ICIC
INITIATIVE FOR A COMPETITIVE INNER CITY

# Beyond Katrina:

# Initial Convening of New Orleans Entertainment, Hospitality, and Tourism Clusters

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**U.S. Chamber of Commerce**
**Washington, D.C.**
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# Inner City Economic Revitalization

## Premises of the New Model

| Traditional Model | | New Model |
|---|---|---|
| Reduce Poverty | → | Create Jobs and Wealth |
| Focus on Deficiencies | → | Focus on Opportunities |
| Need: Social Services | → | Need: Business Growth and Investment |
| Geographic Space: The Neighborhood | → | Geographic Space: The Region |
| Lead: Government | → | Lead: Private Sector |

# Agenda

- **Setting the Context: Snapshot of New Orleans**
  - Demographics
  - Economy
  - Clusters
- A Way Forward: Cluster Competitiveness
  - Approach
  - Past Successes
- Towards a New Orleans E / H / T Strategy

# New Orleans Demographics Snapshot

| | Inner City (Rank*) | Metropolitan Area |
|---|---|---|
| Total Population | 283,000 (17th largest) | 1,170,000 |
| Median Household Income | $19,900 (#95) | $27,300** |
| Poverty Rate | 38% (2nd highest) | 13% |
| Unemployment Rate | 13% (#41) | 5% |
| High School Attainment | 66% (#43) | 81% |
| College Attainment | 17% (#23) | 24% |
| Minority Population | 85% (#23) | 34% |
| Population 25 and under | 41% (#63) | 35% |
| Homeownership Rate | 36% (#63) | 69% |
| Income Density ($M per square mile) | $54M (#53) | $7M |

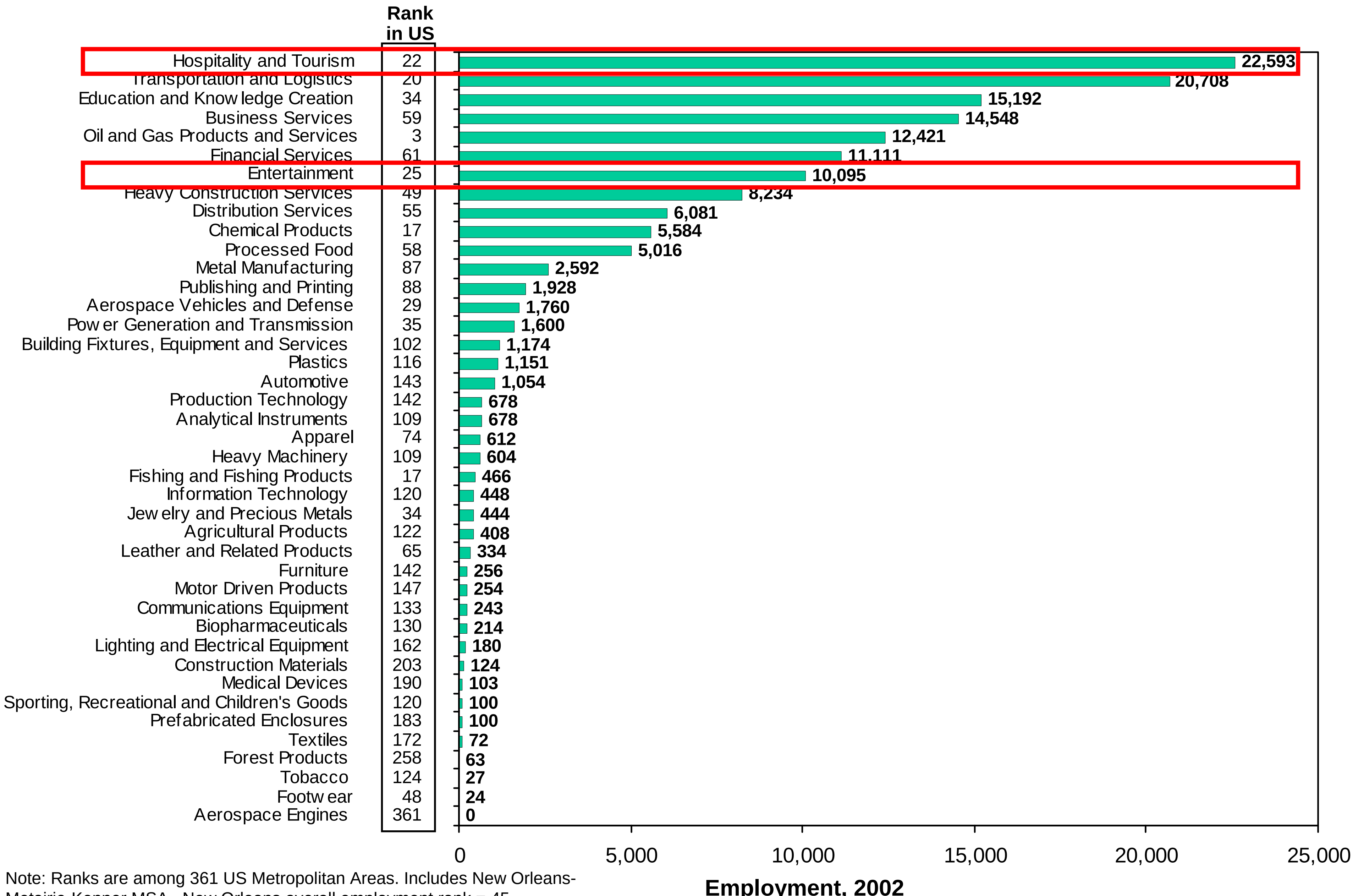
*Source: 2000 U.S. Census. Note: ICIC ranks 100 large inner cities by the highest percentage or value in each category. Inner City and Metropolitan Area are exclusive categories. Household is as defined by the U.S. Census.
**Metropolitan Area including inner city

