

DEPARTMENT OF DEFENSE

MANUFACTURING AND INDUSTRIAL BASE POLICY (MIBP)

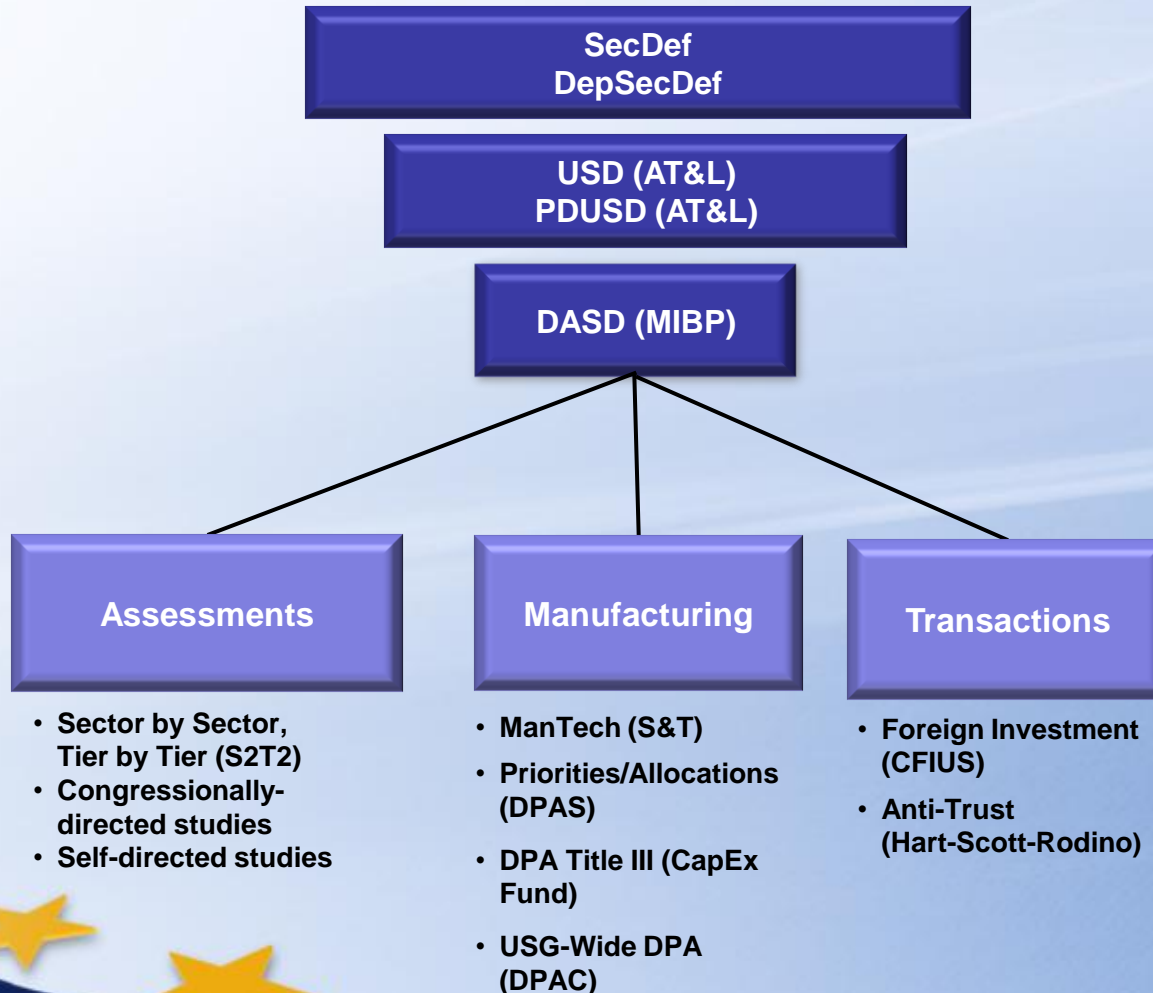
National Defense Industrial Association

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The Manufacturing and Industrial Base Policy (MIBP) office has three divisions



Given the nature and diversity of our industrial base, any useful examination faces challenges

- ★ **The first is the nature of the base:**
 - ★ Vast – with 10,000s of suppliers
 - ★ Dynamic – at lower tiers, companies come and go
 - ★ Proprietary – corporate survival often depends on differentiation
 - ★ Increasingly globalized – supply chains circle the world
- ★ **The second is internal:**
 - ★ 100s of primarily discrete industrial base studies over the last 5 years
 - ★ Some were at the service level, but a majority occur at the system or program level
 - Provide “soda straw” looks at discrete portions of the base
 - A confederate approach to a national issue
 - ★ There is no central repository or list for these efforts - employ 100s of personnel and consumes millions
 - ★ The ultimate relevance of many of these studies is questionable



The Sector-by-Sector Tier-by-Tier (S2T2) effort is designed as a comprehensive, repeatable, and fact based approach to mapping the defense industrial base

