

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.) ¹This article is drawn from a special report of the same title published by BENS in November 1993.

Good intentions are not enough: How the peace movement hobbled defense conversion in Maine

By Stephen J. Adams

"The blind willingness to sacrifice people to truth...has always been the danger of an ethics abstracted from life." [Source unknown]

The story of the peace movement's efforts to assist in defense conversion in Maine is a story of well-intended actions leading to unintended consequences. As a result of these efforts, a segment of the peace movement in Maine, the Peace Economy Project, has reduced one of the nation's most aggressive defense adjustment efforts to an ineffectual smattering of isolated and competing activities. As an active participant in Maine's defense adjustment initiative, I offer the following critical assessment of the peace movement's efforts. From my perspective, it indicates that good intentions are simply not enough in attempting to meaningfully address important issues of public policy.

The chill after the Cold War

In the summer of 1990 much was right with the world. The Berlin Wall had come down, the Soviet Union was being transformed into a democracy, and the tide was turning on run-away U.S. defense spending. While this chain of events augured well for world peace and security, they couldn't have come at a more inconvenient time for the Maine economy. By the middle of

1990, Pease Air Force Base in New Hampshire had been slated for closure, as the first of many victims of the new Base Closure and Realignment Commission. Bath Iron Works learned that it could expect a dramatic slow-down in the Aegis Cruiser program, putting at risk the 7,500 jobs added since the late 1970s. And Maine's military bases in Limestone, Brunswick and Kittery were on notice that their futures were questionable.

It was in this environment, in July of 1990, that Governor John R. McKernan issued an Executive Order establishing the Task Force on Defense Realignment and the Maine Economy. The Task Force, staffed by the State Planning Office (SPO), would bring together state and federal agencies, defense contractors, labor unions and defense-dependent communities to determine the scope of the problem of defense downsizing and design a strategy for coping with the coming storm.

In addition to appointed members, other interested parties were invited to participate. Among these informal participants were other local and state officials, Congressional staff and the Peace Economy Project, a fledgling non-profit interest group working to shift defense dollars to more productive social spending.

SPO staff began a detailed analysis of Maine's defense dependency and the Task Force convened public hearings in Kittery, Bath, Lewiston and Presque Isle -- Maine's most defense-dependent areas. Although some SPO staff were diverted to respond to the Loring base closure through the spring and summer of 1991, the Task Force made significant progress.

In August the Task Force was awarded a \$150,000 Economic Development Administration (EDA) grant that not only allowed SPO to hire full-time staff to the Task Force, but also financed community defense adjustment efforts. By year-end, regional strategy initiatives were funded in southern York County (the KEYS Coalition), in the Bath/Brunswick/Topsham region, and in the Lewiston/Auburn area (Androscoggin Valley Council of Governments, AVCOG).

By spring of 1992, the strategy development process was well underway across the State. An interim report of the Task Force described the magnitude and complexion of Maine's defense dependency; examined specific characteristics of businesses and workers at risk; introduced a new clearinghouse for defense information; and began to identify recommendations for action.

Throughout this process, the Peace Economy Project actively participated in Task Force deliberations. It provided enthusiastic and energetic support of the initiative and sought out opportunities to contribute to the State and local efforts. Unfortunately, at the same time, the Project was quietly engineering its first foray into the Maine Legislature.

An innocent proposal meets a wily legislature

In an apparent attempt to demonstrate their influence to potential funders, the Peace Economy Project staff unilaterally drafted, and gained introduction of, legislation designed to dissolve the existing Task Force (created by Executive Order) and re-establish a new one by law. While the Project sought to memorialize their efforts in statute, they were naive to legislative tradition. In particular, they were unaware of the legislature's predilection toward restructuring Gubernatorial initiatives and toward per diem reimbursements.

As expected, the legislature could not resist the opportunity to place its imprint on an important initiative. In the midst of a contentious legislative session and a deepening recession, the Project measure found its way into a package of economic development legislation enacted in the waning days of the Legislature (Chapter 854 of the Laws of 1992). Effective July 1, the original Executive Order Defense Task Force would be dissolved and a new one appointed, complete with new members and expanded missions. Provisions for legislative per diem and travel expenses were added as well, although no additional funds would accompany these new costs. The Peace Economy Project trumpeted its success in newsletters and press releases, proclaiming the birth of defense conversion in Maine.

