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# Change in the economy: Defense conversion and Maine

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*Defense conversion is a major issue confronting Maine and other states that are threatened with the loss of major military and civilian defense facilities. The closing of Loring AFB this year has made real to most Maine citizens the rapidly changing nature of our defense infrastructure. As the anxiety increases about the future of remaining defense facilities, both the public and private sectors are working to develop meaningful conversion programs and policies. The latter was the focus of a statewide conference on defense conversion -- "From Defense to Offense" -- held last June in Portland. The following five articles, some of which are based on presentations made at the Maine Science and Technology Foundation-sponsored conference, focus on the defense conversion issue. They include national, regional and state perspectives on the likely economic impacts of defense policy changes, the need for greater federal support for small and medium defense conversion firms, the politics of Maine's defense conversion efforts, and an interview with the leaders of the Maine Economic Conversion Project. Additionally, Maine's state economist examines the nature and extent of the state's defense dependency and its implications for future economic growth. (See News and Commentary section.) (This article is drawn from a special report of the same title published by BENS in November 1993.*

## The Maine Economic Conversion Project: Promoting a sustainable future

*by Susie Schweppe*

*For the past five years, a small, but dedicated group of Mainers has been working on the perplexing and sometimes controversial issue of defense conversion. The Portland-based Economic Conversion Project (ECP), which is an initiative of the Maine Peace Fund, sees opportunity in the nation's defense downsizing efforts where others see only adversity. Among other goals, the private, non-profit ECP wants to create a sustainable economy that is more responsive to public need than to the disintegrating military industrial complex. Susie Schweppe, a former marketing and advertising professional, is ECP's executive director. Nicholas Karvonides, a former marketing manager at Fiber Materials, Inc. (FMI), a Biddeford defense technology firm, is associate executive director. They recently discussed with MPR the status of their project and the challenges confronting Maine and the nation as a result of declining federal defense spending.*

**MPR:** Describe the journey that led you to ECP.

**Susie Schweppe:** In the early 1980s, when my son Jesse was about eight, he was having nightmares about nuclear war. He asked why adults were allowing the arms race to happen and how it might affect his future. He asked probing questions to which I had not given much thought. As a mother, I thought it was my responsibility to learn about all this and then to provide him with some answers. So I started attending conferences and learning about the issues.

Once I engaged in that process, I knew I had to do something about it. I first became involved at the local level by starting a peace committee in my church and then at the state level through the United Church of Christ State Conference. I also got involved in what was then the Maine Freeze Campaign, which evolved into Peace Action Maine, and which examines disarmament, peace and justice issues.

As a result of the United Church of Christ State Conference, we started the Maine Peace Mission, which was a six-year effort that we called a “citizens dialogue.” Two or three people traveled each week to Washington to meet with all four of our representatives in the Senate and House and to engage them in this continuing conversation on these issues. Although it was a form of lobbying, it was really more about building relationships, about dispelling the assumptions that we had about each other, and about trying to find some common ground on which to move forward. Those relationships that we built then endured and have grown stronger over the years.

The Economic Conversion Project (ECP) was founded in the fall of 1989. Earlier that spring, we began to look beyond the destructiveness of weapons, the focus of the peace movement, to the cost and financial impacts of those weapons. These impacts essentially meant less money for domestic programs. We began to ask about the impact of those forgone domestic funds on Maine communities. If we reduce defense spending and reinvest that money back into the domestic economy, what can we gain? That evolution of thought ultimately brought us to asking what would happen to those people who depend on defense spending for their jobs.

**MPR:** What was your journey to ECP, Nick?

**Nicholas Karvonides:** Before I joined Susie at the ECP, I was working with FMI, a Maine company that manufactured advanced composite materials. FMI primarily built parts for strategic missile applications, including components for rocket motors and warheads. Although I initially worked in business development for aerospace products, FMI had been making investments to utilize its military-related manufacturing capabilities for new commercial applications. I was later assigned to head-up the marketing efforts for one of these projects. It was a very exciting project and similar to running a new business venture. We were successful in generating three times the sales that the company had hoped for.

