

Target Industry Study: *Summary of Findings*

Presented to:



Presented by:

**Deloitte & Touche Fantus
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DELOITTE & TOUCHE FANTUS HAS BEEN RETAINED BY THE NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT (NDED) AND ITS PARTNERS TO IDENTIFY INDUSTRIES TO TARGET FOR DEVELOPMENT IN THE STATE ON A REGIONAL BASIS

- Deloitte & Touche Fantus' understanding of the State's objectives for the study are as follows:
 - Focus marketing efforts on industries that “make sense” for the state;
 - Focus business development efforts on value-added industries that enhance the State's wages;
 - Build upon the existing industry base of the state and identify new targets that can draw upon existing resources (e.g., agriculture, telecommunications, etc.) and unique attributes;
 - Identify opportunities for economic diversification and growth industries.
- This report is a summary of our findings during our Kick-off sessions held during the week of June 26, 2000.
- The final report will define the industries that NDED should target to help focus marketing and development efforts, and the methodology utilized to arrive at those conclusions.
- The study will help build consensus on the appropriate path(s) for the dtate to move forward with its business development efforts.

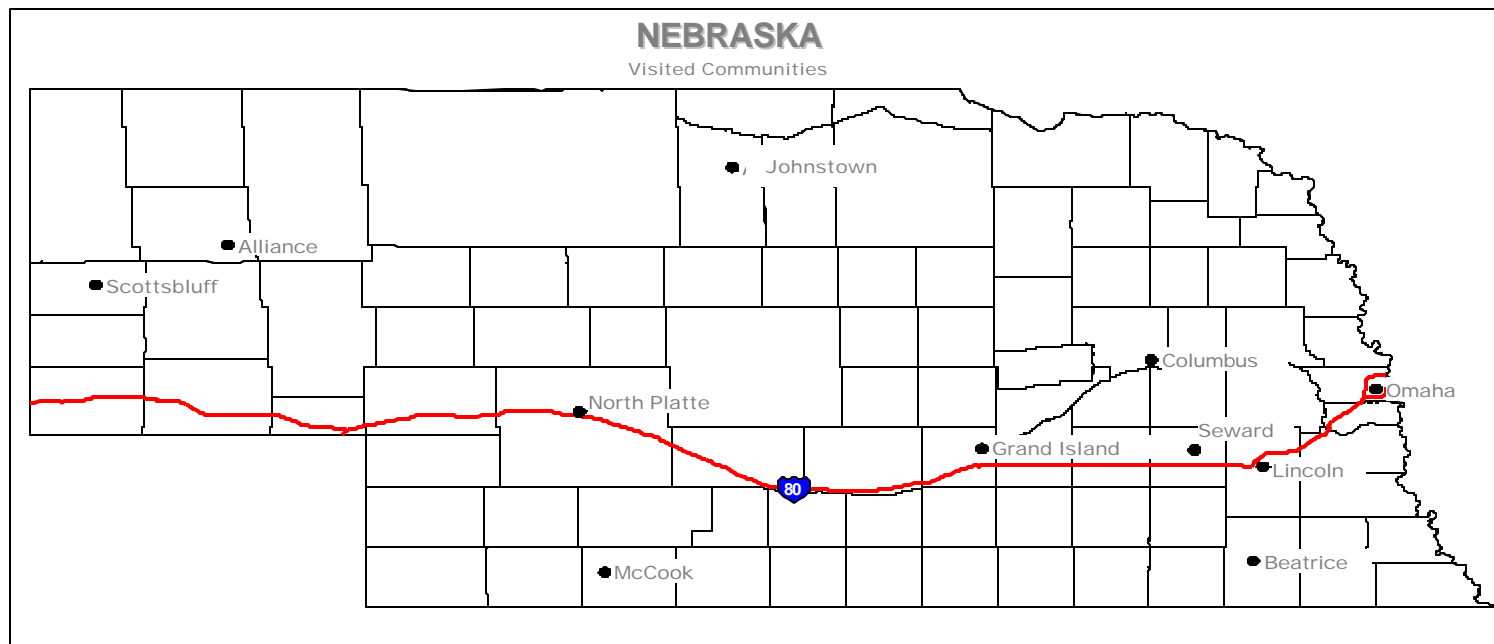
DELOITTE & TOUCHE FANTUS UTILIZED SEVERAL WORK STEPS AND TECHNIQUES TO CONDUCT THE INITIAL PORTION OF THE ANALYSIS...