Back at the now-lame duck Task Force, a draft action plan was being developed describing a comprehensive statewide defense adjustment program. The action plan outlined a number of initiatives to support communities, workers and businesses that were at risk to defense cut backs. It included specific recommendations for both statewide and local programs. Of special importance and in the face of the deepening budget crisis, the plan offered an approach that would rapidly mobilize existing state resources and tap federal defense adjustment funding.

In June of 1992, this writer (then SPO Economics Division Director) presented an outline of the draft action plan to the regional director of EDA in Philadelphia. The proposal was met with great enthusiasm by the EDA director, who encouraged Task Force staff to fill in the details and file a formal application for implementation funds. All that remained was the development of a more detailed implementation grant and its endorsement by the new Task Force.

On July 1, the original Task Force was dissolved, pursuant to Chapter 854. Over the ensuing two months members were appointed to the new body by the governor and legislative leadership. At its first meeting, the new Task Force refused to adopt the draft action plan, preferring instead, to design its own defense strategy.

Hopping the first hurdle

While the new Task Force pondered a new plan, SPO staff analysis, strategy sessions and coordinating functions continued. SPO forged partnerships with the Defense Department's Office of Economic Adjustment (OEA) and the regional EDA office. EDA funds were leveraged to establish a joint initiative between Bath Iron Works and the Department of Economic and Community Development (DECD) to explore commercial shipbuilding options for BIW. Additional OEA funding was brokered by SPO to continue the KEYS Coalition strategy effort in southern Maine. And the State Department of Labor provided funding to explore proposals to re-design displaced worker assistance services and to maintain staff support for the Task Force.

While the original EDA grant had expired, SPO built new sources of support into the implementation proposals that would be submitted to EDA. In addition, the director of OEA had endorsed an SPO proposal to use the Task Force as a coordinating body for federal defense adjustment activities in Maine. This significant reversal of past OEA policy, a measure of the credibility that the Maine initiative had gained, would allow OEA funding to restore financial viability to the Task Force.

By the end of 1992, Maine had established a State defense adjustment effort that had gained national recognition as among the most aggressive in the nation. Partnerships were established between the Maine Science and Technology Commission and the Department of Economic and Community Development to coordinate Maine's participation in the ARPA program, a new federal conversion effort. The communities of Bath, Brunswick and Topsham (communities with a long history of rivalry) formed a formal partnership to coordinate defense adjustment planning. All that remained was the submission of new grant applications to EDA and OEA to restore adequate resources to the Task Force effort.

Snatching defeat from the jaws of victory

Maine's defense adjustment initiative was at a crucial stage. Poised to implement an action plan developed and amended over the last two years, federal funds would allow Maine to begin to provide real help to businesses, workers and communities facing defense cutbacks. New OEA funding would finally move Maine out of the planning phase and into providing assistance to workers and companies.

But as the 1993 legislative session approached, the Peace Economy Project (renamed the Maine Economic Conversion Project) was looking for a new symbol of its influence. The Project developed legislation to create an Office of Conversion, complete with General Fund appropriations and positions. It was reasoned that this latest measure would raise the stature of Maine's effort by creating a permanent bureaucracy, an institutional temple to conversion.

The trick was to find a way to gain support for new General Fund dollars in the midst of a budget crisis. The Project's strategy was to nestle the Office of Conversion legislation into DECD's Economic Growth Council initiative. The Economic Growth Council package was politically popular, despite its \$10 million price tag, because it included several new economic development initiatives that would demonstrate public action to help pull Maine out of recession.

When the dust cleared from the 1993 Legislative session, the Office of Conversion legislation was adopted. It established the Office, including two staff positions, within DECD and transferred all Defense Task Force duties from SPO to DECD. Defense conversion responsibilities were added to several new duties assigned to DECD via the Economic Growth Council package. Ironically, rather than a permanent structure, the new Office would sunset in two years.

The Maine Economic Conversion Project announced this latest success. SPO's final action in defense adjustment efforts was to arrange for new OEA funding for the defense adjustment strategy of the Bath/Brunswick/ Topsham Economic Council and the Androscoggin Valley Council of Governments.

