



On September 25th, Congressman Hunter hosted an interactive public conference on the campus of UC San Diego to discuss the importance of the defense industry to the local San Diego economy and identify strategies on protecting ourselves for the future. “*San Diego and National Defense: Protecting Our Future*” was well attended and had 5 breakout sessions to discuss different aspects of the defense economic structure in San Diego:

EDUCATION & WORKFORCE

Leader: **Dr. Mary Walshok, Associate Vice Chancellor for Public Programs and Dean of Extension at UC San Diego**

Group Goal: **Discuss how changes in the military affect our ability to prepare and educate young people, service men and women and military retirees for the San Diego workforce.**

Group Comments:

There are significant disconnects between the experience, maturity, focus and confidence of veterans seeking education and training and typical young adults in school who have never experienced the challenges of military service and highly structured work environments.

There are many skills that veterans acquire in the field or during their period of service that could potentially be valuable to civilian organizations if they received more active assistance in assessing those skills and then getting the focused education and training they need to repurpose, or translate those skills into marketable competencies.

Given this general agreement among our group, we came up with a few specific recommendations for Congressman Hunter to consider as he moves forward on workforce and education issues:

1. The Exit Program for military personnel contains a lot of social service and resume development support, but is not sufficiently geared to skill assessment and help in identifying sources of education and training that are appropriate to the experience and the potential opportunities for individual vets in the job market.
2. One way to address transition issues would be to focus more while in the service on how the skills that are being acquired could potentially be applied in the civilian workforce down the road. This means some component of career planning and job identification during active duty.
3. We may be overly captive of the notion that you need a college degree in order to get a good job. In fact, most young adults with college degrees go through a period of on-the-job training or increasingly enroll in extension and community college certificate

programs in order to bridge from a general education to specific competencies needed in specific work environments. We need to be sure that veterans making the transition into the civilian world have a much wider array of education and training options so they are not simply dropped to fend for themselves in community college or university degree programs. Many of them need primarily competency based certificates to document what they are good at and that their skills have been accomplished and can be used in a hospital, school or business setting. University Extension at UCSD, for example, has 60,000 enrollments annually, a large number of them in the certificate programs, which help generally educated young adults bridge to employment.

4. There was also a strong feeling in our group that these transitions may be navigated more effectively if vets could pursue their educational opportunities with their peers: for example, in cohorts of returning vets, who have similar experiences and are similarly motivated and can provide support to one another. Universities across the nation have executive programs, schools of education provide credentialing programs for teachers that are built on this cohort model and something like this could be replicated in specific competency areas such as data analysis, or computer programming for cohorts of vets.
5. The federal government support for career/technical education in K-12 needs to be strengthened and needs to focus on relevant technical careers, high quality education, and graduation rates into apprenticeship programs and jobs. These programs which currently exist in some of our high schools may represent a good model for how to help a veteran transition to employment through a combination of coursework and an apprenticeship or on-the-job training.
6. Relevant to the point above, the Department of Labor and the Department of Defense could create programs that would incentivize public/private partnerships and apprenticeships so that returning vets could receive some modes of compensation through on the job training at the same time they are learning the job and taking courses relevant to the job.
7. Whatever the case, employer involvement needs to go up across the boards, in Education and training programs must assure that the skills employers need and the mentoring and on the job training they can provide are reflected in education and training and programs, as well as the licensing and certification standards that currently exist.

The good news is that there are already a number of education and training provisions and funding sources that could be leveraged for these purposes. Our group encourages the Congressman to look at Title I and Carl Perkins within the Department of Education and to look at on-the-job training and incumbent training provisions through the Employment Development Division of the US Department of Labor. The group also indicated a willingness to continue to work with the Congressman and his staff to develop more specific recommendations.

HOUSING

Leader: Rick Snyder, San Diego Association of Realtors

Group Goal: Discuss how the housing sector is dependent on the military, active and retired, how the current depressed market will be more significantly impacted with sequestration and what the industry can do to brace itself.