# New Orleans Economy

| | Inner City (Rank)* | Metropolitan Area |
|---|---|---|
| Total Jobs (Private only) | 121,000 (#24) | 404,000 |
| Job Growth, 1995 to 2002 CAGR | -0.9% (#61) | 1.3% |
| Total Establishments | 6,000 (#20) | 26,000 |
| Establishment Growth, 1995 to 2002 CAGR | -1.4% (#67) | 1.0% |
| Wage Growth, 1995 to 2002 CAGR | 1.1% (#55) | 0.9% |
| 2005 Business Startups (per 1000 establishments) | 13.6 (#77) | 14.1 |
| 2004 Bankruptcies (per 1000 establishments) | 1.1 (#88) | 1.6 |

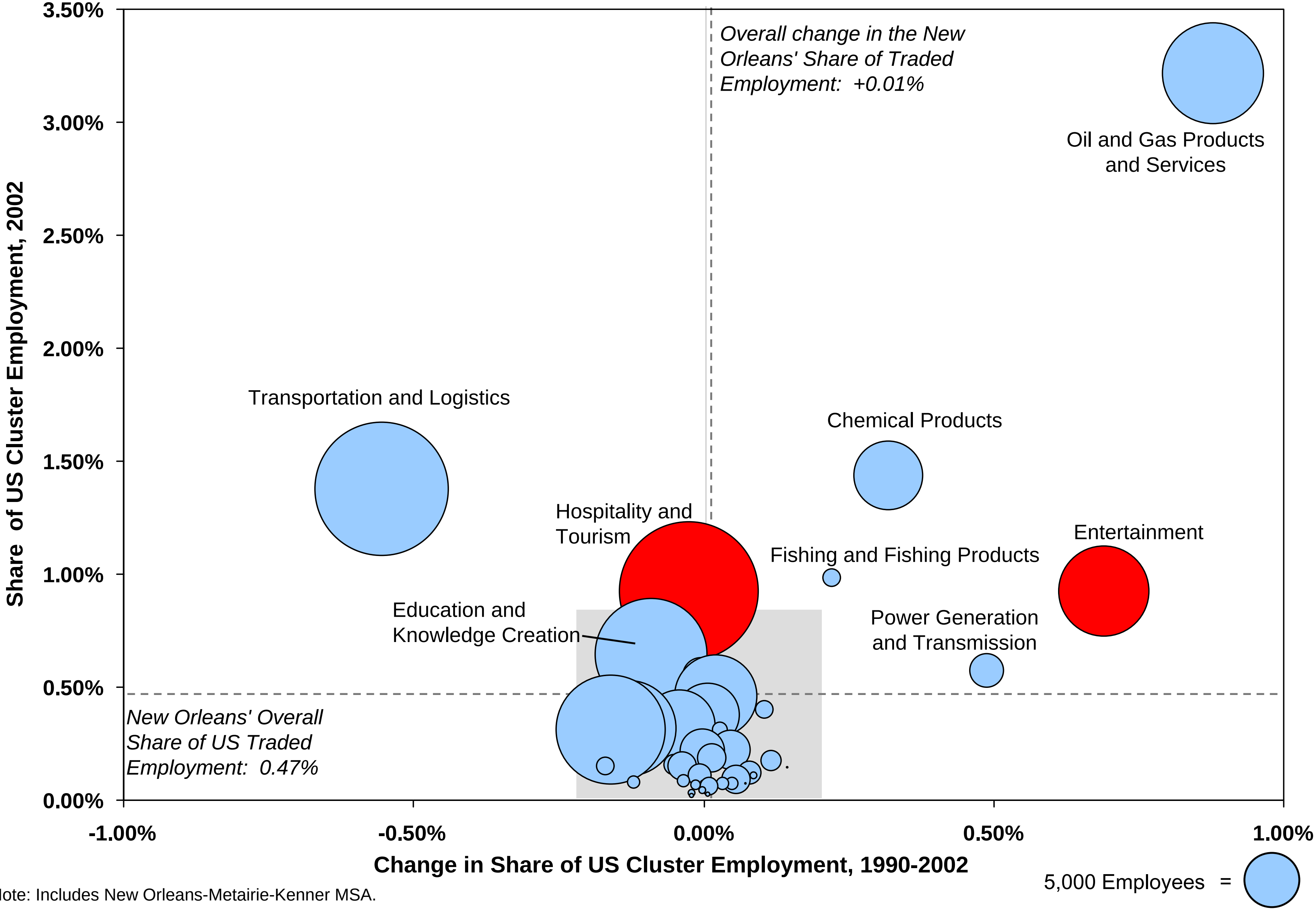
Note: 2002 data, except business bankruptcies are 2004 data and business startups are 2005 data. Inner City and Metropolitan Area are exclusive categories.
*82 inner cities (those with IC population >50,000) are ranked by highest percentage or value in each category.