Changing horses in the middle of the stream

The immediate effect of the Conversion Office legislation was to freeze all State defense adjustment activity in its tracks. For the remainder of 1993, DECD struggled to fill its new positions, and bring its staff up to speed on Task Force work and the overall defense adjustment effort. The application for EDA implementation funding languished through 1993 as did most

other Task Force initiatives. In the absence of an active coordinating function, inter-agency and federal/state/local collaborations largely dissolved.

The Task Force continues to meet. The Maine Economic Conversion Project has gained a formal seat at the table. However, little progress is evident. In less than a year, DECD's lead defense staff person resigned in frustration. The minutes of the Task Force meeting of March 23, 1994 demonstrate the depth of its stagnation:

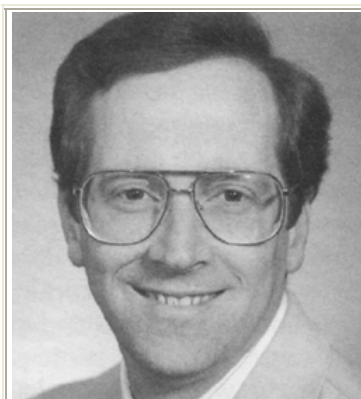
"The Task Force *continued efforts to define important words* to ensure more effective communication. At the previous meeting two definitions -- "defense" and 'defense conversion' -- were on the table, but not agreed to as yet."

In the middle of 1992 Maine was poised to implement an aggressive, multi-faceted conversion program, coordinated at the local, state and federal levels. Two years later, the Task Force has been reduced to arguing over definitions.

The Peace Economy Project may have been motivated by a genuine interest in promoting defense conversion in Maine. Unfortunately, being both single-minded and naive, it undermined its own initiative in a classic victory of symbol over substance. Their success in the political arena led to legislative actions that appeared impressive to the outside observer, but in practice obstructed, and finally crippled Maine's conversion effort.

There is a lesson in this story for well-intentioned advocacy groups who seek to make state government efforts more effective. The lesson is this: Build on what works. Do not constantly try to invent a more perfect wheel. When the rhetoric ends, specific tasks need to be undertaken to achieve real outcomes. It is important, then, that those outcomes be clearly defined so that symbolism does not undermine the efforts to achieve substantive goals.

The Maine Economic Conversion Project has moved on to a new issue -- "sustainable development." It is my hope that they have learned from their economic conversion experiences and will act more deliberately in their new endeavor.



Steve Adams is director of the Maine State Planning Office, where he has also held the position of State Economist.

How the peace movement encouraged defense conversion in Maine: A reply to Steve Adams

from Susie Schweppe, ECP

“The Maine Economic Conversion Project has been an important asset in this state’s efforts to prepare for the economic impacts of defense cutbacks.”

- Steve Adams, Director, Maine State Planning Office, 1992

Steve Adams’ past words of support of the Maine Economic Conversion Project (ECP) contrast sharply with his critique above. It also seems ironic that Adams initiated a contract with the ECP to write the State Task Force on Defense Realignment newsletter if he, in fact, holds the ECP in such low regard. It puzzles me that his published remarks not only differ from his own past opinions, but they differ from the many state leaders who agree that the ECP has played a valuable role in moving defense conversion forward in Maine.

For example, Governor John McKernan applauds the efforts of the ECP with these words: “The ECP is a statewide organization of citizens concerned with the economic, environmental and social health of our state and country. With the help of the ECP, I believe that the State of Maine can address these issues in a timely and effective manner.”

Among the many other state leaders who agree with the governor are Bath Iron Works President Buzz Fitzgerald, House Speaker Dan Gwadosky and former DECD conversion program director, Peter Thibeault, who Adams unfairly implies resigned due to frustrations caused by the ECP. Fitzgerald says, “BIW recognizes the ECP as a vital participant in the state’s overall effort to diversify from its defense dependency...The ECP’s help cannot be underestimated...it has been the catalyst for people to work together to bring about a healthy and secure future.”