Group Comments:

- 1) Schools – It is anticipated that there will be a reduction of approximately 9% in school impact aid. This aid is intended to offset the loss in tax revenue due to a military installation's impact on the local economy. Military housing that is located on base do not pay local property taxes. Additionally the commissary does not pay sales tax. As a result local schools are impacted due to the tax revenue shortfall.
- 2) Housing Programs – It is anticipated that there will be an 8.2% reduction in Section 8 Housing Assistance programs. Section 8 provides housing vouchers to renters that require financial assistance for housing. It is anticipated that across the country over 185,000 households will lose their Section 8 housing vouchers.
- 3) Job Loss – It is estimated that one in four jobs in San Diego County are tied to the military. Sequestration will negatively impact employment and result in a reduction in demand for housing.
- 4) Lincoln Military Housing – One positive, as a result of the public/private partnership with Lincoln Military Housing, military housing will be unaffected.

BRAC AND SEQUESTRATION

Leaders: Marcel Becker, Chief Executive Office, JCI Metals
JoMarie Diamond, Executive Director, East County Economic Development Council

Group Goal: Inform the audience on the current Sequestration process, discuss how San Diego has survived BRAC activity in the past while, at the same time, receive input from the group on strategy to build upon this past success.

Group Comments:

Sequestration

- Sequestration Cuts – and any subsequent BRAC closures – would have a disproportionate impact to the San Diego region – and California -- owing to the very large, militarily critical, and pervasive presence in the region.
- Need to inform the masses at an understandable level of detail the impacts the region is facing as a result of the impending cuts.

- Consider speakers' bureau, key points cards/brochures, media (including social media) campaigns.
 - Make the message "hit home" with each community, especially when there is not a direct military/defense correlation for that community.
 - As an example, explain to the non-profit organization sector that sponsorships, charitable donations, and volunteerism would take a severe downturn if 1-in-4 jobs were lost and/or companies close or move.
- Concern with border violence and security as a result of defense cuts because the military works so cooperatively with Border Patrol and local First Responders.
 - Need for lawmakers to compromise and find a solution to avoid sequestration.
 - Local congressional delegation is united in clearly stating that sequestration would be devastating to U.S. military posture and the San Diego region's economy. However, letters to California's two Senators could underscore the need for a solution that doesn't gut U.S. Defense.
 - Uncertainty about sequestration has already had adverse impacts to many businesses in the region. Business cannot wait for January 2013. Businesses have already been frozen decisions until the full impact of sequestration is realized: No hiring, have planned layoffs, no capital investments, no growth.
 - Equating cuts to defense spending to cuts to other Federal program spending is disingenuous. The preamble to the U.S. Constitution is only 52 words long but it specifically calls out, "provide for the common defense." Much of the other spending the U.S. Government undertakes would be hard to place under the other provisions in the pre-amble. Our founding fathers realized that national defense is the one, unambiguous, unequivocal responsibility of the federal government. Everything else was to them, and should be for us, up for debate. Anything that undermines our ability to protect our interests by compromises our national defense posture should be considered unconstitutional.

Base Realignment and Closure (BRAC)

- Although the next official BRAC cycle is not legislatively mandated until Federal FY 2015, the Defense Department may attempt to initiate an earlier BRAC cycle, particularly if sequestration and the already planned \$487B in defense funding cuts make the U.S. a regional, rather than national, power.
- The time to prepare for a regional response to a BRAC cycle is long before it's announced.
- San Diego region cannot be complacent about BRACs even with the U.S. strategic shift from Europe to the Middle East and Asia. Other U.S. regions have experienced closures when they were not paying attention. Such complacency is not the case among the region's business leaders; however, delivering a compelling message to the entire region is still a work-in-progress.

