

RECONVERSION OF DEFENCE-BASED ACTIVITIES/ A MICRO-ECONOMIC APPROACH

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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This draft report concludes the second phase of the project on the adjustment of defence dependant regions. It should be considered as a complementary contribution to the first report (DSTI/IND/WP6(93)17) circulated as a background document to the participants of the Ministerial Meeting in Vienna in April 1994.

The attached report, written by Mr. Jacques de Saint-Martin, consultant on the project in co-operation with the Secretariat and *l'Institut du Développement Régional et de l'Espace Européen* (IDREE), focuses on the European case, while talking a micro-economic standpoint.

INTRODUCTION

1. In 1994, an OECD report on the adjustment of defence dependent regions, which is based essentially on American experiences, was derestricted¹.

2. The main purpose of this document is to draw upon the situation in Europe in order to shed some additional light on a number of aspects already raised in the first report, and to answer the following questions²

- Is regional restructuring that is connected with military spending cut-backs similar to that which affects civilian activities?
- What are the most appropriate regional policy instruments?
- What should the priorities be?

3. In particular, the emphasis will be put on a **microeconomic approach**.

4. Information has been gathered primarily from sources involved in the implementation of conversion measures in five countries (France, Germany, Italy, the Netherlands and the United Kingdom)³.

5. The report is therefore based on interviews and related documentation.

- In Part I, the **core issues** are defined:
 - How much is at stake?
 - What specific problems are posed by:
 - the conversion of defence industries?
 - the exploitation of dual technologies?

¹ MARKUSEN Ann and ODEN Michael, Rutgers University, Regional Adjustment of Defence Dependent Regions in the Post-Cold War Era [OCDE/GD(94)34], 35 pages.

² See in particular the working paper submitted in December 1994 to Working Party No. 6 (Regional Development Policies), Regional Adjustment of defence Dependent Regions [DT/REG(94)6].

³ See the list of persons interviewed in Appendix 2.

- Part II is devoted to selected aspects of **national policies**.
 - The conclusion proposes a number of courses of action, based inter alia on a large number of case studies of the restructuring of areas at risk (a matrix based on numerous actual cases is appended).

1. CONVERTING DEFENCE-RELATED ACTIVITIES: DEFINING THE CORE ISSUES

1.1 Military spending cuts: a hope for the planet, a threat to certain areas

6. Today, military spending is being scaled back in most of the world's major industrialised countries. The reasons for this are many: the end of the cold war, disarmament agreements, the shifting nature of conflicts, the fall of the Berlin Wall, etc.

7. Adding to this are new budgetary constraints stemming from the steadily mounting debt of certain large countries and new priorities in the allocation of limited budget resources (employment, education, health care, environmental protection, etc.). There is thus a strong temptation, for most of the governments concerned, to allocate only a small proportion of the substantial "peace dividend" to the financing of reconversion strategies (see graph, page 5).

8. Confronted with massive reductions in orders in domestic markets, large industrial corporations are seeking to expand their exports and are encountering heightening competition in countries that, in many cases, are already heavily armed (it is projected that between 1993 and 1997 the significant Middle Eastern market will shrink by 20 percent -- source: Department of Trade and Industry (DTI), United Kingdom).

1.1.1 *How Much Is At Stake?*

9. Overall data, which had been very disparate, are gradually becoming clearer, and sources have been getting more reliable.

10. Given the relative newness of the phenomenon, the tradition of secrecy that shrouds defence and the uncertainty affecting policy decisions, the degree to which information is available varies by country, and even by region within the same country. The difficulty of grasping how much is at stake and understanding the problems involved is only compounded when forecasters attempt to quantify future trends.

11. In the United States, where manpower levels have been decreasing since the 1960s (100 military bases were closed between 1960 and 1988), a wealth of documentation is available. Numerous case studies on the areas involved have been carried out and have had methodological repercussions. The same is not yet true for Europe.

12. In Europe, there is still a certain lack of uniformity in the approaches that are taken: not all the figures available to us from national reports and specialised works have been calculated in the same manner.

13. The recent creation of the Bonn International Centre for Conversion (BICC) [The BICC was created in April 1994, with support from the United Nations, at the initiative of the Länder of North Rhein-Westphalia and Brandenburg. The work of the BICC's staff of 24 focuses primarily on six broad areas: reallocation of financial resources freed by disarmament; reorientation of R&D; industrial restructuring; redeployment of demobilised military personnel; conversion of military bases and installations; elimination of arms (salvage or destruction)],. with UN support, is intended, inter alia, to alleviate this lack of data.

14. This declining expenditure is a relatively recent trend (see chart and tables below).

15. While the proportion of GDP earmarked for defence has been waning in some countries for a number of years (falling in France from 6 per cent in 1959 to 2.66 per cent in 1993), it is only since 1988 that the absolute value of aggregate global outlays has been receding.

Table 1. Manpower levels in the armed forces (thousands)

	1985	1990	1994
NATO countries	5386	5253	4198
USSR --> Russia	5300	3988	1714
Other European countries	1558	1460	2154
Central Asia	2130	2352	2332
Middle East	2918	3412	2908
East Asia and Australasia	8062	7591	7228
Africa	797	1235	935
Latin America and the Caribbean	1343	1499	1425
TOTAL	27494	26790	22894

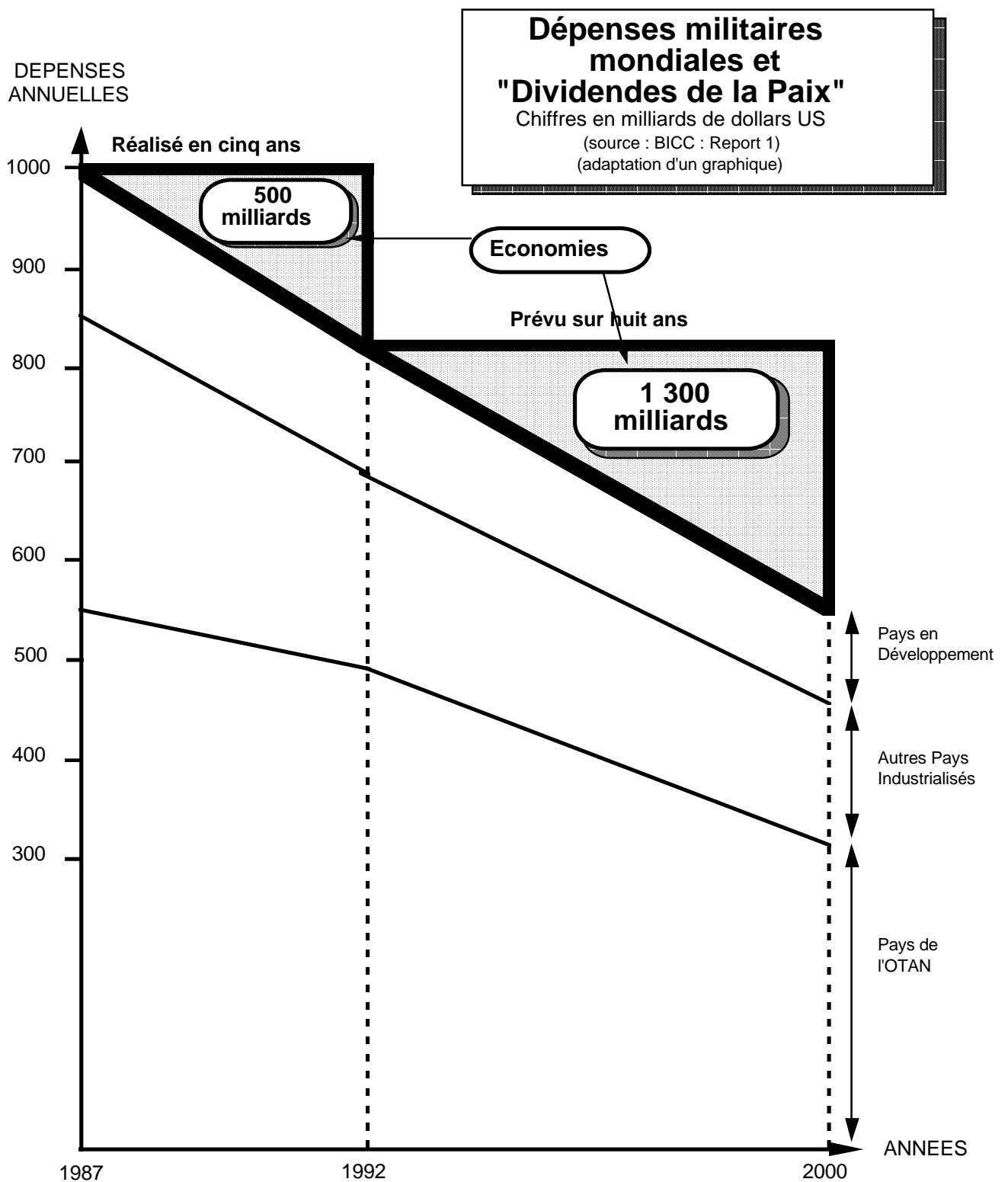
Source : BICC presentation document

(NB: The deepest cuts have been made by European NATO countries and by Russia. The 1993 figure for "USSR --> Russia" is for Russia alone; troops of other former Soviet republics have been counted with those of "Other European countries" or "Central Asia".)

Table 2. Manpower levels in military industries
(approximate figures, in thousands)

	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1995</u>
USSR	5 800	6000	6300	3200
(Russia)			(4500)	(1800)
(Ukraine)			(1200)	(1000)
(others)			(600)	(400)
China	3000-5000	3000-5000	3000-5000	2500-4000
USA	2085	3100	3000	2200
United Kingdom	560	470	430	300
France	340	340	300	250
Germany (including GDR)	310	340	240	120
India	235	240	250	250
North KOREA	53	80	100	120
Japan	110	120	120	100
Eastern Europe	530	630	530	300
Other industrial- ised countries	350	400	400	280
Other devel- oping countries	700	850	700	550
TOTAL	15000	16500	16500	11100

Source: BICC presentation document



N.B.: Since 1987 alone, aggregate savings are projected to reach some 3 200 billion dollars by the year 2000

1.1.2 Stricken regions in European Union countries

16. Following on the heels of the coal, iron and steel, and textile crises, the "**military crisis**" has already struck, or threatens to strike, a heavy blow to certain regions of Europe.

