picture, reflecting the changing nature of global competition. There is little disagreement that infrastructure investment is necessary; rather the issue is how to pay for it. The role of the federal government in financing and regulating development of the nations infrastructure has varied over time, peaking in the 1960s, and declining sharply since. Federal grants-in-aid for state and local infrastructure declined more than 60 percent between 1970 and 1990. State and local governments now account for 90 percent of all public works spending.

The quality of local Internet access can determine the services businesses are able to offer their customers. Empirical studies have shown a strong link between high-speed Internet access and the number of business establishments in a community[7], and in cultivating rural

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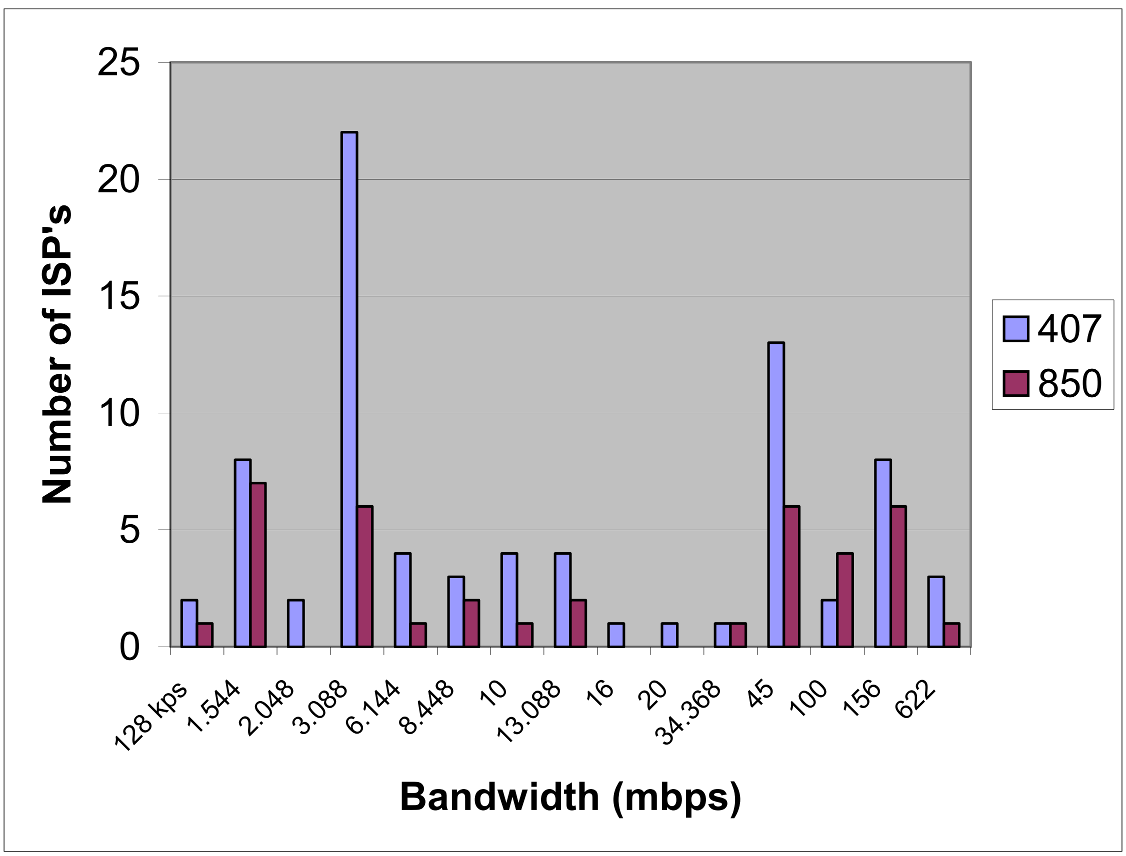
[6] Business Attraction and Retention: Local Economic Development Efforts, International City/County Management Association, 1996

[7] Telecommunications Infrastructure in the Southeastern United States, Edward J. Malecki and Carlton R. Boush, April 2000

entrepreneurs. [8] Figure 4 below provides a comparison of Internet Service Providers in the 850 and 407 area codes. There are 38 ISP's in the 850 area code. The 407 area code offers 78 ISP's. This provides an indication of the low level of connection to Internet services available to the businesses and residents in the Opportunity Florida region, which places them at a competitive disadvantage to businesses in the more urban 407 area code. In fact, only one of the 850 area code ISP's described in Figure 4 is physically located in the eight county region, making the comparison even more unfavorable.[9]

Figure 4 - Comparison of Internet Service Providers for Area Codes 850 and 407



[8] Exploring Policy Options for a New Rural America: A Conference Summary, Mark Drabenstott and Katharine Sheaff, May 2001.
[9] InfoUSA State Business Directory 2001 2nd Edition and Boardwatch Magazine's Directory of Internet Service Providers, 13th Edition, Spring 2001

Source: Boardwatch Magazine's Directory of Internet Service Providers, 13th Edition, Spring 2001

Table 4 - Internet Service Providers Serving the 850 Area Code

Internet Service Provider	Total Bandwidth (Mbps)	28.8 Kbps Monthly	56 kbps Monthly	Area Code*
Acceleration	45	N/A	$ 9.95	800
Airwire.net, Inc.	622	N/A	N/A	321
Atlantic.Net, Inc.	156	N/A	$19.95	352
Bayside Communications Network, Inc	156	N/A	N/A	850
Bewell Net	100	$ 12.95	$12.95	303
Cereus	45	N/A	$29.50	770
Computer Maestro	156	N/A	$19.95	850
Creative Network Innovations	156	N/A	N/A	321
CyberAgency, Corp.	10	$ 15.95	$15.95	954
Cybertron, Inc.	6.144	$ 19.95	$19.95	850
Digital Express	13.088	$ 15.95	$15.95	888
DotSTAR Communications LC	52	$ 19.95	N/A	850
Emerald Coast Internet	None	N/A	$20.00	850
ETS Computers	3.088	$ 20.00	$20.00	850
FDN.com	45	N/A	$17.95	904
Florida Digital Network	34.368	N/A	N/A	954
Florida Digital Turnpike	3.088	$ 19.95	$19.95	850
Gulf Internet Inc.	1.544	N/A	N/A	850
GulfNet Technologies Destin	3.088	$ 19.95	$19.95	850
Hayes Computer Systems	156	$ 9.95	$ 9.95	850
I-1 Internet Group	100	$ 13.00	$13.00	850
Ic2000 Computer Services Inc.	45	$ 19.95	$19.95	305
InterCity Oz	1.544	$ 19.95	N/A	850
Iron Bridge Communications	1.544	N/A	$30.00	850
JMT Technologies, Inc.	1.544	$ 21.95	$21.95	850
Leading Network Solutions	13.088	$ 19.95	$19.95	904
Magnolia Belle Data Systems, Inc	3.088	$ 16.95	$20.00	334
Marlowe & Associates	3.088	$ 20.00	$20.00	727
Net 1	3.088	$ 16.95	$16.95	334
NetPassage Inc.	None	$ 19.95	$19.95	407
NetSoft Corp	45	N/A	N/A	407
Network Tallahassee	None	$ 15.00	$15.00	850
Network Telephone	100	$ 19.95	$19.95	850
Norman & Associates Inc.	None	N/A	N/A	850
Oasis Technologies, Inc.	45	$ 9.95	$ 9.95	813
Panacom Inc.	1.544	$ 19.95	$19.95	850

Internet Service Provider	Total Bandwidth (Mbps)	28.8 Kbps Monthly	56 kbps Monthly	Area Code*
PowerTap Communications, Inc.	100	N/A	N/A	407
Quik Internet of the Big Bend, Inc.	1.544	N/A	$19.95	850
Rampart Telecom Corp.	1.544	N/A	N/A	888
TalStar Communications	None	N/A	N/A	850
Tech-Star Systems	1.544	N/A	N/A	850
UMYF.net Online Services	8.448	$ 14.95	$14.95	727
Unique Hosting and Design, Inc.	128 kbps	N/A	N/A	800
Universalcom, Inc.	8.448	N/A	N/A	850
WISP Networks, Inc.	156	N/A	N/A	305

Source: Boardwatch Magazine's Directory of Internet Service Providers, 13th Edition, Spring 2001
*Only those ISP's with 850 area codes physically reside in the 850 area.

The Internet is becoming an increasingly vital tool for both households and businesses. The household personal computer connected to the Internet is used to conduct such day-to-day activities as business transactions, personal correspondence, research and information gathering, and shopping. Connection to the Internet is becoming critical to economic, educational, and social advancement. Nationwide, the share of households with Internet access was estimated to be 41.5% in August 2000. This means that 116.5 million Americans nationwide are connected to the Internet. More than half of all households (51.0%) have computers, and these percentages are growing rapidly. The gap between households in rural areas and households nationwide that access the Internet has narrowed from 4.0 percentage points in 1998 to 2.6 percentage points in 2000. In rural areas this year, 38.9% of the households had Internet access, a 75% increase from 22.2% in December 1998. However, August 2000 data show that noticeable divides still exist between those with different levels of income and education, different racial and ethnic groups, old and young, single and dual-parent families, and those with and without disabilities. Low income, low education, minority races, old, rural, and single parent households are all less likely to own computers or have Internet access than their counterparts.[10] Telecommunications infrastructure, including the Internet, is a network industry. In a network, the value of being part of the network increases as the number of people that participate in the network increases. Thus, the value of e-commerce becomes more important as a business medium as more households and businesses use the Internet. The converse, however, is also true. As more of the total population uses the Internet, the opportunity cost to those outside the network increases. Households, institutions, and businesses that lack quality connections will suffer increasing disadvantages in employment, information gathering, and services they are able to receive or offer as the network continues to grow. Based on percentage ownership by household income calculated by the U.S. Department of Commerce, Table 5 and Figure 5 below show estimates of the number of households in the eight-county region that own computers and have Internet access. Due to the lower household incomes in Florida's rural counties, the percentage of households using computers and Internet service are significantly lower than in urban areas.

