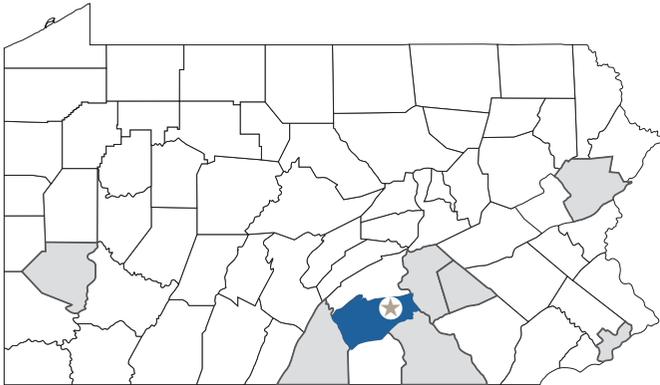


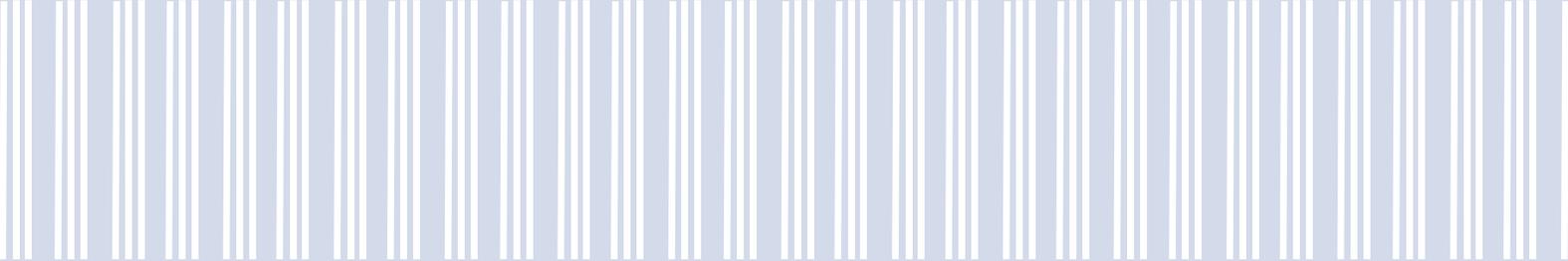
PENNSYLVANIA MILITARY INSTALLATIONS // IMPACTS



NAVAL SUPPORT ACTIVITY

MECHANICSBURG, CUMBERLAND COUNTY





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**June 2018**

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## NAVAL SUPPORT ACTIVITY MECHANICSBURG

This report is part of the Pennsylvania Military Community Enhancement Commission-sponsored study of the economic impacts of Pennsylvania's military and defense installations. The aim of the project is to aid the Commission and the Commonwealth of Pennsylvania in understanding the economic and strategic value of its major military installations regionally and nationally, as well as their ties to surrounding communities and Pennsylvania industry.

### INTRODUCTION

Located in Hampden Township, Cumberland County, **Naval Support Activity Mechanicsburg (NSAM)** is one of the U.S. Navy's most important centers for supply and distribution. It employs over 4,200 people, making it the largest employer in Cumberland County. These personnel work at a location that covers 806 acres and includes 107 facilities that comprise nearly eight million square feet of office and warehouse space.

NSAM hosts 37 different tenant organizations, and the majority of these tenants represent relatively small operations. The bulk of NSAM activities are managed by Defense Logistics Agency (DLA) Distribution and the Naval Supply Systems Command (NAV-

SUP). Local NAVSUP functions include a headquarters staff of approximately 500 people, NAVSUP Weapons System Support with approximately 1,000 people, and an additional 1,000 workers at NAVSUP Business Systems Center.

