



NC DIDI

North Carolina Defense Industry Diversification Initiative

The NC DIDI mapped a strategy capitalizing on the competitive advantages of North Carolina's defense industry. The initiative developed response protocols for those defense reliant industries at risk or those with the potential to expand beyond their defense contracts. This initiative assisted North Carolina defense industry dependent manufacturers and service providers in transitioning towards diversifying and becoming more competitive in the commercial sector.

2018 Summary Snapshot





About NC DIDI

In 2017, the Industry Expansion Solutions (IES), located in the College of Engineering at NC State University, received a \$2 million planning grant from the United States Department of Defense Office of Economic Adjustment. The grant was matched by funding from North Carolina State University's Industry Expansion Solutions (IES) and the North Carolina Department of Military and Veterans Affairs (NCDMVA) to create the North Carolina Defense Industry Diversification Initiative.

Three main goals:

- 1) To provide a roadmap to state leaders that includes policy proposals and investment recommendations to strengthen North Carolina's defense industry and overall positioning strategy.
- 2) To provide new data and tools to defense communities to mitigate the local impact of decreased defense spending and identify new expansion opportunities related to defense spending.
- 3) To identify and deploy effective programs and technical assistance to defense companies and their suppliers.

Upon completion and evaluation of the planning grant, in 2018 IES and NCDMVA received an 18-month, \$3 million implementation grant.



Industry Expansion Solutions (IES) is the engineering-based, solutions-driven, client-focused unit of NC State University. Our broad portfolio and deep industry expertise help organizations grow, innovate and prosper. Our extensive partnerships with business, industry, education and government generate a unique culture of collaboration that provides access to cutting-edge expertise, research, and technology.



The North Carolina Department of Military and Veterans Affairs (NCDMVA) provides advice, counsel and recommendations to the Governor, the NC General Assembly, the Secretary of Commerce and other State agencies on initiatives, programs and legislation that will continue and increase the role that NC's military installations, the National Guard and Reserves play in America's defense strategy and the economic health and vitality of the State. The NCDMVA also works to improve the accessibility of health, education, training, counseling, financial, and burial benefits and services to veterans and their dependents.



About OEA

The Office of Economic Adjustment (OEA) is a part of the U.S. Department of Defense (DoD). OEA helps local communities adapt to DoD program changes, expansions, and cutbacks. OEA Programs include:

- Base Realignment and Closure (BRAC)
- Compatible Use
- Defense Industry Adjustment (DIA)



Commercialization Pilot Project

NC is one of the only states in the country to start and finish with all their pilot companies.

NC DIDI companies have not only seen a halt in the loose of employees, but have seen upticks on average of 15% in new hires based on the pilot project investments.

Each company received an average of \$25,000 dollars in funding for the following services.

NC DIDI worked with pilot companies to develop a strategy to effectively and efficiently diversify their business models, processes, partnerships, brands, channels and customer experiences.

This was done in an effort to identify opportunities to develop or commercialize new or existing technologies.

Pilot Companies also worked to develop supply chain strategies, approaches to optimize competitiveness and external solution to unmet technology needs.

The Following Core Values Drivers were analyzed by NC DIDI: Growth, Recurring Revenue, Brand, Company Overview, Operations, Human Relations, Financial Stability, Legal, Customer Satisfaction, Product Differentiation, Sales and Marketing, Innovation and Senior Management.

Based on their results the companies received some of the following services: Technology Driven Market Intelligence (TDMI), Prototype Development, ISO System Certification, Web Design, Search Engine Optimization, Export Assistance and Supplier Scouting Services



Survival Innovations, LLC
Specializing in Human Protective Equipment



What Products and Services are being purchased by DoD?

To best understand what types of products and services the DoD is purchasing, a review was conducted of nearly 80,000 prime contracts awarded to North Carolina companies in Fiscal Year 2017. Researching DOD data can be complicated, using the Product Services Code (PSC) that is part of every contract provides a reasonable picture of just what North Carolina companies sell to the DoD.