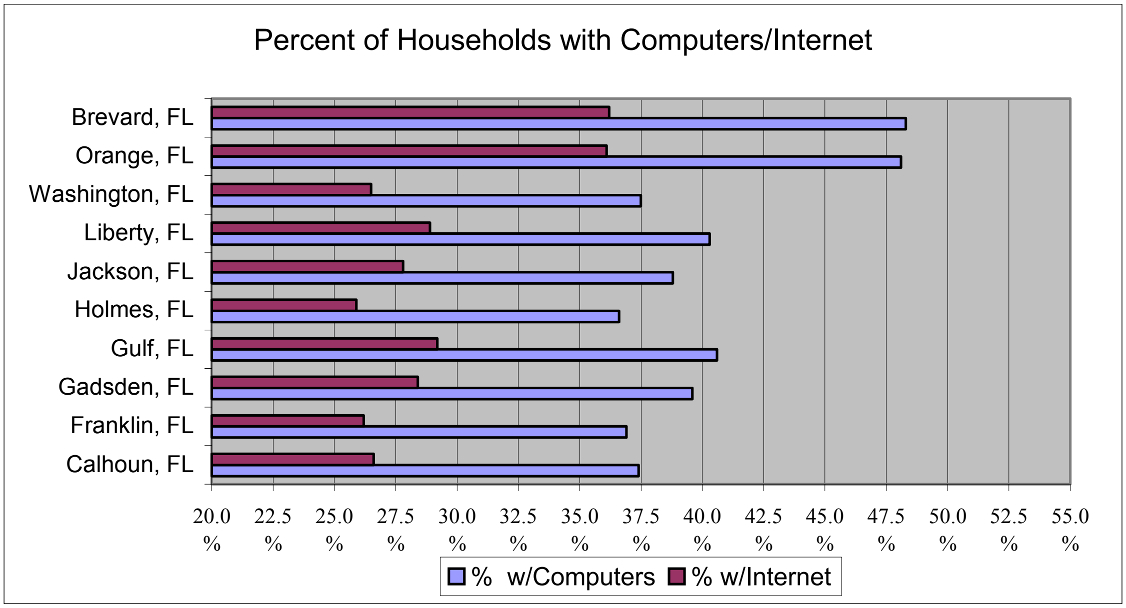
Table 5 - Comparison of Household Computer and Internet Ownership

County	Number of Households	Households w/Internet	% Households w/Internet	Households w/Computers	% Households w/Computers
Calhoun, FL	3,793	1,010	26.6%	1,419	37.4%
Franklin, FL	3,628	952	26.2%	1,340	36.9%
Gadsden, FL	13,405	3,809	28.4%	5,305	39.6%
Gulf, FL	4,324	1,261	29.2%	1,755	40.6%
Holmes, FL	5,800	1,502	25.9%	2,122	36.6%
Jackson, FL	14,465	4,020	27.8%	5,615	38.8%
Liberty, FL	1,706	493	28.9%	687	40.3%
Washington, FL	6,443	1,706	26.5%	2,413	37.5%
Orange, FL	254,852	92,040	36.1%	122,701	48.1%
Brevard, FL	161,365	58,484	36.2%	77,963	48.3%

Source: Haas Center Analysis of U.S. Department of Commerce data

[10] Falling Through the Net: Toward Digital Inclusion, A Report on Americans' Access to Technology Tools, October 2000, U.S. Department of Commerce, National Telecommunications and Information Administration

Figure 5 - Comparison of Household Computer and Internet Ownership



Source: Haas Center Analysis of U.S. Department of Commerce data

The primary high speed Internet infrastructure that exists in the region is in the schools and libraries. Table 6 below shows the access to broadband (high speed) Internet and lower speed 56K modem connection available to the schools within the eight county region.

Table 6 - School Districts Access to Broadband Internet Service

District	T1	T3	Cable	ISDN	Indiv/Network Modem	56KB	Percent With Broadband Access	Percent with 56K Modem
Calhoun	2	0	0	0	0	3	40%	60%
Franklin	4	0	0	0	0	0	100%	0%
Gadsden	3	0	0	14	3	0	15%	0%
Gulf	5	0	0	0	0	0	100%	0%
Holmes	6	0	0	0	0	2	75%	25%
Jackson	7	0	0	0	2	8	41%	47%
Liberty	2	0	0	1	2	0	40%	0%

District	T1	T3	Cable	ISDN	Indiv/Network Modem	56KB	Percent With Broadband Access	Percent with 56K Modem
Washington	7	0	0	0	1	0	88%	0%
Orange	83	5	2	1	7	66	55%	40%
Brevard	21	0	1	0	2	70	23%	74%

Key economic development stakeholders in the region were surveyed and asked to identify the competitive advantages and disadvantages of doing business in the Opportunity Florida region as compared to some other location. The issue of location/access to markets received a mixed response. Access/proximity to interstate transportation is considered a regional competitive advantage by 82% of the respondents, and the cost and capacity of utilities is regarded as a competitive advantage by 68%. Access to air transportation, access to markets, and telecommunications/technology infrastructure were considered to be a competitive disadvantage by many of the stakeholders (see Table 7 below).

Table 7 - Stakeholder Assessment of Competitive Advantage - Location/Access to Markets

Question	Mean	Std. Deviation	Max.	Min.	Percent Responding Advantage	Percent Responding Disadvantage
Location						
Access/Proximity to Customers or Markets	3.00	1.20	5	1	45%	50%
Access/Proximity to Interstate Transportation	2.09	1.19	5	1	82%	14%
Access/Proximity to Suppliers	2.86	1.32	5	0	46%	41%
Demand						
Local Demand for Goods and Services	2.59	1.50	5	0	23%	32%
Physical Facilities (Infrastructure)						
Road and Rail Transportation Access	2.36	1.36	5	1	68%	27%
Air Transportation Access	3.55	1.18	5	2	27%	54%
Seaport Transportation Access	3.00	1.27	5	1	50%	36%
Cost and Capacity of Utilities	2.27	0.94	4	1	68%	14%
Telecommunications/Technology Infrastructure	2.95	1.33	5	0	32%	41%
1=Critical Advantage 2=Advantage 3=No Effect 4=Disadvantage 5=Critical Disadvantage						

Quality of Life

Determinants of quality of life include public safety, good housing at a reasonable price, a clean and reliable water supply, adequate roads, good schools, religious, and health care facilities, recreational and cultural opportunities, honest and responsive government, and a welcoming social and business climate. Quality of life plays an important role both in retaining businesses and in attracting new investment. In developing a strategy to address quality of life, a community should first ask itself what it has to offer over other possible locations. Second, it should determine how it presents itself to the outside world. How a community is perceived is key to its ability to retain and attract business. A reputation for natural beauty, sunny climate, good schools, and a variety of recreational opportunities offers a competitive advantage that can be used to entice business investment.

Key economic development stakeholders that were surveyed almost unanimously identified the low crime rate, quality and availability of education, recreation, and climate as competitive advantages of the Opportunity Florida region over other possible locations (see Table 8).

Table 8 - Stakeholder Assessment of Competitive Advantages - Quality of Life

Question	Mean	Std. Deviation	Max.	Min.	Percent Responding Advantage	Percent Responding Disadvantage
Quality of Life						
Crime	1.59	0.91	5	1	95%	5%
Quality/Availability of Education	1.64	0.58	3	1	95%	0%
Recreation	1.82	1.05	4	1	82%	14%
Climate	1.41	0.50	2	1	100%	0%
1=Critical Advantage 2=Advantage 3=No Effect 4=Disadvantage 5=Critical Disadvantage						

The Business Climate

Business climate includes a range of factors that influence business location decisions. These include tax burden, workers' compensation and unemployment insurance costs, the regulatory environment, and the willingness to nurture business development. The public sector has a vital role in shaping an attractive business climate for the Opportunity Florida region. This includes providing the best possible public school system, providing focused training for the regions workforce, upgrading and beautifying infrastructure, preventing crime, and providing a favorable business regulations consistent with the protection of resident health, safety, compensation and environmental concerns.

Business development programs must promote sustainable businesses, not just guarantee companies a market. Public subsidies may be necessary to stimulate private investment, but they must be spent in support of an economic strategy based on competitive advantage, and not on business incentives that attempt to lure businesses that otherwise lack an economic reason for locating in this region. Government funds are most effectively used to prepare a site for business by assembling parcels of land, improving infrastructure, performing environmental remediation, and providing better public safety.

Training programs should be built around current and forecast community and regional industry requirements. Those that tap into or supplement existing private-sector training programs should prove to be the most helpful. Registering and legally operating a small business can be a difficult task, and efforts to reduce this difficulty will be helpful. The benefits of licensing requirements for low-skill, entry-level occupations such as taxicab driving, working as a street vendor, cosmetology, trash hauling, and recycling should be weighed against the costs of making employment in these areas more difficult to attain. Permitting, environmental, and zoning regulations should be reviewed with area businessmen for the purpose of finding barriers to economic development that are not related to employee health, safety, or compensation. In the area of zoning, if laws reflect an economy that has not existed for decades, they should be reconsidered.