# New Orleans Metropolitan Area
## Employment by Traded Cluster, 2002




Note: Ranks are among 361 US Metropolitan Areas. Includes New Orleans-Metairie-Kenner MSA. New Orleans overall employment rank = 45.

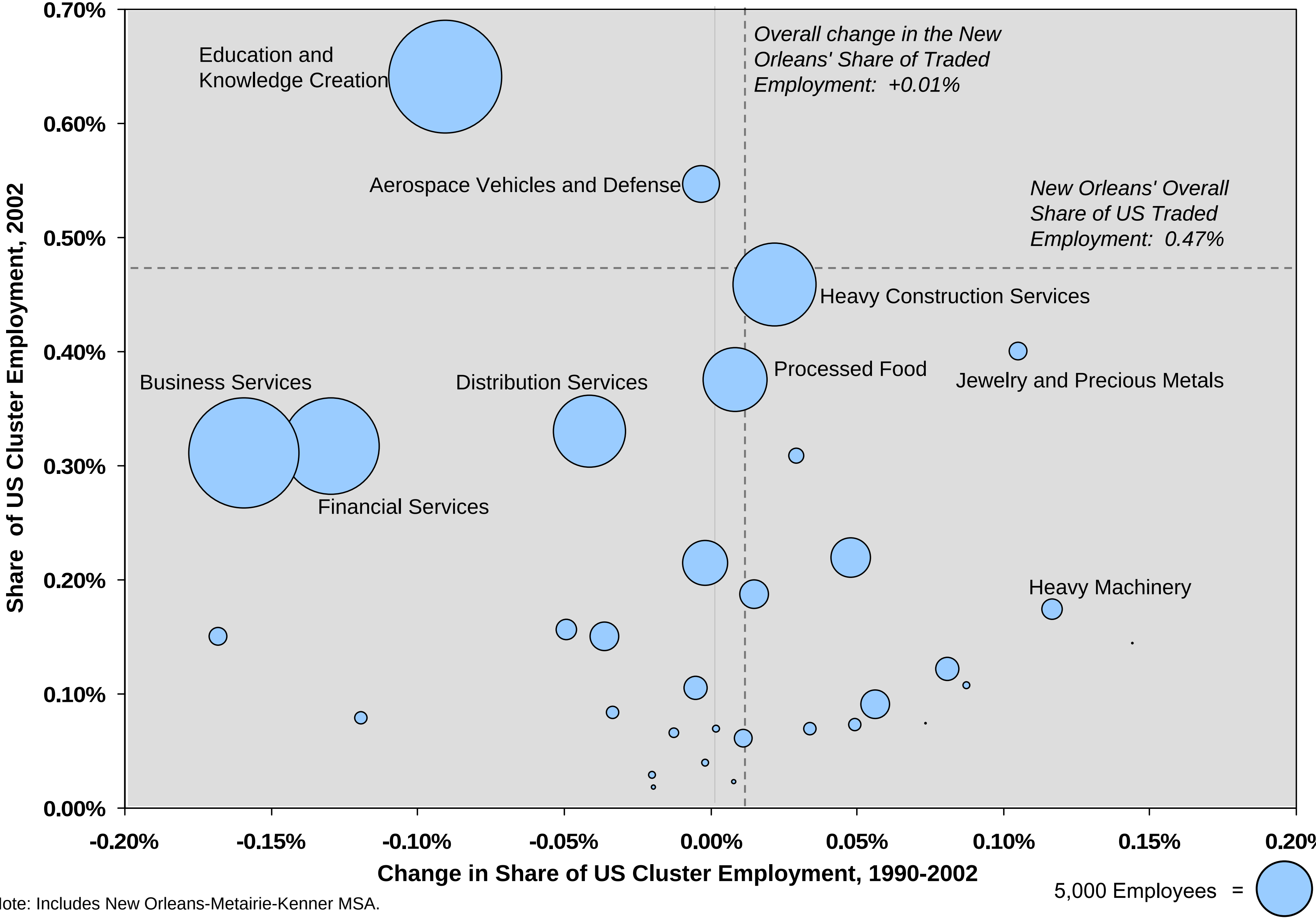
# New Orleans Metropolitan Area
## Specialization by Traded Cluster, 1990-2002




Note: Includes New Orleans-Metairie-Kenner MSA.