Later on, I was assigned to manage the marketing efforts for a new program, that focused on military and aerospace applications. However, while working to develop new commercial markets, I began reading about the notion of defense conversion and became interested in it from a public policy standpoint. I later met Susie and learned of ECP’s efforts in Maine. Soon thereafter, I became an active ECP volunteer and was later appointed to the Governor’s Task Force on Defense Conversion. The next thing I knew I was quitting my job to work with the ECP fulltime. I made this decision for two personal reasons. First, ECP’s work is very exciting and vitally important. Second, I slept better at night knowing that I might be able to help defense firms convert their capabilities to future, and more peaceful, civilian endeavors.

**MPR:** How has your project been received?

**Schweppe:** The reception has been really great since the very beginning. I think that is due in part, if not entirely, to trying to build a diverse partnership in the beginning. We tried to include everyone and to continue to identify and pull in more people as we uncover them.

Timing is everything. We came on the scene six months before the Berlin Wall fell. Even in our beginnings, after the Cold War was over, people were skeptical about defense spending actually shrinking significantly. But very quickly the handwriting on the wall became apparent to everyone. We were in place and had designed a structure to help the state deal with defense spending cuts and conversion in an organized way, and we were ready at the moment it was needed.

**MPR:** What does your project say to the defense industry worker who loses the job and has no other job to go to, which is the likelihood in Aroostook County, or goes to a clearly lower wage, generally inferior job in terms of what you can do for your family? How do you relate to that individual?

**Schweppe:** There is both a short-term and a long-term challenge. I would invite them to join us to help put together the kinds of strategies and programs that they feel would assist them to survive in the short-term -- programs such as income support and extended health care benefits -- as well as to be prepared for and to find new employment. There are many longer-term strategies underway including new market development to generate new business and job opportunities. These strategies focus not only on creating new jobs, but also on creating good jobs with comparable wages and benefits to those we are losing to defense cuts. But these long range plans will not help unemployed workers today who need resources now. If we work together, we could develop a policy that ensures that these workers get what they need today to feed their families.

**Karvonides:** We cannot get dislocated defense workers a new job in the literal sense; we don't have those capabilities. Rather, as a small, grassroots and volunteer organization, we are trying to move things at the top -- the governor, state agencies, community and business leaders who do have the power to effect change. Maine was one of the first states in the country to have a fulltime defense conversion office. This was not initiated by the governor or industry. It was because volunteers from the grassroots got involved. We researched the need, pushed the issue, drafted legislation, found legislative sponsors, helped pass it in the legislature, and so on. So, in an indirect way, we hope to help prevent workers from losing their jobs, or, if they do, to help ensure job opportunities exist in new industries created through conversion.

**Schweppe:** A major service we provide is as a clearinghouse and collector of information. We can refer people to find help they need, whether a worker, a business or a community. The new Office of Economic Conversion is the statewide clearinghouse and is building that capacity. This is absolutely critical because one of the more difficult problems in conversion is access to information. We get many calls from businesses, trying to find out what resources are out there to assist their conversion efforts. We are trying to establish a one-stop shop concept here in Maine. The other critical need is marketing the services available. Does a displaced worker know where the job training is? Does that person know where to get financial assistance? We also have

been pushing for “opportunities” research to study what the industries are in our future: Which will provide the jobs? What kind of skills and technology will be needed? We need to assemble this information, including an inventory of the skills and the core capacities that we have, to create a one-stop-shop opportunities bank that could be tapped into by businesses and workers to find out where they might start a new business or where they might find a job.

This really gets to the importance of looking at the defense industry and its capacities, as a resource, as an asset for economic development as opposed to a liability.