Another critical role of government is to act as a marketer of the region by understanding the competitive advantages that it offers, and then courting, welcoming, and assisting businesses that may benefit from locating there. Economic Development Organizations are positioned to be especially successful in building connections between local businesses and regional business institutions such as colleges and universities, small business development corporations, banks, private corporations, and area chambers of commerce.

Key economic development stakeholders identified the business climate in the Opportunity Florida region as a competitive advantage that the region offers over other possible locations. The majority of stakeholders (see Table 9 below) felt that the regulatory environment, tax rate, and cost and availability of land and buildings offered competitive advantage to the region. The availability of capital, access to air transportation, and access to telecommunications infrastructure were identified as competitive disadvantages.

Table 9 - Stakeholder Assessment of Competitive Advantages - Business Climate

Question	Mean	Std. Deviation	Max.	Min.	Percent Responding Advantage	Percent Responding Disadvantage
Regulations						
Permitting Requirements	**2.36**	**1.36**	**5**	**0**	**58%**	**23%**
Zoning Requirements	**2.05**	**1.17**	**4**	**0**	**59%**	**14%**
Taxes						
Real Property Tax	**2.18**	**0.96**	**4**	**1**	**73%**	**14%**
Personal Property Tax	**2.23**	**1.19**	**5**	**1**	**73%**	**14%**
Other Business Tax	**1.91**	**0.97**	**3**	**0**	**59%**	**0%**
Real Estate (Land and Office Building)						
Availability of Land/Building	**2.09**	**0.87**	**4**	**1**	**77%**	**9%**
Condition of Land/Building	**2.32**	**1.04**	**5**	**1**	**68%**	**14%**
Cost of Land/Building	**1.86**	**0.94**	**4**	**1**	**82%**	**9%**
Capital (Available Locally)						
Access to Capital	**2.68**	**1.17**	**4**	**0**	**50%**	**36%**
Terms/Conditions of Capital	**2.59**	**1.05**	**4**	**0**	**45%**	**23%**
Cost of Capital	**2.55**	**1.01**	**4**	**0**	**45%**	**18%**
Physical Facilities (Infrastructure)						
Road and Rail Transportation Access	**2.36**	**1.36**	**5**	**1**	**68%**	**27%**
Air Transportation Access	**3.55**	**1.18**	**5**	**2**	**27%**	**54%**
Seaport Transportation Access	**3.00**	**1.27**	**5**	**1**	**50%**	**36%**
Cost and Capacity of Utilities	**2.27**	**0.94**	**4**	**1**	**68%**	**14%**
Telecommunications/Technology Infrastructure	**2.95**	**1.33**	**5**	**0**	**32%**	**41%**
1=Critical Advantage 2=Advantage 3=No Effect 4=Disadvantage 5=Critical Disadvantage						

Strategic Action Plan Recommendations

Primary Objectives:

- Attracting new export businesses;
- Capturing existing markets by meeting local demand for goods and services;
- Encouraging the start-up of new businesses;
- Helping existing firms become more efficient and profitable;
- Working with the public sector to provide incentives, financing, workforce development, and other business programs to promote economic development.

Suggested Goals:

Reducing unemployment and underemployment

Unemployment and underemployment create stress for communities, neighborhoods, families, and individuals. Reducing unemployment should be a primary goal.

Strengthening the economic base: Increasing business capital and business activity

Ensure that capital investment is flowing into the region and is being generated by the region.

Improving infrastructure, assets, and facilities

Improving infrastructure, making better use of land and buildings, and improving educational, recreational, and other facilities not only makes the region a more pleasant place to live and work, but can also be a factor in attracting outside business and population. This could result in a virtuous cycle where increased business investment and new populations create the critical mass that is necessary to undertake further improvements. It could also result in enlarging the regions tax base, which is a critical element in any economic development effort.

Increasing or stabilizing the population level

Population declines are usually a hardship for a community. Stemming the exodus of talented individuals from the region, and encouraging an increased population growth rate is a reasonable goal. Sustainable population growth will result in increased demand for goods and services, stimulate construction, reduce vacancy rates, enlarge the regions tax base, and make real estate investment more profitable.

Assessment of Regional Economic Development Stakeholders

The Haas Center, in cooperation with the Chipola Regional Workforce Development Board, Inc., sponsored three focus groups to ascertain regional stakeholder views on the strengths, weaknesses, opportunities and threats facing the region in its efforts to promote high technology economic development. Attending the focus group meetings were key regional stakeholders representing private industry, local government, and economic development agencies. Stakeholders were asked to rate the competitive advantage of the regions workforce, physical infrastructure, access to markets, regulatory environment and other factors compared to other what is available in other possible business locations. Each factor was rated on a scale of 1 to 5, with 1 being a critical advantage, 3 being no effect, and 5 representing a critical disadvantage. Table 10 below shows their responses and lists the top competitive advantages that the study region offers over other possible business locations. The column, "Percent Responding Advantage" provides the total percent of respondents who rated the factor either an advantage or a critical advantage.

Table 10 – Stakeholder Assessment of Most Important Regional Competitive Advantages

Question	Percent Responding Advantage
Climate	100%
Crime	95%
Quality/Availability of Education	95%
Cost Competitiveness of Workforce	91%
Access/Proximity to Interstate Transportation	82%
Productivity of Workforce	82%
Cost of Land/Building	82%
Recreation	82%
Availability of Land/Building	77%
Real Property Tax	73%

Question	Percent Responding Advantage
Personal Property Tax	73%
Availability of Workforce	73%
Cost and Capacity of Utilities	68%
Condition of Land/Building	68%
Road and Rail Transportation Access	68%
Diversity of Workforce	59%
Zoning Requirements	59%
Other Business Tax	59%

In Table 11 below regional stakeholders indicate what are the competitive disadvantages that the study region offers as compared to other possible business locations.

Table 11 – Stakeholder Assessment of Most Important Regional Competitive Disadvantages

Question	Percent Responding Disadvantage
Air Transportation Access	54%
Skills of Workforce	51%
Access/Proximity to Customers or Markets	50%
Access/Proximity to Suppliers	41%
Telecommunications/Technology Infrastructure	41%
Access to Capital	36%
Diversity of Workforce	36%
Seaport Transportation Access	36%
Local Demand for Goods and Services	32%

A complete summary of the competitive advantages and disadvantages offered by the eight county region is provided in Table 12 below.

Table 12 – Stakeholder Assessment of Regional Competitive Advantages and Disadvantages

Question	Mean Response	Std. Deviation	Max.	Min.	Percent Responding Advantage	Percent Responding Disadvantage
Location						
Access/Proximity to Customers or Markets	3.00	1.20	5	1	45%	50%
Access/Proximity to Interstate Transportation	2.09	1.19	5	1	82%	14%
Access/Proximity to Suppliers	2.86	1.32	5	0	46%	41%
Demand						
Local Demand for Goods and Services	2.59	1.50	5	0	23%	32%
Workforce						
Availability of Workforce	2.14	0.99	4	1	73%	13%
Cost Competitiveness of Workforce	1.82	0.73	4	1	91%	5%
Diversity of Workforce	2.59	1.30	5	1	59%	36%
Skills of Workforce	3.00	1.20	5	1	45%	51%
Productivity of Workforce	2.00	0.87	4	1	82%	9%
Physical Facilities (Infrastructure)						
Road and Rail Transportation Access	2.36	1.36	5	1	68%	27%
Air Transportation Access	3.55	1.18	5	2	27%	54%
Seaport Transportation Access	3.00	1.27	5	1	50%	36%
Cost and Capacity of Utilities	2.27	0.94	4	1	68%	14%
Telecommunications/Technology Infrastructure	2.95	1.33	5	0	32%	41%
Real Estate (Land and Office Building)						
Availability of Land/Building	2.09	0.87	4	1	77%	9%
Condition of Land/Building	2.32	1.04	5	1	68%	14%
Cost of Land/Building	1.86	0.94	4	1	82%	9%
Capital (Available Locally)						
Access to Capital	2.68	1.17	4	0	50%	36%
Terms/Conditions of Capital	2.59	1.05	4	0	45%	23%
Cost of Capital	2.55	1.01	4	0	45%	18%
Quality of Life						
Crime	1.59	0.91	5	1	95%	5%
Quality/Availability of Education	1.64	0.58	3	1	95%	0%
Recreation	1.82	1.05	4	1	82%	14%
Climate	1.41	0.50	2	1	100%	0%
Regulatory Environment						
Permitting Requirements	2.36	1.36	5	0	58%	23%
Zoning Requirements	2.05	1.17	4	0	59%	14%
Taxes						
Real Property Tax	2.18	0.96	4	1	73%	14%
Personal Property Tax	2.23	1.19	5	1	73%	14%
Other Business Tax	1.91	0.97	3	0	59%	0%
1=Critical Advantage 2=Advantage 3=No Effect 4=Disadvantage 5=Critical Disadvantage						
Number of Responses=22						

Additional stakeholder input was obtained by asking ten questions related to economic development. Stakeholder responses are shown below. They provide valuable insights and recommendations.

Stakeholder Analysis of Opportunities and Recommended Strategies

1

How do you define high-technology economic development?