# New Orleans Metropolitan Area

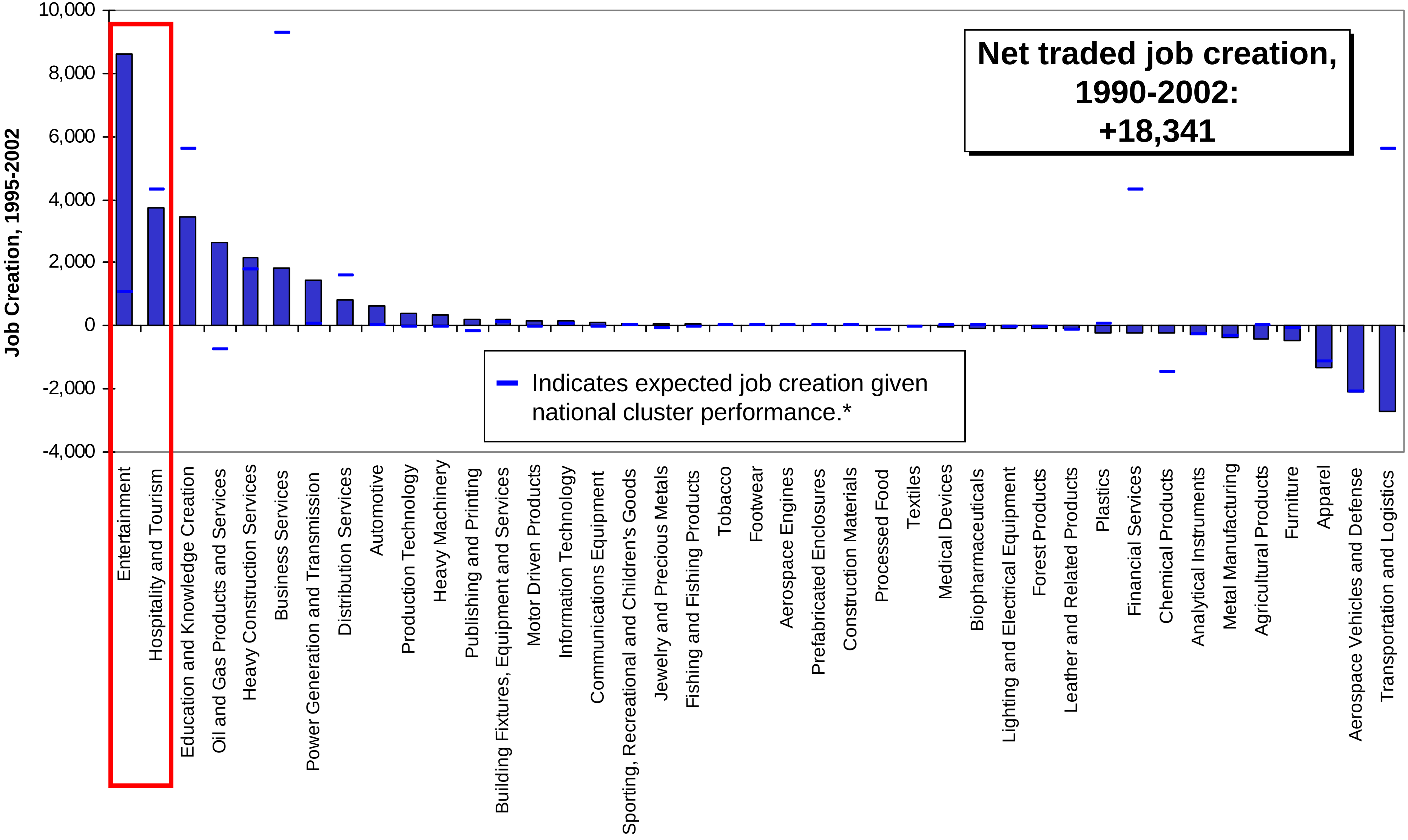
## Specialization by Traded Cluster, 1990-2002 (continued)




Note: Includes New Orleans-Metairie-Kenner MSA.