17. The redistribution of **barracks, military bases and defence installations** has meant job cuts that have been spread all across Europe. While national authorities are anxious not to go too far in penalising some sites more than others, there have been **many exceptions** to this guideline:

- In Germany, decisions regarding the withdrawal of foreign troops are not made by national authorities. The old Länder have been affected, some severely, and the situation is even more critical in the new ones (in Brandenburg, abandoned military bases occupy 3.5 per cent of the Land's total area).
- With regard to national navies, it is obvious that the options are limited, given the small number of ports used for military purposes. Portsmouth, Plymouth, Cadiz, Taranto, Den Helder, Bremen, Lorient and Toulon have been seriously affected or are at serious risk.

18. In contrast, job losses in **defence-related businesses** have been hitting some regions much harder. In addition, various studies have indicated that the "multiplier" (the total number of jobs at risk for each direct job loss) varies approximately between 1.1 and 1.5 in the case of military manpower cutbacks, whereas the range is between 1.7 and 2.0 for layoffs in an armament industry.

Table 3. Impact of military spending on local and regional economies

	MILITARY INDUSTRIES	MILITARY BASES
DIRECT EMPLOYMENT		
	Employees of military industries	Military personnel
	<ul style="list-style-type: none"> · Establishments under direct State control (arsenals, nationalised enterprises) · Private enterprises: <ul style="list-style-type: none"> -- Armament specialists -- Specialised segments 	Civilian personnel
INDIRECT EMPLOYMENT		
	<ul style="list-style-type: none"> .Subcontracting .Supplies Services Wages ploughed back into the local economy 	<ul style="list-style-type: none"> Supplies Services Wages ploughed back into the local economy

A study by the Commission of the European Communities has identified the regions most vulnerable to cutbacks in military spending (Table 4):

Legend : * = Manpower reductions likely

** = Manpower reductions announced

	VULNERABILITY	
	Defence-related industries	Military installations
1. UK Cumbria	**	
2. UK Essex	**	
3. D Bremen	**	**
4. F Brittany	*	*
5. F Aquitaine	*	*
6. UK Lancashire	**	
7. I Liguria	**	
8. F Provence-Alpes-Côte d'Azur	**	
9. F Centre	**	
10. F Limousin		
11. F Midi-Pyrénées		
12. F Ile-de-France	*	**
13. I Friuli - Venezia Giulia		
14. D Oberbayern	**	**
15. UK Cornwall, Devon	**	*
16. F Basse-Normandie		**
17. F Haute-Normandy		**
18. UK Avon, Gloucestershire, Wiltshire	**	**
19. UK Hampshire, Isle of Wight		**
20. Gr Sterea Eliada	*	

Source : Economists Advisory Group Limited in Conjunction with the Centre for Defence Economics, University of York : "The Economic and Social Impact of Reductions in Defence Spending and Military Forces on the Regions of the Community" (Brussels - Luxembourg - 1992 - 108 pages) page 90

19. Even so, in examining a geographical area, **terms must be defined** precisely. From the studies listed in the bibliography, it is plain that concepts warrant clarification (for example, the proportion of jobs in Brittany that are directly related to defence is put at 6.4 per cent by a British source but at 14 per cent by the Commission in Brussels).

20. Moreover, analysis needs to be considerably refined: the impact on employment is felt in **local labour markets** and not across entire regions. Contrasting with data for Brittany as a whole, a figure of 40 per cent is cited for Brest (20 per cent according to another source). The south-east of England is considered a relatively prosperous region, yet in Portsmouth a third of employment is dependent on the military (Royal Navy, arsenal, defence-related industries), and many jobs have already been eliminated.

1.2 Overall impact of conversion measures (Table 5)

CONVERSION MEASURES	DRAWBACKS	Benefits
Reallocation of financial resources	<ul style="list-style-type: none"> • Lower income for businesses, employees and military personnel 	<ul style="list-style-type: none"> • Resources freed for productive programmes: <ul style="list-style-type: none"> - development - environment - infrastructure - continuing education
Reorientation of R & D	<ul style="list-style-type: none"> • Installations under-utilised • Brain drain • Job losses 	<ul style="list-style-type: none"> • No massive departures • Resources available to meet new challenges (qualified engineers and researchers, funding)
Industrial restructuring	<ul style="list-style-type: none"> • Production cutbacks • Excess capacity of installations • Job losses • Economic imbalance 	<ul style="list-style-type: none"> • Production shifted to useful products • Modern installations available • Job creation
Demobilisation	<ul style="list-style-type: none"> • Job losses • Economic imbalance • Social and political instability 	<ul style="list-style-type: none"> • Skills available • General interest work • Alleviation of damage from war, resentment
Base closures	<ul style="list-style-type: none"> • Income reduction and increased unemployment on the regional level • Economic imbalance 	<ul style="list-style-type: none"> • Conversion (for education, recreation, industry, trade, transport, etc.)
Destruction of arms	<ul style="list-style-type: none"> • High cost • Pressure to expand arms exports • Ecological risks 	<ul style="list-style-type: none"> • Reduced costs of acquiring and maintaining arms • Salvage value • Utilisation limited to non-military purposes

Source : BICC : Report 1

21. The **drawbacks for territorial development** are generally felt in the **short term**, whereas the **advantages** appear only, at best, in the **medium** or **long term**.

- City officials hit by the closure of a plant or a military installation will grasp the drawbacks of the situation very quickly: job losses, reduced income for local residents, lower tax revenue and economic imbalance.
- Given the swiftness with which such decisions (handed down from elsewhere) are often taken, these same officials' initial reaction will be to resort to delaying tactics; it is only later that they will attempt to exploit opportunities to develop new activities. But apart from any decommissioned installations that local authorities might acquire, benefits will be derived only after thorough analysis and the formulation of a genuine, overall redeployment plan -- a process that takes time.

1.3 The unique characteristics of defence-related industries

22. In respect of the conversion of defence-related industries, of sites heavily dependent on these industries and of military installations, the first idea that springs to mind is to tap revenue used primarily to restructure certain industrial sectors.

23. But defence-related industries have unique characteristics which need to be analysed.

24. Except for their exports of arms and materiel, defence industries are largely dependent on government spending. As monopolies, armies define the needs and specifications. Sales are often based on personal relationships, cultivated over the years with the "right contacts".

25. In defence-related industries, with substantial R&D outlays and limited-series production, unit costs run high.

26. Organisational structures are hierarchical, conducive to specialisation and offer protection vis-à-vis the outside world (under the cloak of defence secrecy).

27. When large defence contractors are invited to deal with the world of SMIs that surrounds them, it is truly a "culture shock" that awaits them.

1.4 Dual technologies: myth or reality?

28. Given the vast R&D capacity of defence-sector industries and research centres, an obvious solution is to tap this potential by shifting it to civilian applications (hence the notion of "duality").

29. In most countries, measures have been taken along these lines. The differences in approach between the civilian and military sectors make it more difficult than expected to exploit the existing potential.

Table 6. GENERAL CHARACTERISTICS

	Defence-related industries	Commercial SIMS
PERSONNEL	High percentage of technical personnel	Fewer technical managers
CUSTOMER BASE	Oligopony	Broad & diversified
MARKETING	Dominated by "technicians"	Divided more evenly
CONTRACTS	Substantial, long term	Divided more evenly
ACCOMPANYING DOCUMENTS	Detailed proposals Technical documentation	Specification sheets Manuals, warranties

PRODUCT DESIGN (products are generally complex)

	Defence-related industries	Commercial SMI
REQUIREMENTS UTILITY	Defined by customer To meet a threat (current or expected)	Stem from customer/supplier dialogue Clearly perceived by consumers
DEVELOPMENT CYCLE	Very long	Moderately long
PRODUCT INNOVATION	Revolutionary	Evolutionary
DEVELOPMENT COSTS	High unit costs	Low unit costs
TECHNOLOGIES	Advanced	Established
MISFUNCTIONS	Potentially lethal	Annoying
CONDITIONS OF USE	Unpredictable environment (often hostile)	Predictable

PRODUCTION

	Defence-related industries	Commercial SMIs
STANDARDS - QUALIFICATIONS	Strict	Functional
DIFFERENTIATION	Customisation	Standardisation
PRODUCTION RUNS	Short	Very long
MAINTENANCE	Specialised	Flexible
DOMINANT CONCERN	Reliability	Price
SCHEDULING	Fairly rigorous	Just in time
MANAGEMENT	Centralised, rigid	Customer-oriented, flexible

Source : Michel WAUTELET, University of Mons-Hainaut, Belgium : "**Technology Transfer from the Defence to Civilian Sectors**" (published in conjunction with the colloquium organised by the European Association for the Transfer of Technologies, Innovation and Industrial Information (TII) in Hanover on 28 and 29 April 1994)

1.4.1 Numerous initiatives and proposals

30. In the **United States**, the Technology Reinvestment Project has been endowed with \$470 million, inter alia to foster joint initiatives in which firms in the military and civilian sectors tap military R&D potential in order to develop civilian applications. The programme was set up at the end of 1993 under the auspices of the Department of defence's Advanced Research Projects Agency (ARPA) and has aroused considerable interest: it has received 2 800 proposals.

- The **former USSR**, which has demonstrated its capacity to develop effective armaments, is also pinning great hopes on reallocating R&D resources. A large number of joint ventures are being set up or planned between Russian defence contractors and Western civilian-sector companies with direct market access (primarily in the areas of aerospace and nuclear power)
- In **Italy**, a number of studies carried out in the Lazio region have advocated a rigorous policy to help transfer technology to SMEs from large defence contractors as well as from state-owned research institutions. On this basis, management organisations in the machinery and metalworking industries have put forward a number of specific proposals to redirect businesses towards growth sectors (e.g. telecommunications, multimedia, etc.).
- In **Germany**, 17 units of Fraunhofer Gesellschaft that specialised heavily in military R&D (out of some 40, including the one in Bremen) have shifted their focus to civilian markets.
- In **France**, military R&D is vital to the arms industry, but it is also important for the state, since a **third** of the French R&D budget is earmarked for military research . [Since only 48.4 per cent of military R&D expenditure goes to centres run by the Ministry of Defence, outside contractors claim over half of France's military research budget (a figure that has been growing steadily). The approximately FF 15.3 billion (according to 1990 figures) that is spent at facilities not belonging to the armaments authority (Délégation Générale à l'Armement, or DGA) breaks down as follows:

businesses -- 90 per cent (FF 13.8 billion)
state-owned research institutions -- 9 per cent
foreign institutions, etc. -- 1 per cent]

In order to encourage exploitation of this potential in civilian markets, the Ministry of Defence is putting the emphasis on information:

- "Science and Defence" fora are open to a broad audience.
- A number of publications pursue the same goal; particularly noteworthy are the Fichessignalétiques des résultats de recherche de Défense, ["Fact-Sheets on the Results of DefenceResearch"] published for SMEs.
- The Conseil Scientifique de la Défense fosters a spirit of openness by enabling prominent military, industrial and academic figures to exchange their points of view on a regular basis.