	Priority Ranking
Target area within Economic Development	1
2-fold/high-tech economic development is having access to technology; manufacturing high-tech instruments in the county	1
Telecommunications, Internet, Robotics, Chips	1
The use of advance technology within the business sector to produce a good product	1
Ability to attract jobs to our community resulting from infrastructure availability to service high-tech requirements	1
Creation of jobs in highest growth occupational area	9
Bringing good paying jobs in region with benefits	9
Digital/data tech	9
Attracting companies to the area that can provide new/high technology	9
High technology supported community and high technology export of materials	9
Having access to high-tech fiber optics	9
High-technology electronics, wireless telecommunications, GPS service sales, GIS development of new companies	9
Equipping the community with state of the art tools to attract business	9
Business services, financial services and IT jobs in region	9

2

What are the needs that high technology industry attraction will fill within our community? (In terms of economically, socially, and politically)

	Priority Ranking
Jobs with benefits, better pay and spin-offs	1
Higher paying jobs, increased level of educational-population, growth in the community	1
It would create a larger tax base for the county	1
Create new jobs in telecommunications, expand new business in GPS,GIS Internet providers	9
Good and reliable telecommunications network	9
It would bring a high dollar capital investment into the community	9
Put us in "over all economic cycle"	9

Catalyst for new opportunities; would put pressure on education system to teach high-tech in schools	9
Encourages young people to continue with their education and not drop out of school	9
Develop a pipeline for different politicians	9
More involved leadership	9
It will add to the political clout based on the added revenue to the area and increased jobs	9
Make us more attractive for all growth	9
Diverse job growth	9
Money	9
High-tech education, higher pay and benefits	9
It would provide a higher wage to our citizens	9
Keeps community from becoming stagnant and resisting change	9
High-technology industry could provide an increase in the economic stats by bringing higher paying jobs	9
Economic-income increase, spectrum of economic layer; Socially-spectrum of layers; Politically-spectrum of abilities and need	9

3

Who are the stakeholders needed to attract high technology industry to our area?

	Priority Ranking
Politicians, powers (local)-asset holders, schools, educators, families, individuals	1
Business, education, private citizens- everyone	1
Financial institutions	1
We are the stakeholders, our children and grandchildren with higher education available in all communities	1
Government, private sector, EDO, education	9
Local officials, local EDO's	9
Citizens (workforce)	9
State and federal government	9
Opportunity Florida, Economic Developers, FGNW representatives, local business leaders	9
Telecommunications, networks, phone companies, power companies	9
Chamber of commerce, tourist development council, education, existing business, utilities, political officials	9

4

What are our strengths?

	Priority Ranking
Good work ethic, willing to make adjustments in lifestyle	1
Location, low cost of living, affordable utilities, underemployed workforce	1
Quality of life, climate, low crime rate, not overcrowded, easy pace, education	1
Good workforce, land, water, quality of life, room to grow	1

Quality of life, environment, recognizing economic condition by community	9
Work ethic	9
Available water supply	9
More and more people who are ready and willing for a change	9
Availability of land	9
Low crime, education quality, climate, size, friendliness	9
Location, land, desire in some locations	9
Access to air, some advantages to ground transportation	9

5

What are our weaknesses or barriers?

	Priority Ranking
Infrastructure, skilled workforce, location, digital divide	1
Individual thinking things are staying the same, lack of infrastructure, lack of workforce ability	1
Lack of 4-lane highway to I10, adequate healthcare, need physicians- all categories	1
Not viewed as ready, educated, etc..	1
Education, Infrastructure	1
County has been land-locked for years. Now opening up. But lacks low-mid housing developments for hourly wage employees	9
Determining whether the community wants to be a growth community or status quo	9
Access to capital	9
Lack of social activities	9
Need competition: retail stores, drug stores	9
Location, education, lack of base, demographics	9
Behind our state's growth	9
Train, educate our people and they leave	9
Stepping out and doing things differently than they have been done in the past	9
Some are very complacent, lazy, not willing to relocate to other towns	9
The counties do not always work for the common good. They compete for the same issue and risk everyone losing on the issue	9

6

What are the opportunities?

	Priority Ranking
Military, government, rapid development	1
Develop awareness, develop quality of life, develop infrastructures, develop openness to real situations	1
To increase income with better paying jobs, get out of the mentality of red neck	1
Nostalgia, heritage or cultural opportunities	9
"Raise your family here"	9
Great, but we have got to get something in place to kick off the growth	9

Coming home, angel capital	9
Provide up-to-date tools	9
Wide open- county is willing to negotiate with all prospects. Land is plentiful for growth	9
Improve infrastructure	9
Cheap land, reliability workforce, HWB zones	9
Improved infrastructure	9
Having a high-tech company locate to the region would improve tax base, provide a higher wage, and stimulate economy	9

7

What are the threats?

	Priority Ranking
Access to infrastructure, visibility	1
I don't see any threats, maybe some intimidation	1
Opposite objectives between counties	1
Not to be able to understand the true situation, no infrastructure, lack of economic understanding by leaders	1
Brain drain	9
Lack of pre-planning for growth, public officials who do not want to grow or change	9
Less consideration, "red neck" image	9
Complacency	9
Individualism vs. Teamwork	9
Threats from outside political leaders not wanting area to grow	9
I don't see any threats	9

8

What should our vision be to attract high tech industry to our area?

	Priority Ranking
Go for it totally	1
Go after a nitch	1
Promote the strengths of the area	1
Increase our knowledge about what is in the future for our ancestors, think positive	1
Long term, look past today and tomorrow	9
Determine what our objective is	9
Work on improving telecommunications infrastructure and access to them	9
Keep going after them until they come	9
Put infrastructure in place, define needs, assure capacity exists to serve needs, labor, education, lifestyle	9
Embrace change	9

9

With limited resources, what strategies would you suggest be implemented and what are their impacts?

	Priority Ranking
Feed off of nearby urban areas	1
Work with phone companies and utility companies so they can understand our need	1
Educate, seek, community agreement, define local, regional plan	1
Figure out a way to take advantage of Hwy 20/90/, I10 "pops", no access today	1
Go after high-tech offer incentives, training through community college, aggressively recruit	9
Visibility	9
Utilizing educational facilities (use what we have)	9
Continue to pursue grants, state funding, incentives for business to relocate to the area	9
We are going to pool our resources to gain strength and work through the downfalls	9
Education for existing jobs regardless of job location, money	9

10

What feedback would you like to share with the Economic and Workforce Development Boards?

	Priority Ranking
Stay alert with the opportunities that might come available and then provide the communities with help	1
Listen to community, understand that goals, visions, desires for regions are different, be inclusive	1
Is Economic Development in this 8 county area the same as Economic Development for Pensacola, Ft. Walton, etc..?	1
Educate and advertise more between the 2 groups on what is an available resource, latest workshop in PC was excellent	1
Cooperate, thinking long-term	1
Start trend, high-tech	9

Suggested Action Plan: learning, linking, leveraging, and leadership

Building the technical skills of the existing and future workforce.

This strategy acknowledges that the availability of an educated, highly skilled workforce is a prerequisite for a technology-based economy. Efforts should include technical training for students as well as life long learning opportunities for the existing workforce.

In 1913 farm products accounted for 70% of world trade, and farming, either directly or indirectly, employed a majority of the workforce. Today, farm production is at least five times what it was then, yet it accounts for only 17% of world trade and about 3% of national employment. Manufacturing appears to be following the same path. Manufacturing output has tripled in volume since WWII, but whereas it employed 35% of the workforce in 1950, today it employs less than half that.

In the economy that is emerging, the dominant group in the workforce will be knowledge workers providing specialized services.[11] Just as manufacturing workers were the dominant social and political force in the 20th century, knowledge workers will be the dominant force over the next decades. What are knowledge workers? Knowledge workers are doctors, lawyers, teachers, clerics, and engineers. But more importantly, they are also the myriad of skilled technicians such as software designers, analysts in clinical labs, manufacturing technologists, paralegals, administrative assistants, nurses, x-ray technicians, physiotherapists, ultrasound specialists, psychiatric case workers, dental technicians and scores of others. These knowledge technologists possess high technology

[11] The Next Society, Peter Drucker, The Economist, November 3, 2001.

skills, receive good wages, and are required elements of the health care, aerospace, and other industry clusters that are developing rapidly in Northwest Florida. Obtaining these jobs requires technical training, and keeping them requires life long learning opportunities.

The first action strategy is learning. Create a training and job-match program that matches regional workforce training with regional business employment needs. Identify regional businesses that will provide on the job training and customized training, screening and placement for area residents. An effective strategy will address job skills, life skills, support services, geographic barriers, and labor market efficiency. Barriers to employment need to be overcome. The existing lack of education or marketable skills needs to be overcome with training that is focused on job skills that are in demand and forecast to continue to be in demand. Women, who represent a major part of the workforce, must be provided with high quality, affordable day care. Young people entering the workforce need strong school-to-work transition programs, apprenticeship programs, and vocational education programs. Mature and displaced workers must be provided with career transition and development programs. All of these programs must be linked to the specific requirements of regional businesses, with the purpose of bringing together the skills of the workforce with the needs of the marketplace. The area's universities, community colleges, and vocational schools can be partners in this effort.

Developing partnerships, strategic alliances, or coalitions

The second action strategy is linking. This includes developing partnerships, strategic alliances, or coalitions of higher education, government, and industry within the region and incorporating the larger economic assets of the surrounding area. Economists regularly point out that the stronger the interconnections among producers, customers, and suppliers, the greater the competitive advantage of a community. This strategy focuses on making the region competitive as a business location by integrating regional businesses into the larger surrounding economy.

Industry Clustering

Strong regional economies are often the result of well-developed industry clusters that produce synergies and complementary relations between area businesses resulting in regional competitive advantage. Clusters are geographic concentrations of companies and institutions related by customers, suppliers, distributors, markets, work skills, or technologies. Clusters accelerate productivity improvement within companies and achieve competitive advantage because they:

- Tend to develop specialized workforce skills within the region;
- Establish closer connections with specialized suppliers and distributors;
- Companies find ways to collaborate as they compete;
- Local government and educational support becomes more focused and effective;
- Innovation is accelerated through free flows of information.

