

Research Hub

In the 1950s, a group of innovative leaders conceived the idea of The Research Triangle Park and changed the economic course of this region in North Carolina. The partnership focuses on building and attracting innovative industry clusters, and expands prosperity to a larger area, including the more rural counties surrounding the urban core. Executive Vice President and COO Ted Abernathy believes that this strategy can improve the region's chances of economic success through collaboration, education and innovation.

How was The Research Triangle Park created?

In the middle of the 1950s, North Carolina was one of the poorest states in the country but it had three well-regarded research universities, Duke University, University of North Carolina at Chapel Hill, and North Carolina State University. Key members of the business community came together and decided it was time to keep our best and brightest from leaving North Carolina. They raised a couple of million dollars of private money to purchase a pine forest between the cities of Raleigh, Durham, and Chapel Hill. The location was selected between those three universities in an attempt to attract research and development jobs, and reduce the "brain drain" to competing areas.

It started with private sector activism. The money to fund the Park has always

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been private and set up as a foundation, but the government also got involved. First, Governor Hodges, and then Governor Sanford, in the late 50's and early 60's promoted the Park and helped to attract business and infrastructure within the Park. The Research Triangle Park is still set up as a foundation that still provides the financial stability to ensure its success.

Founded in 1959, the Park will be celebrating its 50th birthday in January of this coming year. The economy in 1959, built around furniture, tobacco, textiles, and agriculture, did not pay high salaries. It was a specific attempt to address both the need to create new jobs and to stop university graduates from leaving the state.

Has the park grown since then? Was it mostly a private sector activism?

The Park in 1959 consisted of 4,400 acres and eventually expanded to 7,000 acres, making it the largest science park in the United States. The Park is home to about 40,000 research and development workers (as well as another 10,000 contractors) and another 40,000 employees located in close proximity of the Park.

Over the years, what has attracted people?

The Park's ability to attract workers is due to the proximity to the three research universities, as well as the largest

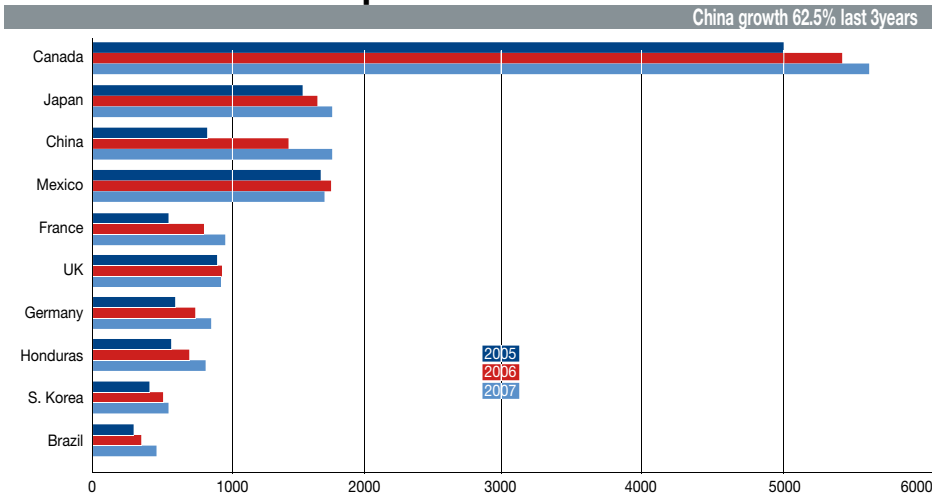


TED ABERNATHY is an Executive Vice President and Chief Operating Officer for the Research Triangle Regional Partnership, a private non-profit economic development organization responsible for marketing a 13-county region of North Carolina that is consistently ranked as one of the most competitive regions in the world.

In the spring of 2004, Abernathy authored *Staying On Top: Winning the Job Wars of the Future*, which was recognized by the U.S. Department of Commerce as the best new regional competitiveness strategy in the nation. In April 2006, he co-authored *Innovations @ Emerging Intersections - A Strategy to Maintain the Research Triangle Region's Competitiveness in Life Sciences*. In May 2006, Abernathy developed and wrote a global competitiveness strategy for the Research Triangle Region titled *Focusing All Our Eyes on the Horizon*.

