

Project: Military Business & Resource Gap Analysis

"Funded, in part, by a grant from the Nevada Commission on Economic Development."



Prepared for:

The 7-County Northern Nevada Region

October 2007

AGENDA

ONE: The Project

TWO: Assessment and Findings

THREE: Target Recommendations

FOUR: Strategic Priorities & Marketing

Military Business and Resource Gap Analysis

THE PROJECT

Our Team

Ben Loftsgaarden, Project Manager

- Main contact for this project
- Have managed two other projects in northern NV (EDAWN and NNDA)

Daniel Kah, VP of Site Selection and Research

- Originator of the Military Gap project
- Heads up our Site selection and Real Estate services

And our partners:

Shelley Hartmann, Exec. Director of Mineral County EDA

Juliette Taylor, Exec. Director of Churchill County EDA

The Nevada Commission on Economic Development (NCED)

PROJECT PROCESS

TASK ONE:
Project Set Up

TASK TWO:
Analyze national and regional
defense industry

Report 1: Defense Industry Demand Analysis

TASK THREE:
Identify target audiences for
marketing

TASK FOUR:
Create a defense industry growth
strategy

Report 2: Defense Industry Growth Strategy

Input Process

- ~20 interviews :
 - Both Base commanding officers,
 - Major defense contractors in both Fallon and Hawthorne,
 - Community leaders
- Visited each military installation:
NAS Fallon, Hawthorne Army Depot

Reports

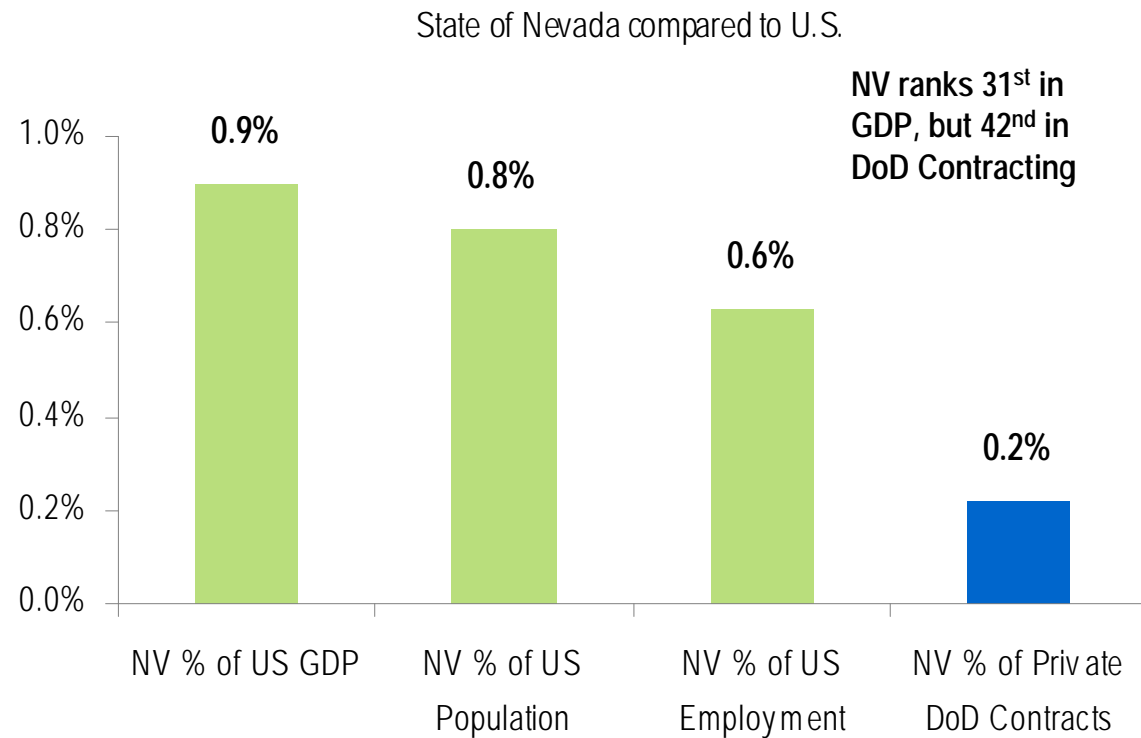
1. Defense Industry Demand Analysis
2. Defense Industry Growth Strategy

Why this Study?