The role of industry clusters in facilitating economic growth is significant. A DRI/McGraw Hill study identified 350 industry clusters that collectively accounted for 57 percent of total U.S. employment, 62 percent of total output and 78 percent of total exports. A recent (1996)

Department of Housing and Urban Development study concluded that 18 industry clusters (incorporating most of the DRI study clusters) contributed to 54 percent of U.S. employment.[12] And there is mounting evidence that clustering and networks help small and medium-sized businesses to raise their competitiveness.[13]

The development of clusters of inter-related businesses are often assisted by building strategic alliances, partnerships, and business networks that are focused upon creating and utilizing a competitive business infrastructure. These alliances result in systematic cooperation among interdependent firms and institutions that share compatible or complementary goals and interests. This cooperation often takes the form of identifying factors needed to make the region more competitive, and developing strategies to address those factors.

An industry cluster strategy offers a region several benefits. A clear benefit is the ability of industry, government, and education and to work cooperatively to strengthen the regional economy. Cooperation leads to more efficient and effective use of public and private resources as the region deals with critical issues such as human capital and workforce development, infrastructure planning and development.[14]

Benefits To Economic Development

A cluster strategy is first and foremost, an economic development strategy, providing a coordinated and efficient way to promote economic growth. By using a cluster approach, a region will find it easier to coordinate their efforts, avoid duplication of services, and develop a more

[12] Department of Housing and Urban Development, *America's New Economy and the Challenge of Cities*, p. 200, 1996
[13] Roberts, Brian, *Alliances and Opportunities for the New Millennium*, Australian Housing and Urban Research Institute, November 1998.
[14] Industry Clusters: An Economic Development Strategy for Minnesota, Preliminary Report, January 1999, The Humphrey Institute of the University of Minnesota

comprehensive approach to economic development. The development and improvement of a region's infrastructure will require large-scale investment and planning. Cluster strategies help a region set priorities, resulting in more productive allocation of limited resources.

By supporting and developing networks that promote exchange and collaboration among firms and cooperation with government and education, a region can strengthen existing industry and diversify their economy. With regard to training, educational institutions can work with industry to determine their key needs, then develop and deliver curriculum to locations where demand exists. This saves time for educators and industry and helps ensure that students receive the latest training and develop skills that are immediately transferable.

The "collaborative competition" of a cluster approach provides opportunities for joint ventures allowing smaller firms to expand into markets previously out of their reach, including national and international markets. Those industries already marketing nationally can help open the doors for others in the network. Firms have the opportunity to identify complementary products or develop new products that may be marketed jointly. An isolated firm working on its own and relying just on government export assistance is not going to have the same opportunities as an entire cluster working to expand its regional, national or international presence.

Benefits To The Public Sector

An industry cluster strategy allows the public sector to direct resources more effectively and efficiently. Instead of creating several programs that meet the needs of individual firms, public efforts can be focused on meeting the needs of a network of businesses, individuals, and institutions with similar issues. Public agencies become part of the process of working directly with industries to develop strategies for stimulating regional economic growth.

A cluster strategy does not mean that government ignores individual firms with unique interests. Instead the strategy provides a framework for delivering government services so they have the greatest impact for the largest percentage of the workforce.

Benefits to The Business Community

An industry cluster strategy focuses public and private resources on increasing the competitive advantage of regional businesses. The process of industry clustering involves the development of a cluster-specific business infrastructure. This infrastructure will include specialized access to technology and process improvement, effective internal intelligence, access to markets (both local and international), knowledge workers, access to capital, government that is responsive to specialized interests, physical infrastructure, and a collaborative environment. Marketing becomes more efficient and effective as it is able to focus on regional competitive advantage. Training programs become more focused and effective with definite goals, leading to the development of an abundance of particular skill sets. Tax and regulatory policies become streamlined across cluster interests. Innovation accelerates with improved university-industry connections and improved technology transfer processes. Competitors increasingly find areas where they can collaborate to develop joint solutions to common problems and leverage resources to take advantage of market opportunities. Businesses combine strength to gain knowledge, achieve economies of scale, acquire technologies and resources, and enter markets otherwise beyond their reach.

The Opportunity Florida region offers several developing industry clusters, including agriculture, manufacturing, and government. There is

also increasing employment in the retail trade and service industry sectors that are important suppliers to and beneficiaries of the other clusters. These clusters represent an opportunity for the region to identify and support industry specific economic development strategies that build upon existing regional strengths.

Integrating with the Regional Economy

Longer term opportunities for the Opportunity Florida region will be realized by integrating with the Northwest Florida regions growing clusters of businesses and institutions involved in the tourism, health care, and defense industries. Regional economic development strategies should include fostering the tie in of local business with regional clusters, and promoting business-to-business connections with the existing businesses and institutions in the surrounding regional economy.

Health Care

Many of the fastest growing occupations in Northwest Florida are concentrated in the health care services field, which is expected to increase more than twice as fast as the U.S. economy as a whole. Nationwide, health care services will account for almost one-fifth of all job growth through 2005. In fact, half of the 30 occupations with the fastest projected national growth rate are health care related. Factors contributing to continued growth in this industry include the aging baby-boom population, which will continue to require more services, and the increased use of innovative medical technology for intensive diagnosis and treatment. The area's strong health care industry provides opportunities to participate in the high technology needs of the health care industry. It also is an

industry that offers many entry level and low skill employment opportunities.

According to the Administration on Aging, the number of persons age 65 and over was 33.9 million in 1996, and will reach 39.4 million in 2010. As life expectancies continue to increase, the growing proportion of elderly in the population will create demand for medical care and services. The Bureau of Labor Statistics predicts that while the private hospital industry is expected to grow slowly, employment in offices of health practitioners and in nursing and personal care facilities is expected to grow faster than in most other industries. Health care manpower shortages are now commonplace and many health care providers take months to locate qualified personnel. An American Hospital Association survey found that 70% of the surveyed hospitals reported a lack of qualified candidates. Table 13 below shows health care occupations that are forecast to experience significant growth rates through 2006 nationwide.

Table 13 - National Health Care Projected employment Increases 1996-2006

OCCUPATION	INCREASE IN JOBS	% GROWTH
Personal and home care aides	171,000	85
Physical therapy assistants and aides	66,000	79
Home health aides	378	76
Medical assistants	166,000	74
Personal therapists	81,000	71
Occupational therapy assistants/aides	11,000	69
Occupational therapists	38,000	66
Human services worker	98,000	55
Medical records technicians	44,000	51
Speech-language pathologists	44,000	51
Dental Hygienists	64,000	48
Physician assistants	30,000	47
Respiratory therapists	37,000	46
Emergency medical technicians	67,000	45
Dental assistants	77,000	38

OCCUPATION	INCREASE IN JOBS	% GROWTH
Nursing aides, orderlies, attendants	333,000	25
Registered nurses	411,000	21
Source: Bureau of Labor Statistics, Occupational Employment Projections to 2006, Monthly Labor Review, Nov. 1997.		

In Table 14 the Health Care Industry cluster is described. The economic impact of health care on the eight-county region is affected not only by the amount of health care spending in the area, but also by the amount of spending demand that is supplied by local businesses. Any spending demand that is not supplied locally must necessarily be imported from outside the region. Decreasing the amount of goods and services that need to be imported to meet health care spending demands will have the same simulative effect on the area economy as increasing the amount of spending. While an increase in health care spending increases the flow of money into the local economy, a decrease in goods and services imported decreases the flow of money out of the local economy. The local economy will be stimulated either by increasing the inflow or decreasing the outflow. Economists call this idea "import substitution" and suggest that economic development policies should consider decreasing imports as well as increasing exports.

To better understand the health care industry cluster in the Opportunity Florida region, we compared it to the health care industry cluster in the 4 western counties of Northwest Florida, Walton, Okaloosa, Santa Rosa, and Escambia. Table 14 below compares the local output that will be generated by the same dollar amount of spending in the four county western Florida region and the eight-county Opportunity Florida region. Because western Florida has a more fully developed health care industry cluster that supplies more of the goods and services used by the health care industry, the impact of the same dollar amount of health care spending is greater in western Florida than it is in the study region. In sum, each health care dollar spent in the study region generates only 87% of the impact that would be generated by the same spending in the western Florida region. The Opportunity Florida region imports almost 68% more of the goods and services used by the health care industry than does western Florida (see Domestic and Foreign Trade figures at the bottom of Table 14). The Opportunity Florida region is capturing virtually all of the possible impact from spending on nursing and insurance carrier services. Industry sectors where the Opportunity Florida region could strive to increase employment to obtain a more fully developed industry cluster include legal services, research and testing services, and computer and data processing services. This table should serve as a useful tool in identifying industries that are needed to strengthen the local health care cluster to obtain the maximum economic impact from health care related spending.