1.4.2 *Despite a number of success stories, the results are less conclusive than had been hoped, due (essentially) to institutional red tape.*

31. The following observations, drawn essentially from the French example, echo a large number of studies carried out in other countries. They underscore, once again, the differences in goals and behaviour referred to above.

a) The "duality" is frequently situated very far upstream and primarily involves large corporations, which are themselves well endowed with R&D:

- Only 154 companies in France are directly involved in "defence" R&D.
- Large groups and large corporations share 94.2 per cent of the budget.

32. In most cases these firms concentrate their R&D in centres located away from production facilities, generally in Ile-de-France or a number of regional cities.

33. While large firms can in turn contract out a portion of their R&D budgets, if they do, they tend to deal with highly specialised, high-tech SMIs, to which they hand over portions of programmes. In such cases, the search for civilian applications is not the primary concern.

b) The effect of standards

34. Military standards are very cumbersome because of their comprehensiveness. They are designed to be as all-encompassing as possible, since it cannot be known in advance in what kind of terrain the materiel is to be used. For this reason, batteries of tests are instituted, focusing more on the end performance of products and components than on potential causes for failure.

c) Technical specificities

35. It would appear difficult to find civilian uses for certain technological applications that took considerable effort to develop (e.g. detection of "stealth"-type aircraft, very high-speed propulsion for projectiles).

d) Different time frames

36. This aspect, alluded to in the table above, is particularly important. Military programmes are often long (10 to 15 years), whereas design-to-production cycles for civilian goods (e.g. electronic equipment) have been tending to grow steadily shorter.

e) The idea of competitiveness does not have the same meaning for civilian and for military products.

37. On the "civilian" market, a product will be competitive if, quality being equal, it is sold at a lower price than rival products.

38. Against the demands of a sole customer, a product designed for military use will be deemed competitive if, for a reasonable price, it delivers the best technical performance.

f) The effect of routine

39. Rigid organisational structures and rigid mentalities are two obstacles that hamper transfers from the military to the civilian sector.

g) Notions of independence and secrecy

40. Military buyers rightly fear that technologies devised for their own specific needs (and affording them a competitive advantage) will initially be transferred to the civilian sector at home, only to be subsequently diverted to military uses by a foreign country.

2. NATIONAL POLICIES

2.1 General observations

41. Faced with the need for "conversion measures", governments have instituted national mechanisms which have been bolstered by the EU's KONVER programme.

42. Each country has done so differently, taking account of existing provisions. Little by little, elements of doctrine and methodology have been taking shape, despite the fact that experience has frequently been acquired in the field and in a very short amount of time.

43. Despite the differences between countries (as concerns institutional and financial aspects in particular), a great many areas of convergence emerge whenever problems are addressed on a local level.

44. Moreover, this consistency as to the appropriate focus of local conversion strategies has been enhanced by the KONVER programme.

2.1.1 *Strategy guidelines*

45. At central-government level, conversion strategies fall within national policies for land-use planning.

- -- In particular, this is the case in the Netherlands, where an extensive review led to the "Ruimte voor regio's" ("Space for Regions") programme.
- -- In France, the Restructuring Commission (Délégation aux Restructurations) is working closely with DATAR (Délégation à l'Aménagement du Territoire et à l'Action Régionale, or "Commission for Land-Use Planning and Regional Action").
- -- In several German Länder there has been a clear determination not to treat conversion stemming from military spending cutbacks separately, but to incorporate it into structural policies already at work.

46. In all cases, action at the local level is guided by essential concerns:

- to integrate area conversion plans into an overall strategy of local development, backed up if necessary by socio-economic studies;
- to involve local players in project formulation and implementation.

2.1.2 Institutional aspects

47. The manner in which leading roles are divided up among ministries varies from one country to the next (see table 8 below).

48. **In all countries, ministries of defence play an essential role in upstream decisions** (e.g. manpower cutbacks, base closures, etc.). They also take part by making choices with respect to armaments, which has very direct repercussions on certain businesses, arsenals and, as a result, local job markets.

49. The priorities that those in charge of the military define in respect, for example, of disbanding a regiment, are based on strategic considerations -- not opportunities for making new use of the installations that are decommissioned (The abandonment of military installations by foreign armies constitutes a separate case that is subject to considerations beyond the host government's control. Host authorities' ability to influence such decisions is extremely slight. In Europe, this applies primarily to Germany (with regard to US bases in the west and some one thousand Russian installations in the east).

50. Even though they are frequently preceded by impact studies and the options submitted to interministerial choices, decisions are often perceived by other ministries, and especially by local authorities (MPs, regional councils and general councils) as harsh and even arbitrary.

51. Ministries of defence also take part:

- as employers, in conversion measures affecting defence personnel (civilian and military);
- as users of public property:
 - in the renovation of land and installations (e.g. pollution abatement);
 - in negotiations with potential buyers.

52. Responsibility for conversion measures taken downstream usually lies with other ministries (e.g. commerce, commerce and industry, economic affairs) which co-ordinate their action with other authorities involved.

53. France is an exception to this rule, since the Ministry of Defence's Restructuring Commission is involved both upstream (with impact studies before decisions are taken) and downstream (with support for conversion measures). This is closely co-ordinated with other national and local authorities (e.g. ministries, DATAR, prefectures, etc.)

54. Another exception is the United States, since ARPA (an agency of the Department of defence) is involved in programmes to shift dual technologies towards the civilian market.

DIVISION OF RESPONSIBILITIES (table 8 simplified)

COUNTRY	Main Upstream Actions"	Main Downstream Actions	Remarks
United States	<p align="center">Department of Defence</p> <ul style="list-style-type: none"> • Decisions to reduce manpower and close sites • Site pollution abatement 	<p align="center">Department of Defence</p> <ul style="list-style-type: none"> • Negotiations for sale of de-commissioned sites • Measures to encourage development of dual technologies (through ARPA) • Department of Commerce and Department of Labour • Support for conversion initiatives 	<ul style="list-style-type: none"> • The mission conferred upon ARPA (a DoD agency) has been severely criticised.
Germany	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Decisions to reduce manpower and close sites • Site pollution abatement 	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Negotiations for sale of decommissioned sites <p align="center">Land Ministries and Parliamentary committees</p> <ul style="list-style-type: none"> • Support for conversion initiatives 	<ul style="list-style-type: none"> • Powers differ from one Land to another
Netherlands	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Decisions to reduce manpower and close sites • Site pollution abatement 	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Negotiations for sale of decommissioned sites • Aid for redeployment of military personnel <p align="center">Ministry of Economic Affairs (in co-operation with other ministries)</p> <ul style="list-style-type: none"> • Support for conversion initiatives 	
United KINGDOM	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Decisions to reduce manpower and close sites • Site pollution abatement 	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Negotiations for sale of decommissioned sites • Aid for redeployment of military personnel <p align="center">Department of Trade and Industry (in co-operation with other ministries)</p> <ul style="list-style-type: none"> • Support for conversion initiatives 	
France	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Decisions to reduce manpower and close sites (subsequent to impact studies) • Decisions to reduce R&D appropriations 	<p align="center">Ministry of Defence</p> <ul style="list-style-type: none"> • Negotiations for sale of decommissioned sites • Aid for redeployment of military personnel <p align="center">Ministry of Defence (in co-operation, at the central level, with DATAR and other ministries, and, at the local level, with prefectures)</p> <ul style="list-style-type: none"> • Support for conversion initiatives piloted by the Restructuring Commission 	<ul style="list-style-type: none"> • France is the only country to confer so much downstream responsibility on the Ministry of Defence.

55. Numerous criticisms have been made of the key role of officials of Defence Ministries: is it not mistaken to ask them to carry out “redevelopment” work for which they are in principle ill-prepared? Is that not the function of other authorities (such as Ministries of Industry or authorities responsible for town and country planning)?

56. These criticisms, whilst probably justified at first, lose their force over time as those concerned gain enthusiasm for their new job and carry out their duties with due discernment and in close collaboration with the other ministries involved, in particular local authorities.

2.1.3 Financial aspects

57. Negotiation of the terms of sale of vacant installations:

- At such times, central governments have a number of options for assisting local authorities:
 - by reinvesting in renovation;
 - by searching for new occupants, which could be public or semi-public bodies having public funding at their disposal for outfitting the premises (e.g. educational establishments, hospitals, etc.)
 - by setting selling prices (in Germany, prices are -- theoretically -- set according to market values).

58. Financial support for conversion projects:

To assist conversion projects, all countries can draw upon a panoply of existing aid mechanisms to achieve specific objectives, such as new business creation, job creation, training, technology transfers, etc.

59. In some countries, dedicated funds have been established as well:

- In France, each year the Restructuring Commission has FF 120 million at its disposal in the defence Restructuring Fund (FRED).
- In Germany, the federal government provides the Länder with a fund financed by one percentage point of VAT. In addition, some Länder (such as Hessen) have earmarked funds from their own budgets for the conversion of military sites.

2.1.4 The EU KONVER programme

60. As with most EU aid, KONVER grants are allocated to regional authorities on the basis of programmes that are first submitted for selection on the national level.

61. The first such programme, which was set up in 1993, was used to forge a doctrine. It was not until 1994 that the programme's new framework, along with specific recommendations, led to the definition of:

- a method for directing national programmes;
- consistent criteria for designating eligible sites and selecting projects;
- methods for assessing results.

62. The first stage in the preparation of national proposals was to compile statistics with which to ascertain the vulnerability of each site. Subsequently, sites meeting the "KONVER criteria" formulated projects in accordance with the framework defined at the national level.

63. National priorities are defined differently from one country to another (see table below).

64. These comparisons prompt three remarks:

- Data refer to allocation proposals that are still subject to change.
- The amount of EU aid varies substantially: ECU 11.9 million for the Netherlands; ECU 100.7 million for the United Kingdom.
- Variations may stem in part from differences in the way projects are formulated, causing similar projects to be classified in different categories.

65. In a number of cases, the KONVER programme has afforded national leaders an opportunity to sharpen their knowledge of the extent to which demilitarisation is affecting certain areas.