Abernathy received his bachelor's degree from The University of North Carolina at Chapel Hill, his master's degree from Johns Hopkins University, graduated from the Economic Development Institute at the University of Oklahoma and is an Eisenhower Fellow for Global Economics.

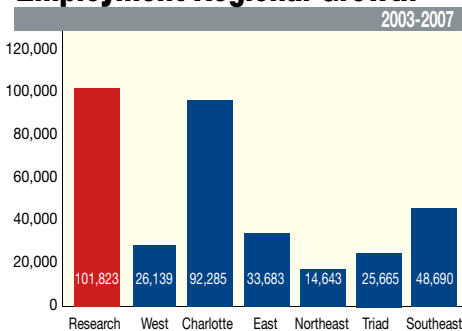
Value of North Carolina Export Markets



Source: US Dept of Commerce -Global Trade Information Services, Inc.

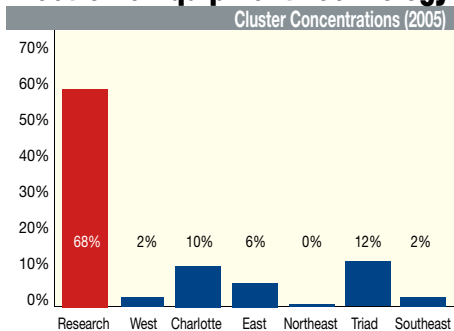
concentration of contract research organizations and two large Federal labs. The U.S. Environmental Protection Agency's largest facility ever designed and built is located in the Park as well as the National Institute of Environmental Health Sciences. The attraction of new primary research and development dollars into the Park and the three research universities has led to an innovation economy that has resulted in 1,500 spinouts from companies in the Park since 1970. Presently, there is a projected \$540 million in capital investment.

Employment Regional Growth



Source: NCESC

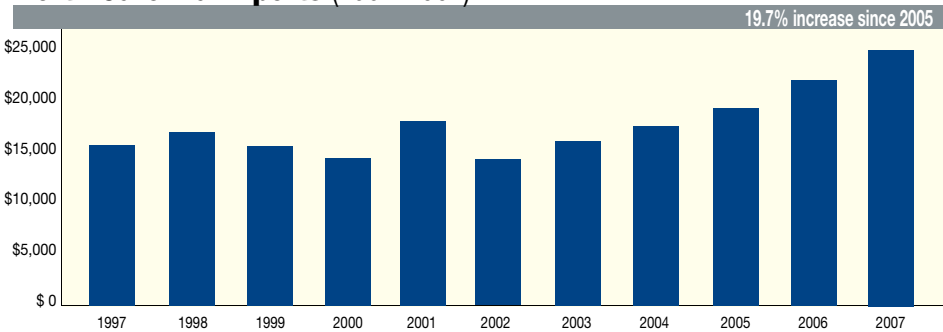
Electronic Equipment Technology



Source: Regional Vision Plan Integration and Implementation-Phase I Final Report, University of North Carolina at Chapel Hill, October 2007

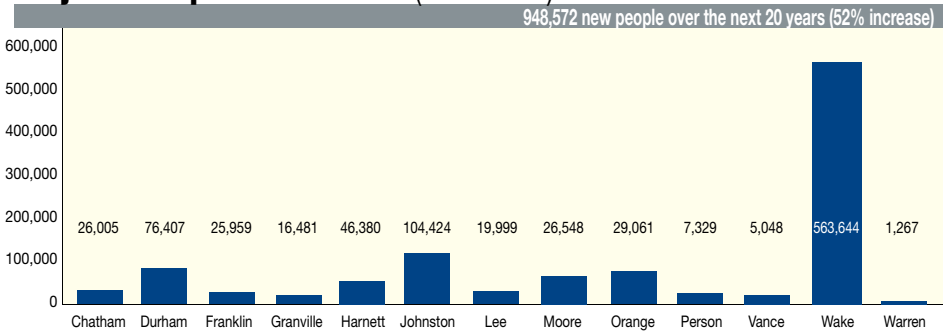
IBM's largest facility that is located in the Research Triangle Park started a cluster around IT. When IBM began, it was building mainframe computers and has evolved all the way through desktops, laptops, and now is an innovation sales and servicing center with about eleven thousand employees. IBM's location to RTP led the way for the strengthening of the IT cluster in the area. In 1995, Cisco Systems landed in RTP creating their second largest presence in the world. This led the way for others to follow suit that include Nortel Networks, NetApp, Sony Ericsson, Lenovo and others. The RTP is home to 170 firms with a combined annual payroll of \$2.7 billion employing 40,000 people. The average salary for new locates is \$76,500.