Table 14 - The Health Care Industry Cluster in the Opportunity Florida Region

Industry	Percent
Doctors and Dentists	51%
Hospitals	86%
Other Medical and Health Services	98%
Nursing and Protective Care	125%
Real Estate	78%
Wholesale Trade	83%
Eating & Drinking	71%
Banking	84%
Communications- Except Radio and TV	83%
Legal Services	14%
Management and Consulting Services	75%
Electric Services	86%
Computer and Data Processing Services	15%
Insurance Carriers	96%
Automotive Dealers & Service Stations	66%
Personnel Supply Services	18%
Maintenance and Repair Other Facilities	53%
Miscellaneous Retail	76%
U.S. Postal Service	82%

Industry	Percent
Food Stores	89%
Accounting- Auditing and Bookkeeping	89%
Hotels and Lodging Places	39%
Motor Freight Transport and Warehousing	99%
General Merchandise Stores	61%
Other State and Local Govt Enterprises	122%
Other Business Services	67%
Automobile Repair and Services	72%
Research- Development & Testing Services	15%
Domestic Trade	164%
Foreign Trade	178%
Total	87%

Military and Technology

Even with the recent downsizing of the military, their presence in the Northwest Florida area economy is quite important. Examination of the most recent employment data shows that military personnel account for a larger percentage of region's employment and income than for the state or nation as a whole. Due to the presence of military bases in the area, these local versus national employment ratios have held true over the last several decades.

Local military presence has resulted in a large number of technology-based businesses in the area who receive a substantial portion of their business from U.S. Department of Defense (DoD) contracts. A recent Haas Center survey looking at the concentration of technology-based businesses in Northwest Florida found that the Counties that are home to military bases have a high number of technology-based firms per 100,000 population. Industrial manufacturing technology, management and services, information technology services, information technology software, and transportation technology are sectors that have large employment in these counties. Technology-based businesses in the area have reported that approximately 45% of their work is generated through DoD contracts

and subcontracts, and that 73% of all sales are made to individuals or businesses located in Northwest Florida. [15] The percentage of DoD contract dependency is not evenly distributed across survey respondents, however, as firms tend to be either heavily dependent on military contracts or not at all dependent. Technology firms indicate that workforce technical skills top the list of important issues facing them. Particularly important for these firms would be additional local availability of workers in the systems developer classification (analyst, designer, programmer) and electrical and computer engineering. Other skills needed that were frequently cited were laboratory analyst, technical support staff, research and production development, training, internet/web designer, industrial and systems engineering, and manufacturing/facilities operation. Education requirements varied substantially. Bachelor's and graduate level training were often required by those workers in engineering related applications, while certificate, technical and associate degrees were adequate preparation for many other jobs.

Area businesses that indicated that they were highly dependent on military contracts stated that much of their business came from DoD sources located outside of Northwest Florida, with a breakdown of about 25% local and 75% outside. Thus, the military contracting cluster creates local jobs via sales to bases outside the region.

Development of the work skills necessary to participate in the Northwest Florida defense related technology industry should be a high priority for the Opportunity Florida region. Industry sectors that make up the emerging Aircraft and Aerospace Industry Cluster are shown in Table 15 below.

[15] Economic Impact of Military Activity in the I-10 Technology Corridor, Haas Center for Business Research and Economic Development, The University of West Florida, July 15,

Table 15 - Aircraft and Aerospace Industry Cluster

Aircraft and Aerospace Industry
Aircraft and Missile Engines and Parts
Computer and Data Processing Services
Wholesale Trade
Maintenance and Repair Other Facilities
Real Estate
Banking
Search & Navigation Equipment
Eating & Drinking
Electric Services
Communications- Except Radio and TV
Doctors and Dentists
Hospitals
Automobile Repair and Services
Miscellaneous Repair Shops
Personnel Supply Services
Hotels and Lodging Places
Motor Freight Transport and Warehousing
Management and Consulting Services
Legal Services
Insurance Carriers
Automotive Dealers & Service Stations
Air Transportation
Equipment Rental and Leasing
Miscellaneous Retail
Engineering- Architectural Services
Other Business Services
Radio and TV Broadcasting
Other State and Local Govt Enterprises
Food Stores
Electronic Components- N.E.C.
Complete Guided Missiles
General Merchandise Stores
Accounting- Auditing and Bookkeeping
Electrical Repair Service
Security and Commodity Brokers

1999.

Services

The term "services" encompasses a wide range of industries that perform a multitude of functions but that usually do not directly involve the sale of a tangible product. Services are usually divided into two broad categories: those provided to individuals and households and those provided to businesses and institutions. Service industries are growing rapidly nationwide, and permeate the activities of business firms and households. Business are outsourcing activities formerly performed in-house to specialized outside service vendors because they receive greater value and increasing quality and sophistication at lower cost. Increased competition and complexity of management combined with the availability of sophisticated technologies has resulted in a proliferation of specialized forms of services in information systems, building maintenance, payroll processing, consulting and research, advertising, accounting, temporary staffing, conflict resolution, recruiting, waste disposal, and a multitude of other areas. Households have increased their demand for services due to several technological and sociological changes including: greater affluence; desire for a better quality of life; more leisure time; urbanization, making new services (such as security or car washes) necessary; socioeconomic changes such as dual-career families resulting in pressures on personal time; increasing buyer sophistication leading to more and broader service requirements; and technological changes resulting in completely new possibilities, such as cable TV, services related to personal computers, or medical care.[16]

[16] Michael E. Porter, The Competitive Advantage of Nations, The Free Press, New York, 1990.

Table 16 - Illustrative Business Services

Firm Infrastructure	**Financial Services Accounting Management Consulting Legal Services Conflict Resolution**
Human Resource Management	**Compensation Consulting Health Services Education and Training Temporary Help Recruiting**
Technology Development	**Contract Research Calibration Services Design Services Testing Services Custom Software**
Procurement	**Rating Services Telecommunications Consulting**
Inbound Logistics	**Transportation Services Warehousing Services**
Operations	**Engineering Service Building Maintenance Equipment Maintenance and Repair Security Services Industrial Laundry Services**
Outbound Logistics	**Fulfillment Services Waste Disposal Transportation Services Warehousing Services Credit Reporting Information Processing**
Marketing and Sales	**Advertising Direct Response Marketing Coupon Processing Databases**
Maintenance	**Installation and Testing Services Repair and Overhaul**
Source: Michael E. Porter, The Competitive Advantage of Nations, The Free Press, New York, 1990.	

The U.S Department of Commerce forecasts that 94% of the new jobs that are created in the U.S. economy thru 2005 will be in the service sector, and 56% of U.S. economic output will come from service sector employees. The highest rate of growth in services is in higher skilled jobs, and wages in the service sector are catching up with manufacturing, which has long been considered the benchmark of high wage jobs. In 1985 the

average hourly wage in services was about 82% of manufacturing wages. By 1997, services paid approximately 93% of manufacturing wages. The U.S. has strong competitive advantages in providing services, and is a net exporter of services, especially software (global leader), engineering, management consulting, technical support, and research and development. The fastest growing service industries nationwide are forecast to be in computers, health services, residential care, management consulting, personnel, equipment rental, and museums. Service establishments tend to be smaller than manufacturing firms, most employ less than 20 people.

Services that generally develop to serve the local market include retail, personal services (e.g., dry cleaning), health, legal, and auto repair. Services that develop locally, and that often expand into exporting industries include: computer and data processing, software, internet-related services, engineering, management consulting, legal (major firms), advertising, and regional health services. Once established, these service industries tend not to relocate. Information technology, the application of computer and telecommunications to the processing of information, is a growing service industry in the Northwest Florida area (see the Military and Technology section). Nationally, IT is forecast to grow at 3% annually through 2005 (U.S. average growth projected at 1.4%). The average salary in IT services in 1998 was over $45,000, versus $28,000 for all private employees. There is a critical shortage of IT workers in the U.S.

Several factors have been identified that determine the success that a location will have in expanding its existing IT service industries, and attracting new IT services to the area. These include: a highly educated and productive workforce, good air transportation access, technologically advanced telecommunications, a positive business environment and governmental support, strong network/cluster of support services, and a high quality of life and attractive community.

Tourism

Like agriculture and manufacturing, tourism is often a source of employment and economic growth for rural areas. The natural beauty and scenic amenities available in rural Florida are increasingly in demand by urban residents. The Opportunity Florida region has a distinct competitive advantage in this area.

Tourism spending has long been important to the Northwest Florida economy. The area's beaches, natural beauty, and climate, are the three most important attributes that visitors to the area say influence their decision to visit. [17] Each of these attributes are abundantly present in the Opportunity Florida region. Northwest Florida is primarily a driving destination with 84% of tourists arriving by automobile, and summer is the peak season. Most of the visitors to the area have household incomes in the $30,000 to $70,000 range, stay in the area about three days, and spend approximately $215 per party per day. Those visiting the beaches of South Walton County have even higher incomes, stay longer, and spend more. Tourist related spending provides significant economic benefits to the area's businesses and workforce. The UWF Haas Center for Business Research estimates that tourism generates an approximately $2 billion overall economic impact in Northwest Florida. These economic impacts result from two basic types of spending flows: visitor spending while in the area, and, construction and maintenance of seasonal housing. Tourism-related spending impacts are seen primarily in the hotel and lodging, restaurants, amusement and recreation services, construction and general merchandise industries. Other industry sectors that see a large economic