- **Research** -- Review of key studies and research documents provided by NEDED (listed in Appendix).
- **State Familiarization Tour** -- A tour was conducted of representative areas within the state to meet with selected business and community leaders.
- **Data Collection** -- Conduct research on the needs and characteristics of the basic identified industries (listed in Appendix), (Research is currently underway).
- The research and data collection tasks performed to date will provide the foundation for identifying the best target industries and determining how and where they could best be accommodated within the state.
- **Validation**—Workshops with study partners and selected business and community leaders are being conducted to validate initial findings and recommendations.

Kick-off Session

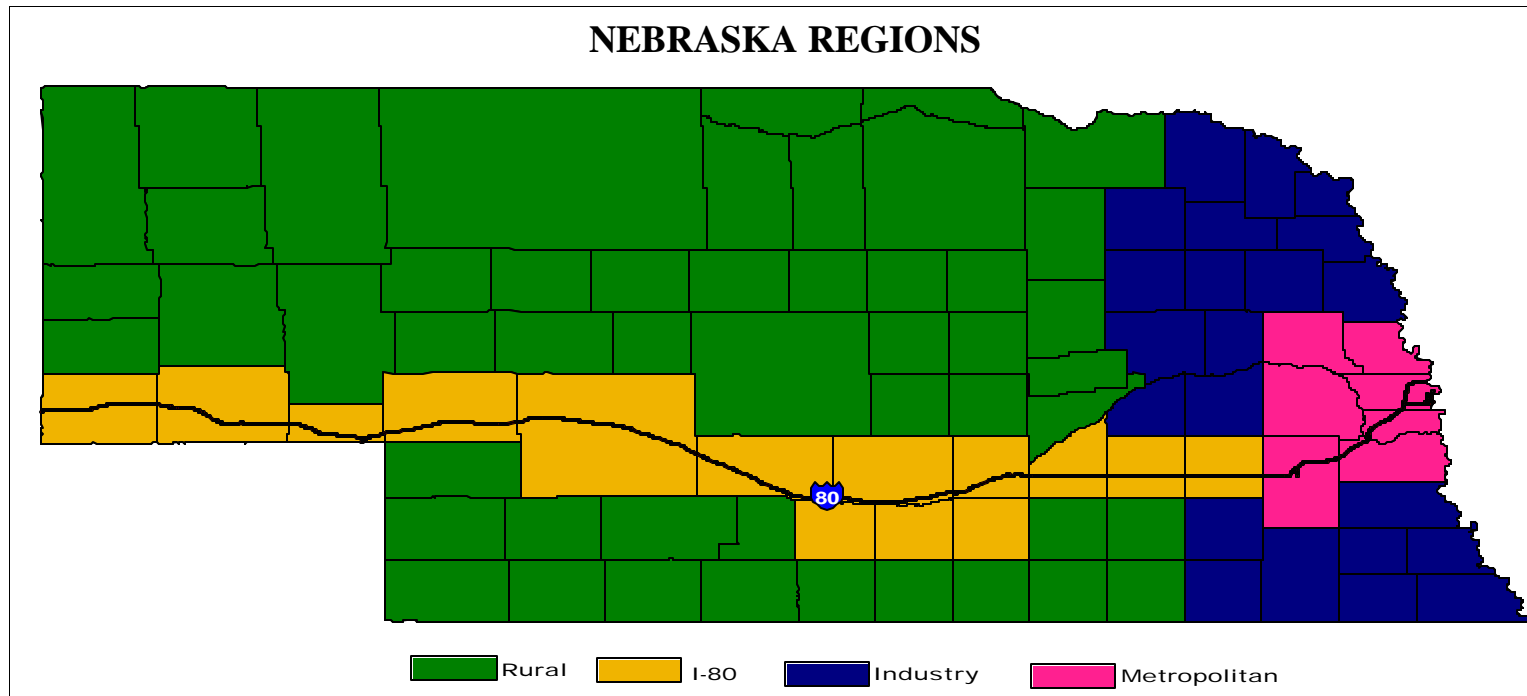
DURING THE WEEK OF JUNE 26 THE DELOITTE & TOUCHE FANTUS TEAM PARTICIPATED IN A FIVE DAY KICK-OFF SESSION WITH NEDED AND PARTNERS FOR THE STUDY