NSAM operates as part of a larger configuration that also includes NSA Philadelphia and the Philadelphia Navy Yard Annex. All three installations are under the leadership of the Commanding Officer, Naval Support Activity, who in turn reports to Navy Region Mid-Atlantic in Norfolk, Virginia. NSAM benefits from close synergies with these facilities, as well as with the other logistics-centered operations located in Central Pennsylvania. ★



*Aerial view of the 806-acre NSAM site — the Navy's strategic hub for logistics, based in Cumberland County.*

*Photo courtesy of U.S. Navy*

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## BACKGROUND & HISTORY

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Like other military logistics centers across the state, NSAM traces its origins, opening in 1942, to World War II-era strategies to move supply depots away from more vulnerable coastal locations. At the time, Central Pennsylvania benefited from numerous transportation and logistics assets, and most of these advantages, such as easy rail and highway access, are still relevant today.

For most of its existence, the base was known as the Naval Supply Depot, Mechanicsburg. In the 1990s, reorganization within the Navy created new command

structures. Today, NSAM, along with NSA Philadelphia and the Philadelphia Naval Yard Annex, report to Navy Region Mid-Atlantic in Norfolk. In addition to various reorganizations, NSAM has gained new activities and functions as a result of the Base Realignment and Closure (BRAC) process. Most recently, the 2005 BRAC Commission recommended relocation to NSAM for a number of activities, including Naval Supply Systems Command and DLA Document Services. Most of these activities were transferred from the Washington Navy Yard or Navy office space in Arlington, VA. 📍

## ECONOMIC IMPACT

This economic impact analysis quantifies the potential impact of all federal activities located at NSAM on employment and economic output. This could be interpreted as the result if the installation were to be dis-established and the operations of all tenant commands relocated outside of Pennsylvania. The IMPLAN model was used to estimate the total economic impact of NSAM, including direct, indirect, and induced impacts that accrue within Pennsylvania. Direct impacts are the employment and spending associated with tenants at NSAM, while indirect impacts, sometimes called intermediate impacts, are generated by the supply chain requirements and linkages of the activity being analyzed.

Induced economic impacts derive from the spending patterns of employees and service members. Staff of NSAM provided data on the employment of installation tenants in 2016; results reflect 2016 economic impacts.

Table 1 is a summary of annual economic impacts of NSAM broken down by direct, indirect, and induced sources.

- Overall, activities at NSAM generate 8,371 jobs within Pennsylvania and over \$667.2 million in labor income annually.

- 7,883 of these jobs, and \$635.8 million in labor income

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TABLE 1

### ECONOMIC IMPACT SUMMARY – NAVAL SUPPORT ACTIVITY MECHANICSBURG

	IMPACT TYPE	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
<b>CUMBERLAND COUNTY</b>	<b>Direct Effect</b>	4,323	\$ 467,002,791	\$ 593,063,275	\$ 647,599,152
	<b>Indirect Effect</b>	875	\$ 47,324,906	\$ 69,940,157	\$ 119,461,138
	<b>Induced Effect</b>	2,684	\$ 121,553,724	\$ 205,957,095	\$ 347,356,265
	<b>Total Effect</b>	7,883	\$ 635,881,421	\$ 868,960,526	\$ 1,114,416,555
<b>PENNSYLVANIA TOTAL</b>	<b>Direct Effect</b>	4,323	\$ 467,002,791	\$ 593,063,275	\$ 647,599,152
	<b>Indirect Effect</b>	1,060	\$ 60,582,175	\$ 91,723,429	\$ 157,785,577
	<b>Induced Effect</b>	2,988	\$ 139,675,025	\$ 235,479,742	\$ 401,687,351
	<b>Total Effect</b>	8,371	\$ 667,259,992	\$ 920,266,446	\$ 1,207,072,080