66. The programme is considered:

- a lever for raising additional funds;
- a way of obtaining financing for regions that had previously received little from EU structural funds;
- an incentive to seek greater coherence:
 - in the way problems are tackled within a given country (eligibility criteria, evaluation, etc.);
 - thanks to reciprocal information flows (still deemed insufficient) between countries.

Table 9

KONVER programme sections	% United Kingdom	% Netherlands	Remarks
Development of SMEs	24,40	50,74	<ul style="list-style-type: none"> • If the two categories : "Development of SMEs" and "Technical support for businesses" are combined, the totals for each country are similar. • Funding for training is much greater in the United Kingdom
Technical support for businesses	24,40	1,92	
Regeneration of military sites and environmental improvements	24,40	29,34	
Promotion of tourism	8,15	11,39	
Staff training and redeployment	18,64	6,58	
TOTAL	100	100	
<hr/>			
Funding Methods			
EU AID	40,76	24,08	<ul style="list-style-type: none"> • "The leverage effect" of private funding is greater in the Netherlands.
Government aid (national or regional)	43,95	31,95	
Private sector	11,29	43,97	
TOTAL	100	100	

2.2 Data on each country

67. In the United States, given the problems involved in implementing overall strategies for the conversion of military industries, substantial funding has been allocated to participatory local conversion plans that exploit the full range of area resources. Accordingly, of the \$19.6 billion set aside for converting defence-related industries between 1993 and 1997, a quarter is to support local initiatives involving local authorities; these funds are administered by the Departments of Commerce and Labor, not by the Department of defence (FONTANEL, Jacques (1994), *La conversion économique du secteur militaire*, Éditions Economica, 102 pages, p.38).

68. In France, there have been numerous initiatives, stemming essentially from the Ministry of Defence:

69. A first series of measures (already mentioned above in connection with "dual technologies") aims to break down, at least partially, the barriers of defence secrecy.

- "Science and Defence" fora;
- Publications (Fiches signalétiques des résultats de recherche de Défense or "Fact-Sheets on the Results of Defence Research");
- The spirit of openness fostered by the Conseil Scientifique de la Défense.

70. The **Restructuring Commission** (Délégation aux Restructurations), created in September 1991, acts as an architect of development for sites at risk, in co-operation with DATAR (Délégation à l'Aménagement du Territoire et à l'Action Régionale, or "Commission for Land-Use Planning and Regional Action"), all local authorities and prefects

71. The Restructuring Commission is involved both upstream and downstream from military restructuring decisions.

72. A dedicated fund for defence restructuring (FRED) was set up, with annual grants that have risen from an initial FF 80 million to some FF 120 million today.

73. For the Commission's three directors, the first task, along with learning a new job, has been to sort out the respective roles of the many people involved, in the relevant ministries as well as in the field. Above all, they have had to transcend any conflicts and misunderstandings that might arise from their "two hats": that of preliminary appraisers, whose opinions can heavily influence base closure decisions, and that of developers, who dispense advice -- and government money.

74. The Restructuring Commission performs a wide range of tasks:

- (Full) funding of studies dealing with how military installations can be converted to other uses (in accordance with local needs, architectural projects, etc.).

- Project planning and documentation, in co-operation with prefectures; in contrast to other measures involving regional bodies, decisions concerning the FRED are taken at department level. In carrying out this process, prefectures may call upon other bodies, such as:

- DATAR, to co-ordinate aid (with the KONVER programme in particular);
- the Ministry of Industry, to vet certain projects;
- units in charge of employment and vocational training.

- Work carried out by "conversion companies": a number of especially hard-hit sites (Bourges, Cherbourg, Tarbes, Bergerac, Valence and the department of Aisne) are assisted by such companies which have already acquired experience in other areas (e.g. mine closures and the halting of nuclear power plant construction). Conversion companies are asked to commit themselves to quantified job creation targets.

- Appointment of official representatives to the Prefects of four regions (Aquitaine, Brittany, Centre and Provence-Alpes-Côte d'Azur) and the department of Aisne.

75. In all cases, the extensive involvement of local officials and socio-professional leaders is considered crucial to success this involvement enables appropriate measures to be prepared in spite of the great variety of local situations.

76. Moreover, so as to have sufficient time to prepare alternatives strategies, DATAR and the Restructuring Commission are jointly endeavouring to persuade the military authorities partially to lift the “defence secrecy” and to announce the measures envisaged without delay.

77. In the United Kingdom, military personnel put on reserve status get six months' training intended to prepare them for new activities.

78. For defence contractors, a major difficulty arises because staff cutbacks are announced at the last minute. The authorities are forced to act with little or no warning, which puts them at a considerable disadvantage. The Department of Trade and Industry (DTI) has a wide range of general measures that it uses throughout the country to facilitate the creation of new firms and encourage SMEs to expand.

79. Another of the DTI's responsibilities is to apportion European structural funds. The KONVER programme is of particular interest insofar as it allows departures from the excessively rigid criteria on which structural funds are granted [objectives 1, 2 and 5(b) of the European Regional Development Fund (ERDF)].

80. Under KONVER II, ECU 102 million has been awarded to the United Kingdom. A national KONVER committee, chaired by a DTI representative, centralises all requests from UK regions and prepares the final draft apportionment for submission to the European Commission. By the end of March, the proposal had been practically completed; the areas involved represented a combined population of some 19 million.

81. Initially, a region's eligibility is determined according to the number of its military-sector-related job losses since 1990. Local authorities are asked to submit projects consistent with national priorities and that meet a number of criteria inspired by DG XVI recommendations:

- accelerate the diversification of local activities so as to lessen dependence on defence;
- encourage the development of commercially viable businesses (regardless of their sector of activity);
- show satisfactory returns on the amounts awarded and define measurable objectives;
- demonstrate an integrated approach to conversion that will benefit the entire area concerned;
- seek substantial leverage by tapping funds from other public or private-sector sources;
- demonstrate strong co-operation among the local authorities involved;
- promote innovative projects;
- complement other measures (national or EU) already implemented;
- open up opportunities:

- for women, in sectors where they are usually under-represented;
- for people kept away from the labour market by family obligations.

82. The DTI would like, as is done in the case of other European funds, to put heavy emphasis on the Commission's proposed evaluation criteria, in order to:

- be better informed about what is actually taking place in the field;
- promote greater transparency on the international level.

83. The national schedule of allocations was defined as follows:

Table 10. KONVER Programme - United Kingdom

	Million ECUs	%	EU Aid	UK + other subsidies	Private sector
Development of SMEs	54,91	<i>24,40</i>	25,07	23,65	6,19
Promotion of innovation, Transfers of know-how and technology	54,91	<i>24,40</i>	25,07	23,65	6,19
Regeneration of military sites and environmental improvements	54,91	<i>24,40</i>	25,07	23,65	6,19
Promotion of tourism					
Staff training and redeployment	18,33	<i>8,15</i>	8,36	7,88	2,09
	41,99	<i>18,64</i>	17,12	20,05	4,76
TOTAL	225	<i>100</i>	100,70	98,89	25,41
%	<i>100</i>		<i>40,76</i>	<i>43,95</i>	<i>11,29</i>

84. In the Netherlands, decisions to reduce military manpower levels are made by the Ministry of Defence. It is generally downstream from such decisions that the Ministry of Economic Affairs intervenes, in co-operation with other ministries (Ministry of Defence, Ministry of Social Affairs and Employment, Ministry of Housing, Planning and Environment, etc.).

85. Conversion strategies aim to be in line with the major stock-taking and planning efforts that the country has recently undertaken in order to establish an economic and territorial policy that looks forward to the third millennium.

86. This policy, which is summarised in *Ruimte voor regio's - Het ruimtelijk-economisch beleid tot 2000* ["Space for the Regions: Economic and Territorial Policy Until 2000"], stresses, inter alia:

- the importance of communications infrastructure (taking today's poorly served regions out of their isolation);
- improving the quality of areas reserved for economic activities;
- exploiting each region's economic potential, based on:
 - a thorough analysis of regional strengths and weaknesses;
 - intense private-sector participation in decision-making, such participation being considered a key success factor.
- the panoply of government aid available to help meet the above objectives.

87. Implementation of a KONVER programme was accompanied by thorough stock-taking in order to assess the impact of military spending cuts on regional economies as precisely as possible.

88. This analysis was the basis on which 12 regions were initially designated as being eligible. Subsequently, the number was narrowed to seven to avoid spreading the modest overall budget (ECU 11.9 million) (This figure should be compared with the aggregate amount of aid allocated to the Netherlands under EU initiatives for 1994: ECU 202 million (including 69.1 for the Interreg programme and 55.5 for the Adapt programme)).

89. As in the United Kingdom, a national steering committee was set up, comprising representatives of the ministries involved, the seven eligible regions and the European Commission.

90. Officials of the areas involved were asked to define, in close co-operation with other local players, the projects they considered most important.

91. The table of national and regional priorities is as follows:

92. In Germany, because of the federal system the Länder shoulder a considerable share of the burden of restructuring. Interventions by the Federal Government -- often important in terms of funding -- are relatively limited as regards the preparation of reconversion strategies:

The Federal Government intervenes primarily in the following areas:

- decisions to disband or relocate units of the German army;

- pollution abatement at decommissioned sites (which is frequently extremely costly);
- negotiation of the price for which these sites are sold off;
- redistribution to the Länder involved of funds raised by tapping (one percentage point of) VAT revenue.

The figures are impressive:

- Old Länder: 22 000 hectares made available (in 1993)

Table 11. KONVER Programme - Netherlands

	Million ECUs	%	EU Aid	Other subsidies	Private sector
Development of SMEs	25,08	50,74	2,71	2,52	19,85
Technical support for businesses	0,95	1,92	0,48	0,48	0
Regeneration of military sites and environmental improvements	14,50	29,34	5,28	9,17	0,05
Promotion of tourism	5,63	11,39	2,45	2,52	0,64
Staff training and redeployment	3,25	6,58	0,97	1,09	1,19
TOTAL	49,42	100	11,90	15,79	21,73
%	100		24,08	31,95	43,97

Regional Priorities

	Strengthening businesses	Physical environment of businesses	Promotion of tourism	Training
Den Haag-Delft	*	***	*	*
Kop van Noord-Holland		***	**	*
Rijnmond	*	***	*	*
Utrecht	*	***	*	*
Veluwe	*	***	*	*
Overig Zeeland	***	*	*	*
West-Noord-Brabant	**	***	*	

- Making centre-city military bases and barracks available may represent a worthwhile opportunity in prosperous regions or densely populated urban areas, but for many, more disadvantaged regions, it is perceived as a burden.