- The kick-off meetings included:
 - State overview meetings with NDED, the partners of the study, and representatives from the university;
 - Focus groups of business and community leaders were conducted in 11 groups across the state;
 - The state familiarization tour included visits to: Lincoln, Omaha, Beatrice, Columbus, Grand Island, Johnstown, Seward, Scottsbluff, Alliance, North Platte, and McCook.
- The purpose of these sessions was to:
 - Help familiarize Fantus with potential development opportunities in various parts of the state;
 - Examine the business climate dynamics in the state and its specific regions;
 - Engender local support for the study;
 - Begin the consensus building process.



Identification of Regions

THE STATE IS LIKELY TO BE VIEWED AS FOUR REGIONS BY PROSPECTS:



[Note: For ease of data manipulation, the regions were defined by county boundaries]

- ***Metro Region:*** includes the metro areas of Lincoln and Omaha and surrounding counties.
- ***Industrial Region:*** includes counties north and south of Lincoln and Omaha, and in the eastern part of the state.
- ***The I-80 Corridor Region:*** includes communities along the interstate west of Lincoln to the Wyoming border.
- ***Rural Region:*** includes counties north and south of I-80 that tend to have smaller, agriculturally-based communities.

Identification of Issues

DURING THE BUSINESS AND COMMUNITY FOCUS GROUPS, THE FOLLOWING ISSUES AROSE...

METRO REGION

- Wages are perceived to be low
- Taxes are perceived to be high
- Career opportunities are not available to retain youth
- The youth are leaving the state
- Need greater economic diversification in the state
- Abundant, cheap labor is no longer available
- Entrepreneurs lack support infrastructure
- State views “big business” as a detriment to the economy
- Shortage of venture capital
- Shortage of new investors
- Lack of community leadership that is pro-business
- No image of Omaha or the state
- Workforce preparedness for higher skilled jobs is poor
- Separation of the urban and rural economies is divisive
- Retention of Nebraska university students is low (50% currently)
- Vision for the state is unknown
- Low labor availability
- Weak business start-up environment
- Residents do not seem to have a vested interest in the success of the state
- Omaha has a cohesive team
- Lincoln is less coordinated and reluctant recipients of growth

INDUSTRIAL REGION

- Milford technical school is too small to serve the needs of the state
- Not enough high-skilled employees are available
- Tight labor market
- Too few day care facilities
- Four year college graduates are leaving the state after college
- Once employees attend community college training, they do not return to their jobs
- Limited entertainment and recreation opportunities for youth
- Taxes are perceived to be high
- Limited funding for economic development at the local level
- Affordable housing is scarce
- Wages are lower than in the metro areas
- Infrastructure is not in place to telecommute from smaller communities
- Losing students to higher paying jobs in Lincoln/Omaha
- Limited infrastructure for development (water, sewer, etc.)
- Residents do not seem to have a vested interest in the success of the state

