

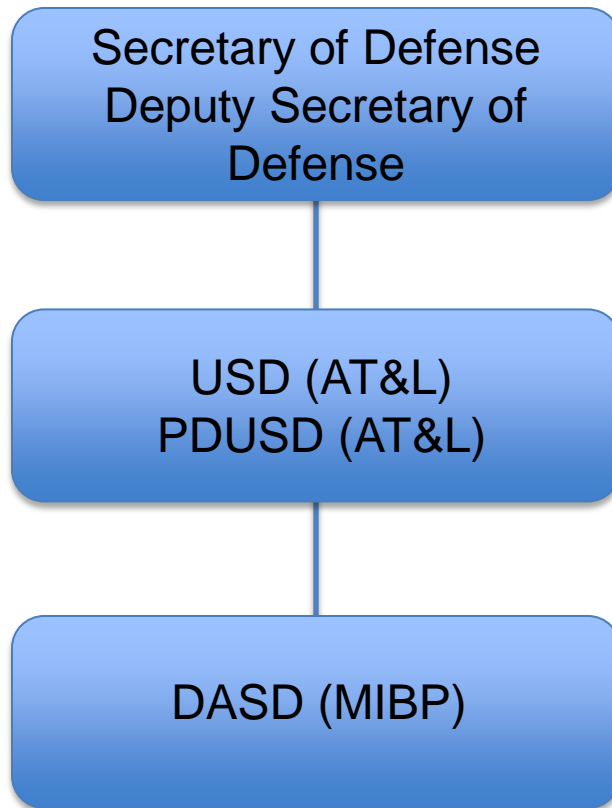
Office of Manufacturing Industrial Base Policy (MIBP) Overview Briefing



April 2016



MIBP Authority & Organization



2011, USC Section 7 of Title 10

Established Deputy Assistant
Secretary of Defense for
Manufacturing and Industrial Base Policy
DASD (MIBP)

Principal advisor to USD (AT&L) for:

- DoD policies for the maintenance of the US defense industrial base (IB)
- Budget matters related to the IB
- Anticipating and closing gaps in manufacturing capabilities or defense systems
- Assessing impacts related to mergers, acquisitions, and divestitures
- Monitoring and assessing impact of foreign investments in the US.
- Executing authorities under Sections 2501 and 2505 U.S.C. Title 10

Modernizing the Defense Industrial Base for the 21st Century



MIBP Mission

Roles and Responsibilities



Mission:

Ensure robust, secure, resilient, and innovative industrial capabilities upon which the Department of Defense can rely to fulfill the Warfighter's requirements

Advanced Manufacturing Capabilities

- Create, expand, or preserve domestic industrial manufacturing capabilities to meet national defense requirements
- Invest in cross-cutting, multi-system-benefit manufacturing R&D
- Establish national public-private partnerships to spur innovation in U.S. manufacturing

Industrial Base Assessments

- Conduct detailed analyses of the defense industrial base to identify fragile capabilities
- Lead DoD in all matters relating to mergers, acquisitions, and divestitures
- Draft company and industrial base sector assessments, Reports to Congress, etc

Global Markets and Investments

- Analyze the national security implications of foreign investments in the U.S.
- Proactively assess global market trends related to the defense industrial base

Business Intelligence and Analytics

- Develop and utilize business intelligence tools and capabilities to proactively assess the industrial base
- Operate as a shared service for MIBP and other customers



MIBP Strategic Priorities



1. Develop Business Intelligence and Analytic tools and capabilities to proactively assess the defense industry base
2. Develop horizon-scanning capabilities to assess global markets and investments as they affect DoD in financial transactions and foreign investments
3. Support the National Network for Manufacturing Innovation (NNMI) including the establishment of eight DoD Manufacturing Innovation Institutes (MIIs)
4. Ensure responsiveness and balance across the full portfolio of manufacturing technology investments
5. Establish an Industrial Base Council to mitigate risk across DoD and improve two-way dialogue with industry through direct engagement with trade and industry associations





MIBP Functions



Manufacturing

- Defense Production Act Title III
- Manufacturing Technology (ManTech)
- Manufacturing Innovation Institutes
- Industrial Base Analysis and Sustainment Program

Industrial Base Assessments

- Assessments (Fragility and Criticality (FaC) Methodology)
- Mergers and Acquisitions (Hart-Scott-Rodino Act)
- Defense Priorities and Allocations System
- Reports to Congress

Global Markets and Investments

- Committee of Foreign Investment in the U.S. (CFIUS)
- Non-notified and anticipated CFIUS cases
- Global markets trends