- New Länder: 251 000 hectares made available (in 1993)

(41 per cent of this is located in the Land of Brandenburg alone, where it accounts for 3.5 per cent of the Land's total surface area and has meant about 100 000 job losses.)

93. Below we present:

a summary of the measures implemented by the Länder;

a more detailed analysis, provided as an example, concerning the Land of Hessen.

94. In the Land of **Hessen**, defence-related industries have been badly hit: 7 000 jobs, or 1 per cent of industrial jobs in the Land, have gone. In the district of Kassel 2.3 per cent of industrial jobs have been lost, and over 12 per cent in the town of Kassel.

- The government of the Land has implemented a seven-year programme in response to these cut-backs.
- An annual budget of DM 150 million has been set aside for conversion, including:
 - DM 59.5 million in new subsidies

- DM 14.0 million from existing programmes
- DM 75.5 million in interest-free loans.
- Conversion policy is considered to be a structural policy within an overall policy framework (labour market, housing, urban planning, environment, etc.). It aims to:
 - offset job losses by creating new activities;
 - find new uses for the sites that have been shut down (new industrial activities, tourism, housing, education, etc.).
- The Ministry for the Economy, Transport, Technology and European Affairs intervenes at several levels:
 - it lobbies:
 - the Federal government with a view to acquiring former military installations on the best possible terms (at the lowest possible price or, in some case, for nothing; assistance with cleaning up the site; acceptance of liability);
 - the European Commission (the Land received DM 3.3 million under the first Konver programme);
 - it has put the Regional Development Agency HLT (Association for Research, Planning and Development), a subsidiary of the Investment Bank for Promoting the Hessen Economy, in charge of conversion).

Table 12. Responding to conversion: strategy differences by Land

Land	Institutions and Organisations	Accompanying measures	Studies Research
Bavaria	<ul style="list-style-type: none"> • Coordination committee (ministerial level) • Working group of government officials (specialists) 	<ul style="list-style-type: none"> • Factoring in of existing development programmes • Advice to communes by private consultants 	<ul style="list-style-type: none"> • Study of the impact on the economy and land-use planning (research departments)
Baden-Wuerttemberg	<ul style="list-style-type: none"> • Governmental committee + subcommittees + working groups • Co-ordination under Vice-Chairman's authority 	<ul style="list-style-type: none"> • Factoring in of ongoing programmes (no particular measures) 	<ul style="list-style-type: none"> • No information
Rheinland-Palatinate	<ul style="list-style-type: none"> • Interministerial council (meets regularly) • "Landtag" Committee • Hearing local officials • Land transition programme linked to conversion problems • Compensation office of the Ministry of the interior 	<ul style="list-style-type: none"> • Financial contributions from development authorities (Hahn, Zweibrucken) • Strengthening of ongoing measures to assist areas threatened with conversion • Mobilisation of EU resources for certain projects (PERIFRA) 	<ul style="list-style-type: none"> • Interministerial working groups • Research projects (University of Kaiserslautern) • Hiring of consultants specialised in advising businesses (conversion of airfields)
Saarland	<ul style="list-style-type: none"> • Working groups (representatives of the government and of local authorities) • Landtag Economic Committee • Specialists of the Ministries of Economics and the Interior 	<ul style="list-style-type: none"> • Implementation of regional structural aid • Application for a federal conversion programme 	<ul style="list-style-type: none"> • Specialised studies are not considered necessary
Hessen	<ul style="list-style-type: none"> • Interministerial working groups • Conferences and encounters focusing on planning • Conversion Office at the Ministry of Economics, Transport and Technology 	<ul style="list-style-type: none"> • Application for a special federal fund earmarked for conversion • Little latitude to finance specific programmes 	<ul style="list-style-type: none"> • HLT : Advice to local authorities, conversion plans • GH Kassel: Specialised work in the field of conversion
North Rhine-Westphalia	<ul style="list-style-type: none"> • Interministerial working groups • Specialised committees in the Landtag 	<ul style="list-style-type: none"> • No information 	<ul style="list-style-type: none"> • Several university research projects • Impact studies of potential troop withdrawals
Lower Saxony	<ul style="list-style-type: none"> • Interministerial working groups • Specialised units at the Ministry of the Interior 	<ul style="list-style-type: none"> • Application for a special federal fund earmarked for conversion • No financial resources at the Land level (structural aid was abolished) • Support under ongoing development programmes 	<ul style="list-style-type: none"> • Studies carried out by the Niedersachsen Institute

Land	Institutions and Organisation	Accompanying Measures	Studies Research
Bremen	<ul style="list-style-type: none"> • Senate working groups • Responsibility vested in the senator in charge of economics and technology 	<ul style="list-style-type: none"> • Initiatives under the EU's PERIFRA programme • Application for a special federal conversion programme 	<ul style="list-style-type: none"> • Scientific studies carried out by the Niedersachsen Institute
Hamburg	<ul style="list-style-type: none"> • No specialised authority (problems taken into account by authorities in charge of town planning and by the Senate Environment Committee) 	<ul style="list-style-type: none"> • No special needs 	<ul style="list-style-type: none"> • Studies commissioned by economics authorities: studies carried out by the Institute für Friedensforschung und Sicherheitspolitik ["Institute for Research on Peace and Security Policy"]
Schleswig-Holstein	<ul style="list-style-type: none"> • Interministerial working groups • Ministry of Economics, Technology and Transport • Conventions, special events 	<ul style="list-style-type: none"> • Concentration of resources for Land development programmes on conversion of military bases 	<ul style="list-style-type: none"> • Studies carried out by "Peace Science" group at the University of Kiel
Thuringia	<ul style="list-style-type: none"> • Interministerial working groups • Ministry of Economics and Conversion 	<ul style="list-style-type: none"> • No information 	<ul style="list-style-type: none"> • No information
Saxony	<ul style="list-style-type: none"> • Ministry of Economics and Labour • Unit specialised in the armed forces (at the State Chancellery) 	<ul style="list-style-type: none"> • Support provided by programme to improve local economic structures • No other measures forthcoming 	<ul style="list-style-type: none"> • Work in progress (TU Chemnitz and. FH Zwick)
Saxony-Anhalt	<ul style="list-style-type: none"> • No information 	<ul style="list-style-type: none"> • No information 	<ul style="list-style-type: none"> • No information
Brandenburg	<ul style="list-style-type: none"> • Interministerial working groups (Armed Forces and Conversion) • Preparation of conversion guidelines by Landtag • Prime Minister's Deputy for Conversion 	<ul style="list-style-type: none"> • Support measures under all Land aid programmes • No special aid • European pilot project (PERIFRA programme) • Incentives for communes to hire consultants 	<ul style="list-style-type: none"> • Centre for Regional Redevelopment (Berlin) • Institute for Regional Development and Structural Analysis • LEG : special studies on conversion of military bases
Berlin	<ul style="list-style-type: none"> • Senate and Chancellery • Senatorial Administration for Economics and Technology 	<ul style="list-style-type: none"> • No information 	<ul style="list-style-type: none"> • No information
Meklenburg-West Pomeria	<ul style="list-style-type: none"> • Chancellery working groups • Interministerial working groups • Conversion Department at the Ministry of Economics (Industrial and Technology Policy Division) 	<ul style="list-style-type: none"> • DM 1,4 million under the EU's PERIFRA programme • Special resources earmarked for elimination of hazardous waste 	<ul style="list-style-type: none"> • No special project

Source : RHADES - 1992 - personnel research, cited, page 48, by LOBECK Michael, PÄTZ Andreas and WIEGANDT, Claus-Christian "Konversion, Flächennutzung und Raumordnung" (Bundesforschungsanstalt für Landeskunde und Raumordnung, 1993)

- The action of the HLT is guided by a number of principles:

- in implementing change, it seeks to use methods based on business management (Prozess Management), and innovative solutions;
- it endeavours to take all the facets of a situation into account (i.e. a systemic approach);
- it draws upon the expertise of working groups, each of which comprises all the actors concerned and has a specific remit;
- it lays great stress on information;
- it seeks to ensure that the various stages involved in the conversion of a site are respected, namely:
 - . gathering basic information
 - . setting up working groups
 - . examining the possible alternative uses for the site
 - . proposing new concepts for developing the site
 - . seeking potential investors
 - drawing up conversion plans
 - analysing the competition
 - drawing up a marketing plan
 - negotiating with the federal government
 - applying for assistance

seeking the most appropriate legal form and selecting the type of management.

3. COURSES OF ACTION

3.1 Strengthening the involvement of local authorities in conversion projects

95. A microeconomic approach to conversion is more appropriate than a macroeconomic one, for a number of reasons:

- A macroeconomic approach, even at the regional level, masks the actual situation in certain areas that have been badly hit by job losses.
- Available figures do not always reflect the facts, and comparisons are sometimes difficult, for the following reasons:
 - the criteria used may vary from one country to another, or one site to another,
 - even the figures for the same site may vary.
- Measures are often **drastic**, badly thought-out and may have a far-reaching area impact in some cases (in Brandenburg 3.5 per cent of the state's territory has now become vacant and 100 000 jobs have been lost).
- One fundamental problem of conversion is "**cultural shock**", affecting:
 - defence-related firms whose organisational models and mentalities have often been shaped by Colbertism,
 - technology transfer and the dissemination of dual technologies,
 - local communities (such as garrison towns and naval ports) may suddenly experience a relative drop in their standard of living and have to call into question age-old certainties.
- It is only through new awareness at local level that these underlying trends can be reversed and new, forward-looking identities established.

96. All governments are encouraging decentralised initiatives.

- Conversion strategies must form part of an overall approach and a structural policy.
- It is important to involve all the local social and economic actors.

97. **Positive results** have undoubtedly been achieved at the macroeconomic level, and a substantial "**peace dividend**" is to be expected. The local repercussions may be **positive in the medium term**; however, given the extent and suddenness of the impact, they are usually **very negative in the short run**. Many local communities are faced with a dilemma:

- they can paper over the cracks; however, the cracks may reappear very soon afterwards,
 - or they can proceed more slowly and seek to achieve a conversion that will prove lasting.
- There is a danger that the authorities will focus on partial solutions and unproductive lobbying. Such a response lends force to the argument that decentralisation may have gone too far, and that public money is being wasted on palliatives. This danger is clearly seen in the case of decommissioning of military bases. The reaction of local officials in such case is sometimes to make short-term demands without prior evaluation of the actual spin-off effects or any real reflection on the consequences for town planning (for example, an offer to purchase a barracks or military base from the state at an apparently attractive price, without analysing the rehabilitation and maintenance costs or the alternative uses which might be envisaged).