THE I-80 CORRIDOR REGION

- Transportation costs are high
- Limited backhaul opportunities
- Telecommunications infrastructure not sufficient
- No funding for local economic development
- Competition among individual locales for new investment
- No regional cooperation
- Shrinking labor market
- Limited career opportunities for college-educated residents
- Few ties to Nebraska cities (Denver is the primary city for the western portion of the state)
- Lack of skilled workers
- Lack of venture capital
- Difficulty attracting white collar professionals
- Wages are low
- Lack of state vision for its future, not a strong pro-business mindset
- Lack of emphasis on the community college system
- Lack of focus on “greater Nebraska” development
- Air service is poor
- State has inefficient processes for business permitting
- Residents do not seem to have a vested interest in the success of the state

RURAL REGION

- Many farm owners struggle
- Lack of vision from the state
- Lack of skilled labor for high tech jobs
- Difficulty relocating professional employees
- Lack of spousal employment opportunities
- Taxes are not competitive with surrounding states (e.g., Wyoming)
- Wages are too low to retain higher educated population
- Depopulation of young people (especially those from farms)
- Communities are in competition for new investment
- Tight labor market
- High skilled positions are scarce
- Concerned about dependency on agriculture and the railroad companies
- Cost of living is not that low, need higher wages to sustain wealth
- Air service is limited
- Residents do not seem to have a vested interest in the success of the state
- Telecommunications infrastructure is not available

DURING THE BUSINESS AND COMMUNITY FOCUS GROUPS , THE FOLLOWING DESIRES FOR THE FUTURE EMERGED...

METRO REGION	INDUSTRIAL REGION	THE I-80 CORRIDOR REGION	RURAL REGION
<ul style="list-style-type: none"> • Lincoln would like to see future growth at 1.3% -1.4% annually • Keep and grow existing businesses rather than attract new investments with big money • Encourage growth of small businesses • Better utilize the university as a community/state resource • Better tax incentive programs to attract new investment • Incentives to attract people (especially youth) to the state • Venture capital opportunities to assist entrepreneurs • Business incentives for export industries • Market the advantages of the state, such as the strong work ethic, as the state image • Focus economic resources on promoting a pro-business environment • Encourage Omaha businesses to expand in “greater Nebraska” communities • Piggyback off of strengths of the university in Lincoln 	<ul style="list-style-type: none"> • Provide financial incentive to encourage youth to return, such as paying for their school • Grow the tax base • Encourage more well paying jobs to attract young adults back to the community • Assist existing businesses to grow locally • Additional performance based incentives to encourage expansion of existing companies • Maintain incentives and pass additional programs • Grow community by 50% • Loosen immigration requirements • Create a speculative building program • Help small towns grow and prosper • Help companies take advantage of technology that increases productivity • Focus on developing smaller businesses to maintain health of state economy • Tax credits to promote training of existing workers • Regional efforts to produce jobs and bring youth back 	<ul style="list-style-type: none"> • Retain the Tax Increment Financing (TIF) program in its current form • Capitalize on agricultural products the state is already producing • Decrease regulations surrounding state funding programs • See the state choose a direction and move forward with it • More expansions of Omaha area companies into the “greater Nebraska” • Expand telecommunications infrastructure • Modify property tax structure • Implement a “greater Nebraska” version of LB-775 • Establish toll roads to help raise money for economic development • Centralize the community college system • Enable communities to vote for LB840 more frequently than every two years • Create the environment to draw college graduates back 	<ul style="list-style-type: none"> • Improve regional efforts • Diversify the economy • Additional state programs to assist with new investments • Entrepreneurial and family business development • Micro loan programs • Venture capital programs • Expansion of existing businesses • Encourage development of 50-200 employee companies • Leverage the existing assets of land, labor and integrity • Better image within the state • Attract high-growth industries with higher pay • Attract new industries that bring skilled labor with them • Attract clean industries with decent wages (\$10/hour +) • Establish programs comparable to surrounding states • Shift the economic measure of programs to wealth creation rather than job creation • Improve the telecommunications infrastructure • Allow communities more opportunity to work with prospects from the state • Create more training centers • Focus on industries not dependent on interstate access

Suggested Targets

DURING THE BUSINESS AND COMMUNITY FOCUS GROUPS, THE FOLLOWING TARGET INDUSTRIES WERE SUGGESTED...