Nevada

- ✓ Good military presence
- ✓ Large federal presence (BLM lands, Test site, Yucca Mtn.)
- ✓ Low comparable levels of military contracting

DOD CONTRACTING COMPARISON



Source: DOD; AngelouEconomics

Opportunity

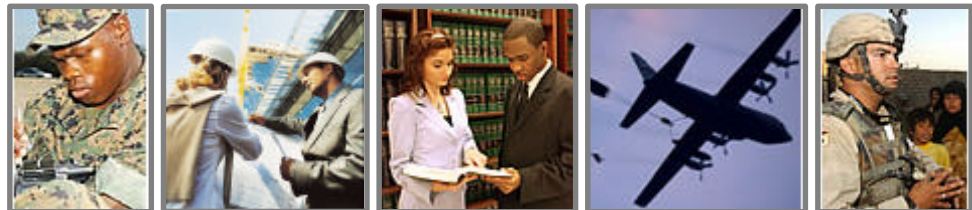
If Nevada could increase its share of DoD contracting to match its share of national GDP...

This would result in an additional \$1.6 Billion dollars flowing into the Nevada economy.

This could mean over 15,000 new (high paying) jobs for the state.

CORE PROJECT GOALS

1. Identify defense-related sectors that can be recruited to Northern Nevada
2. Identify future procurement opportunities for Northern Nevada's existing businesses
3. Identify strategies to increase the number of companies that supply the region's military installations or national DoD (now or in the future).



Military Business and Resource Gap Analysis

ASSESSMENT & FINDINGS

Shift in Security Assessment

New global security threats are causing a major transformation in the organization and tactics of the U.S. military.

- **Wars in Iraq and Afghanistan (initial combat)**
 - 'Rapid Decisive Operations' – fast and flexible force dependent on precision weapons and a high-technology network-centric approach
- **Global War on Terrorism**
 - New enemy, non-state terror networks
- **Base reconfiguration**
 - More bases in non-traditional locations
- **Restructuring of the Army**
 - More units, more troops, more flexibility

Shift in Future Weapons

This new, mobile military will require significant new equipment and systems to support it. We've identified 5 new systems that will be the basis for future weapons procurement:

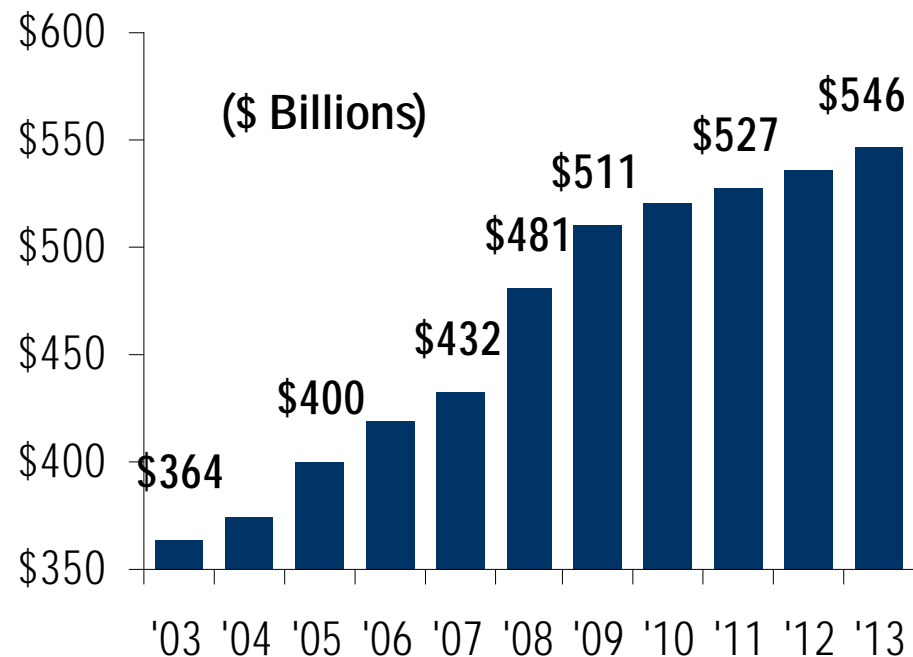
- Network-Centric Communications Systems
- Unmanned Aerial Vehicles
- Space Systems
- Future Combat Systems
- Land Warrior System

