

Each year the Department of Defense issues a report to Congress analyzing the defense industrial base. Here is [a link](#) to the 2017 report, released in April 2018. What does the report tell us?

Workforce

61% of the aerospace/defense workforce is over the age of 45. About half the workforce is at traditional retirement age. However, “there is incredible competition to find qualified candidates with the required skills in engineering, manufacturing, and other STEM proficiencies in the market. A&D companies are being faced with a shortage of qualified workers to meet current demands as well as needing to integrate a younger workforce with the ‘right skills, aptitude, experience, and interest to step into the jobs vacated by senior-level engineers and skilled technicians’ as they exit the workforce.” Despite those challenges, the DoD continues to put [unreasonable caps](#) on the amount of compensation contractor employees may be paid.

Sector Analysis

The report addressed 10 industrial sectors. We summarize the report into a stoplight chart, based on our interpretation of the sector analyses.

Aircraft Primes: GREEN Lower-Tiers: YELLOW

C4 Primes: GREEN Lower-Tiers: GREEN

Electronics Primes: GREEN Lower-Tiers: N/A

Ground Vehicles Primes: YELLOW Lower-Tiers: YELLOW

Defense Industrial Capability

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MaterialsPrimes: GREEN Lower-Tiers: N/A

Munitions and MissilesPrimes: RED Lower-Tiers: RED

Radar and Electronic WarfarePrimes: YELLOW Lower-Tiers: RED

ShipbuildingPrimes: GREEN Lower-Tiers: GREEN

SpacePrimes: YELLOW Lower-Tiers: YELLOW

Organic IndustryPrimes: RED Lower-Tiers: N/A

Details can be found in the report (Section 8).

S2T2

We were interested (but not surprised) to note that the Sector-by-Sector, Tier-by-Tier (S2T2) analytical framework has been dropped from the annual report. Once touted as a breakthrough analytical approach, it appears that S2T2 has been relegated to the trash heap of failed bureaucratic initiatives.

Conclusion

If this annual report were not issued, would anything change? We think not.