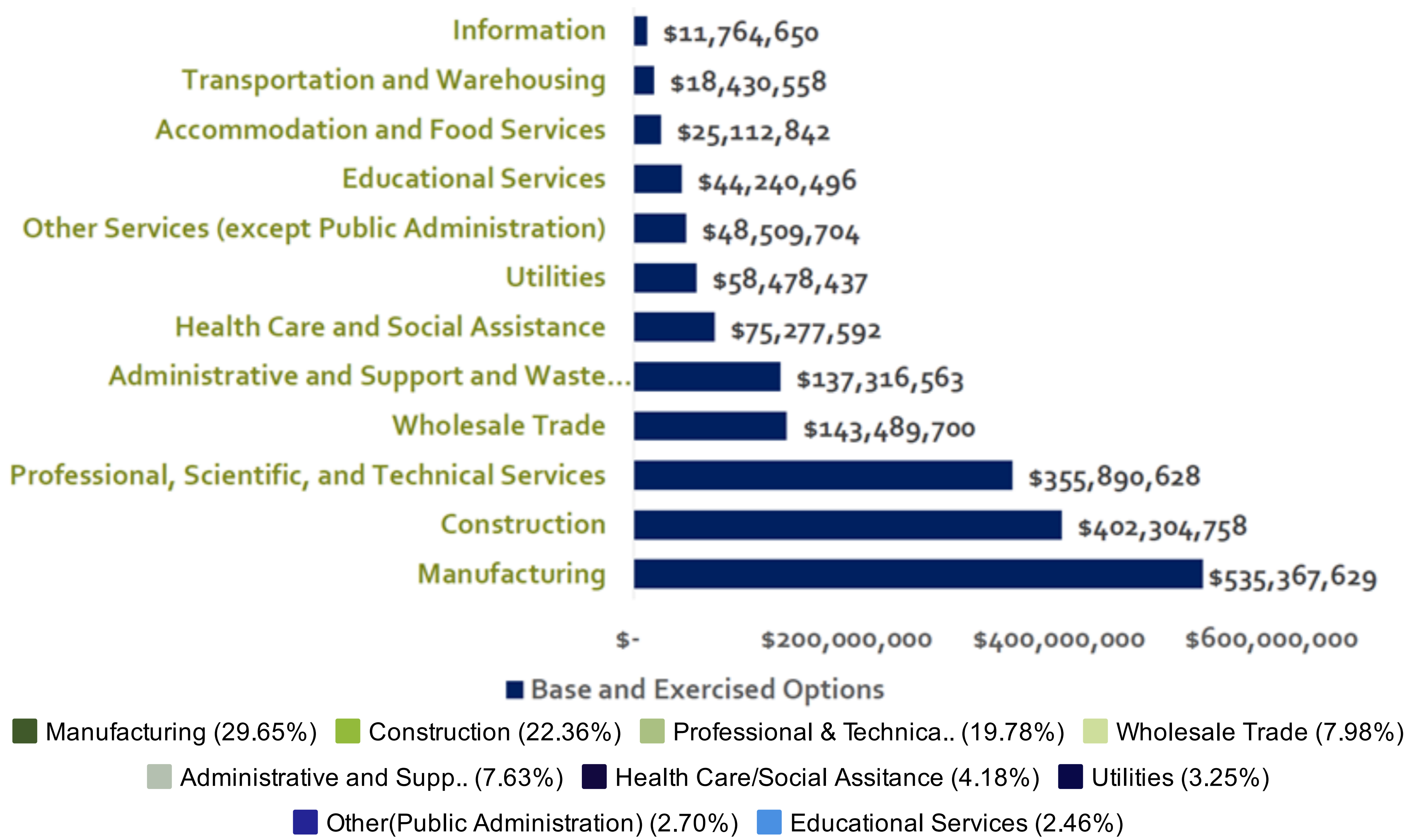
The largest group of products purchased was related to textiles, totaling more than \$142 million. These purchases spanned two PSC groups. Those were Group 84: Clothing, individual equipment, insignia and jewelry; and Group 83: Textiles, leather, furs, apparel and shoe bindings, tents and flags.