Defense Spending Trends

The military is a major consumer of manufactured goods and high tech services:

- ✓ MFG currently accounts for 41% of procurement (\$121 billion)
- ✓ Professional, Scientific, and Tech Services accounts for 25% (\$72 billion)

DOD BUDGET TRENDS

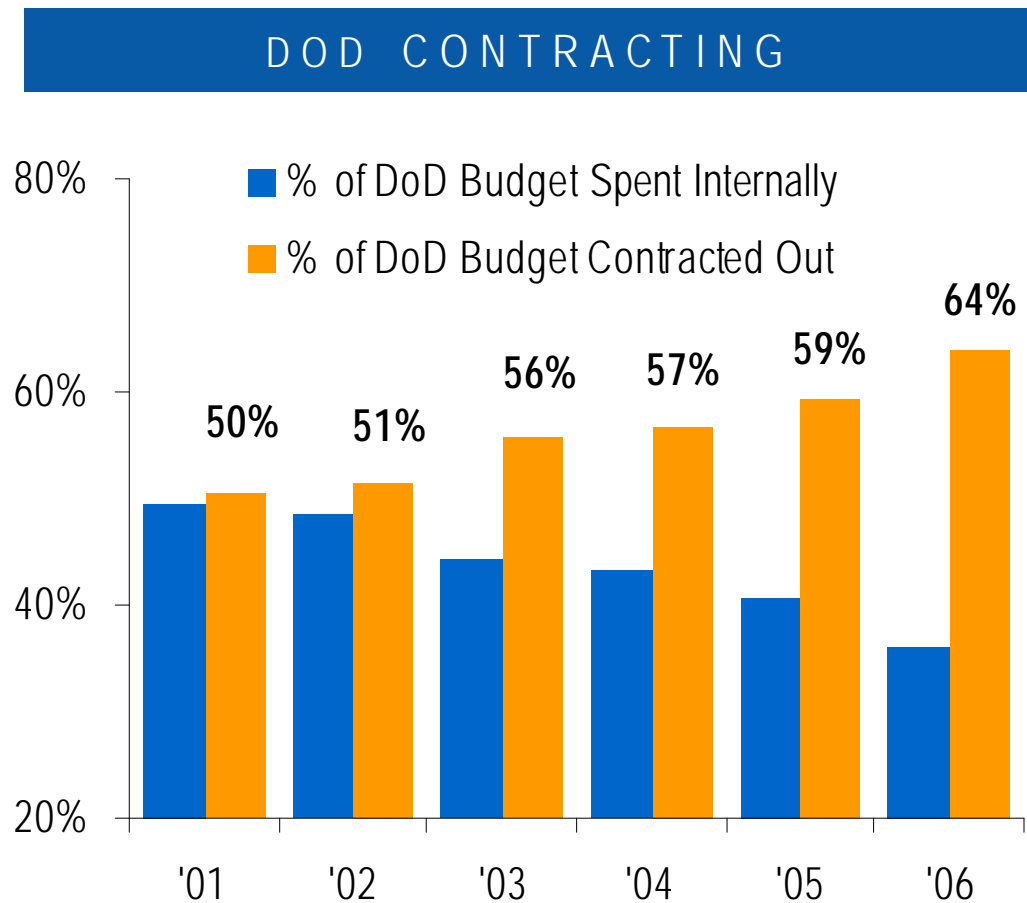


Source: OMB, DOD; AngelouEconomics

Procurement Trends (National)

More than 60% of the DoD budget is sourced to private sector contractors. This trend will continue.