- Message for DoD with regard to BRAC must be focused on our understanding and articulation of the San Diego region's military utility. Arguments about the adverse economic impact that a base closure would cause to the region will not resonate with DoD. Their mission is a military one. Period
- Our focus should be a coordinated effort to demonstrate the region's collective military utility, the cost-effectiveness of installations remaining (and growing) in San Diego, and the mission support and fiscal savings that could be attained by moving the resources from military installations marked for closure to San Diego.
- In the San Diego region and greater Southwest region, military utility is enhanced by the symbiosis and collaboration between the defense/military economy and the innovation economy. This cross-pollination has had huge payoffs for both DoD and for technology companies and may be unique in the U.S.
- Regional leaders must not give mixed messages. We cannot say that we love the military being in San Diego at the same time we covet the Broadway pier complex or Miramar MCAS for civilian purposes.

SMALL BUSINESS

Leader: Sean Barr, Vice President, San Diego Economic Development Council

Group Goal: Discuss the broad economic impact of the defense sector in San Diego, helping small business take advantage of opportunities directly and indirectly with the military influence and how to communicate effectively as an industry when the time comes to defend against BRAC and Sequestration.

Group Comments:

San Diego small business has the following options when dealing with impending cuts in the defense sector:

- Make adjustments to operating costs, including relocation.
- Look beyond current defense markets and focus increased resources to alternative opportunities such as consumer related products and health care.
- Investigate beyond the U.S. domestic market to such areas as Europe.
- Streamline the federal approval process.
- Identify and engage in teaming contracts when possible.

Small businesses is seeking to determine if defense cuts present any type of opportunity to small business, for example, helping veterans with transition, developing cyber-security efforts.

The San Diego small business community must effectively communicate to elected officials and leadership with one voice, Congressional Delegation, California State Legislature, to identify

impediments to business development and provide case studies on obstacles as well as successes.

ACQUISITION AND PROCUREMENT

Leader: Virginia Bayer, President, RAVE Inc.

Panelists: Mr. Ray Jones, COL USA (ret), CEO, Strategic Alignment Global, Inc.
Mr. James Loiselle, CAPT USN (ret), Accenture San Diego Unit Lead, Accenture Defense & Public Safety
Mr. John Yi, CEO and Founder, Koam Engineering Systems, Inc. (KES Inc.)
Mr. Bill Womack, Deloitte, Senior Manager, Deputy CEO Government Relations

Group Goal: Discuss challenges the private sector already faces in conducting business with the Department of Defense and how impending cuts affect the current process and is it possible to identify specific action time that can be taken to protect what is working well.

Group Comments:

The panel representation was very diverse and included large business, small businesses (WOSB/VOSB/SDVOSB/8a), prior active duty US Army, US Navy, US Marine Corps, and Joint ACAT I-III program managers from the San Diego area who currently work in the Defense industry in small and large business and/or are active leaders in the San Diego area and national defense industry associations including NDIA, AFCEA, NDIA WID, and SDMAC. Contact info and reference data provided separately.

- 1. What are the major challenges/concerns that exist for the Defense Acquisition community?**
 - a. Fear of uncertainty – Small and large business decisions delayed by election, sequestration and lengthy continuing resolutions. Fear crippling industry and government.
 - b. Incomprehensible and in executable program requirements – Requirements generations system does not work. Reform recommendations only make it worse not better. No repeal or elimination of non-value added compliance requirements. PMs afraid to tailor strategy and assume take risk of eliminating burdensome regulatory requirements.
 - c. Complying with overwhelming oversight becomes PM’s major focus of resources and undermines expeditious delivery of useful products to all uniformed services and government agencies. Recommend separating administrative and execution PM responsibilities.
 - d. Sequestration is a huge challenge for industry, and is the 800 pound gorilla in the room. The potential subtraction of additional discretionary spending is only exacerbated by the lack of information regarding how it will be administered. Fear of unemployment.
 - e. The annual appropriations; a six-month CR is a short-term solution, but is still extremely difficult to live under. Small and large businesses forced to layoff.
 - f. Use of the “lowest price, technically acceptable” strategy overly applied and not in best interest of government.

2. Can you identify any impediments pertaining to procurement & acquisition for private industry with existing defense business interests? What is preventing other businesses from entering this arena?

