Operation Diversify: Preparing for a Reduction in Defense Spending

The uniqueness of the defense industry can create obstacles for communities affected by defense downsizing. Because firms and workers develop specialized skills and competencies designed to serve government and military customers, they are challenged when trying to enter new markets and new sectors. This session will allow you to hear from the U.S. Department of Defense's Office of Economic Adjustment and economic developers working in communities that rely heavily on defense spending. You will learn:

- How to map regional assets to build or strengthen partnerships
- Tips on connecting early stage companies and new technology with core industries
- Building sector strategies for industry and workforce diversification

Moderator: Daniel Glasson
Program Director
Department of Defense Office of Economic Adjustment (OEA)

September 26, 2016
Geographic Area / Economic Base

Installations
1. Naval Air Station Whidbey Island
2. Naval Station Everett
3. Keyport Naval Undersea Warfare Command
4. Naval Base Kitsap-Bangor
5. U.S. Coast Guard District 13
6. Naval Base Kitsap-Bremerton
7. Joint Base Lewis McChord and Camp Murray
8. Yakima Training Center
9. Volpentest HAMMER Training and Education Center
10. Fairchild Air Force Base

Contractor Cluster
- KC-46 Pegasus
- P-8 Poseidon
- Shipbuilding and Maintenance
- Construction
- Aircraft Maintenance
- Research
- UAVs

“Which counties are most impacted by defense in Washington?”
- Spokane County, WA
Highlighted Strategies & Tools

• Ask the right questions...
  – Who is going to use the product of this work?
  – Complete information is impossible, so how can you get to actionable information?

• Get stakeholder assistance...
  – In our experience, the best company outreach effort involves people they already trust.
  – What are the links between defense contracts and broader supply chain participants and industries?
  – What industries and communities are impacted? How are they impacted by changes in certain types of defense spending?

• Sustainable design from the beginning...
  – Design with the intention of low cost/effort maintenance
Take-Aways

• How to draw in companies
  – Inclusion of newsfeeds and related information
  – Updates on quadrennial budget, announcements, conference proceedings, etc., and modeled scenario impacts.
  – Collecting more information on sub-tier suppliers, help users further understand characteristics of supply chain.
  – Business wiki-style pages

• Create a forum for business intelligence
  – Platform for local suppliers to track activities
  – Enhanced early warning system for economic development organizations
Panelist #2

John Hixson
Vice President, Advanced Manufacturing
St. Louis Economic Development Partnership
Geographic Area / Economic Base

- St. Louis MO-IL MSA
- 1 Dominant City (St. Louis pop. 318,416)
- 2 States: MO and IL
- 15 Counties
- 239 Cities & Towns
- 2.6M People
- $16.6 Billion Defense Spending (MO and IL)
- 53,921 Employed in MSA Advanced Manufacturing Base
### Regional Advanced Manufacturing