# New Orleans Metropolitan Area

## Job Creation by Traded Cluster, 1990-2002

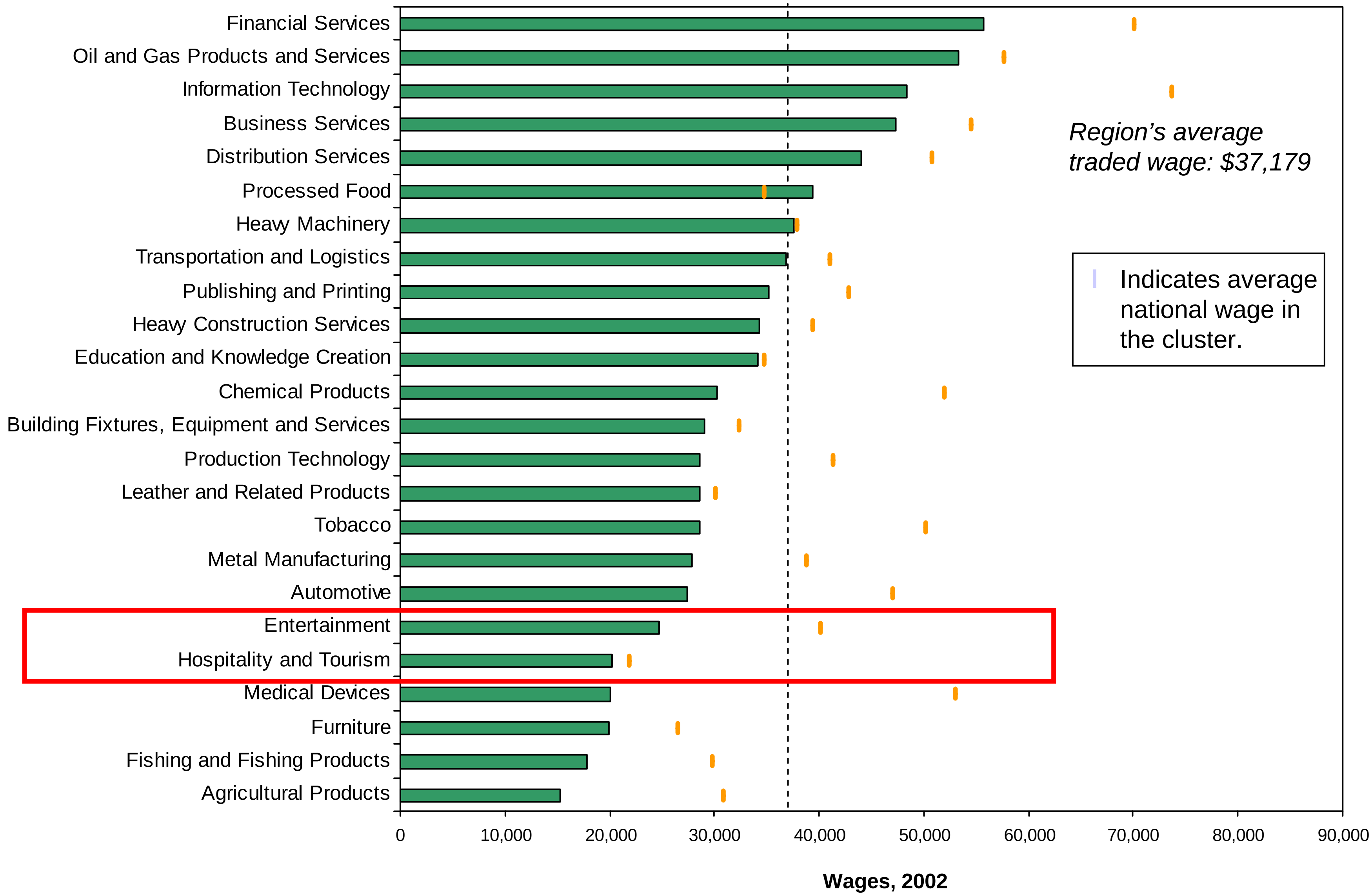



* Percent change in national benchmark times starting local employment.. Includes New Orleans-Metairie-Kenner MSA.

Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School

# New Orleans Metropolitan Area

## Wages by Traded Cluster vs. National Benchmarks




Note: Wage data not available in all cluster due to data suppression in sources. Includes New Orleans-Metairie-Kenner MSA.

Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School

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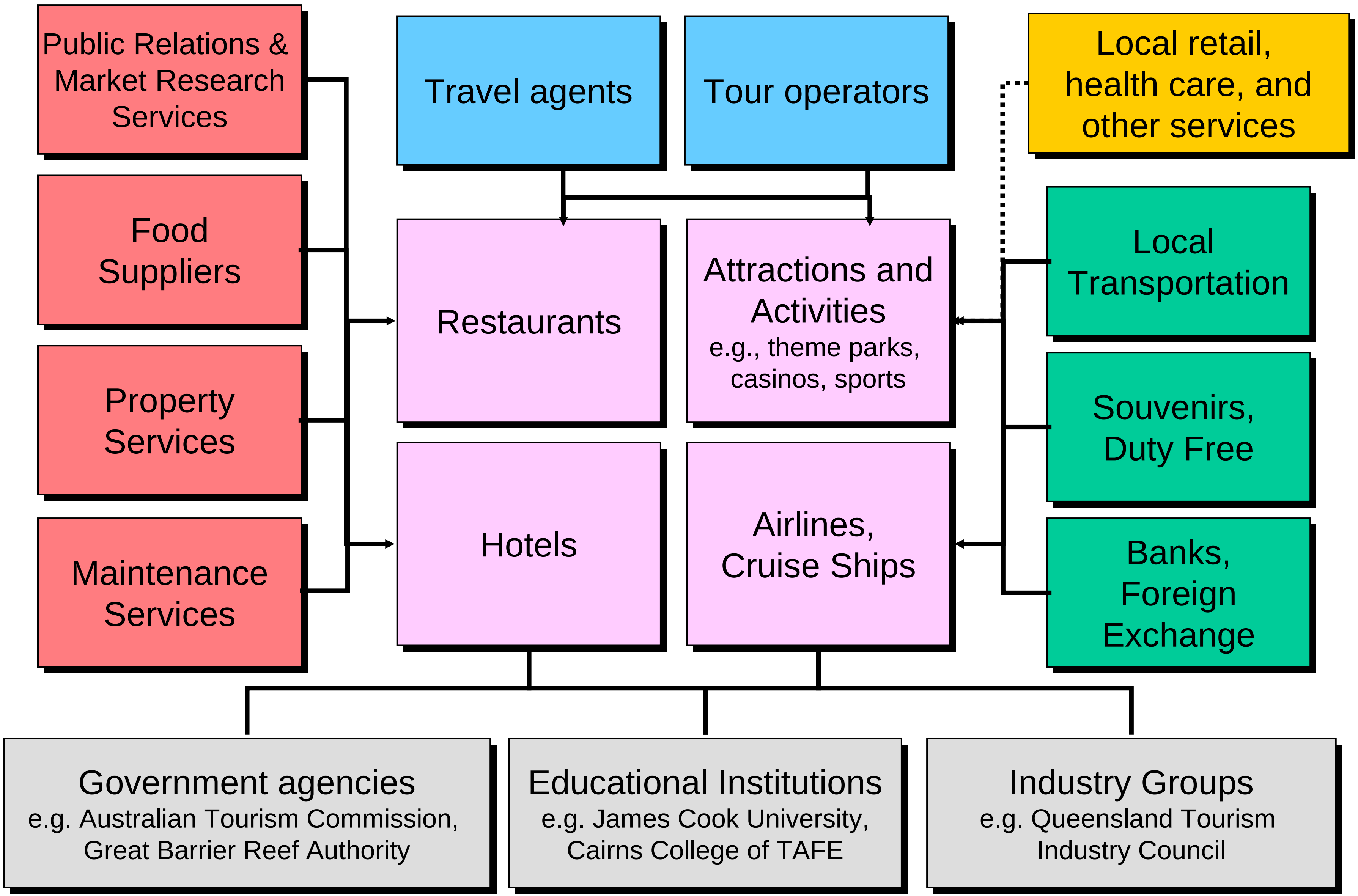
# Determinants of Competitiveness

## Cluster Development, Cairns (Australia) Tourism




Sources: HBS student team research (2003) - Peter Tynan, Chai McConnell, Alexandra West, Jean Hayden

# Enhancing Cluster Competitiveness

## Improving the Business Environment

### Context for Firm Strategy and Rivalry

- A local context and rules that encourage **productivity**
  - e.g., incentives for capital investments, intellectual property protection
- **Incentive systems** based on merit
- Open and vigorous **local competition**, especially among locally based rivals

### Factor (Input) Conditions

- **Availability of high quality, specialized inputs** available to firms
  - Human resources
  - Capital resources
  - Physical infrastructure
  - Administrative infrastructure (e.g. registration, permits)
  - Information infrastructure (e.g. economic data, corporate disclosure)
  - Scientific and technological infrastructure
  - Natural resources