- ★ S2T2 will create a common taxonomy across multiple sectors to better identify and quantify the “gross anatomy” of the base
- ★ This effort will assist the Department in:
 - ☆ Establishing early warning indicators of risk, particularly at lower-tiers
 - ☆ Promote forward leaning policies to strengthen or mitigate potential points of failure
 - ☆ Assist longer-term planning and investment decisions by, and across the Services
- ★ S2T2 will identify potential problems in the supply chain
 - ☆ Single points of failure
 - ☆ Over-reliance on a foreign sourcing, especially at the lower-tiers
 - ☆ Areas of limited competition
- ★ S2T2 will provide the Department insight to inform policy and address cross program and service interdependencies
- ★ S2T2 will identify and leverage a significant amount of existing and ongoing efforts across OSD & the Services, as well as identify duplicative analyses that, if rationalized, could save the Department millions of dollars

Insights to Ultimately Guide Investment Decisions



The S2T2 effort is proceeding along five tracks

★ MIBP Analysts

- ★ Each analyst targets the issues most salient to his/her sector leveraging decades of experience and industry contacts
- ★ Research into key supply chain niches identified as particularly problematic

★ Outside Expert Reports

- ★ Efficiently builds on existing human capital
- ★ Quickly focuses expert attention on specific questions of interest to the Department

★ Service Detailees

- ★ Interface with program offices, Service industrial base communities, etc.
- ★ Collect data from recent and on-going Service studies

★ ManTech – Factory Floor Perspective

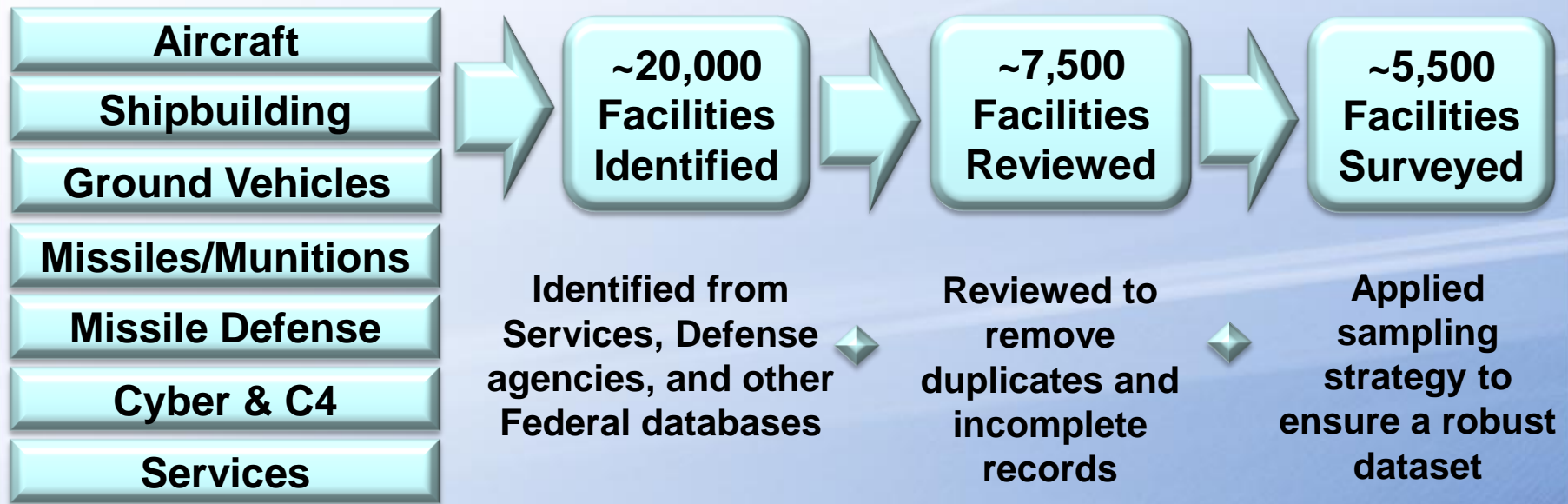
- ★ Focused effort to assess unique challenges to the manufacturing community
- ★ Tied closely to ongoing ManTech efforts across the Department and Services

★ Department of Commerce Survey

- ★ Systematic collection of data from ~5000 companies
- ★ Enables quantitative analysis



Selection methodology for Department of Commerce survey



S2T2 inputs and outputs will create data sets

Sector Assessments
Surveys
Experts
Services
Manuf. Assessment



S2T2
Datasets



Illustrative Outputs

- Program rationalization/adjust timing
- Alternative sourcing/market research
- Direct investment (IBIF, Title III, long-term R&D)
- Industrial reviews (Hart Scott Rodino, Committee on Foreign Investment in the US, business rationalization)
- Readiness
- Globalization impacts
- Program/Service support

S2T2 - Repeatable and Iterative Process



The next three months ...

- ★ **Expert reports and first phase of MIBP research will produce the first actionable results in September**
- ★ **Early compilation of DoC survey database will be available at end of September**
 - ★ Data will be incomplete at this point, but...
 - ★ We expect to be able to glean some initial pieces of actionable data
 - ★ Can begin preparation of initial findings
- ★ **Sustained effort**
 - ★ Robust, fully systematic results from original sample ready for winter POM14 process
 - ★ Plan to start series of rotating deeper efforts in fall 2011
 - ★ OSD outreach to Services and PEOs
- ★ **Industry outreach with preliminary results beginning in October**