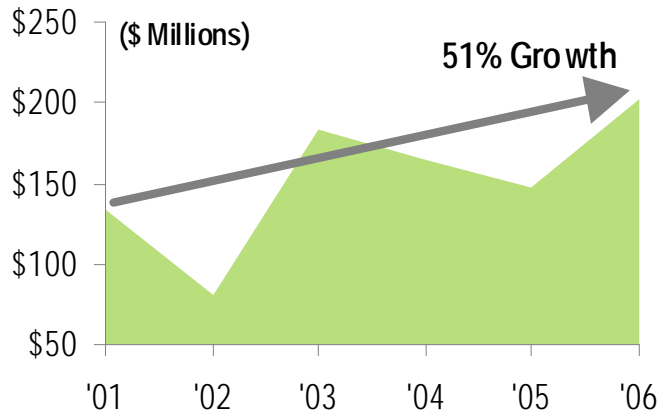
Significant expansion in outsourcing of non-core functions and personnel is planned for 2006 to 2009.



Source: DOD; AngelouEconomics

Northern Nevada Procurement

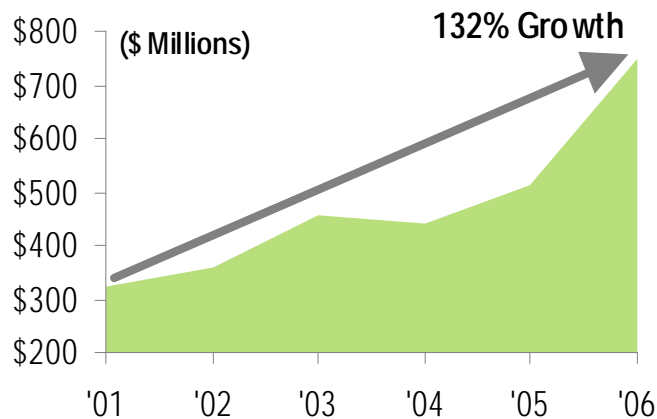
7-COUNTY* DOD PROCUREMENT



The 7-County* Northern Nevada region received \$202 million in DoD spending in 2006, up 51% since 2001.

- Churchill County (\$108M) and Mineral County (\$61M) are the largest recipients

STATE OF NEVADA DOD PROCUREMENT



The State of Nevada received \$750 million in DoD spending in 2006, up 132% since 2001.

NV DoD is captured by three areas:

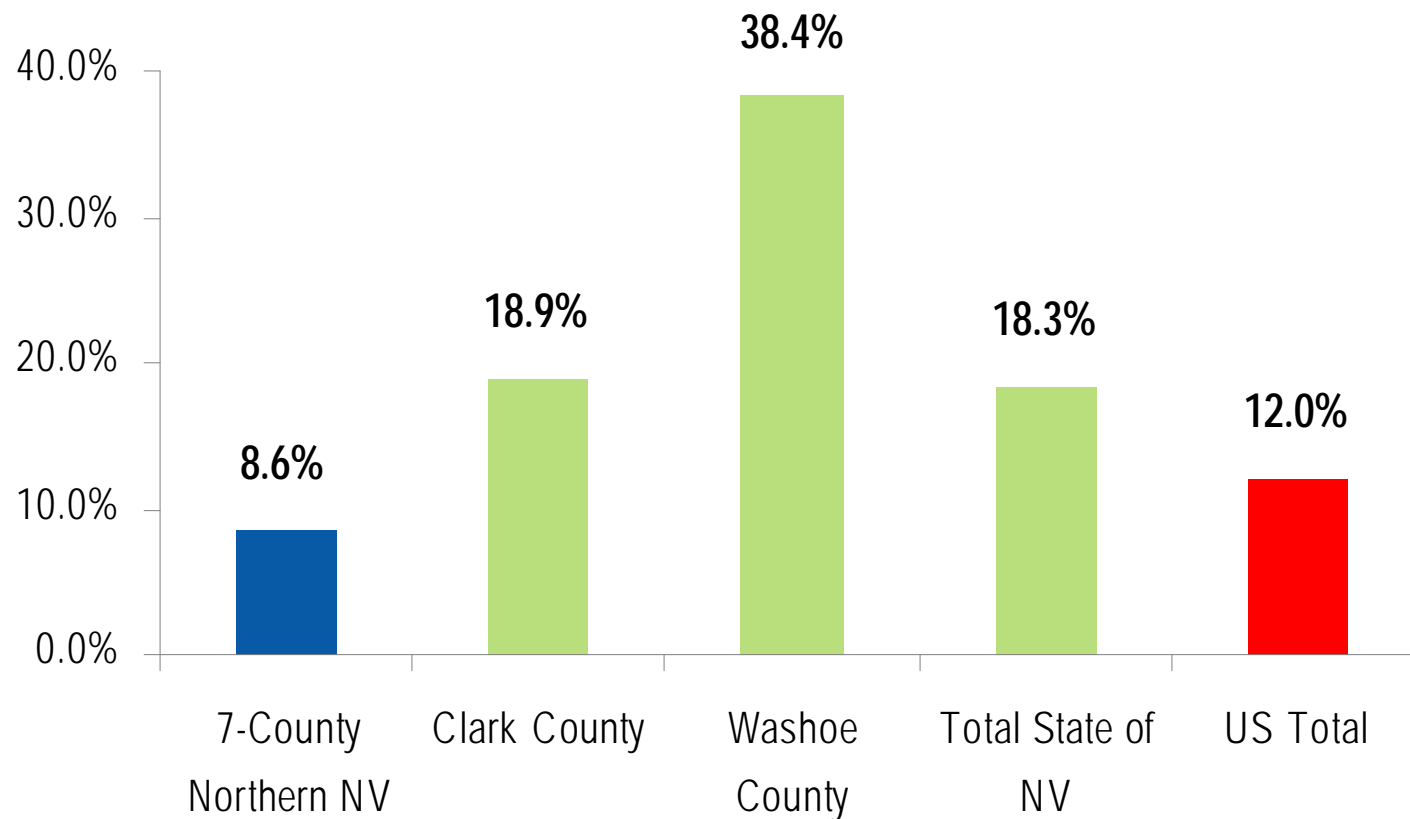
- Clark County \$364M (40%)
- 7-County region \$202M (27%)
- Washoe County \$183M (24%)

*7-County: Carson City, Churchill, Douglas, Lyon, Mineral, Pershing, and Storey

NV Procurement Growth

DOD CONTRACTING COMPARISON

Average Annual Growth in DOD Contracting from 2001-2006



Northern NV by County

NORTHERN NEVADA CONTRACTING BY COUNTY

	2001 - 2006			
	2001	2006	Dollar Growth	% Growth
Carson City	\$17,741,950	\$14,009,010	\$3,732,940	-21%
Churchill	\$80,534,923	\$108,154,008	\$27,619,085	34%
Douglas	\$1,459,513	\$8,692,128	\$7,232,615	496%
Lyon	\$252,450	\$8,711,794	\$8,459,344	3351%
Mineral	\$33,430,472	\$61,785,158	\$28,354,686	85%
Pershing	\$0	\$285,445	\$285,445	NA
Storey	\$31,503	\$292,058	\$260,555	827%
Total	\$133,450,811	\$201,929,601	\$68,478,790	51%

Military Business and Resource Gap Analysis

TARGET RECOMMENDATIONS

Target Selection

Series of 8 filters were used to identify specific 2- and 3-digit industries that are good defense targets for Northern Nevada:

National

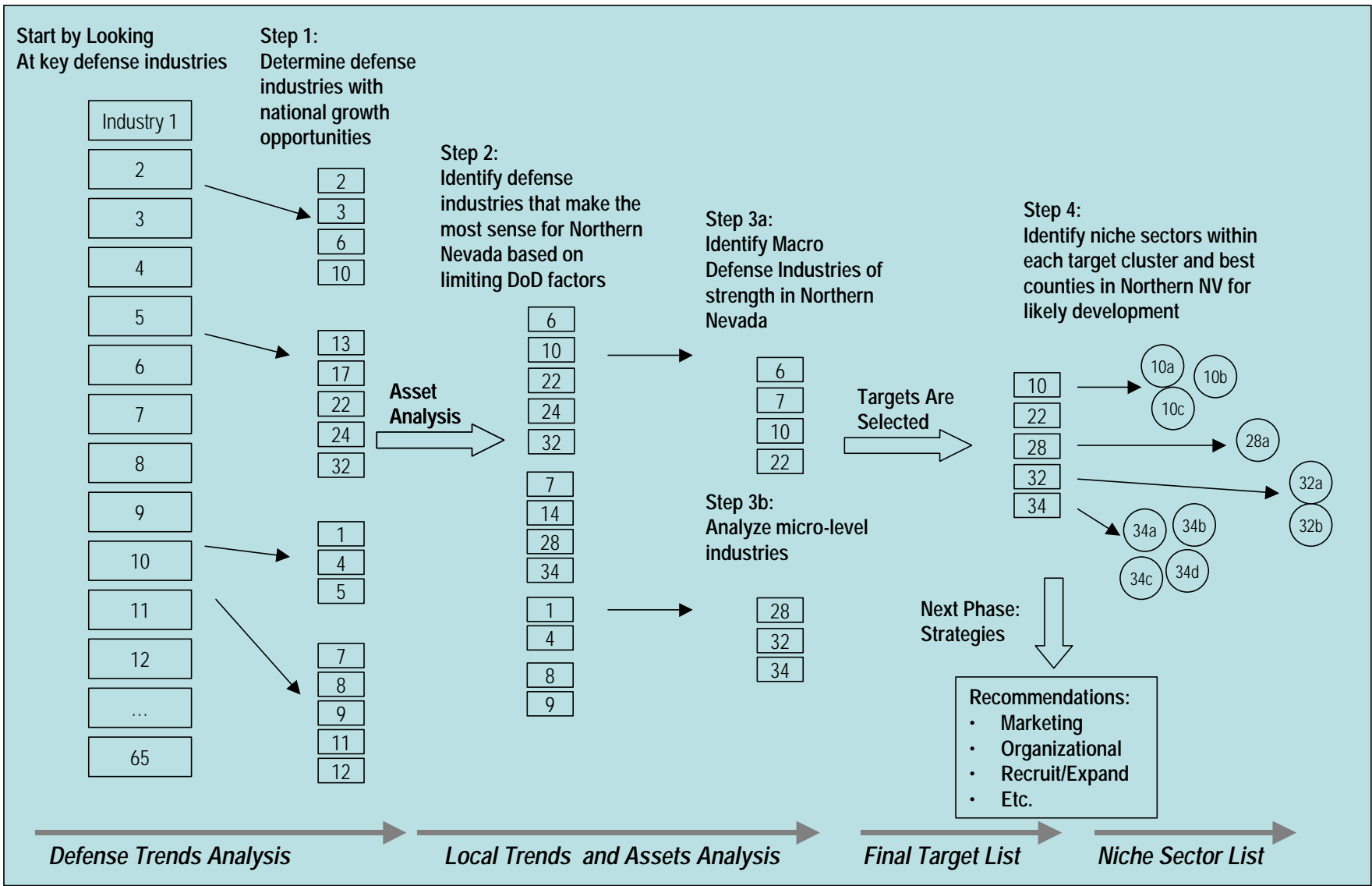
- Industry Size and Growth
- Competitive bidding
- Subcontracting / small biz
- Best Value Contracting

Regional

- Industry Clusters
- Procurement Strength
- Assets in Workforce, Business Climate, Infrastructure

AngelouEconomics identified both recruitment and expansion targets for the state.