### Demand Conditions

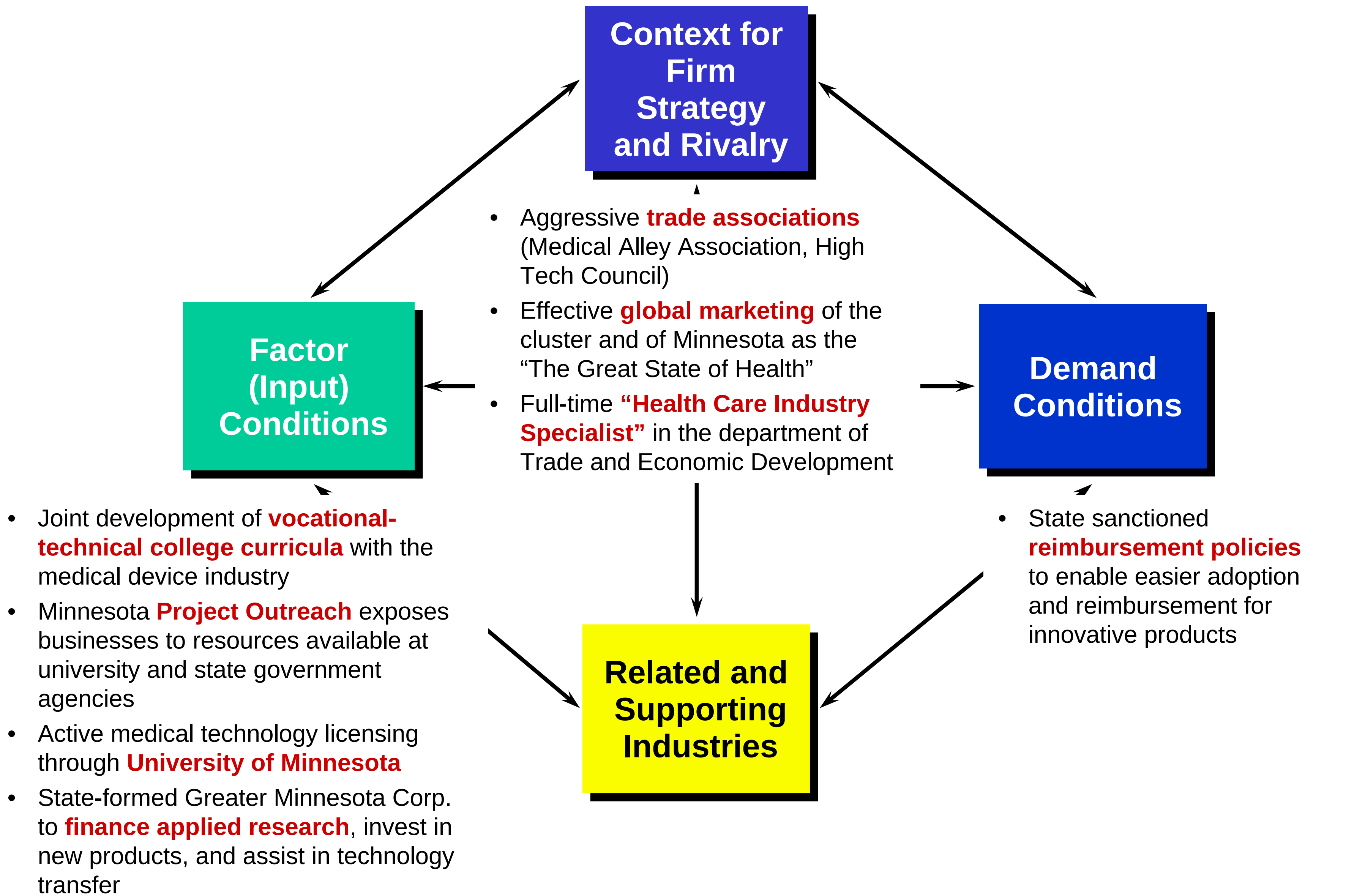
- **More sophisticated and demanding** local customer(s)
- Local customer needs that **anticipate** those elsewhere
- Unusual local demand in **specialized segments** that can be served nationally and globally

### Related and Supporting Industries

- Access to capable, locally based **suppliers** and firms in **related fields**
- Presence of **clusters** instead of isolated industries

# Public / Private Cooperation in Cluster Upgrading

## Minnesota’s Medical Device Cluster



# The Process of Economic Development

## Shifting Responsibilities

| Old Model | New Model |
| --- | --- |
| • **Government** drives economic development through policy decisions and incentives | • Economic development is a **collaborative process** involving government at multiple levels, companies, teaching and research institutions, and institutions for collaboration |

- Competitiveness must become a **bottom-up process** in which many individuals, companies, and institutions take responsibility
- **Every** cluster and community can take steps to enhance competitiveness

# Appropriate Roles of Government in Cluster Development

- A successful cluster policy builds on **sound overall economic policies**
- Government should support the development of **all clusters**, not pick winners among them
- Government policy should **reinforce established and emerging clusters** rather than attempt to create entirely new ones
- Government can **seed new clusters** by attracting foreign direct investment
- Government's role in cluster initiatives is as **facilitator** and **participant**. The most successful cluster initiatives are public-private partnerships
- *Government should **NOT** provide subsidies, protection, or relaxation of competition laws*