METRO REGION	INDUSTRIAL REGION	THE I-80 CORRIDOR REGION	RURAL REGION
<ul style="list-style-type: none"> • Biotech • Animal research • Telecommunications • Electronics • E-commerce opportunities • Information technology • Medical related industries • Value-added agriculture (not meat-packing, higher end, such as Cargill) • Agri-business • Food processing • Agriculture equipment manufacturers • Cargo, freight forwarding • Clean manufacturing • Pharmaceuticals • Service industries • Construction services • Sheet metal • Entertainment and sports • Automated laboratories • Software • Transportation related industries 	<ul style="list-style-type: none"> • Plastics • Wood Pallets • Corrugated paper • Recycled paint facility • Fertilizers • Castings • Technology • Web-site development • Manufacturing • Value-added agriculture (particularly for grain, not livestock) 	<ul style="list-style-type: none"> • Value-added agriculture including; snack foods, ethanol, companies that build on the crops of livestock, grain, corn, soybeans, wheat • Industries tied to the railroad (car repair, refrigeration) • Warehousing and distribution • Paper recycling • Industries that use water • High-end call centers (i.e., catalogs) and back offices • Tourism • Electronics • Alternative energy production • Repair shops for agricultural airplanes • Training for agricultural pilots • Technology • Research and development • Farm equipment • Energy 	<ul style="list-style-type: none"> • Biotechnology • Paper recycling • Packaging • Wood pallet manufacturing • Railroad dependent industries • Value-added agriculture (build on beans, sugar beets, corn, livestock) • High technology • Warehouse/distribution • Financial services • Light manufacturing • Call centers • Medical related industries • Railroad services • Light manufacturing • Drug testing facilities • Electronic components • Food processing • Metal fabrication • Production of outdoor equipment and apparel • Service companies • Companies not dependent on interstate access • Water bottling • Floriculture/horticulture

KEY FINDINGS FROM THE KICK-OFF SESSION INCLUDE...

- The target industries that seem to be frontrunners at this point are value-added agriculture, biotechnology and electronics
 - Additional research needs to be conducted to identify specific target industries for each region in the state.

- Fantus will review the impact of the following findings in brief white-papers:
 - **Crisis Nebraska**--the loss of youth from the state
 - Many of the creative minds and risk takers are leaving the state.

 - **Small Entrepreneurial Businesses**--lack of support infrastructure
 - The existing network of support services, financing, and incentives to assist with the generation of new entrepreneurial businesses is limited.
 - The state was established by entrepreneurs--starting farms and businesses; now people see opportunities elsewhere.

RESEARCH MATERIALS RECEIVED INCLUDE:

- NDED marketing materials
- NDED demographic materials (some hard copy, some off of web site)
- NDED Data Book
- Past Studies:
 - *Industrial Opportunities in Nebraska*, Arthur D. Little, Inc. , 1982
 - *Nebraska's Business Climate and Attractiveness for Industry*, Arthur D. Little, Inc., 1982
 - *New Seeds for Nebraska: Strategies for Building the Next Economy*, SRI International, 1988
 - *New Seeds for Nebraska: Moving the Agenda Ahead*, SRI International, 1988
 - *Targeted Industries for Nebraska*, Division of Research, Department of Economic Development, 1988
 - *Nebraska: Leading the Great Plains into the New Economy*, SRI International, 1990
- Legislative Reports, Nebraska Chamber of Commerce & Industry, 1995-1999
- Building the Foundations of Workforce Development, A Community Guidebook, 2000
- Economic development marketing materials from visited communities
- Demographic materials from visited communities

PARTNERS FOR THE TARGET INDUSTRY STUDY ARE:

- Nebraska Investment Finance Authority
- Fannie Mae Nebraska
- The Nebraska Chamber of Commerce and Industry
- Nebraska Department of Economic Development
- Nebraska Development Network
- Nebraska Diplomats
- Nebraska Economic Developers Association
- Nebraska Municipal Power Pool
- Nebraska Public Power District
- Omaha Public Power District