98. Paradoxically, the communities under threat are fighting a war with the consequences of peace. They must mobilise their forces intelligently and peaceably but are often at a loss about how to go about the task.

3.2 Tools that local authorities can use (**Given its international calling, the BICC could play an important role here**)

3.2.1 *The way in which tools are used is often more important than their sophistication*

99. It is not our concern here to draw up a list of tools, methods and strategies. Such tools already exist, often being adapted from those used by consulting firms when working for corporate clients. They obviously have to be tailored to individual situations and problems. It will often take considerable time and effort to teach local authorities how to use these tools.

100. If innovative attitudes are to be developed more widely -- and this is essential in view of "cultural obstacles" -- it is also necessary to ensure that new methods of "managing change" (a creative approach, forward analysis, etc.) are broadly disseminated.

3.2.2 *A promising tool: a "bank of conversion experiences"*

101. Knowledge of other projects (especially in other countries) can help to ensure that local authorities, and those assisting them, do not take a compartmentalised approach to conversion; the prerequisites for successful conversion are:

- involvement of local actors,
- a long-term view,
- rigorous methods,

- innovative approach.
- Such "banks of experiences" are seldom available (outside the United States).
- If successful experiences are to be transmitted, they need to be carefully analysed, distinguishing between **exogenous factors** (pre-existing advantages of the site) and **endogenous factors** (advantages arising from effective local interaction).

102. By way of example Annex 1 offers a methodological framework based on case studies carried out by analysing documentation, interviewing, or working with local communities.

103. A few simple guidelines can thus be proposed.

3.2.3 Mobilising local actors within the framework of an overall development PROJECT. Many towns and regions have mobilised local actors within the framework of a coherent overall project; they have also involved the army and major arms companies, which previously were not involved in conversion programmes.

104. There are many examples of such projects: Cadiz, Plymouth, Portsmouth, Bremen, Brest, etc.

105. In each case, **time**, a **methodical approach** and **perseverance** (particularly on the part of elected representatives) were necessary to overcome resistance and surmount cultural barriers.

106. In the Italian region of Lazio, for example, local employees have used detailed university studies as the basis for a set of measures that take into account both existing know-how and emerging activities.

3.2.4 Innovative attitudes play a key role..

107. Local authorities, like firms, increasingly have to compete with other areas if they want to attract new activities or to restructure existing industries. Innovation is all the more necessary here in that cultural obstacles have to be overcome.

108. As in business, innovation may involve either products or processes (in the latter case, original management methods or systems).

109. Annex 1 provides some examples.

Product innovation

- Kevelaer-Twisteden training centre for trotters
- Converting bunkers into stables for racehorses was not, at first sight, an obvious idea...
- Portsmouth tourism complex
- The disused naval facilities could have been converted into an industrial estate; instead, they were converted into a tourism complex that now attracts over 750 000 visitors a year.
- Calstart programme in California

This ambitious project required both foresight (estimating the future demand for "clean cars") and careful analysis of R&D resources and company know-how.

Innovative measures

110. In Bremen, the Land authorities have decided to break with past experience, especially where conversion plans for the shipbuilding industry are concerned. Rather than attempting to defend specific branches of industry, they are now adopting comprehensive **cross-sectoral approach**.

111. Innovative financing arrangements have been used for the conversion of Fort Wolters training camp (Texas). Hindered by lack of financial resources, the local authorities of Mineral Wells and two neighbouring counties put together a financial package which, after negotiation with central government, has enabled them to buy land to set up new industries as and when it is needed.

112. Conversion of a **technology transfer system** in Bremen. The conversion of the IFAM (Fraunhofer Applied Materials Institute) illustrates the possibility of exploiting dual-use technologies; it was carried out with the assistance of the Land and local university, and in liaison with small industrial firms in the area.

113. A consultants network consisting of former executive from defence firms has been set up in Scotland; it works with small industrial firms in the area.

114. A **highly symbolical event** was organised in Brest. The weight of the past and cultural determinism are just two of the obstacles to change which can be overcome by organising events with great symbolical significance. Thus, at the "Brest 93" international gathering of old sailing ships, the naval dockyard, hitherto a "reserved" area, was opened to the public for the first time in decades.

3.3 Releasing new resources to mobilise local actors

115. Given what is at stake, the urgent need to find some solutions, and the conflict between the short term and the medium or long term, considerable resources have already been devoted to conversion by individual states and the European Union.

116. If we genuinely wish to encourage decentralised initiatives, it will be necessary to make available substantial budgets, financed out of the "peace dividend", to back up action by local actors.

117. Would it not be possible to earmark funds specifically for conversion in national budgets?

118. Given the cultural obstacles, this is the only possible way of changing attitudes.

ANNEX I

119. Instead of presenting a series of case studies on site conversions caused by military cut-backs -- and risk giving a disjointed picture -- this document uses an analytical matrix laying out a number of site characteristics.

120. This analytical tool, see illustration, can assist the authorities to position their site with respect to the endogenous and exogenous advantages of their region.

SITE LOCATION CRITERIA

121. These criteria can be divided into two main categories:

A favourable environment:

These are features that make a site attractive to industrial companies or other types of activities. The criteria are well-known: they can be divided into advantages and handicaps: an airport will be considered an advantage, while the absence of an airport will be considered a drawback.

1. Geographical position
2. Communications infrastructure
3. Site facilities
4. Financial aspects
5. Local economic fabric
6. Available workforce
7. Training
8. Availability of technological support for enterprises
9. Quality of life.

Mobilisation of institutional actors:

Local actors must exploit the advantages of the site, bring it to national or international prominence, and organise a joint development project. The following are important:

1. Joint local project
2. Recognised standard bearer(s) for the project
3. Recognised project co-ordinator

4. Collaboration between institutions
5. Interface with regional support to enterprises
6. International dimension
7. Lobbying
8. Image.

A. FAVOURABLE ENVIRONMENT

1. Geographical location

122. Proximity to major industrial or urban areas

- The decision to locate a military base or defence-dependent firm in a particular area is often taken for reasons that have nothing to do with normal commercial criteria. A site may be chosen because:
 - it is a long way from the frontiers which pose the greatest risk of invasion (for example, a site in the west or south-west of France);
 - it can draw on local "brains" (Ile-de-France, Toulouse, Bordeaux, California, Massachusetts);
 - plenty of land is available for army camps, nuclear installations (Brandenburg);
 - it has a sheltered roadstead, in the case of naval arsenals (Brest, Toulon, Portsmouth, Cadiz).

123. **Historical analysis** can help to explain the present economic foundations of a site (and sometimes why they are precarious).

124. For example, for centuries the Midi-Pyrénées region in France was dominated by agriculture and had a strong literary tradition. The University of Toulouse was founded in 1229 and its influence extended throughout the entire south of France. The pastel culture contributed to the prosperity of the region up to the 16th century. Thereafter, the region was dormant until the 20th century.

125. The main industries in the region were set up for military reasons:

- Around 1840, Maréchal Soult promoted the development of the textile industry in the south of the Tarn -- his birthplace -- to manufacture the cloth the army needed;
- In the 20th century, a gunpowder factory was built in Toulouse, together with an arsenal in Tarbes, these sites being chosen because they were a long way from the frontiers which posed the greatest risk of invasion;
- Aircraft factories were set up around Toulouse by Latécoère, for the same reasons;
- following the Treaty of Versailles, the Office National Industriel de l'Azote (ONIA) was set up in 1924 to exploit a German process for synthesising nitric acid.

126. **Naval bases** also bear a strong imprint of their past:

- When Plymouth, Taranto, Brest and Den Helder established contacts in 1992 with a view to promoting links between one another, we met officials who, despite the linguistic barriers between them, shared the same cultural heritage and spoke the same language;

- Portsmouth has exploited its cultural heritage by developing a tourism complex comprising the arsenal, old warships, a museum, etc., that attracts 750 000 visitors a year

2. Communications infrastructure

127. Based on trade, often across increasingly permeable frontiers, a modern economy requires efficient means of communication.

128. In addition to existing or planned traditional infrastructure (airports, railways, high-speed trains, motorways, waterways), new forms of communications (information highways, teleports) are now emerging.

- Under what conditions could a military aerodrome be used for civilian purposes?

Examples of military aerodromes that have been converted to civilian purposes are:

. in France, Chateauroux, Strasbourg

. in Belgium, it is planned to convert the aerodromes of Liège-Bierset and Bertrix

- Does the advanced technology potential of certain defence companies have applications in the field of modern communications?

Industrialists in Lazio, Italy, have put forward concrete proposals of this kind.

3. Site infrastructure

129. The time is past when every mayor dreamt of creating "his own" industrial estate -- sometimes in not very viable conditions -- with a view to attracting fast-growing firms.

130. With the onset of the recession, studies are now carried out to assess the feasibility of such projects. In a competitive climate and with demand increasingly scarce, the chances that a property development will attract investors have to be appraised objectively.

131. Many local authorities find themselves suddenly and simultaneously having to cope with:

- an economic situation worsened by the departure of a garrison or a training camp;
- the possibility of acquiring a site vacated by the army, often at a relatively attractive price, and they have to decide rapidly whether to purchase it or not;

132. In order to do so, a methodical analysis of the site is required:

- What are the features of the site vacated?
- The possible uses for it?
- The costs of fitting out and - subsequently - maintaining the site?

- What is the competition?
- Are there competing "products" nearby (business parks, commercial property developments)
- Projects under consideration
- Terms offered by competitors to tenants and purchasers.
- What are the main measures that exist to help firms? Today local authorities propose a wide range of facilities for firms wishing to set up in their area (business nurseries, advance factory units, advance offices, etc.).
- What kind of financial arrangements can be envisaged?

(local authority, joint private/public financing (société d'économie mixte), private investors).

133. To find new uses for the site and identify a demand which is not expressed spontaneously, it is necessary to display imagination and devise innovative solutions.

134. In the United States, it is claimed that the measures that have accompanied the cut-backs on 200 military bases over the past thirty years have created more jobs than the number of civilian jobs that were lost in the cut-backs. However, more detailed analysis would be required to determine whether they were indeed new jobs (and not just jobs transferred from elsewhere), and thus if the personnel laid off managed to find alternative employment.

The prohibitive costs of cleaning up the site often weighs against conversion.

