New Jersey's telecom industry needs new growth strategy, report says

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With jobs and patents declining, New Jersey's communications industry needs a dramatic turnaround strategy to capitalize on the next wireless revolution, according to a report released this week by Stevens Institute of Technology. Without a sound strategy, the report cautions, New Jersey may lose out on its share of a wireless technology industry projected to reach $757 billion by 2017.

The report – authored by M. Hosein Fallah, an Associate Professor in the Wesley J. Howe School of Technology Management at Stevens and formerly the director of Network Planning and Systems Engineering at Bell Labs – suggests that New Jersey focus on growing a strong and cohesive cluster of small and high-potential advanced communications companies "the toddlers" within the state; and by attracting new ones from outside the state. Matching grants and tax incentives can be used to help create this vibrant environment for a sustained economic growth.

Telecommunications employment in New Jersey has already dropped 35 percent since 2001. More jobs may be lost if the proposed Lucent-Alcatel merger is approved.

Meanwhile, states such as California and Texas are gaining communications jobs – largely by employing the same kind of public-private partnership that could work in New Jersey, as well, the report says.

In Texas, for instance, a coordinated, market-driven economic strategy is in place, focusing on growing specific industries, including telecommunications. A job creation component, the $295 million Texas Enterprise Fund, is part of the approach. Texas has recently announced a $2.5 billion investment in its university system to make them a magnet for scientific and medical research.

Today, Texas is second only to California in the number of telecommunications patents per year that developed there, New Jersey is ranked fifth. Back in 1996, however, the positions were reversed – New Jersey was No. 2 and Texas, No. 5.

New Jersey would benefit from a strategy similar to Texas to reverse its current trend. Under the terms of the Stevens report, the state needs to devote at least $100 million annually to this initiative for the next five years. Funding could come, not from the existing state budget, but by updating the state telecom tax policy and making taxes and fees equal for all of the communications services.

The report further suggests that matching grants would be offered for research coming from outside the state, as well as for collaborative R&D projects between small New Jersey companies and New Jersey research universities and institutions.

In return, the state would mandate that successful projects remain in New Jersey for at least a decade, and create new R&D jobs.

Source: Stevens Institute of Technology