Business Intelligence and Analytics

- Using Big Data principles to assess health of Industrial Base

Industry Outreach

- Better Buying Power (BBP)
- Industry Associations



MIBP Function – Manufacturing



DPA Title III – Expansion of Productive Capacity and Supply

Authorizes use of unique economic incentives to create, expand or preserve domestic industrial manufacturing capabilities for industrial resources, technologies, and materials needed to meet national defense requirements

We ARE NOT:

- R&D
- Buying supplies, parts, or systems

We ARE:

- Paying companies to create, expand, or modernize production capacity
- Buying and managing government-owned production equipment integral to a company's business



**ALON
Transparent
Armor**

Fast Facts

- Enacted in 1950
- Not a permanent authority. (Reauthorized thru Sept 30, 2019)
- Economic Incentives:
 - Purchases
 - Purchase commitments
 - Production equipment installation
- Contracting activities/ technical projects managed by the Air Force.

Title III Program Director

Melinda Woods

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MIBP Function - Manufacturing



Manufacturing Technology (ManTech)

Anticipates and closes gaps in manufacturing capabilities for affordable, timely, and low-risk development, production, and sustainment of defense systems

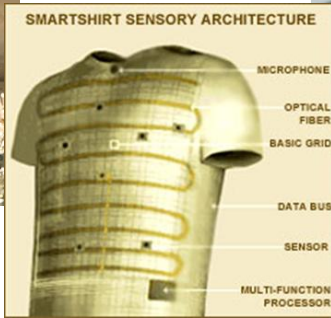
Strategic Thrusts:

- Responsive manufacturing technology investments
- Active support for
 - Collaborative manufacturing enterprise
 - Strong institutional focus on manufacturability
 - Strong manufacturing process maturity
 - Healthy, sufficient, and effective defense manufacturing infrastructure and workforce

Fast Facts

- ManTech focuses on the development of early stage (TRL 1,2,3) advanced manufacturing technologies and processes
- ManTech programs across the DoD: participating Defense Agencies, and OSD
- FY 2011 NDAA transferred oversight responsibilities of ManTech to DASD(MIBP)

Acting Program Director
Tracy Frost
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MIBP Function – Manufacturing



DoD Manufacturing Innovation Institutes (MIIs)

Strengthening the innovation, performance, and competitiveness of the U.S. manufacturing base by bridging the current gap between basic research and product development/fielding and providing DoD with access to key, domestic enabling technologies

Established MIIs:



America Makes

Est. AUG 2012 (Youngstown, OH)

Digital Manufacturing and Design Innovation Institute (DMDII)

Est. FEB 2014 (Chicago, IL)



Lightweight Innovations For Tomorrow (LIFT)

Est. FEB 2014 (Detroit, MI)



Integrated Photonics (IP)

Est. JUL 2015 (Rochester, NY)



Flexible Hybrid Electronics (FHE)

Est. AUG 2015

Revolutionary Fibers and Textiles (RFT)

Est. APR 2016

MIIs in Development:

Two Additional MIIs

Planned for 2016 and 2017

Fast Facts

- Public-private partnership (led by non-profit)
- Minimum 1:1 cost share (Govt. and Industry)
- Self-sufficient after 5 years
- Federal investment range \$55M - \$110M
- 5 year Cooperative Agreement
- Add'l 2 years to complete funded projects
- Regional hubs of manufacturing excellence
- Invest in applied research
- Industrially-relevant manufacturing technologies broad application; accelerate innovation; bridge the gap between basic research and product development/fielding (TRL/MRL 4-7)

Acting Program Director

Tracy Frost

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MIBP Function- Manufacturing



Industrial Base Analysis and Sustainment (IBAS) Program

Sustain existing Fragile and Critical Industrial Base capabilities with identifiable future needs that are at risk of being lost.

Address Industrial Base Vulnerabilities

- **Unique Capabilities** -- Lifelines and Safe Harbors for critical, unique capabilities with fragile business cases.
- **Design Teams** – Preserving Critical Skills for technological superiority.
- **Industrial Base Supply, Expansion & Competition** – Supporting expansion of Reliable Sources.

Fast Facts

- New start in 2014
- Closely aligned with Fragility and Criticality Program
- RDT&E BA 7 color-of-money for operational systems development and pre-planned product improvement.