135. Below are some examples of sites that were in a particularly privileged position by virtue of their size or geographical location.

136. Fort Wolters training camp, Texas (source: OECD: ILE Notebook - Partnerships: the key to Job Creation-November 1992 (pp 89-91)).

In 1971, the US Army announced the closure of Fort Wolters, its largest helicopter training base, close to the small town of Mineral Wells (19 000 inhabitants) in Texas.

At the time, the base had 9 000 soldiers, 700 army employees, and 1 200 civilian employees.

Given the gloomy outlook, local politicians from the town and two neighbouring countries set up a Conversion Committee comprising representatives of thirty local authorities.

Negotiations were entered into with the army, which up to then had planned to keep the base as state property.

Once the army had agreed to let the local authorities have the site, it was necessary to assess the feasibility of converting it and the obstacles involved:

- A preliminary study was carried out on the possibility of converting the site to other uses (this study received a subsidy of US\$ 45 000 from two federal departments). On the basis of this study, a preliminary proposal for the land and buildings was drawn up (comprising an industrial estate, training complex, airport, low-cost housing, leisure amenities);
- A more detailed study, paid for with a federal subsidy of US\$470 00, was then carried out;
- Because the local authorities did not have sufficient funds, the Defence Department agreed to let the premises to firms and to use the rents (US\$ 90 000 per year) to pay for the operating expenses of a municipal management service;
- In 1976, the responsibility for the planning, management and promotion of the site were transferred to a non-profit body - the Mineral Wells Industrial Foundation;
- To overcome the problem of financing the purchase the site, the local actors proposed an innovative solution: the vacant land and buildings would remain the property of the State, but would be maintained by the local authority; if a firm wanted to set up on the site, the local authority would buy the necessary land and sell it to the firm
- The results speak for themselves:
 - number of jobs created on the industrial estate:
 - - 650 in 1980
 - - 2 600 in 1989
 - several schools with 500 pupils
 - a 2 200 hectare State Park (co-funded by the State of Texas)
 - other amenities: Youth centre, social services, tennis courts, leisure facilities (swimming-pool, etc.).

- The example of **Périgueux** (France)

- Following the departure in June 1993 of the 5th Régiment de Chasseurs, the population of Périgueux, a town of 30 000 inhabitants, fell by 1 700 (including the soldiers' families).
- The town received the following assistance:
 - FF 2.45 million from the Fonds pour les Restructurations de la Défense), of which FF 1.86 million for SMEs. This amount is soon to be doubled.
 - FF 1.7 million from the European Community (under the KONVER programme).
- The buildings vacated will be used for new activities decided by the authorities:

- A training centre for police auxiliaries (FF 5 million from the Ministry of the Interior for the renovation of the buildings);
- A training centre for conscripts from overseas departments and territories.
- A training centre for building apprentices.
- Other projects are planned (to improve the image of the town);
- To date there have been no private initiatives: the call for projects to be implemented under the industrial conversion fund has met with little response.

137. Conversion of a munitions depot in Kevekaer-Twisteden (North Rhine-Westphalia) [Source: Ministerium für Wirtschaft Mittelstand und Technologie des Landes Nordrhein-Westfalen "Konversions Bericht Band II-Folgen und Chancen des Truppenabbaus in Nordrhein-Westfalen" (March 1995)].

The Land of North Rhine-Westphalia has to find a use for nearly 7 000 hectares of land vacated by the army. Although some sites (150 out of 360) have found alternative uses, it was recently estimated that 80 per cent of the land available will become wild again for lack of takers (Source: Süddeutsche Zeitung, 1-2 April 1995, page 11).

The munitions depot in Kevelaer-Twisteden on a site of 160 hectares (of which 85 wooded) had 15 km of tarmacked roads, 350 bunkers, an administrative building, housing, and water and electricity supply.

The local authority took possession of the site in 1993 and managed to find a private investor, who decided to purchase it in June 1994.

The investor -- Traberpark DEN HEYBERG Kevelaer GMBH & CO KG -- plans to set up a training centre for trotters.

The bunkers will be converted as follows:

- 8 stalls for the horses in each bunker
- a training track
- administrative and reception offices
- accommodation for personnel and users of the centre (trainers, etc.).

The site is well-located, with several race-tracks (Münchenglück, Gelsenkirchen, Recklinhausen) nearby. It is the only centre of its kind, (apart from that in Grosbois, France).

The aim is to be training 1 000 horses a year by 1997, and to have 200 employees.

The centre is also likely to have spin-offs for the local economy:

- it will attract tourists to the North-Rhine area;
- it will create or preserve jobs in the local economy (horse-feed, straw, sundry supplies).

4 Financial aspects

4.1 Subsidies and Assistance

138. Over the past decades a range of assistance measures, of varying complexity has been introduced encourage the setting-up of businesses. Some of them are designed to offset imbalances between regions (regional development grants, ERDF, STRIDE, INTERREG, etc.).

139. Specific funding for converting defence-related industries has been made available in various OECD countries and at Community level in Europe (the KONVER programme). The sums involved, which are relatively small in comparison with the overall level of other assistance, are intended to have a leverage effect and encourage greater consistency in the choice of priority projects.

140. In the **United States**, given the problems involved in implementing overall strategies for the conversion of defence industries, substantial funding has been allocated to local conversion plans that mobilise local actors and the full range of local resources. Of the US\$19.6 billion set aside for converting defence-related industries between 1993 and 1997, a quarter will be used to support local initiatives by local authorities; these funds are administered by the Departments of Commerce and Labor, not by the Department of Defence (FONTANEL, Jacques (1994), La conversion économique du secteur militaire, Éditions Economica, p.38).

141. In **Europe** most EU aid for defence conversion is also granted to regional and local bodies.

142. In **France** decisions on how to allocate the FRED (fund for defence restructuring) are taken in consultation with the prefects.

143. In the state of **Hessen** (Germany), special funds have also been made available.

4.2 Financial Institutions and Risk Capital

144. In the **United States** a study of the obstacles in the way of converting small industrial enterprises working for defence industries showed that the financial position of many of these businesses was precarious. Their narrow capital base often prevents them from being able to finance the investment which conversion involves (for product innovation, process innovation and a new marketing strategy).

5. Local economic fabric

5.1 Industry

Whether the aim is to convert existing industry or to attract new activities, a good knowledge of the local industrial fabric is required in the following fields:

- Structure of industrial potential
- major companies and small industrial firms
- sector
- managers' decision-making powers
- Company development
- management methods
- know-how
- innovation (products, processes)
- Availability of a good local network of subcontractors for companies wishing to set up in the area
- Features of defence-related companies
- Relative importance of such firms in the local economic fabric
- Management methods
- Degree of autonomy
- Local citizenry
- Is the firm's know-how transferable to other areas
- Relations with local subcontractors (conventional subcontracting, partnerships, assistance with diversification, etc.)

145. The very specific nature of defence-related industries (see table on p.9) obviously makes conversion difficult; to find new markets for company skills (especially those of small industrial firms), in-depth analysis is required.

146. **Los Angeles** has introduced a community development programme (CALSTART), whose main provisions are worth studying:

- **The programme is based on a law** which stipulates that, by the year 2000, ten per cent of cars must be non-polluting. This opens up a new market for electric vehicles.
- **Substantial** public funds have been made available for R&D on the electric car, which will be financed jointly by the federal government and the State of California).
- **A consortium of defence firms** has been set up to develop electric car components.
- **It is expected that the results** will be commensurate with the scale of the investment: If the programme is successful (that is, if the vehicles are competitively priced) it could generate 50 000 jobs in the public transport sector, together with 50 000 jobs in the manufacturing of the vehicles.

5.2 *Services*

- Attention should be paid to the following points:
- Non-market services (public and parapublic sectors)

147. Market services to enterprises (missing links? Are the services tailored to the needs of businesses?)

148. What will be the impact on the demand for such services of the cut-backs in defence-related firms?

149. What opportunities will emerge for creating services from the pool of labour shed as a result of defence cuts?

6. **Available labour**

- Attention should be paid to the following points:
- Industrial know-how, etc.
- Are workers' skills matched to constantly changing technology?
- Pool of skilled labour
- Measures to match the supply of labour more closely to demand

150. For labour released from defence firms:

- Skills
- Possible redeployment (what are the procedures?)

151. In most cases, redeployment has proved relatively difficult because:

- The industries involved often demand special skills.
- In Western economies more jobs are created in the tertiary than in the secondary sector.
- Statutory rigidities and high wage levels often impede mobility.

7. Training

7.1 *Level of Training of the Local Population (General Indicators)*

7.2 *Higher Education*

University and technical education

7.3 *Further Training*

152. Do existing arrangements allow a company wishing to set up in an area or to diversify to satisfy its skilled labour requirements within a reasonable space of time?

153. With regard to certain aspects of defence cuts, lessons may be drawn from a number of experiences:

- **France, Central Region:** Given the weight of the defence industry in this part of the country, the armaments authority (DGA) has signed an important agreement with the region (establishment of a training centre at Bourges, export subsidies, expanded in technology transfers, etc.).
- **United States, Tucson (Arizona):** Retraining of management and workers (major training programmes are required in view of the skill profiles of the people concerned and the need to consider both "cultural" and occupational changes in the move from industry to services).
- **Belgium, Wallonia:** Training programmes for staff from companies affected by conversion (SONACA, Techspace Aéro, Mécar, CMI), to be funded under the KONVER programme.

8. Technological support for companies

What is this potential?

Is it matched to the local fabric?

Can it be adapted and developed?

154. How can reduced military spending release new resources for technology transfer?:

155. **.France, Brest:** Involvement of DCN and Thomson, backed by the Brest-Iroise technopole.

156. **Scotland:** Knowledge transfer

In Scotland some 75 000 jobs are directly dependent on government-funded defence work. On a pessimistic estimate, 20 000 jobs were lost over the 1987-95 period (including 11 000 in industrial firms).

Management (ITM) at Heriot-Watt University in Edinburgh has been appointed to run a programme funded by STRIDE.

Executives from major defence firms who have all exercised managerial responsibilities are first of all carefully selected before undergoing six weeks of training. Upon completion of their training, they are assigned as consultants to small industrial businesses and are expected to work with an average of two firms a year. They are able to call on the skills of ITM specialists at any time during their assignments.

The total budget for this operation is in the region of FF 390 000 (Community funds: 50 per cent; local and regional authorities: 35 per cent; small industrial businesses benefiting from the scheme: 15 per cent).