# Role of the Private Sector in Economic Development

- A company's competitive advantage depends partly on the **quality of the business environment**
- A company gains advantages from being part of a **cluster**
- Private initiatives and investment in **"public goods"** or collective assets are justified

- Take an **active role** in upgrading the local infrastructure
- Nurture **local suppliers** and attract foreign suppliers
- Work closely with local **educational and research institutions,** to upgrade their **quality and create specialized programs addressing the cluster's needs**
- Inform government on **regulatory issues and constraints** bearing on cluster development
- Focus **corporate philanthropy** on enhancing the local business environment

- An important role for **trade associations**
  - Greater influence if many companies are united
  - Cost sharing between members

# ICIC Approach and Past Experience

## Approach

- Approach is **market-based and private sector driven** because they are the main source of job creation
- The ultimate deliverable is a **comprehensive economic strategy** with the **support and commitment of a strong leadership group** to execute the strategy
- Proven track record of helping cities both develop and implement **cluster-based strategies**
  - St. Louis, MO
  - West Louisville, KY
  - Five cities in Connecticut
  - Milwaukee, WI
  - Brooklyn, NY
  - Newark, NJ
  - Reading, PA
  - Akron, OH
  - 5 cities in the United Kingdom, now expanded to 10 additional cities based on success

## Example: Metal Manufacturing, Bridgeport, CT

**Issue**

- Metal Manufacturing is the 2nd largest cluster, but 82% of firms have less than 25 employees
- Due to small size, **local companies found it difficult to invest** in technology upgrades, workforce development, marketing

**Process**

- Involved over **200 leaders from industry, community organizations and the public sector**
- Eleven companies formed the **Metal Manufacturers' Education and Training Alliance** (META)

**Results**

- Helped develop **customized training programs** at Housatonic Community College
- Secured $1.7 million grant from the USDOL for Lean Manufacturing, resulting in the **training of 679 incumbent workers** and an **increased overall proficiency of 53 percent**
- **Saved cluster companies $1.24 million** through Lean Manufacturing practices and **improved performance by 25 percent**

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# Preliminary New Orleans Hospitality / Entertainment / Tourism Cluster

## Hospitality

**Lodging**
**Restaurants / Bars**
**Retail**

## Attractions

**Aquarium of the Americas**
**Audubon Zoo**
**Casinos**
**Convention Centers**
**Cruises**
**D Day Museum**
**French Quarter**
**Jazzland**
**Mardi Gras & other festivals**
**Stadiums**
**Music**
- Jazz National Park / Louis Armstrong Park
- Jazz Festival

**Art/Architecture**
- Ashe Cultural Center
- Contemporary Arts Center
- Garden District
- Galleries
- Louisiana ArtWorks
- Ogden Museum of Southern Art

## Entertainment / Arts Production

**Music Production**
**Art Production**
**Film Production**
**Graphic Design / Commercial Art**
**Architecture**
**Preservation**
**Crafts**

## Government

New Orleans Office of Economic Development
- Music and Entertainment Commission
- Film and Video Commission
- Office of Tourism and Arts

JEDCO
Jefferson Parish Department of Tourism

Arts Council of New Orleans (quasi-public)

## Supporting Services

Facilities Maintenance
Real Estate
Facility Support (janitorial, catering, laundry,, etc.)
Advertising & Public Relations

## Transportation

Local Transportation
Non-Local Transportation
Transportation Equipment & Supplies

## Related Education & Training

**Tourism**
- Delgado Community College
- New Orleans Jobs Initiative
- MetroVision School-to-Career
- Kids' Café
- UNO HRT Program

**Arts**
- Entergy Arts Business Center
- Heritage School of Music
- Loyola - Music Business
- New Orleans Center for Creative Arts

## Marketing / Promotion

**Tourism**
- NO Convention & Visitors Bureau
- Jefferson Parish Events & Visitors Bureau
- Hospitality Coalition
- Multicultural Tourism Network
- Think Tourism
- Tourism Marketing Corporation

**Arts**
- Arts Council of New Orleans

# Potential Cluster Action Team Structure

## Chairs (2)

- Proven and well recognized industry leaders with vested interests
- Responsible for action team results
- Mobilize implementation

## Core Team (5-7)

- Key stakeholders of the cluster
- Decision makers within their org.
- Diverse in terms of sectors,race, gender and perspectives
- Prioritize opportunities
- Set initial direction and areas of focus

## Sub-Teams (10-30)

- Key stakeholders of the cluster
- Work on specific opportunities
- Develop action plan
- Identify resources needed for implementation
- Build broad support for action plans

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