Speaker Gwadosky opines that “the ECP has risen to the occasion and is fulfilling a critical function in our state and is playing a pivotal role in developing defense conversion and sustainable economic development strategies to take Maine into the next century.”

And, Thibeault adds, “The ECP has, nearly single-handedly, worked to create public policy change for a peace economy in Maine. Their efforts brought about the creation of the Economic Conversion Task Force and the Office of Economic Conversion. Their continued advocacy for issues critical to a rational examination of alternatives to defense dependency, long-range planning for change, and creative problem-solving around issues of clear support for that change will be important to businesses and workers in Maine and across the other United States effected by defense downsizing. It is my pleasure to stand up and be counted as a supporter of the ECP!”

Given this support, and the fact that the ECP has enjoyed a close working relationship with Adams over the past five years, his remarks both surprise and perplex us. We regret that Adams chose to vent his accumulated frustrations with the ECP in public rather than talk with us directly

over the years as differences arose. Unfortunately, this did not happen. We hope that his opinions do not detract from the great progress Maine has made -- progress that continues to earn Maine national recognition for its leadership and that promises Maine a successful conversion to a more civilian based peacetime economy. We also hope his remarks do not detract from the credit both he and the SPO deserve for their important role in Maine's progress toward reducing its economic dependence on defense. We welcome this opportunity to tell our story.

The ECP was founded in the spring of 1989, six months before the Berlin Wall fell, signaling the end of the Cold War and beginning a rapid decline in federal defense spending. While welcoming the chance to spend less on defense and more on domestic programs, the ECP was concerned about the impact of defense cuts on Maine and its defense-dependent businesses, workers, and communities. The ECP set about building a partnership among the very diverse constituencies in the public, private and non-profit sectors to collaborate on strategies to meet the challenge of defense downsizing and conversion as an economic development opportunity. After receiving encouragement from the president of Bath Iron Works, our next stop was the State Planning Office. After meeting with former SPO Director Richard Silkman, and then-State Economist Steve Adams in the fall of 1989, the ECP and SPO joined together to forge a partnership of affected stakeholders that would alert Maine to its dependency and would develop a plan to deal with the impacts of shrinking and shifting defense spending.

Subsequently, the ECP proposed a statewide structure to Governor McKernan in February 1990, which included a state conversion task force and community based task forces in Maine's most defense-dependent regions. In July 1990, Governor McKernan created the State Task Force on Defense Realignment and the Economy by Executive Order, making Maine one of the first states in the nation to take such an initiative. The Governor directed SPO Director Silkman to chair the Task Force and the SPO to provide staff support. Unfortunately, leadership and administrative responsibilities were assigned to the SPO without resources to support them, adding yet another enormous task to the many already assigned to the SPO.

Due to the SPO's good efforts, \$150,000 in federal EDA funds were secured to give limited support to the work of the Task Force and to help finance four regional task forces. Between 1990 and 1992, the Task Force researched Maine's defense dependency and the impact of projected cuts. It developed a preliminary report suggesting how Maine might deal with the conversion challenge.

Meanwhile, growing awareness of the potentially devastating impact of defense spending reductions gave conversion a sense of urgency and also recognition by the legislature that it should become fully supportive and engaged in the conversion process, including accountability for its progress. Many legislators shared the ECP's concern that the Task Force was not meeting on a regular basis or progressing rapidly enough. Legislative leadership worked with the ECP to draft and pass legislation to enact the Task Force into law and give it the stature and resources it needed to do its important work. Unfortunately, state funding provisions were dropped because of Maine's deepening budget crisis. Legislation went into effect July 1, 1992. Adams' allegations that the ECP initiated this legislation to stall conversion activities and/or to demonstrate our influence to potential funders are simply not true.

Although legislation transferred jurisdiction over the Task Force to the Legislature's Joint Committee on Housing and Economic Development, it remained in the SPO with SPO's director continuing as Task Force chair. Adams invited the ECP to work with the SPO to make Task Force membership recommendations to the governor and legislative leadership. Most of the original Task Force members were reappointed. Adams became acting SPO director and Task Force Chair in November 1992 when Silkman resigned from the office.