In the space of two years, some thirty companies have thus received a considerable injection of expertise at a modest cost - some FF 21 000 for the services of a senior executive for 20 weeks.

On initial estimates, 90 jobs have been created and 120 saved, while 150 entirely new posts should be created.

157. **Bremen:** Redeployment of the FIAM (Fraunhofer Institut für Angewandte Materialforschung) - Fraunhofer Institute for Applied Material Research)

Up until the late 1980s, 130 highly-qualified FIAM research workers worked almost exclusively for the Federal Ministry of Defence. Research focused on:

- improving of material properties,
- protection against conventional weapons,
- methods of bonding metals and other materials (composites, sandwich structures, etc.).

Faced with a drastic drop in defence orders, the Institute's managers decided to look for new customers and to seek civilian applications for the Institute's expertise.

Relations with the University of Bremen were strengthened, and the FIAM moved into new premises on the university campus.

A marketing strategy was established following an in-depth analysis of the Institute's know-how; this was not without its problems, given the need to adopt a new culture -- that of private enterprise. A stranger to the business world, the Institute had to create a new image for itself.

Funding was obtained to enable the FIAM to traverse this difficult period (1992-94):

- the Land of Bremen provided a contribution of DM 11.3 million;
- the Ministry of Defence continued to fund projects with civilian as well as military applications.

The FIAM has become involved in local development policy by:

- offering R&D services to small industrial firms in the area,
- allowing its laboratories to be used for outside tests and analyses.

9. "Quality of life"

158. By "quality of life" is meant a number of factors, each of which makes an area attractive to a potential outside investor who will have to convince his managerial staff, technicians and even his own family to move to the site in question.

9.1 *Housing Supply*

It is important to be able to offer managers a range of attractive rented accommodation.

9.2 *Leisure and Culture*

9.3 *Children's Education*

9.4 *Work for the spouse*

Following cut-backs in the defence industry, the range of attractive features on offer may well be narrow (apart, perhaps, from housing).

B. MOBILISING LOCAL ACTORS

1. Joint local projects

159. The more an area is affected by defence cuts, the more the morale of the population suffers, and the more it is important to implement and disseminate widely a project that mobilises all the actors in the local community.

160. Brest, Plymouth, Cadiz and Taranto

As a part of an EC-backed project to establish links between these ports, we carried out several strategic studies in co-operation with the consultants, TRIADE.

The four towns have a number of features in common:

- remoteness from policy-making centres (central and regional governments),
- importance of the defence sector (dockyards, garrisons, etc.),
- a more recent industrial dependency on national and international groups which have been attracted by government grants.

It is therefore not surprising that local politicians faced with an impending crisis, decided to launch innovative local development projects in collaboration with other local actors.

161. The above-mentioned redevelopment of **Fort Wolters training camp** in Texas had the following result:

"When this base closure was announced the community foresaw economic catastrophe ... By working through strong local partnerships, a creative solution allowed the city to redevelop the site The closure is now described as the motivational force which brought the incentive, organisation and know-how (as well as property) to pave the way for the current and continuing prosperity of Mineral Wells."(OECD (1993): *Local Initiatives for Employment Creation, Partnerships: The Key to Job Creation*, p.91)

162. **Portsmouth** Representatives of the world of business, academics and three adjoining areas which were also threatened by defence cuts, got together to analyse the situation. *Rising to the Challenge*, published in September 1992, offers an in-depth analysis of the situation accompanied by general practical proposals together with specific proposals for each area.

Other projects launched subsequently, especially applications for grants under the KONVER programme, are in keeping with the priorities set forth in the general 1992 study.

163. Bremen A general programme of support for structural change was drawn up. The government involved trade unions and employers' representatives in this exercise.

The aim was not to preserve an ailing industry (defence) at the risk of repeating past mistakes (in shipbuilding, for example) but to build on existing skills such as electronics.

2. Recognised standard bearers

164. It is often observed (perhaps more so in France than in other countries) that the fastest-developing areas (towns, départements, labour catchment areas, etc.) often have strong leaders.

165. These may be politicians or, sometimes, representatives of "civil society".

3. Recognised co-ordinators

166. This role goes hand in hand in that of the standard bearer. Although it is now common for major towns to have competent managers who are accustomed to preparing projects, finding useful sources of information and running projects, the same does not usually apply in smaller communities.

NB.: Senior executives due to be released by defence firms and wishing to exercise their talents on behalf of the community can be assigned to this key role (see above-mentioned case of knowledge transfer in Scotland).

4. Institutional dialogue

167. This may take a whole range of forms and will involve various players (training bodies, employers' federations, Chambers of Commerce, local communities and intermunicipal bodies, government departments, economic actors, community associations, etc.).

Most of the documents consulted and the people interviewed stressed that effective implementation of a conversion project very much depends on the level of involvement of those concerned; this involvement would be that much closer if it began during the design phase of the project (see the above-mentioned project guidelines set out by HLT in **Hessen**).

NB.: Ministry of Defence representatives at local level and managers of local arms factories establishments are often regarded as "living in an ivory tower".

The "cultural barriers" outlined above constitute a serious obstacle to dialogue.

In **Brest**, for example, if DCN representatives had not been involved from the very first stages of the feasibility study for the technopole, it would subsequently have been very difficult to obtain their support for jointly-defined technology transfer strategies and closer links with small subcontractors.

In **Portsmouth** and **Bremen**, representative bodies were closely involved in preparing development projects and, in the case of **Plymouth**, outlining priorities for the KONVER programme (it may be noted that the university belongs to the group monitoring the programme).

In the region of **Lazio** (Italy) managers and research agency representatives seem to be the prime movers in analysing the effects of reduced military budgets and proposing new approaches to redeployment.

5. 6. 7. 8. Regional links --international dimension -- lobbying -- image

168. These four fundamental aspects of conversion can only be addressed once progress has made on Points 1 to 4 in particular.

Thus, in the case of the four naval ports cited above, it was precisely because development strategies involving local players had been prepared beforehand that it was possible to give an international dimension to the project and to argue it before all the authorities concerned.

Furthermore, the collaboration of partners from all over Europe and from different cultures, has been of mutual benefit and has unquestionably a positive outcome by fostering projects adapted to each site:

Brest has explored new approaches to port facilities.

Cadiz has acquired broader ambitions in the field of marine technology.

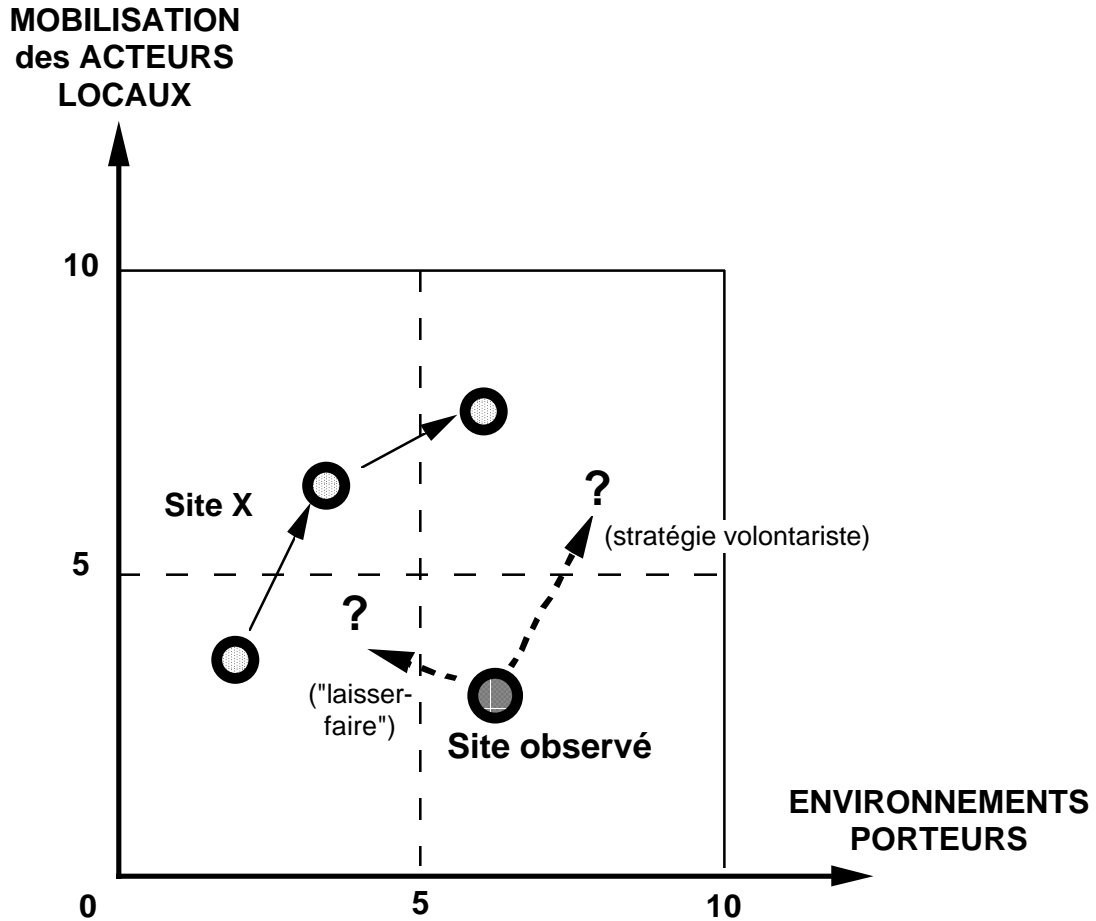
Plymouth is looking into the possibility of setting up a technopole.

169. Other similar initiatives are:

- The "DEMILITARISED" network
- The **Portsmouth** plan to invite the main European naval ports to a conference with a view to a broad exchange of experience.

EXAMPLE OF SITE LOCATION CRITERIA

EXEMPLE de POSITIONNEMENT



The location of the site is determined as follows:

- Each of the criteria referred to counts for so many points on a scale of ten, multiplied by a coefficient;
- The total number of points out of ten for each of the favourable environment criteria is then divided by the total of the corresponding coefficients, making it possible to plot the position of the site on the horizontal axis;
- The position of the site is plotted in a similar way on the vertical axis (mobilisation of local actors);
- The features of the site can then be compared with those of other sites.
- The site under consideration on the graph has considerable advantages in terms of a favourable environment.

However, defence cut-backs can reduce this comparative advantage in a few years if an active strategy to promote the site, mobilising all the actors concerned, is not adopted.

In the case of site x, a concerted strategy has improved the situation appreciably.