TABLE 2

**TOP 10 INDUSTRIES AFFECTED – NAVAL SUPPORT ACTIVITY MECHANICSBURG**

SECTOR	DESCRIPTION	EMPLOYMENT	LABOR INCOME	VALUE ADDED	OUTPUT
465	<b>Business support services</b>	1,689.3	\$ 181,351,865	\$ 176,050,294	\$ 111,807,298
461	<b>Management of companies and enterprises</b>	1,131.5	\$ 117,135,207	\$ 149,596,250	\$ 277,340,452
535	<b>Federal government, civilian</b>	758.0	\$ 79,357,459	\$ 119,196,097	\$ 121,025,665
416	<b>Warehousing and storage</b>	570.4	\$ 71,721,187	\$ 77,185,948	\$ 59,419,189
536	<b>Federal government, military</b>	211.0	\$ 20,881,919	\$ 75,412,464	\$ 82,514,681
482	<b>Hospitals</b>	190.6	\$ 15,170,823	\$ 16,788,963	\$ 29,275,180
501	<b>Full-service restaurants</b>	188.6	\$ 4,089,168	\$ 4,594,719	\$ 8,877,287
440	<b>Real estate</b>	178.7	\$ 4,934,188	\$ 34,327,604	\$ 43,798,833
502	<b>Limited-service restaurants</b>	143.9	\$ 2,743,907	\$ 6,768,690	\$ 11,759,405
464	<b>Employment services</b>	116.9	\$ 4,606,560	\$ 6,415,159	\$ 8,247,915

*Sector reflects IMPLAN industry category  
Source: University of Pittsburgh Center for Social and Urban Research, 2018*

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annually, are estimated to be generated within Cumberland County.

- **Activities at NSAM represent nearly \$1.21 billion in economic output and generate \$920 million in Gross Regional Product (GRP), or value-added production, within Pennsylvania each year.**

The direct, indirect, and induced economic impacts are spread across multiple industries within Pennsylvania. While virtually all employees at NSAM are

federal civilian employees, contractors, or military service members, the actual operations of most tenants mirror the activity of civilian industries. The civilian employment of each tenant organization was characterized in this analysis as a private sector industry that most closely matched its operations. Table 2 highlights the top 10 industries impacted as estimated by the IMPLAN model. Highest on the list are business support services and management of companies and enterprises. ⚡

## COMPETITIVE ASSESSMENT

The sections that follow originate from an analysis of strengths, weaknesses, opportunities, and threats (SWOT) at NSAM. Strengths and weaknesses include attributes, assets, or factors that are internal to the installation. Threats are external factors that are harmful to, or create vulnerabilities for, the installation. Opportunities offer ways to mitigate threats and weaknesses and/or reinforce and expand on the installation's strengths. The SWOT analysis is summarized in Table 3, and aspects of the analysis are described throughout the following sections.

The factors that led to the original siting of the Naval Supply Depot to Mechanicsburg in WWII remain as strong competitive assets today. NSAM and

other logistics centers in Pennsylvania benefit from an excellent location: they are close to major urban centers of the Northeast, but lack the high costs and major congestion of places like New York or Washington D.C. They also align well with the current structure of U.S. military installations. Via overnight train or truck, NSAM can access more than 100 Department of Defense installations, 14 naval installations, and four major ports.<sup>1</sup>

Central Pennsylvania's strategic location is bolstered by strong local transportation assets and other infrastructure. The region is a globally recognized center for rail and highway transportation, with air transportation availability at Harrisburg International Airport. Other infrastructure assets are also excellent.

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TABLE 3

### SWOT THEMES – NAVAL SUPPORT ACTIVITY MECHANICSBURG

#### STRENGTHS

- **Location**
- **Regional Infrastructure Assets**
- **Synergy with Nearby Installations**
- **Regional Employer of Choice**

#### OPPORTUNITIES

- **Regional Logistics Cluster**
- **Enhanced Outreach and Local Partnerships**

#### WEAKNESSES

- **Limited Visibility**
- **Limited Local Workforce/Education Linkages**

#### THREATS

- **Higher Potential Operating Costs**

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For example, the region has strong broadband capacities that are critical to current NSAM operations. NSAM also benefits from strong local partnerships. NSAM has numerous mutual aid arrangements with local governments, providing effective back up support in core areas like ambulance and fire services.

In addition, NSAM faces few talent and workforce challenges. Employment at NSAM is highly prized in the region, and NSAM tenants face few pressures in finding high quality and skilled personnel. NSAM has little trouble in recruiting and retaining qualified workers, a positive trend common across other installations in the region. However, current federal pay rules do create some minor complications for NSAM. At present, Hampden Township is designated as part of the Harrisburg-Lebanon Federal Pay Area for federal pay purposes, while other nearby local installations DLA Susquehanna and Letterkenny, are deemed part of the Washington D.C. Metropolitan Statistical Area (MSA). Thus, workers are eligible for higher pay rates. This differential places NSAM at a slight disadvantage when recruiting and retaining workers who may be considering employment at several local installations.