Firefighting, rescue and safety equipment; and environmental protection equipment and materials were second with FY17 purchases of just over \$140 million. Products in this group ran the gamut from scuba gear to safety glasses and tactical operations gear. There were only 34 unique companies in this group. While the analysis by PSC provides more granular detail, it also is helpful to look at the contract awards by North American Industry Classification System (NAICS) to understand what monies are flowing into and out of the state.

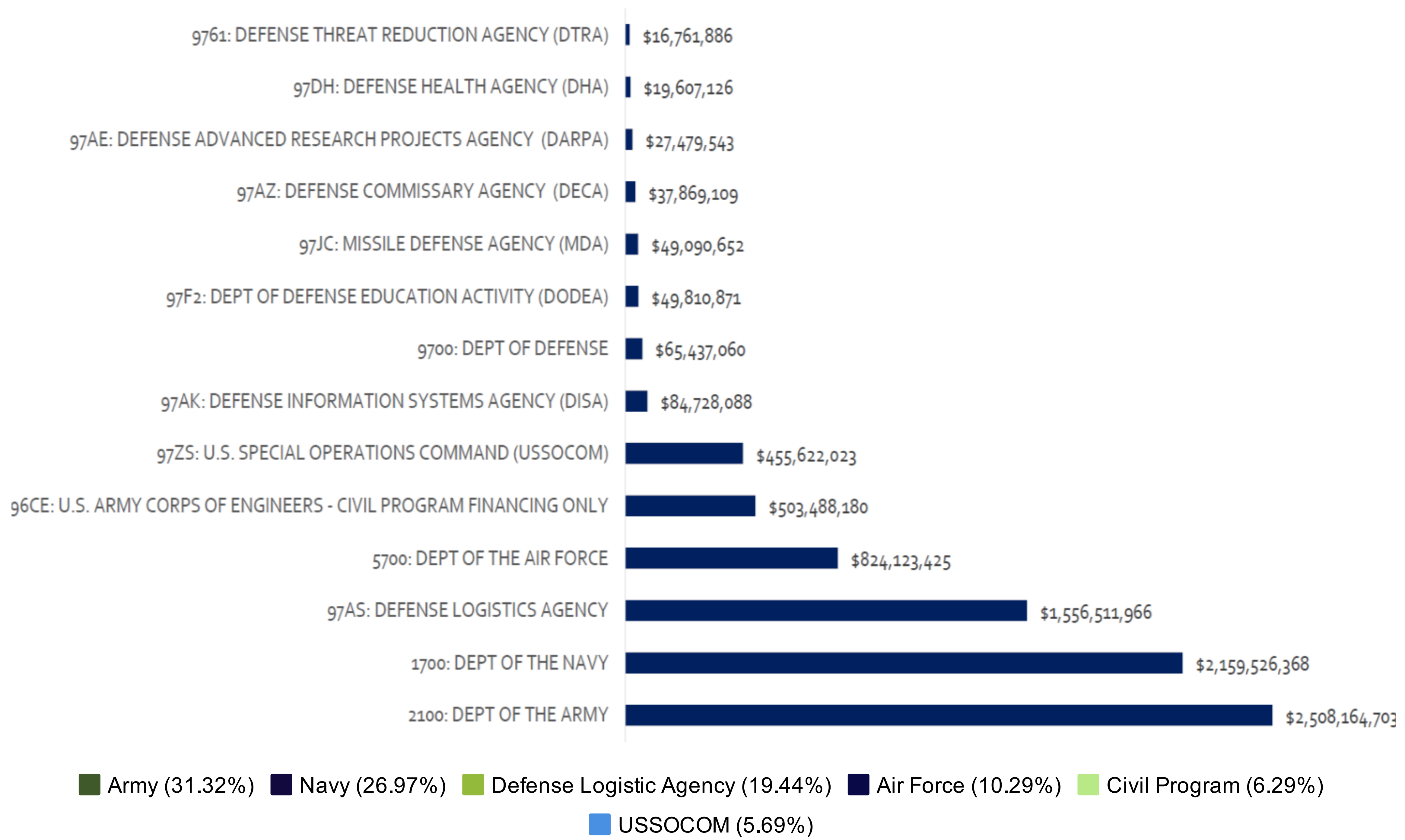
One of the most important groups to look at because of its impact on the economy is NAICS 31, 32 and 33 – Manufacturing. North Carolina had \$524 million inbound awards from DoD contracting offices outside the state in FY17. Contracts from DoD contracting offices in the state to outside companies was nearly \$80 million.