IBAS Program Director

Brad Nelson

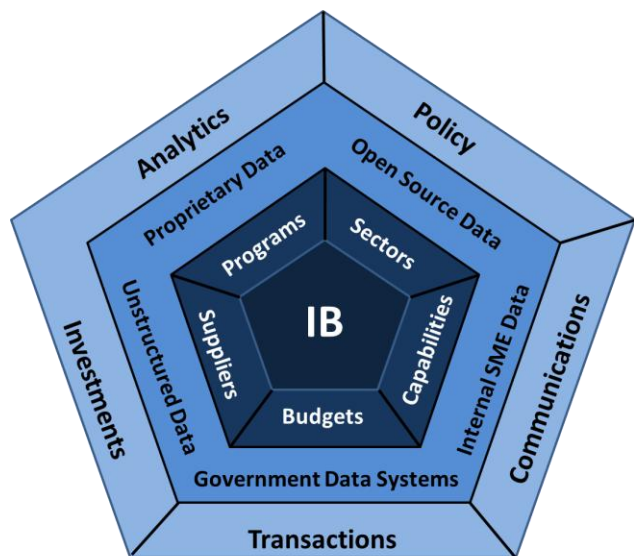
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MIBP Function – Assessments

Industrial Base Assessments

Deliver industrial base assessments and risk-based analysis to decision makers to support robust, secure, innovative, affordable and technologically superior defense industrial capabilities today and in the future



Using **BIG DATA** principles to provide more effective and timely predictive analytics on global and domestic IB trends and health

Fast Facts

Capabilities

- Identify and monitor IB risk
- Provide views of IB
- Modeling, Predictive and Trend analysis
- Assess domestic and global IB capabilities
- Assess risks from counterfeiting & obsolescence

Products

- Industrial Sector Summary
- Risk-based analysis
- Budget and program impacts on IB
- Corporate transaction impact on IB
- Financial analysis and company assessment
- Fragility/Criticality Sector IB Risk Assessments

Industrial Assessments Director

Robert Read

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MIBP Function-Assessments



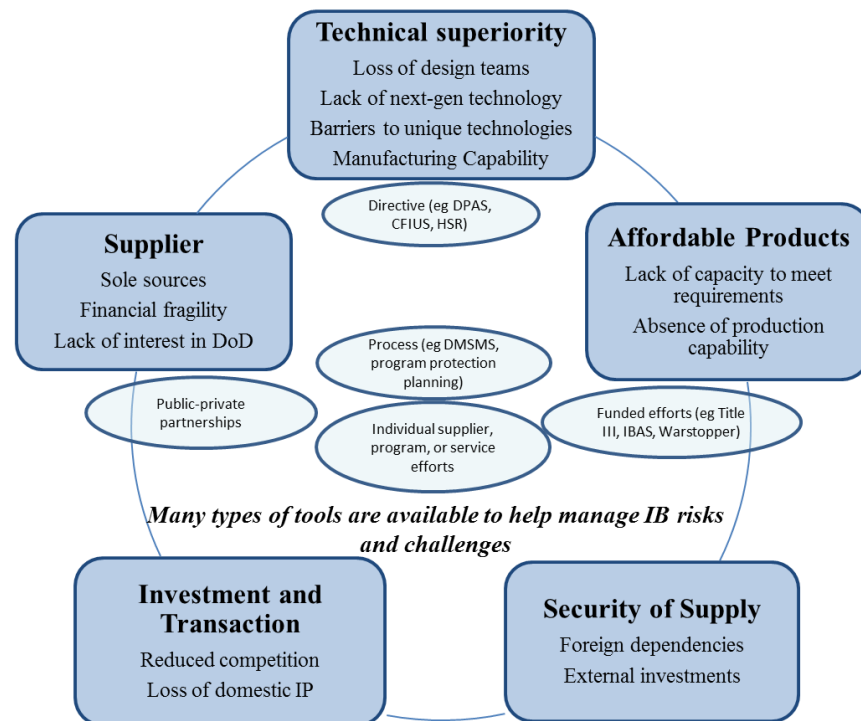
Fragility and Criticality (FaC) Program

Implement a collaborative, repeatable, fact-based DoD-wide internal ability to assess industrial capabilities that may be at risk

(FaC) Program Objectives

- Integrate IB considerations into acquisition strategy decision making
- Identify successful IB management efforts
- Lead development and sharing of IB data
- Standardize best practices in IB assessment

Critical Areas of Risk





MIBP Function – Global Markets and Investments



Mergers and Acquisitions (M&A)

Assess the potential impact on Department's interests resulting from an acquisition involving a major defense supplier.