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<tbody>
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<td>3344</td>
<td>Aerospace product &amp; parts mfg.</td>
<td>17,067</td>
<td>3.1%</td>
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<td>3254</td>
<td>Pharmaceutical &amp; medicine mfg.</td>
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<td>Iron &amp; steel mills &amp; ferroalloy mfg.</td>
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<td>0.8%</td>
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<td>3381</td>
<td>Motor vehicle mfg.</td>
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<td>3316</td>
<td>Foundries</td>
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<td>3251</td>
<td>Basic chemical mfg.</td>
<td>2,334</td>
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<td>1.2%</td>
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<tr>
<td>3319</td>
<td>Other miscellaneous mfg.</td>
<td>2,297</td>
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<td>3355</td>
<td>Electrical equipment mfg.</td>
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<td>0.01%</td>
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<td>3339</td>
<td>Other general purpose machinery mfg.</td>
<td>1,713</td>
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<td>2.2%</td>
<td>1.5%</td>
<td>2.2%</td>
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<td>3241</td>
<td>Petroleum &amp; coal products mfg.</td>
<td>1,677</td>
<td>-0.9%</td>
<td>-0.8%</td>
<td>1.5%</td>
<td>0.9%</td>
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<tr>
<td>3363</td>
<td>Motor vehicle parts mfg.</td>
<td>1,632</td>
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<td>3359</td>
<td>Other electrical equipment &amp; component mfg.</td>
<td>1,066</td>
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<td>1.0%</td>
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<td>3252</td>
<td>Resin, rubber, &amp; artificial fibers mfg.</td>
<td>844</td>
<td>8.7%</td>
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<td>3332</td>
<td>Industrial machinery mfg.</td>
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<td>1.5%</td>
<td>0.7%</td>
<td>0.9%</td>
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<td>3259</td>
<td>Other chemical product &amp; preparation mfg.</td>
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<td>3279</td>
<td>Other nonmetallic mineral products</td>
<td>607</td>
<td>-1.4%</td>
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<td>0.6%</td>
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<td>3331</td>
<td>Ag., construction &amp; mining machinery mfg.</td>
<td>537</td>
<td>3.6%</td>
<td>3.8%</td>
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<td>2.1%</td>
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<td>3362</td>
<td>Motor vehicle body &amp; trailer mfg.</td>
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<td>6.1%</td>
<td>0.4%</td>
<td>1.2%</td>
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<td>3313</td>
<td>Alumina &amp; aluminum production</td>
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<td>0.3%</td>
<td>0.5%</td>
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<tr>
<td>3253</td>
<td>Agricultural chemical mfg.</td>
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<td>-0.03%</td>
<td>0.3%</td>
<td>0.3%</td>
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<tr>
<td>3366</td>
<td>Ship &amp; boat building</td>
<td>262</td>
<td>-9.0%</td>
<td>1.6%</td>
<td>0.2%</td>
<td>1.1%</td>
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<td>3342</td>
<td>Communications equipment mfg.</td>
<td>214</td>
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<td>-4.7%</td>
<td>0.2%</td>
<td>0.8%</td>
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<tr>
<td>3336</td>
<td>Turbine &amp; power transmission equipment mfg.</td>
<td>208</td>
<td>-3.8%</td>
<td>1.2%</td>
<td>0.2%</td>
<td>0.8%</td>
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<td>3352</td>
<td>Household appliance mfg.</td>
<td>198</td>
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<td>0.2%</td>
<td>0.2%</td>
<td>0.5%</td>
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<td>3351</td>
<td>Electric lighting equipment mfg.</td>
<td>189</td>
<td>12.6%</td>
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<td>0.2%</td>
<td>0.4%</td>
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<td>3271</td>
<td>Clay product &amp; refractory mfg.</td>
<td>152</td>
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<td>-1.3%</td>
<td>0.1%</td>
<td>0.3%</td>
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<td>3365</td>
<td>Railroad rolling stock mfg.</td>
<td>149</td>
<td>2.3%</td>
<td>4.0%</td>
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<td>0.2%</td>
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<tr>
<td>3341</td>
<td>Computer &amp; peripheral equipment mfg.</td>
<td>77</td>
<td>1.1%</td>
<td>-1.1%</td>
<td>0.1%</td>
<td>1.3%</td>
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<tr>
<td>3369</td>
<td>Other transportation equipment mfg.</td>
<td>76</td>
<td>-8.1%</td>
<td>-2.6%</td>
<td>0.1%</td>
<td>0.3%</td>
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<tr>
<td>3346</td>
<td>Magnetic media mfg. &amp; reproducing</td>
<td>65</td>
<td>-11.1%</td>
<td>-9.3%</td>
<td>0.06%</td>
<td>0.14%</td>
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<tr>
<td>3343</td>
<td>Audio &amp; video equipment mfg.</td>
<td>6</td>
<td>1.3%</td>
<td>-2.5%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**St. Louis Market Share greater than US**  **St. Louis Growth Rate greater than US**

Highlighted Strategies & Tools

• Strategies
  – Create and Sustain Advanced Manufacturing Ecosystem
  – Encourage International Business Transactions
  – Pursue Emerging End Markets Through Enabling Technologies

• Tools
  – Regional Asset Map with SWOT/Gap Analysis
  – Action Plan of Strategy and Policy Guidance
  – State-wide Defense Supply Chain Map
  – Regional Advanced Manufacturing Partnership (People)
Take-Aways

- Workforce Development is Bigger than Regional
- Political and Business Leaders Respond to Urgent
- Industrial Revolution 4.0 is Real, and it is Now
- All Businesses are in a Global Competition
Panelist #3

Karen Conrad
Office of Asstant Director
Ohio Development Services Agency
The Ohio Defense Contract Spending Impact Model measures the workforce and economic impacts of Dept. of Defense contract spending in Ohio. Displayed at the state, county, metropolitan statistical areas, workforce investment areas and economic development regions.

http://dod-oh.chmuraecon.com/
Highlighted Strategies & Tools

The State worked to:

(a) complete a defense contractors supply chain analysis
(b) complete analysis of federal facilities in the State
(c) organize an effective response to anticipated reductions in DOD expenditures, at both state and regional levels, develop courses of action and detailed plans to respond to the risk imposed by overreliance on defense expenditures.

September 26, 2016
Take-Aways

Ohio community and economic development leaders and academic researchers have used the Ohio Defense Contract Spending Impact Model to:

• **Focus economic development resources** on at-risk industries and occupations.

• **Direct business retention efforts** to firms likely to be affected by changes in spending patterns.

• **Provide valuable inputs** to workforce organizations to identify or create programs to help unemployed workers.

• **Tabulate impact data** to support applications for federal or state assistance programs.
Panelist #4

Bob Starzynski
Director of Business Development
Innovation Works
The SWPA Partnership

- Part of statewide PA initiative
- One city (Pittsburgh), one urban county, and 11 rural counties that rely heavily on a manufacturing economy
- Allegheny County alone: 1,000 defense contractors that handled $15B of defense contracting in last 10 years

- Develop new channels for DOD contractors’/sub-contractors’ excess capacity
- Engage DOD contractors/sub-contractors in product and process improvement for increased competitiveness
- Create new opportunities for DOD contractor/sub-contractor workforce negatively impacted by reduced DOD spending
Develop New Channels for DOD Contractors’/Sub-Contractors’ Excess Capacity

Support the development and growth of early stage hardware companies that are designing their products for U.S. manufacturing, creating new customers for defense contractors.

Grow regional supply chain support and innovation by engaging regional defense manufacturers and early stage hardware companies, playing matchmaker.