Two principles guide our work. One is sustainable development, the other is democratizing the process or getting the public involved as equal participants. Among our grassroots activities has been educating the general public about how the federal government spends money. We argue that people should have a voice in making the decision on how that money is spent. There should be an accountability factor, too. People should get a good return on their investment -- public dollars for public needs. We do “Penny Polls,” where we list seven or eight different federal budget categories and give 10 nickels representing the person’s tax dollars. We then ask the player to choose how he or she wants to spend them. That’s been a great educational tool. People get to participate and it has great media appeal, so it has gotten really good press coverage.

**MPR:** Participatory democracy is one of the philosophical bases of this organization. How do you get the non-traditional participant-citizen to participate in economic conversion? Is there a way your organization can help engage them in the process in a really meaningful way?

**Schweppe:** That is probably the biggest challenge and it is the most important one. To take advantage of change in a way that benefits everyone, everyone must become involved in shaping the direction. We must reach out into communities, where people live, work and worry, to those who are totally consumed with daily survival kinds of issues. These people may not have the time or may feel that they do not have the education or the right to participate. It is a very slow educational process, which includes empowering people to take control. It begins at very basic levels of their lives. It may start within their community and then build up from there. Offering people ways to participate is critical. I look to the Maine Economic Growth Council as having the potential and the mandate to do that difficult outreach. People must understand how all of this has everything to do with their lives. They don’t have to accept things the way they are; that they can, in fact, do things -- small things, medium sized things, huge things. But they can participate and they have not only the right, but the responsibility to participate. It is a building process that comes in small steps. Eventually, the accumulation of those small steps leads people to conclude that they can make a difference.

The other role we play in trying to democratize the process is that we are always that voice at the table who is asking, “Who is missing?” For example, the Growth Council should have an AFDC mother among its members. It should be that kind of a representational effort.

**MPR:** Why should ECP and not a state agency be doing this work?

**Schweppe:** I hope we are an honest broker. We do have an agenda, which is converting our overall economy into one that is more just and sustainable in the long term. Serving as that honest broker allows us to bring together organizations and individuals in the public, private, and non-profit sectors to collaborate on the strategies that support common purposes. If such an effort were led by any one of the stakeholders, then everything would be thrown out of balance.

**MPR:** Have you found in your work with state government any models of collaboration among agencies?

**Schweppe:** One of the key results of the original Maine Economic Growth Council process, in addition to the Office of Economic Conversion (in the Department of Economic and Community Development), was the actual commitment of dollars to a long-range, ongoing economic development vision and planning process. In our minds, this has been sorely lacking. This planning process is to be an inclusive, bottom-up process that will involve all of the various stakeholders within our society and economy.

**MPR:** But those all are really at the beginning stage. Has there been a problem with every agency or group doing its own thing, and thus no coordination?

**Schweppe:** Too often efforts are conducted in isolation and without the framework of a state goal, regional goal, or national goal. There also is a resistance to partnerships. At least now people have taken the first steps to try to get together. The actual getting together is difficult because everyone has had their own agenda, their own areas of jurisdiction and responsibility. Every organization is protecting its own budgets, so there has been a resistance. In this frame of mind, it is difficult to think about pooling these resources so that they can be maximized.

**Karvonides:** One example of collaboration involves a diverse consortium (comprised of Maine Science and Technology Foundation, the Departments of Economic and Community Development and Labor, ECP, Coastal Enterprises Inc. and private businesses) called the Maine Modernization Partnership. This group is working with defense dependent manufacturing firms to help them become more competitive through technology innovation and developing new markets or products that may lead to future job opportunities.

**Schweppe:** An example of collaboration outside of the conversion issue, but I think very connected to it, is the transportation policy. Maine's Sensible Transportation Policy Act process is one model that is working. The other collaborations are the partnerships that are forming around the defense conversion Technology Reinvestment Project (TRP), administered by the DOD's Advance Research Projects Agency (ARPA). The federal government is awarding grants to consortia. These are partnerships among government, academic institutions, business, and non-profit service providers. One example is the Center for Technology Transfer, one of the Maine Science and Technology Foundation's centers for innovation, in collaboration with the Natural Resources Council of Maine, the Maine Waste Management Agency, and the Metal Products Association. This partnership succeeded in securing an ARPA/TRP grant to develop environmentally sound solvents for Maine's metals industries. Another collaborative is BIW in

their shipbuilding strategic planning initiative, in which the company is working with commercial shipbuilders in the U.S., Finland, and Japan. Yet another partnership was developed between BIW and the Department of Economic and Community Development's Office of Tourism to obtain a federal EDA grant to fund marketing studies on commercial cruise ferries.