- a. Lack of unity of effort and poor business sense within the government procurement structure. There exists a disconnect between Program Managers and the contracting community with regard to managing contractor behavior.
- b. Limited experience and an overly rigid interpretation of the '1200' page DFAR increases the burden on contractors resulting in contract cost escalation.
- c. There is an increasingly adversarial relationship between government and business resulting in a legalistic approach to Program Management.
- d. Small businesses struggle providing enough past performances to qualify for the proposals.
- e. Small business do not have resume "database" of a large company on tap to include in the proposal.
- f. Inconsistency in the application of evaluation criteria.
- g. Large business hurt by the drive to have more and more procurements as small business set-asides, because the small businesses can't handle the projects.
- h. The Small business set aside efforts are too large and past performance required is not possible for small businesses to satisfy.
- i. Requirement that the first year the small business does 50% of the work can scare off small businesses from participating.
- j. Better forecasting about what the government will do would help companies pick or choose opportunities to pursue.
- k. Strengthening the procurement workforce is the heart of many of the procurement process issues.
- l. Communications: It is difficult to understand what the government wants due to a lack of communication. Lack of human interaction. All questions must be posted on web site. Wait for answers, no discussions, no interaction. Everyone worried about legal issues.

3. What recommendations do you have for Congressman Duncan Hunter?

- a. Perhaps Mr. Hunter could help facilitate communication between the major commands in San Diego and the vendor community to help both sides understand needs and capabilities.
- b. Consolidate a list of current and projected DoD priority needs that encompasses the DoD Services and Joint Staff approved requirements. From this consolidated requirements list, decompose and compare the requirements and specifications with program offices and laboratories ensuring a single view of executable requirements is available to industry. **HAVE AN INDEPENDENT ORGANIZATION DEVELOP THIS DATA BASE!**
- c. Provide some understanding of what the government is going to procure – some sort of forecast of what the government will procure and when. Be sure it is accurate and not outdated information so companies can plan for opportunities more effectively.
- d. Remove the injunction against prime contractors adding subcontractors after the contract is awarded – this requirement prevents the government from getting good service.
- e. Eliminate multiple award contracts (and IDIQ), as they favor incumbents. Bidding on them can result in small businesses blowing their annual proposal budget on something that ends up useless.

- f. Remove “no escalation” clauses, as this prevents normal cost-of-living increases for employees funding on the contract.
- g. Provide a common measure of success on proposals between tech PM, contracts, and legal so offerers know what to expect.
- h. Apply evaluation criteria consistently. Do not manipulate application of criteria to justify the selection of the incumbent.
- i. Most members don’t focus on procurement issues. It is fantastic that you are providing this forum and showing this level of engagement. It would be helpful to continue an ongoing dialogue with you and your staff on these issues.

4. General Discussion Points (Panel & Audience)

- a. CPARS need to be monitored to see if the taxpayer is getting the best value from procurement strategies like “lowest-price, technically acceptable.” Perhaps these should be looked at more frequently. One solution: have the DoD provide the HASC an annual summary of contractor performance based upon Program office CPARS.
- b. We need a mechanism outside of the Research & Development community to learn about innovations that the DoD can leverage to better accomplish its requirements
- c. Access to the program personnel who determine RFP requirements is very challenging, and in many cases impossible; government personnel were specifically prevented from participating in this forum by leadership.
- d. The drive for “efficiencies” in contracting and general support is driving an insistence on the “lowest-cost/technically acceptable” approach that may or may not be in the best interests of the DoD or the taxpayer.
- e. MACs allow the contracting officer to control the process, rather than the PM – this needs to be adjusted to put the power back in the hands of the PM.
- f. Risk aversion in Defense community prevents use of innovations available in the commercial arena and prevents companies from even learning what types of R&D would be beneficial/of interest to the DoD.

PANEL CONCLUSION: The panel audience composition was perhaps 60% small business and 40% large business. Military and civil servants directed not to attend. The audience and panel members indicated interest in follow-up discussion with Duncan Hunter’s office and perhaps through other forums such as ACT/IAC, NDIA, AFCEA, NDIA WID and SDMAC.