Professional, scientific and technical services tell a very different picture. Inbound contracts in this segment were just over \$336 million. Construction had the second highest value for both inbound and outbound contracts. Monies being spent with North Carolina companies in FY17 was \$354 million while the value of outbound contracts was almost \$211 million.

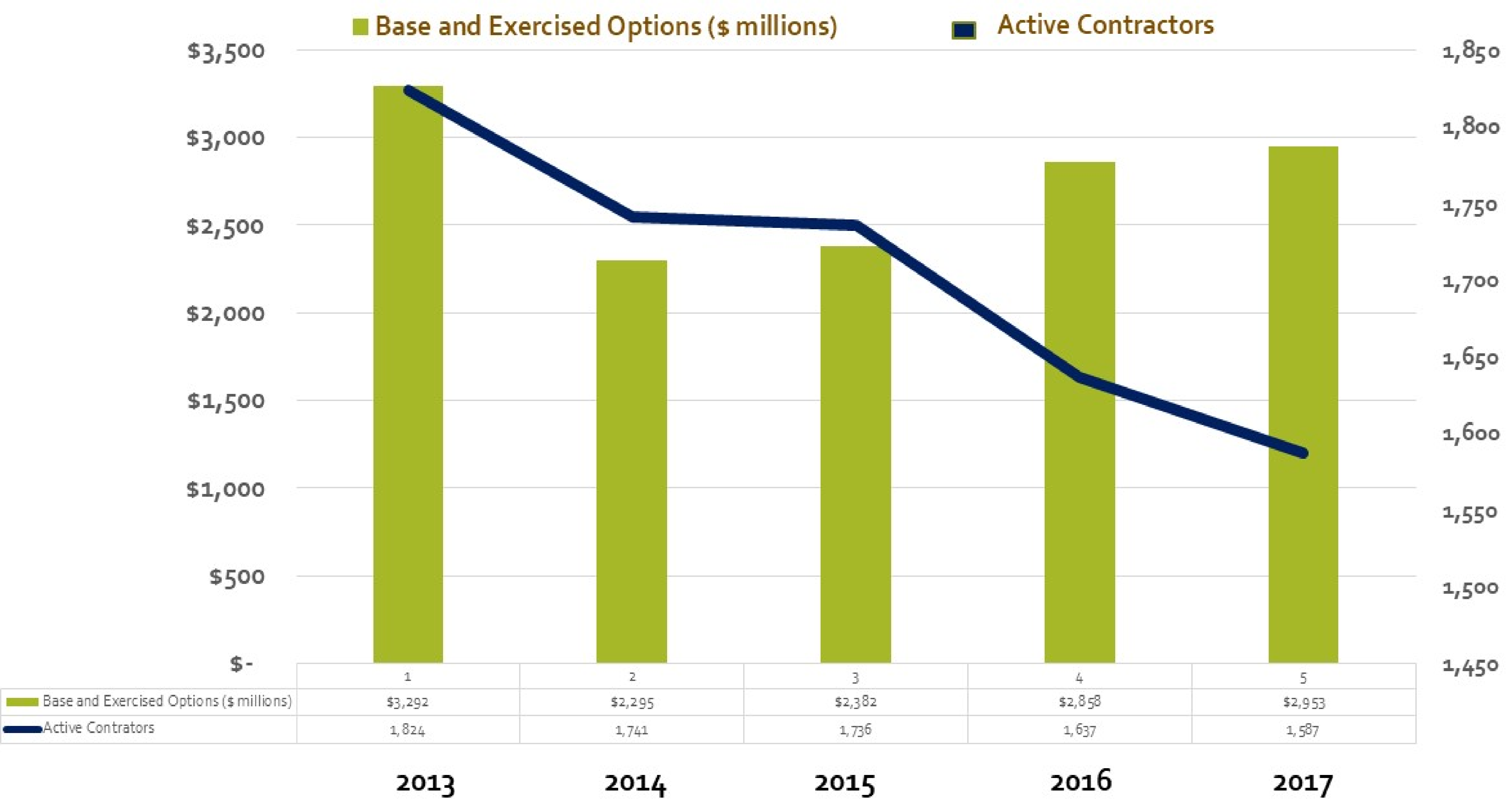
What Sectors Saw the Highest Spend in Contracts?