M&A Process

- Hart-Scott-Rodino (HSR) Act requires premerger notification and a Federal review for transactions over \$76.3M (FY15)
- MIBP uses a rigorous and centralized review process for M&As
 - MIBP coordinates an antitrust review within DoD
 - Potential issues are weighed against potential benefits of the transaction
- DoD's position is provided to the appropriate antitrust agency (DoJ or FTC)

Fast Facts

- DoD began merger review in 1994
- ~ 300 defense-related transactions filed per year
- All defense-related transactions are screened
30-40 are reviewed
- DoD looks at:
 - Impact on current and future markets & programs
 - Competitive effects
 - Organizational conflicts of interest
 - Costs and savings
- DoD supports transactions where benefits outweigh harm

M&A Program Director

Stephen Hull

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MIBP Function – Assessments



U.S. Defense Priorities and Allocations System (DPAS)

Assures the timely availability of industrial resources to meet national defense

Security of Supply Arrangements

Means to quickly resolve schedule and delivery constraints between nations

DPAS

- Establishes priority ratings for contracts
- Defines industry's responsibilities
- Sets forth compliance procedures
- Ensures minimal interference with normal commercial activity

DPAS Key Elements

- Mandatory acceptance
- Preferential scheduling
- Extension of priority ratings
- Protection against claims
- Only enforceable inside the U.S.

Security of Supply

- Non-binding arrangement with a foreign partner to provide reciprocal priorities support

Fast Facts

- Title I is administered by DoC
- Primary user of DPAS: DoD
- DPAS is a standard clause in DoD contracts and purchase orders
- Direct commercial sales to foreign persons not rated unless authorized by DoC
- Securities of Supplies arrangements with Sweden, UK, Netherlands, Australia, Italy, Canada, Finland, Spain

DPAS Program Director

Juan Millan

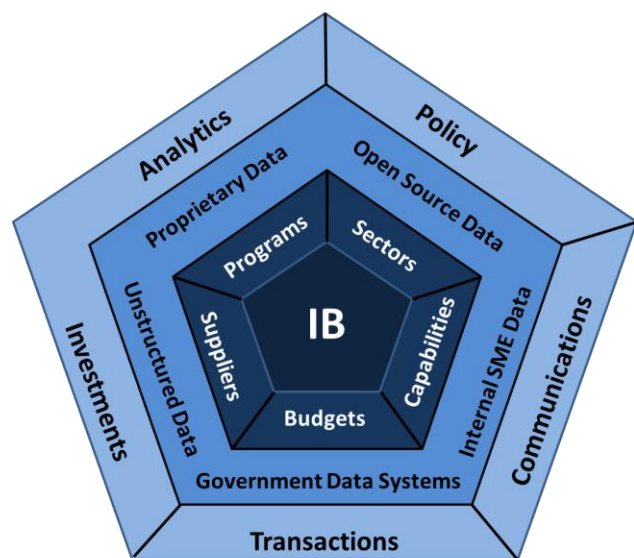
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MIBP Function – Business Intelligence and Analytics

Business Intelligence and Analytics (BI&A)

Deliver business intelligence and analytics to decision makers to support robust, secure, innovative, affordable and technologically superior defense industrial capabilities today and in the future



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Fast Facts

Capabilities

- Provide views of IB
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- Assess domestic and global investments

Products

- Risk-based analysis
- Financial analysis and company assessment

BI&A Program Director
TBD



MIBP Function – Global Markets and Investments



DPA Title VII: Committee on Foreign Investment in the U.S. (CFIUS) Program
Monitor and assess the impact of foreign investment in the U.S.

CFIUS Process

- CFIUS notified of a foreign acquisition
- Committee has 30 days to determine whether the transaction threatens national security
- Transaction is approved OR initiate additional 45-day Presidential investigation
- Transaction approved as is OR with mitigation OR sent to White House with recommendation.

Fast Facts

- Established in 1975 thru EO
- In 2007, CFIUS established in statute (FINSIA) and EO 13456
- 14 Interagency participants
- Dept. of Treasury chairs
- DoD staffs 33 reviewers from Military Services and Defense Agencies

CFIUS Program Director
TBD



Industry Outreach



- Acting as the ombudsman to industry on Better Buying Power initiatives
- Leading DoD relationships with industrial associations
- Working with our industry partners to sustain the health of the Defense industrial base
 - Promoting innovation
 - Investing in technology
 - Preserving capability & capacity
 - Leveraging commercial / non-traditional suppliers



MIBP Outreach



Contact Information

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