North Carolina Exports (1997-2007)



Source: Global Trade Information Services, Inc.

Projected Population Growth (2006-2026)



Source: NC Office of State Budget and Management

In the early '70s, Burroughs, an English company, began the life sciences industry in the Park and encountered quite a few mergers along the way. Burroughs is now GlaxoSmithKline and has the second largest presence in the Park with over 6,400 employees. The largest concentration of employers in RTP is in the life sciences industry at 29%. Life sciences giants like Biogen Idec, Eisai, Bayer CropScience, BASF and United Therapeutics call RTP home.

In the last five years, financial service giants Fidelity Investments and Credit Suisse has announced locations in

RTP. RTP has been able to attract these companies and others due to the strong presence of highly skilled data and computer technicians that are located in the region. This up and coming cluster is referred to as informatics. They are using engineers and computer scientists to manipulate and analyze data that is creating a legacy type of industry.

RTI Institute was created in 1959 to be a place where university professors could do research for other companies. It evolved into a non-profit and it has 2,600 of its own staff doing work in everything from NASA related studies to building democracy in Iraq. In addition, they are doing the air quality work for Beijing for the Olympics. This idea of creating a cluster of companies that do contract research has also been part of the Park.

How has the Park changed over the years in terms of the people composition and its importance to the state?

One of the changes is how the whole region was branded as the Research Triangle Park. It has influenced the region's ability to attract knowledge works from around the world. In the early '60s, the state's educational attainment levels were not high. As a global brand for innovation, the RTP region currently has over 42% of our adults with a four-year college degree. Moreover, in our three urban areas in the core, it is closer to 50%. The City of Raleigh's education attainment of its citizens is third behind Seattle and San Francisco, making it one of the most educated place in the country.

It has also brought diversity. Since 1990, the Asian population has grown by 350%. The region is now just over 50% non-native North Carolinians. We have been able to attract the knowledge workers from all over the country and the world to work for companies as well as go to school. We were always international because of the International Faculty of Students.

Innovation is a contact sport. The Park does things like Techie Tuesdays@ RTP and softball and volleyball leagues to ensure the diverse people in the region have reason to interact in order to lead to innovation among companies.

Can you describe some milestones in the history of the Park?

The location of IBM was the single biggest milestone because it placed RTP on the map. When Burroughs landed in RTP in 1972, they started the pharmaceutical industry cluster. In 1984, North Carolina created the first state sponsored biotech center in RTP to support mechanism for all those companies. That gave the Park a legitimate advantage that has created a place for the leading concentrations of biopharmaceutical firms. The Research Triangle Region has recently added or expanded facilities for Novartis Vaccines and Diagnostics, Merck & Company, Wyeth Biotech, Novo Nordisk, Novozymes, and Talecris Biotherapeutics. Most of the people who make pharmaceutical vaccines in the world have a presence here and more seem to be coming every day.

In the '80s, we also started a large supercomputing center called MCNC, which is the Microelectronics Center of North Carolina, with one of the first supercomputers in this part of the world to support those companies.

In 2001, the state passed the largest higher education bond program ever passed with over \$3 billion in new facility dollars for our higher education institutes and much of that coming to the universities in this region. The 2001 year was not great in North Carolina however this bond passed in all hundred counties of North Carolina. In North Carolina, the importance of higher education is universally believed in and remains strong.