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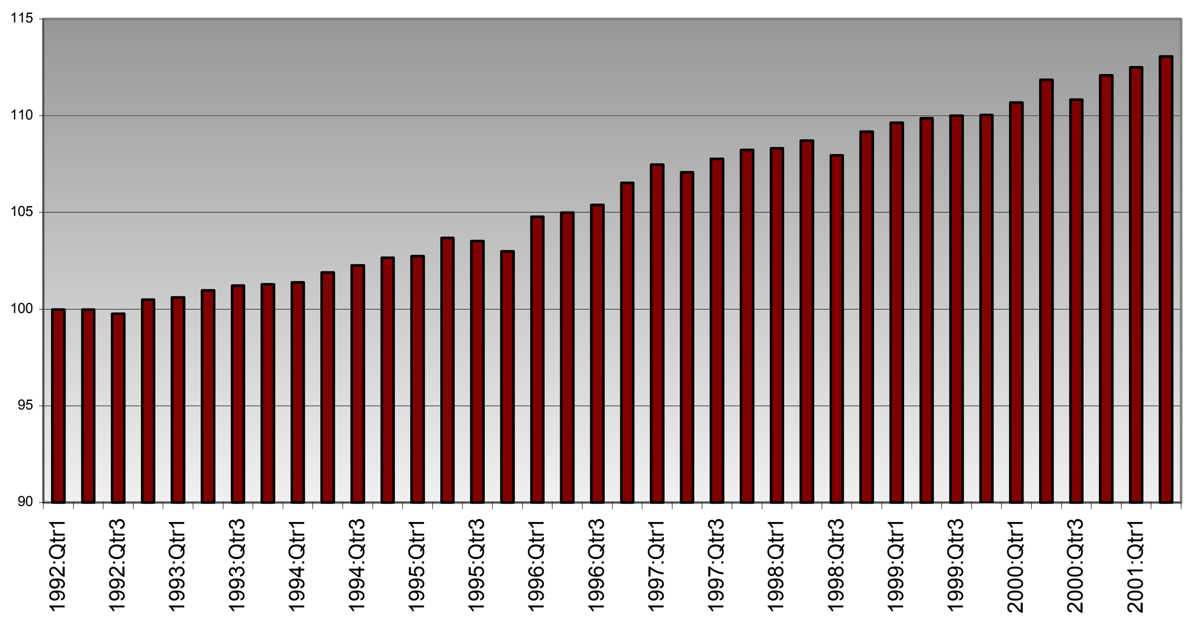
[17] Visitor Information Survey and Industry Tracking System (VISIT), Data from 2,991 surveys administered by participating Visitor Information Centers in the Pensacola area over the period July 1, 2000 through June 30, 2001.

impact due to tourist-related spending include wholesale trade, food stores, miscellaneous personal services, banking, and business services, transportation services, and health care services.

Nationwide, the fastest growing tourist activities include visiting historical sites, cultural tourism (visiting art galleries, museums, homes of historical or architectural significance), ecological tourism, educational tourism, festivals and events, gaming, gardening, and food (ethnic foods, unique locations, brew pubs).

The growth of area tourism can be seen in Figure 6 below, which shows the seasonally adjusted composite tourism index (comprised of airport deplanements, bridge crossings, and bed taxes) for Northwest Florida.

Figure 6 - Growth of Northwest Florida Tourism



In Table 17 the Tourism Industry Cluster is described, and the local output that will be generated by the same dollar amount of tourist spending in the four county western Florida region and the eight-county Opportunity Florida region are compared. Because western Florida has a more fully

developed tourism industry cluster that supplies more of the goods and services used by the tourism industry, the impact of the same dollar amount of tourism spending is greater in western Florida than it is in the study region. In sum, each tourism dollar spent in the study region generates only 89% of the impact that would be generated by the same spending in the western Florida region. The Opportunity Florida region imports almost 68% more of the goods and services used by the tourism industry than does western Florida (see Domestic and Foreign Trade figures at the bottom of Table 17). Industry sectors where the Opportunity Florida region could strive to increase employment to obtain a more fully developed industry cluster include legal services and computer and data processing services. This table should serve as a useful tool in identifying industries that are needed to strengthen the local tourism cluster to obtain the maximum economic impact from tourism related spending.

Table 17 - Tourism Industry Cluster in the Opportunity Florida Region

Industry	Percent
Hotels and Lodging Places	99%
Eating & Drinking	87%
Amusement and Recreation Services- N.E.C.	65%
General Merchandise Stores	74%
Real Estate	74%
Food Stores	100%
Miscellaneous Personal Services	57%
Owner-occupied Dwellings	62%
Wholesale Trade	81%
Banking	87%
Other Business Services	93%
Electric Services	86%
Doctors and Dentists	42%
Sanitary Services and Steam Supply	149%
Hospitals	33%
Communications- Except Radio and TV	83%
Apparel & Accessory Stores	29%
Miscellaneous Retail	82%
Maintenance and Repair Other Facilities	58%
Management and Consulting Services	74%
Accounting- Auditing and Bookkeeping	76%

Industry	Percent
Transportation Services	110%
Personnel Supply Services	19%
Legal Services	13%
Motor Freight Transport and Warehousing	107%
Automotive Dealers & Service Stations	64%
Insurance Carriers	93%
Computer and Data Processing Services	15%
Radio and TV Broadcasting	69%
Foreign Trade	95%
Domestic Trade	167%
Total	89%

Creating a climate supportive of entrepreneurs and technology-based businesses.

Another recommended action for the Opportunity Florida region is to create a climate supportive of entrepreneurs and technology-based businesses. This includes efforts to encourage “home-grown” businesses using technology incubators, product development laboratories and test-beds, service centers, and innovation centers. Similarly, tax and regulatory policies are reviewed considering the interests of technology development and programs are developed to provide financial and non-financial assistance to entrepreneurs and technology-based companies.

Business incubators were developed about 15 years ago as an economic development tool to support the growth and success of entrepreneurial companies by providing business consulting, training, equipment and support. A business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial enterprises through an array of business support resources and services. The goal of a business incubator is to assist entrepreneurs in reaching the point that they can leave the incubator as a successful self-sustaining business. These incubator "graduates" create jobs, revitalize communities, commercialize emerging technologies and strengthen local and regional economies. An essential element of an incubator is the on-site business expertise, which develops and orchestrates business, marketing and management resources tailored to a companies need.

Survey statistics confirm that business incubators are playing measurable roles in their communities' economic development. Using a variety of approaches, incubators succeed in urban, suburban and rural settings, where they assist in developing a broad assortment of small businesses that create jobs and revenues for their regions. Research by the National Business Incubator Association in 1999 found that:

- Business incubators have created nearly 19,000 companies still in business, and more than 245,000 jobs in North America;
- Business incubators provide to their communities a 400% return on the investment of public dollars;
- The overall success rate for business that began in an incubator environment is 70-80%.

Nationwide, twenty-seven percent of incubators are affiliated with universities and colleges. These programs share the same objectives of other incubators. In addition, they provide faculty with research opportunities, students with opportunities to implement theory and recent innovations, and alumni, faculty and associated groups with startup business opportunities.

In some areas, rural communities are creating "virtual technology incubators" by connecting computer workstations in rural areas with the technology assets of the local university. A virtual technology incubator is an economic development tool that specializes in high-tech and start-up businesses. Initial tenants would include businesses involved in graphic designing, Internet marketing, interactive computer-based training, imaging technologies, web design and authoring, databases, and CD-ROM production. The incubator would consist of a Digital Media Center located at the university and satellite offices throughout the eight county region providing three primary functions: business technology, business education and a shared culture of success.

- Business technology is the equipment and tools. This includes the computers, software, digital cameras and other emerging technologies that are redefining the business landscape.
- Business education is provided by the incubator's instructors, student assistants and volunteers who provide one-on-one consulting tailored to the tenants business needs. These business technology specialists offer proficiency in leading edge business technology and the latest innovations in business marketing.
- A shared culture of success emerges as instructors, students, and tenants work together in a network of associations to implement the ideas of entrepreneurs.

The incubator's Digital Media Center:

The university houses the operational Digital Media Center, which will be equipped with the latest in business technology hardware and software. The Center will be supported by the College of Business to serve as the nucleus of the business incubator. The center will:

- offer training modules ranging from traditional business start-up training to technology specific internet marketing or CD-ROM production to volunteer students and incubator tenants,
- serve as a sharing center for high technology production equipment and commercial software,
- coordinate incubator public relations and marketing,
- provide individual mentoring, instruction, and motivation to tenants and students,

- have a full time, permanent director who actively presents business technology projects to business, university, and community leaders; and a staff of students trained in the latest use of business technology, and
- provide a link to the Small Business Development Center and other workforce and business development professionals for traditional one-on-one counseling.

The Satellites:

Video and Internet technology and Microsoft NetMeeting software will link the incubator's Digital Media Center to satellite offices throughout the eight county region. This will leverage university resources to promote rural economic development and region-wide job growth. Entrepreneurs will have access to state-of-the-art business technology and ongoing expert support via the link without leaving their hometown. In addition, all rural satellite workstations will provide access to the worldwide market, via the Internet. Satellite offices may be located in Chambers of Commerce, County administration offices, community colleges or high schools, military bases, or similar facilities. Benefits that accrue to the host of the satellite office include:

- computer workstation with access to the latest business technology training from University staff and students,
- access to the Internet,
- access to basic business software (such as Microsoft Office), and powerful multimedia software (such as Authorware, Adobe Photoshop),
- an ongoing economic development presence,
- a means for communities to retain bright, aspiring entrepreneurs, and
- an opportunity for the host facility to reinforce the claim that they are a center for commerce and economic development.

Residents of communities where satellite offices are located receive substantial benefits, including:

- Access to the latest business technology hardware and software,
- Access to business technology training,
- Access to ongoing business technology support and mentoring,
- Access to expensive production equipment, such as lap top computers, projectors, digital cameras, etc. as needed,
- A location close to home where they can learn and implement emerging business technology,
- A facility to produce computer based projects while receiving high quality on-line assistance.