**Karvonides:** The federal government's largest conversion assistance program is aimed at helping defense companies offset lost defense contracts by converting their factories so they can produce both military and new commercial products. One of the prerequisites for participation in this program requires groups of companies to form consortiums that will work as teams on these projects. These types of partnerships, as seen with Airbus in Europe, can be very effective.

**Schweppe:** I think our project is a model of collaboration. Our board of directors is incredibly diverse and we have just added ten more members. Members include BIW management and labor, the chair of the board of Peace Action Maine, health care professionals, legislators, bankers, science and technology, economic developers, and the religious community. We try to model within our organization the kind of partnerships that we are trying to build out there. Another partnership in the making involves the Maine Development Foundation, with which we have initiated Sustainable Maine. Sustainable Maine is a coalition of over 60 people now, who probably represent 30 to 35 different organizations in the public, private, and non-private sectors. We are attempting to identify and work on a common agenda to institutionalize sustainability as the organizing principle for development around the state.

**MPR:** What are some of the challenging issues of defense conversion?

**Karvonides:** Severe economic impacts occur from military base closures and the difficulties in converting bases to civilian use are enormous. We've seen this with the loss of Loring Air Force Base. Equally as serious is our vulnerability and lack of preparedness to deal with future impacts of losing the Kittery Shipyard or Brunswick Air Station during the government's next round of base closures in 1995. In a presentation to the White House, we argued that communities that are heavily dependent on a military installation, and that face a high risk of losing their base, must be able to develop contingency plans to deal with these impacts before finding out they are on future base closure lists.

Previous base closures in 1989, 1991, and 1993 have show that communities that are not prepared to deal with losing a base will have a more difficult time dealing with the related economic impacts. Unfortunately, there are few instances where communities planned ahead to deal with losing a base. This is because communities fear that embarking on such efforts will increase their chances of the government closing their base. They are concerned that the Pentagon will interpret contingency planning as evidence that the community does not want the base or that the community is prepared to deal with the loss. According to officials at the Pentagon, the Base Closure Commission, and the White House, this is not true. The government claims the deciding factors are based principally on whether a base is needed and able to support new and reduced post- Cold War threats.

Communities surrounding Loring AFB illustrate the cost of not being able to prepare. Had these communities felt free to plan ahead, they might have been better equipped to deal with the enormous challenge of redeveloping the base for civilian use. We are now concerned about the situation in southern and mid-coast Maine. We have spoken with the leaders of communities surrounding the Kittery Shipyard and Brunswick Air Station. Although most community leaders we spoke with recognize the importance of planning in advance for the possible loss of a base, there is a real fear that this would increase the chances of losing their facilities. As such, no advance plans exist locally, or in Augusta, to deal with this potential threat as Maine enters the Pentagon's next round of base closures in 1995.

Maine would be heavily impacted by the loss of these bases in either Kittery or Brunswick. Concern and support for advance planning is being raised throughout the state from leaders in Maine's congressional delegation, grassroots organizations, businesses, labor unions and state legislature. Regrettably, no contingency plans have been put in place by the Governor or his State Planning Office to deal with this potential threat to our economy. Although we strongly encourage community efforts to keep their bases open, we also believe in a dual strategy that includes being prepared for the worse.

**MPR:** How would you assess the Clinton administration's contributions to economic conversion?

**Schweppe:** The Bush administration had a business-as usual mindset. The Clinton administration represents some great hope and promise. I was more hopeful during the campaign because Clinton really provided a vision for our country. He put the various pieces together in a way that could be understood. It defined a new mission for our nation. Since the election, however, the special interests and the political realities of governing have diluted that somewhat. Our hope is that a core commitment to the original goals still exists. We certainly have more money for conversion. We are beginning to see more money invested in the domestic economy, but Clinton is not reducing the military budget much more than President Bush did.