Target Selection Process



Target Selection

Defense Target	Niche Sectors	Defense Target	Niche Sectors
Defense Technologies (Manufacturing, Research, and Tech Services)	332 Fabricated Metal Product Manufacturing	Defense Consumables (Food, Printing, & Distribution)	488 Support Activities for Transportation
	333 Machinery Mfg		493 Warehousing and Storage
	334 Computer and Electronic Product Mfg		511 Publishing Industries (except Internet)
	335 Elec. Equip., App., and Component Mfg		722 Food Services and Drinking Places
	336 Transportation Equipment Manufacturing		
	541 Professional, Scientific, and Technical Svcs		
Base Construction	236 Construction of Buildings	Base Support Services	561 Administrative and Support Services
	237 Heavy and Civil Engineering Construct.		562 Waste Mgmt and Remediation Services
	238 Specialty Trade Contractors		711 Performing Arts, Spectator Sports, etc.

Target Selection by County

Industry		Carson City	Churchill	Douglas	Lyon	Mineral	Pershing	Storey
NAICS	Description	Target	Target	Target	Target	Target	Target	Target
236	Construction of Buildings		✓✓✓		✓			✓✓
237	Heavy and Civil Engineering Construct.		✓✓✓		✓			✓✓
238	Specialty Trade Contractors		✓✓✓		✓		✓✓	✓✓
332	Fabricated Metal Product Mfg	✓		✓✓		✓✓✓	✓✓	✓✓
333	Machinery Mfg	✓		✓✓	✓✓		✓✓	✓✓
334	Computer and Electronic Product Mfg	✓	✓	✓✓				
335	Elec. Equip., App., and Component Mfg	✓		✓✓	✓✓✓			
336	Transportation Equipment Mfg	✓✓✓	✓✓✓	✓✓	✓✓✓			
488	Support Activities for Transportation		✓✓✓					
493	Warehousing and Storage					✓✓✓	✓✓	✓✓
511	Publishing Industries (except Internet)							
541	Prof., Sci., and Technical Svcs	✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓		
561	Administrative and Support Services		✓✓✓			✓✓✓		
562	Waste Mgmt and Remediation Services					✓✓		✓✓
711	Performing Arts, Spectator Sports, etc.		✓✓					
722	Food Services and Drinking Places		✓✓✓			✓✓		

"✓" indicates relative strength of target opportunity

Military Business and Resource Gap Analysis

**STRATEGIC PRIORITIES &
MARKETING**

Recommendations

AngelouEconomics has prepared 15 specific recommendations for Northern Nevada and the State to support the development of a robust Defense Sector.

2 main headings:

1. Strategic Priority Recommendations
2. Marketing Strategies

STRATEGIC PRIORITIES

1. **Designate “Defense” as a Target Industry for the Northern Nevada region and the State**
 - sends a clear signal to outside defense companies that the region and state are committed to their growth and prosperity.
 - provides a clarity and direction to local and state economic development leaders.
 - very few states actively target the Defense Industry, which should give the region and state a clear first mover advantage.
2. **Integrate the findings in this Strategy into local and State Economic Development Initiatives**
 - local economic development authorities and NCED should adopt this plan and prioritize the recommendations.

STRATEGIC PRIORITIES

3. Form a Defense Industry Council

- Create a Defense Industry Council under the supervision of the NCED to serve as primary overseer and champion of this effort.
- Council made up of: public sector economic development experts, private sector defense companies, county/regional economic development representatives and staff from NCED and the Nevada Procurement Outreach Program
- Council will serve as the primary group to advance the private sector military industry in Northern Nevada. Nearly all the initiatives that result from this strategy should flow through this group.