Adams encouraged the "new" Task Force to form three subcommittees -- business, workers, and communities -- to review the "old" Task Force draft action plan and use it as the basis for making recommendations to be integrated into a final plan for adoption by the full Task Force. These subcommittees did their work. Unfortunately, the full Task Force was convened only three times between October 1992 and May 1993. Although subcommittees reported their preliminary recommendations to the full Task Force in December 1992, Adams never asked the Task Force to approve these recommendations or to adopt a final plan.

Because the Task Force was a good year behind schedule, February 1993 legislation gave the Task Force an additional year to both submit a strategic plan and enabling legislation. Because significant federal dollars were becoming available for conversion, the bill added the additional duty of monitoring federal funds and developing necessary steps to funnel some of these dollars into Maine. The need to extend these deadlines gave the legislature cause to question why the Task Force was failing to meet some of its legislated mandates. That failure was the result of limited resources and leadership.

To help address the need to elevate the importance of conversion and appropriate state funds to get the job done, the ECP worked through the Maine Economic Growth Council process to prioritize conversion by recommending the creation and funding of a State Office of Economic Conversion (OEC). This effort resulted in the Growth Council making this recommendation to the governor and the legislative leadership as part of its economic development package.

It is important to note that although two of the three Task Force subcommittees recommended creation of the OEC, it was not included in the draft action plan prepared by the SPO.

Despite this early opposition to creating an OEC, the ECP worked with Adams and legislative leadership to draft and pass legislation that created the OEC in June 1993 and funded it with a \$200,000 state appropriation over the biennium. Although original legislation placed the OEC in the SPO, the final version passed by the legislature located the OEC in the Department of Economic and Community Development. Further, the revised and adopted version included a two year sunset of the OEC, which was not in the original draft. However, the law provides an opportunity for the DECD to recommend extending its life and funding if Maine's conversion work is not finished. As Adams knows, the ECP fought up to the eleventh hour to house the OEC in the SPO. However, political forces beyond our control prevailed in relocating conversion responsibilities, including the new OEC, in the DECD. DECD's commissioner took over the chairmanship of the Task Force. In light of the many promising conversion initiatives currently underway, this now appears to have been a good decision.

The tone of the Adams' remarks suggests conversion efforts have stalled in Maine, which is far from the truth. In fact, the OEC and the DECD have made substantial progress. The OEC has created a state clearinghouse, is coordinating inter-agency activities, giving support to community efforts, developing an informational brochure to market its services, and sponsoring a conference for service providers to learn specific needs of defense firms seeking to commercialize. The DECD has leveraged state resources to obtain significant federal dollars and reactivated the relatively dormant Task Force. The DECD was awarded a \$200,000 federal OEA grant to design industrial modernization and diversification services to small and medium-sized manufacturing firms. Program units included many of the initiatives recommended in the Task Force draft action plan. Further, DECD's creativity succeeded in obtaining federal authorization to take \$200,000 in federal HUD funds to capitalize a defense conversion planning grant pool for defense dependent communities unable to access federal OEA or EDA funds.

Defense conversion is a difficult and lengthy process requiring all affected stakeholders to work in real partnership to get the job done. The difficulties of moving forward more rapidly in Maine are similar to those experienced in nearly every other state in the nation. Fingers of blame should not be pointed at the Task Force, the legislature, or the ECP as Adams suggests. Rather, we should acknowledge the difficult challenges of both conversion and working in partnership with so many diverse interests, organizations, and individuals. We must give conversion the level of leadership, resources and support equal to the challenge. Conversion success lies in setting aside our differences and finding common ground on which to build collaborative strategies that will benefit everyone. It depends on people talking with each other openly and honestly, with respect and trust. It is not about taking credit, or discrediting, but about bringing people together and fully utilizing and empowering the diverse talents of so many individuals committed to getting the job done.

We are left wondering why Adams feels so compelled to discredit the ECP. Frankly, the only conclusions we come to are that he is angry that his "turf" was invaded by the shift of conversion from the SPO to the DECD and that he perceives our mission of public accountability an inappropriate one for citizens to undertake. If these are his motivations, we are saddened that his definition of democracy does not include public participation and that his need to blame distracts from Maine's progress, which has been made possible by so many, including Adams himself.

We are grateful for the opportunity to set the record straight.