

# Report Criticizes U.S. Defense Industrial Base; Cites Workforce Shrinkage, Intellectual Property Theft



Vigor Shipyard welder Robert Wood cuts and grinds metal during repairs aboard the submarine tender USS Frank Cable in 2017. A new NDIA report cites a shrunken workforce as well as intellectual property theft for the decline of the U.S. defense industrial base. U.S. Navy/Mass Communication Specialist 3rd Class Alana Langdon

ARLINGTON,

Va. – The health and readiness of the U.S. defense industrial base, plagued by

intellectual property theft and a shrunken workforce, rates a barely passing

grade on a report card issued on Feb. 5 by the sector's largest industry group.

The report,

compiled by the National Defense Industry Association (NDIA) and data analytic firm

Govini, raises concerns about an industry challenged by cyber threats and industrial

espionage. Securing sensitive material against spies and data breaches earned a

failing grade, 63 out of 100, the lowest among eight areas analyzed by Govini

and NDIA.

In the

foreword to the report, "Vital Signs 2020: The Health and Readiness of the

Defense Industrial Base," Govini CEO Tara Murphy Dougherty

noted the new era of 'great power competition' is different from the Cold War. China is a rival economic power, rapidly closing the technological gap, she wrote, adding, "China's efforts to exploit technological advancements made by others for its own benefit threaten the security of the defense industrial base."

"Just look what they do with regard to cyber threats. The intellectual property that they steal. Trillions of dollars a year are taken from our country with intellectual property theft or data breaches," Herbert "Hawk" Carlisle, a retired U.S. Air Force general and NDIA's president and CEO, told reporters in a teleconference for the report's rollout.

*"China's efforts to exploit technological advancements made by others for its own benefit threaten the security of the defense industrial base."*

*Govini CEO Tara Murphy Dougherty*

Production inputs, another area examined in the report, barely earned a C grade, with a 68, due in part to a defense industry workforce that has contracted from its peak of 3.2 million in the 1980s to about 1.1 million today. The persistent security clearance backlog was another contributing factor, especially with stagnating approvals for top secret clearances, the data-driven report found.

The threat to industrial security posed by state and nonstate actors is “very concerning” in the near term, said Wesley Hallman, NDIA’s senior vice president of strategy and policy. However, to achieve a capable workforce 20 to 40 years in the future, investments have to be made now by government and society as a whole to field a workers with “not only the skills, the talent and the educational background to perform, but they’ve got to be able to pass a security clearance,” Hallman warned.

NDIA and Govini analyzed, over a three-year running average – 2017 through 2019 – 44 statistical indicators, such as surge capacity and threats to digital systems. Each of the 44 indicators was graded from zero (bad) to 100 (excellent) and slotted into eight sections, called dimensions, that were then graded individually. The composite grades of the eight dimensions resulted in the defense industrial base’s overall C grade of 77 for 2019. Factoring in 2017 and 2018 data, the overall score is down 2% since 2017.

The other dimensions analyzed were: supply chain issues, which scored a 68; innovation, 74; productive capacity and surge readiness, 77; political and regulatory issues, 79; demand, 94; and competition, where conditions among the thousands of defense contractors scored a 96, the highest scoring dimension. That was largely because profitability is up 7% since 2017, enabling companies to expand business operations.

The 70-page report makes no specific recommendation, but NDIA leaders said their aim was to make the report an annual event that would generate a dialogue about national security among industry, the Defense Department, lawmakers, policymakers and the public. "The American people are a big part of this," Carlisle said.