NSAM's leadership has supported significant investments in environmental sustainability, and the base has received several awards for this work.<sup>2</sup> Via actions like the use of low emissions vehicles, new energy and

water technologies, and the use of smart technologies, NSAM has reduced its energy use and significantly increased its water materials recycling levels. The base also hosts significant green space, especially around its perimeter areas.

NSAM benefits from the economic strength of Central Pennsylvania and the Harrisburg-Carlisle MSA. Harrisburg is what some experts have called an "18-hour city," medium-sized cities with a wide range of amenities and work options, but lacking the density and vibrancy of global "24-hour" cities like New York or London.<sup>3</sup> These 18-hour cities are becoming increasingly attractive to millennial workers who are seeking more affordable locations that still offer diverse lifestyle and recreation options.

While NSAM currently faces few challenges related to workforce, installation leadership has developed few formal connections to local training and education institutions. Some limited internship programs are in place, along with an informal relationship with Lancaster's Thaddeus Stevens Institute of Technology. An expansion and deepening of these workforce connections could bring many benefits to the region. For NSAM, it would provide a more reliable and sustainable talent pipeline. Meanwhile, these partnerships would help further strengthen the region's important and growing logistics cluster. ★



*Capt. Douglas M. Bridges Jr., commanding officer of Naval Supply Systems Command (NAVSUP) Business Systems Center (BSC), speaks with new employees during a new employee workshop at NAVSUP BSC in Mechanicsburg, April 18, 2018.*

*Photo by James E. Foehl*

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## NSA MECHANICSBURG & THE CUMBERLAND YORK AREA

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**B**ecause NSAM is Cumberland County's largest employer, its work is strongly supported by local and regional partners who have come together to form the Cumberland York Area Local Defense Group (CYALDG). The CYALDG formed in 2014 as part of a wider regional effort "to coordinate, advocate, develop, and implement recommendations to enhance the military value of the installations in the area."<sup>4</sup> Since that time, CYALDG has met on a regular basis and closely coordinates with base leadership across the region. CYALDG also coordinates projects and programs across various area government jurisdictions. Among other things, the CYALDG — with the support of the Pennsylvania Military Community Enhancement Commission — has commissioned a major Strategic Positioning Plan for the region and is supporting a Joint Land Use Study focused on potential collaborations between NSAM and Hampden Township.

The CYALDG's Strategic Positioning Plan includes findings from a survey of local leaders and residents who were asked to share their perspectives on the NSAM, U.S. Army War College, and DLA Susquehanna.<sup>5</sup> Surveyed residents expressed strong support for the base, and also noted that it played a critical role in driving the local economy. NSAM's local impact is especially pronounced because the vast majority of its employees are civilians. In fact, less than 4% of full-time employees are active duty service members. Because they are year-round residents of the region, these civilian workers generate a large local economic impact via local purchases of goods, services, and real estate, and via local taxes as well.

At present, NSAM has made only limited efforts to promote local contracting opportunities. Base lead-



*Chief of Naval Operations Adm. John Richardson visited NSA Mechanicsburg, October 13, 2016.*

*Photo by Petty Officer 1st Class Nathan Laird*

ership seeks to meet mandated directives for small business set-asides and the like, but there does not appear to be an organized effort to identify local contractors who would benefit from potential new customers at NSAM. Most current outreach appears to be centered at Naval Region Mid-Atlantic headquarters in Norfolk, a six-hour drive from NSAM. NSAM's ongoing and award-winning sustainability projects would offer one area where local firms could effectively compete.<sup>6</sup>

While survey respondents were universally positive about the role of the region's military installations, their comments also suggested that NSAM and neighboring facilities could improve their outreach efforts. Several respondents noted that the base's economic impact could be better recognized in the community, and that more outreach via community events could further improve community support for the local military presence. In particular, expanded outreach to local schools was identified as a high priority item.<sup>7</sup> ★

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## LOOKING FORWARD

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**T**hanks to the work of CYALDG and other local advocates, NSAM and other installations in Central Pennsylvania are well positioned to enhance both their military effectiveness and the quality of their partnerships with area governments. Moving ahead, NSAM leadership should embrace several new directions, a number of which were also cited in CYALDG's Strategic Positioning Plan.