Key tasks include:

- Ongoing Defense Industry Analysis, Defense marketing, Policy Analysis support

STRATEGIC PRIORITIES

4. Integrate Local Economic Development Efforts into this Plan

- Designate an individual as “Local Communication Partner” with the specific role of serving as a community economic development liaison.
- Serve as “voice of the defense cluster” and Council to local ED orgs
- Appointed by Council, serves ~12 months

5. Designate a Defense Cluster Specialist

- State should designate a specific Defense Cluster Specialist inside NCED or NV PoP to drive the strategic elements of this plan from the state level.
- Serve as the focal point for external contact within defense cluster

STRATEGIC PRIORITIES

6. **Conduct Annual Visits to Existing Defense Contractors**
 - Local economic developers should commit to visit with each Defense contractor in their county each year.
7. **Consider the creation of a separate non-profit 501c3 to fund Marketing Initiatives for the Defense Industry Council**
 - Efforts of the Defense Industry Council can be positioned to receive some private sector assistance for marketing.
 - Allows the Council to have larger impact
 - Creating a separate non-profit, the Defense Industry Council will be able to maintain transparency to its new “investors”

STRATEGIC PRIORITIES

8. **Increase Federal Lobbying efforts**
 - Coordinate with Washington delegation for an expanded lobbying effort.
 - Other states do this, leverage the seniority NV has in Washington
9. **Consider the Creation of Incentives Targeted specifically for Defense Contractors**
 - Consider allocating specific set of tax incentives to defense contractors (10% premium on existing incentives)
10. **Support an effort to bolster SBIR and STTR funds to Nevada companies**
 - Consider creation of matching fund, etc.

MARKETING STRATEGIES

1. Expand external marketing campaigns

- Conduct a campaign to enhance external perceptions of and to persuade defense industry executives to consider the region for expansion and relocation.
- Items could include:
 - Create a brochure,
 - Email newsletter,
 - PR firm to Market Nevada,
 - Website improvements

MARKETING STRATEGIES

2. Create an Enhanced Marketing Website Presence devoted to the Defense Industry

- Web enhancements should be made to include a new defense industry section and/or the creation of a standalone Defense Industry Portal.

Option 1: The defense industry should have its own target section on the NCED, NV PoP and Churchill and Mineral County EDA websites.

Option 2: a standalone website or Web Portal could be developed that would be overseen by the Defense Industry Council.

Elements of Site: detail on the procurement process, future budget trends, a searchable database on past procurement contracts, subcontracting opportunities, “Guide to Doing Business with the Military”, DoD line-item budget information, database on large defense contractors

MARKETING STRATEGIES

3. Attend National Defense Conferences

- Reps of the Defense Industry Council, NCED and NV PoP, local and regional EDAs, and relevant private sector groups should attend defense industry trade shows and conferences.

4. Sponsor an Annual Defense Contracting Conference

- The State should hold an annual conference on the Defense Industry
- sponsored by NCED, Defense Industry Council, local/regional EDAs, and the Nevada Procurement Outreach Program.
- give defense contractors from across the state a networking opportunity

5. Take Market Development Trips to Defense Contractors

- visit defense contractors in large defense cluster communities to develop subcontracting opportunities for Nevada companies.

Keys to Success

Nevada has a clear opportunity to “close the gap” between the defense industry and its military assets.

This effort will require:

1. A new official focus
2. Collaboration between state, local e.d & federal representatives
3. Marketing Investment
4. Staff and Volunteer time
5. Private Sector participation

Each is critical to the success of this effort.

Economic Impact of Success

Success will come from expansion of DoD procurement by existing or relocating companies.

- *New Jobs, New Income, New Tax Revenue*

*if the State of Nevada could increase its share of DoD contracting to match the state's share of national GDP then this would result in an **additional \$1.6 Billion** dollars in defense contracts flowing into the Nevada economy each year.*

This would support the creation of **over 15,000 new (high paying) jobs for the state ...**

Thank You.

Questions?