**Karvonides:** President Bush had begun significant defense cuts during his administration and President Clinton proposes to cut the defense budget between \$100 and \$120 billion further during the next five years. The Bush administration had also been authorized by Congress to implement a variety of conversion programs, but Bush did not want to spend the money. He thought it would be better to rely on market forces as the defense industry struggled with downsizing. Clinton has been authorized by Congress to invest public funds in conversion, and he is doing just that. He has also assembled a number of good programs, which are beginning to address some of the needs of the defense industries and communities impacted by base closures. Bush was not a believer in a national industrial policy. Last year, Clinton and Congress embarked on the National Competitiveness Act, the beginnings of a national industrial policy, and new investments in industrial modernization and economic development. There are a number of welcomed changes with this administration.

**Schweppe:** The health care proposal is another great example of Clinton's commitment to sustainable development and is an opportunity that we need to grasp. For the first time, we can push universal health care and have realistic hopes that we will succeed. But it will take pressure from the public, because there are so many ways it can be derailed by special interests.

**Karvonides:** Although much has changed with this administration, we still face a number of challenges. For example, during President Clinton's State of the Union Address, he promised no further cuts in defense. I believed he said this not out of concern for how much we need to spend to protect ourselves from reduced Cold War threats, but because of the pressure he is under to save defense jobs. He has also not created a well defined and comprehensive enough conversion strategy or vision, and as such, a number of important programs are either missing or poorly funded.

**Schweppe:** I am the optimist and Nick is the pessimist. It is important for all of us to understand that this effort will take a lot of time. We can't do it without some pain in the middle. It is a transition and we have to be patient. We will not get results next Monday, or three years from next Monday! It is a matter of leadership. A leader has the bully pulpit to draw this national vision in a way that people can understand its various pieces, and the process, investment and whatever else it will take to get from here to there. People must be presented something tangible. For example, we could see the Cold War. We could understand why it was we had to develop this enormous military capacity. We need to do the same thing with our domestic needs. If you present a clear vision, the public will rally around it. People are crying out for a new national purpose, something around which they can coalesce. To date, it hasn't been put together in a way to become a rallying point. Everything is still too fuzzy for people to grasp.

**Karvonides:** Most people don't realize that we haven't hit bottom or fully felt the impacts of the defense cuts. The nation was spending \$370 billion annually on defense in the late 1980s. This year, it is down to \$260 billion. This represents an important opportunity to pay down the deficit, to reinvest in our domestic needs, and also to lower taxes. But this also means that \$100 billion is being pulled out of our economy, year after year. Many believe that the defense budget will fall further --below \$225 billion. There is a lot more pain yet to be felt if we don't get moving. The impact of having already lost about 10,000 jobs in Maine could just be the beginning. Although few consider the possibility, we could lose many more with the loss of the Kittery Shipyard, Brunswick Air Station, or Bath Iron Works.

**Schweppe:** The key will be how we respond to future downsizing efforts. Will we lobby as hard as we can to keep the defense dollars coming? Or will we accept that reality in our longer-term best interests and come together to plan how we will replace the loss of those dollars? And, do we attempt diversification of our state's economy so that we will never again be so dependent on any one industry, especially one so sensitive to national policy changes in a rapidly changing world?



*Susie Schweppe is founder and executive director of the Maine Economic Conversion Project. She serves on several committees, including the National Board of the Workers Economic Conversion and Technical Assistance Project. She is shown here with Bath Iron Works President Buzz Fitzgerald. (Chris Ayres Photo)*

*Nicholas S. J. Karvonides is associate director of the Maine ECP. He is former program marketing manager for Fiber Materials, Inc.'s Space Technology Division and is a member of the Maine State Task Force on Defense Realignment and the Economy.*