Who Are North Carolina's Customers?



Active Defense Establishments and Total Prime and Sub Awards: 2013-2017



Insights From 2013 to 2017



Total Defense Contracts awarded to NC Companies between 2013 and 2017: \$13,780,458,999



Between 2013 and 2017, 213 of the North Carolina companies receiving contracts from DoD were listed as veteran-owned.



Between 2013 and 2017, 244 of the North Carolina companies receiving contracts from DoD were listed as women owned.



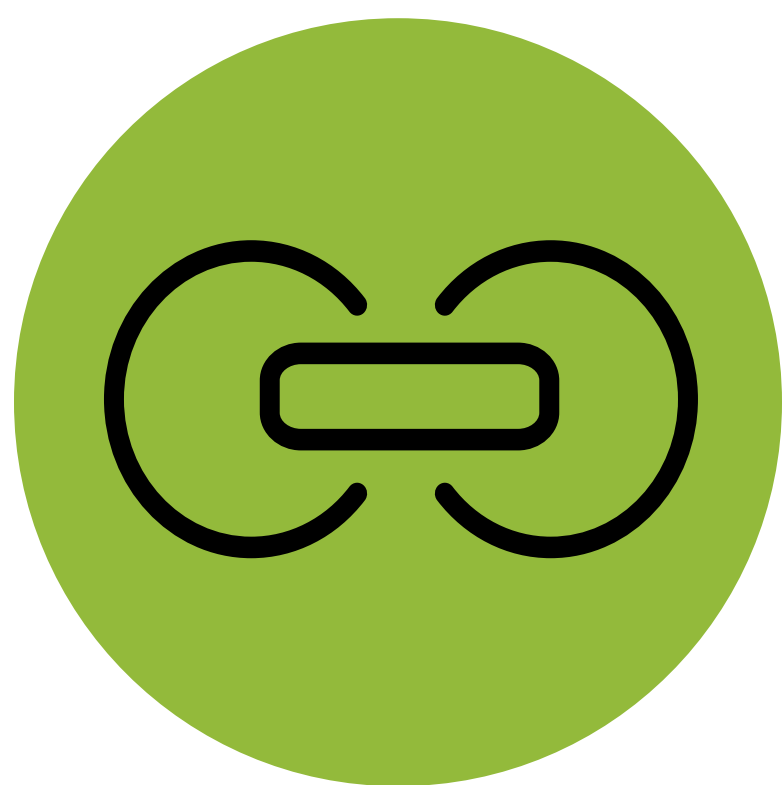
23 firms received 43.9% of all defense contracts in NC between 2013 -2017



Approximately 80% of NC's Defense Contractors have no Cybersecurity Plan in Place



The largest amount for a specific weapon system was for the F-16 Fighter, totaling \$37 million. A quick scan of all aircraft supported yields another \$19 million, with amounts for the C135 Stratolifter (\$6.8 million), the B52 Strato Fortress (\$3.8 million) and the A10 Close Support Aircraft (\$2.5 million).