Rural economies have several characteristics that make economic development efforts especially challenging. Businesses located in rural areas have small markets, and must therefore export a greater percentage of their product than businesses located in thriving urban economies. Because of this, transportation and travel expenses are a much larger issue for rural businesses. Rural areas often lack resources, such as business or technical expertise that are needed to promote and sustain entrepreneurial activities. Generally, rural businesses are faced with a much smaller base of qualified workers to choose from than are urban businesses. Lack of capital is also a major concern. Rural banks are not prone to taking risks on start-up enterprises. Additionally, rural areas are generally dominated by a single industry, usually agriculture or a single manufacturer. All of these factors lead residents of rural areas to a mindset that self-employment or entrepreneurial activities are less of an option than would be the case in an urban environment. A Regional Business Technology Incubator offers solutions to many of the challenges faced in rural economic development. Products developed may be sold to a global market through the Internet's

world-wide reach. Travel becomes less necessary as marketing is done electronically. The incubator actively injects business and technical expertise into the rural area. It puts the rural entrepreneur in touch with individuals and expertise available throughout the region, leveraging the resources of the university and of other successful incubator tenants and graduates. By inserting the resources, education, skills and expertise into rural environments, the incubator works to change the mindset that entrepreneurial activities are less possible in rural areas, and replaces it with the mindset of unlimited possibilities.

Improving or capitalizing of the region's research base.

This action strategy recognizes the importance of maintaining, strengthening, and becoming more involved in the applied research and economic development programs of the area's community colleges, universities, and the military. The relatively close proximity of two universities, vocational-technical schools, SBDC's in Tallahassee, Panama City, and Pensacola, and several military bases, provide the Opportunity Florida region with numerous resources that offer technical business expertise and access to state and federal resources that can be used to build local capacity. Community colleges that are actively involved in regional economic development can be extraordinary assets. Efforts should be made to increase the interaction between higher education and the business community.

Develop partnerships that work to identify rural economic development problems and acquire funding to research possible solutions. For example, economic development agencies throughout the Greater Philadelphia area have joined together with private corporations and educational institutions to work jointly on regional issues. By pooling funds they have hired full time staff that work to bring together the expertise and obtain the resources needed to address issues that are important to the regions development. The focus of this action strategy is leveraging resources to maximize benefits.

Investing in technology infrastructure.

A region can improve its competitive position by investing in infrastructure. This includes building improved air, road, rail, and water systems. It also includes fiber optics, satellites and digital switches, R & D test beds, research parks, incubators and laboratories. Demand for services drives deployment of advanced telecommunications capability, and, thus, programs designed to increase consumers' interest in, and use of, advanced technologies and services will likely spur further deployment. There are several types of programs that may be able to help increase consumer demand. Some communities have aggregating customer demand for advanced services when seeking a provider. Through this method, groups of customers can substantially reduce providers' customer acquisition costs, demonstrate demand sufficient to warrant infrastructure investment and use facilities efficiently. For example, in rural Berkshire County, Massachusetts a consortium of business, cultural, academic and local economic development leaders formed Berkshire Connect and created an attractive market by aggregating demand from all sectors and all levels of users. The consortium was able to attract several million dollars for the construction of new facilities. As a result, they are now able to purchase advanced services at rates comparable to those paid in Boston. The Commonwealth of Massachusetts, through its Massachusetts Community Network, has taken a similar approach using the combined demand of local government traffic. The state requested bids for T1 services to all of its municipal governments and schools. To win the contract, the bidder was required to offer the same price for T1 service to any customer, regardless of location. According to the Project's management the winning contract cut T1 costs in Massachusetts nearly in half, and guaranteed access to T1 services for all towns, villages and schools in the state. In Philadelphia, LibertyNet was formed as a non-profit corporation by local business, university, and civic leaders, to inject needed telecommunications access into distressed areas. LibertyNet services include low-cost Internet access, technical support, Internet training, and community access facilitated by a mobile unit equipped with laptop computers and cellular modems.

Direct public investment is another popular approach. In Colorado, the state has acted as an anchor tenant. Colorado requested bids for high-speed service at each of its 64 county seats to carry the State's data traffic, such as data related to driver's license and registration and that related to public assistance benefits. The State of Montana has undertaken similar initiatives. This state funded project connects nine Montana communities and carries the traffic of public and educational entities. In addition to providing direct benefits to the public customers involved, the project sponsors believe it will stimulate investment in advanced services capability to these communities. The City of Hawarden, Iowa operated a successful electric and cable utility. Unhappy with the telecommunications service options available to them, the City decided to build its own advanced telecommunications facilities. They have now built a hybrid fiber coaxial cable network throughout the town. Businesses in the community that previously feared being left behind in a digital age, no longer fear being forced to relocate to have access to the modern communications they need. In Orange City, Iowa the town government formed a partnership with its local telephone companies and is building a wireless system that is bringing high-speed Internet to its citizens.[18]

Similar projects are in process nationwide that pool resources to develop research or industrial parks, lab space, small business incubators, services for entrepreneurs, day care centers, and recreation and retail centers. In North Carolina, a rural region built upon its existing hosiery

[18] Federal Communications Commission report: Deployment of Advanced Telecommunications Capability: Second Report, August 2000.

industry by building a Hosiery Technology Center at a local community college. It offers 1) a certification laboratory to establish standards for quality and color; 2) a dyeing and bleaching facility; 3) a prototype marketing network develops products and direct marketing channels for niche, high value added markets that are currently underserved; and 4) a cluster of small and medium sized hosiery manufacturers was organized to assist each other in areas of common interest.[19]

Many communities are using technology education programs to increase consumer use of the many resources available on the Internet, such as access to health care information and education, thereby increasing demand for telecommunications in their region. These programs are used to stimulate computer ownership and home Internet access, increase technology skills, and suggest career options. Technology education programs have also been designed to teach business customers how e-commerce and Internet technology can affect their businesses.

[19] Science and Technology Strategic Planning: Creating Economic Opportunity, Economic Development Administration, U.S. Department of Commerce

Accelerating the commercialization and deployment of technology to existing industry.

Rural businesses and institutions are increasingly trying to facilitate the incorporation of new technology into the processes and products of existing businesses by incorporating “best practices” of industry leaders. As an action strategy to make local businesses more profitable and competitive, the Opportunity Florida region can help existing firms in the manufacturing and agricultural services industry sectors, as well as government, access technology and incorporate advanced technologies into their products and processes. For manufacturing, Manufacturing Extension Partnership programs are often used to assist small to medium sized manufacturers use technology to improve their competitive position. For agriculture, several states are promoting technology to strengthen agricultural and other resource-based industries. Universities or technology transfer alliances are supported to develop applications for new technologies and transfer them to resource-based industries. In government, public libraries are being staffed by small business development professionals who work with professional librarians who have access to data sources that they use to provide information to local businesses on marketing, competitors, and industry trends. The high speed Internet access that exists in the region is primarily located at the schools and libraries. Consequently, these should be considered important high technology economic development assets. Using the high speed access of schools and libraries to assist in training and educating the area workforce is a recommended action strategy.

A strong business retention effort should be at the heart of any economic development plan. Most (estimates average 80%) of the new jobs that are created are from the expansion of existing companies. By surveying existing businesses, obtaining information on their needs and concerns, and working to resolve their problems concerning labor, training, permitting, zoning, transportation, taxes, licensing, and other regulatory matters, a local economic development agency can help to retain and increase the profitability of existing businesses. And, it is easier to attract new investment to an area if the existing businesses are successful. Attend to the needs of local businesses by championing the effort to eliminate the disadvantages to business development that they identify.

Develop strong regional leadership and organization. Bring together corporate and small business leadership, nonprofit, local government, and other regional stakeholder interests into a single organization to organize a business-led economic development effort. Harness the existing untapped business leadership and commitment. Recognize essential ingredients for success. This organization should seek broad-based support, clearly define goals and strategies, maintain a flexible agenda, and serve as an intermediary between regional residents, businesses, local government, and economic development agencies, and provide continuity over time.

Build regional alliances that are supportive of entrepreneurship and friendly to business. Identify and support industry specific investment strategies. Build on existing strengths. Participation of the business community is essential. Develop effective business relations: Meet with and maintain regular contact with area business leaders and public agencies involved in economic development efforts with the purpose of integrating into the regional economy by developing an effective response system, fostering business alliances, and developing effective business relations. The goal is to increase regional business interaction, and to get the regional business community directly involved in workforce development efforts. Encourage regional businesses to voluntarily purchase from companies located in the Opportunity Florida region. Encourage regional businesses to collect and disseminate business "best practices" and “total quality management" insights in through business networks and peer-to-peer contacts. Encourage regional businesses to create mentoring relationships between successful enterprises and local entrepreneurs to build skills, competencies, and networks of relationships in the larger business community. Encourage statewide businesses to actively seek out genuine business opportunities to develop markets in the Opportunity Florida region. Develop buyer-supplier networks, establish organizations that bring together area business managers/owners to share mutual concerns and ideas, and discuss opportunities for strengthening buyer-supplier relationships and collaborative workforce development efforts.

Market the advantages of the Opportunity Florida region as the place to do business. Shape a positive image. Create and distribute basic, reliable information about the specific competitive advantages to locating and conducting business in this region. Develop a vision statement that identifies opportunities, builds consensus about needs and implementation initiatives required, identifies the appropriate roles of the private and public sectors, and serves as a marketing and communication tool.

Each of these actions will call upon the leadership of the Chipola Workforce Development Board, Inc., Opportunity Florida, and others. Leadership is the essential ingredient needed with each of the action strategies to bring all of the relevant players to the table where they can develop consensus, forge partnerships, and develop the means to see that recommendations are implemented.