Some local entrepreneurs that make it big have changed what goes on here. Founded by a university professor



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about twenty years ago, SAS Institute is now the largest privately held software company in the world with over 3,000 employees. SAS remains one of the most highly regarded places to have a job with low turnover rates.

In the late '80s, the opening of Interstate 40 made transportation easier by connecting Raleigh, Durham, and Chapel Hill with the Park. It also changed the physical look of the Park and allowed it to grow in many different directions. Today RTP is still expanding its road capacity and that has helped with the opening of I-540 connecting the Park north and south.

What is in it for a small entrepreneur who may not have capital but has a lot of energy and ideas?

There is good organization. The Council for Entrepreneurial Development (CED), which I happen to be on the board of directors, is one of the oldest entrepreneurial organizations in the country and has four thousand entrepreneurial members. We work with them to attract venture capital and to provide services to entrepreneurs.

Entrepreneurs here are exposed to a robust and innovative society. Many entrepreneurs are spinouts from the university or the companies. When our big companies both grow and shrink, they all shrink through technology changes. They will have layoffs and then they will have buildups. Every time there is a layoff, because of the quality of the place here, hardly anybody leaves. They start businesses.

As we live in the global world, there are more and more linkages developing in Europe or in Asia. Do you see your role in setting up a RTP kind of facility in other parts of the world?

There are parks in South Korea, China, India, Australia, and other places now. A couple years ago, every member of the senior staff of Biopolis, Singapore had come and toured RTP at some point. Any place that has a

concentration of knowledge assets will want to find a way for businesses to aggregate in a way that works for them.

Our organization has an existing relationship with the Alsace Region of France. We have some relationships in Denmark. We have relationships with Suzhou and the states to the west and north of Shanghai in China. Today, we have international delegations visit the region two or three times a week and the connectivity is stronger. Our companies in the Park certainly see themselves as global companies.

With the 60% increase in regional exports, where do you primarily export?

Canada is our largest trading partner. The next three are Japan, China, and Mexico. China's growth is 62% in the last three year. Brazil has grown almost 100% in the last three years, even though Brazil is not as big right now. A few years ago, China was very small and, today, it is almost equal to Japan and Mexico. After that, France, the U.K., Germany, and then South Korea are the next largest trading partners. It is predominantly in electronic equipment and pharmaceutical areas.

Do you maintain a Web presence?

There are Web presences for the Park itself and the region. The Research Triangle Park's web address is <http://www.rtp.org> and the Research Triangle Region's website can be found at <http://www.researchtriangle.org>. I am the Executive Vice President and COO for the Research Triangle Regional Partnership. Our organization is recognized as an accredited economic development organization (AEDO) by the International Economic Development Council (IEDC). We are related in our boards but we are not the owner of the Park.

Most of our initial contacts for new jobs and new investment come through the Web. The numbers are staggering in terms of the number of people who go

looking through the Web as opposed to calling. The Web is there to provide data and our philosophy.

In the next twenty-five to fifty years, do you think there will be a pattern that you can leverage based on your success and experience in the last five decades?

You will continue to see an evolution of growth in business that is overlapping our current concentrations. Currently, some of the hotter things in the region are medical devices that combine drug applications with engineering. You are starting to see a lot of advanced gaming here and eLearning that overlap between the contract research and the IT industries.

What is happening with the resurgence of our downtowns. You are seeing more housing and people locating downtown in the cities. You are also seeing a larger restaurant and entertainment scene growing. Growth towards the center was something we noticed over the last 10 years, but with gas prices and other things, we wonder if we are going to grow even denser in the middle.

You are going to continue to see people changing jobs faster. The average now in the U.S. is just under four years for a person to stay at a job. You are going to see a transition in economies from people and from products that have even shorter lifecycles than before. The nature of global connectivity is going to be more important for mid-sized places like us.

I am expecting much more diversity in the population and in the businesses with the underlying strength of life science and IT. I think that densification and wealth building will continue to be part of what is going on.

Exports jumped 60% in the last five years from this region around electronic machinery and pharmaceuticals. We will continue to see exports playing a bigger role in our marketplace and housing choice will be a big change. 