There are 546 NC firms with 10 percent or more of their annual 2017 estimated revenue tied to defense contracts



3,608 NC companies had at least one award between 2013 - 2017.

As of February 1, 2018, there are 12,637 for-profit companies in North Carolina that have a Commercial and Government Entity (CAGE) code, which means that they are registered in SAM to do business with the government. Of those companies, 1,470 did business with the DOD as a prime contractor in 2017.

Regional Contractual Profiles

The following summarizes DoD Awards to North Carolina and its regions for fiscal year 2013 through 2017. These totals include both prime and sub-contract awards. Statewide awards fell from 2013 through 2015 but recovered quickly reaching a total nearly 21% above 2013 in 2017.

The Charlotte Region saw an erratic, but sharp decline through 2016, followed by a huge jump in 2017, to approximately 106% above the 2013 level.

The Eastern Region was a bit more erratic, reaching a low in 2016, then recovering some in 2017 to a level nearly 6% below 2013 in 2017.

Although the smallest region in total DOD cumulative awards, the Northeast Region was the hardest hit in terms of both percent and absolute declines in DOD awards, falling some \$139m and 55% from 2013 to 2017.

Despite a small dip in 2017, the Piedmont Triad Region saw a steady and significant growth in DOD awards across the 2013-17 period, growing 77%.

The Research Triangle Region is the largest regional recipient of DOD awards (37% of cumulative 2013-17 DOD awards). Its pattern followed the state average, falling from 2013 through 2015, then recovering in 2016 and 2017. The region ended up some 9% below 2013 in 2017.

Except for a very large spike in 2016, the Western Region would have been the smallest region for cumulative DOD awards. Setting this spike aside, the region has seen remarkable growth from a small base, with 2017 DOD awards 132% above 2013.

Regional Establishment Profiles

The state and all regions have lost active DOD establishments over the 2013-17 span. At the state level, 2017 is some 13% below 2013.

Percent wise, the Charlotte Region experienced the smallest decline among the regions at just over 5%. Active DOD establishments grew from 2013 to 2015, then fell off in 2016 and 2017.

The Eastern Region saw the largest decline in active DOD establishments, dropping every year by 22% and losing 89 establishments from 2013 to 2017.

The Northeast Region, slightly below Western Region, has the smallest number of active DOD establishments. Annual totals dropped 10% over the 2013-17 period.

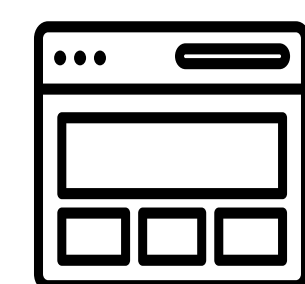
The Piedmont Triad's active DOD establishments fell nearly 19% from 2013-2017.

Active DOD establishments in the Research Triangle Region fell erratically to some 9% below 2013.

The Western Region experienced a 15% decline in active DOD establishments from a small base over the 2013-17 period.

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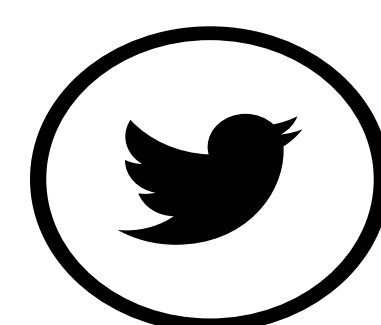
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