- *Expand Local Outreach: NSAM's important local impacts are not widely understood in the region. Expanded outreach, especially to area schools, will help build a stronger case for the local military presence.*
- *Identify New Partnership Opportunities: NSAM leadership and the surrounding region would benefit from enhanced*

*local partnerships that help base operations and create new regional economic development opportunities as well. The ongoing Hampden Township Joint Land Use Study analysis should help on this front by identifying specific projects related to storm water and environmental sustainability.*

- *Build a Regional Talent Base: Talent development presents another excellent partnership opportunity. Central Pennsylvania is a leading logistics center, yet there are few formal connections between NSAM and local education partners to train residents for positions at NSAM or other military installations. NSAM and other local facilities would benefit from creation of a Pennsylvania Logistics Center of Excellence that supports new education, training, and business development opportunities. Such a center would build a common orientation around the state's concentrated strength in transportation, distribution, and logistics. ★*

### Notes

<sup>1</sup> Michael Baker & Associates, *Strategic Positioning Plan: Cumberland York Area, Pennsylvania*, February 2017, 4

<sup>2</sup> "FY 2016 Secretary of Defense Environmental Award Naval Support Activity Mechanicsburg, Sustainability, Non-Industrial Installation," 2016, accessed January 5, 2018, [greenfleet.dodlive.mil/files/2017/03/2-NSA-Mechanicsburg-Narrative.pdf](https://greenfleet.dodlive.mil/files/2017/03/2-NSA-Mechanicsburg-Narrative.pdf)

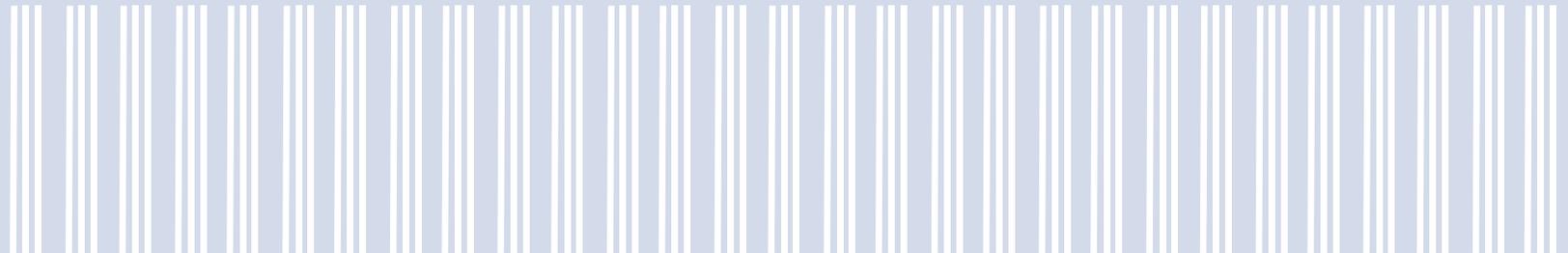
<sup>3</sup> Michael Baker & Associates, *Strategic Positioning Plan: Cumberland York Area, Pennsylvania*, February 2017, 16-17

<sup>4</sup> Michael Baker & Associates, *Strategic Positioning Plan*, 7

<sup>5</sup> Michael Baker & Associates, *Strategic Positioning Plan*, Appendix

<sup>6</sup> "FY 2016 Secretary of Defense Environmental Award Naval Support Activity Mechanicsburg, Sustainability, Non-Industrial Installation," 2016, accessed January 5, 2018, [greenfleet.dodlive.mil/files/2017/03/2-NSA-Mechanicsburg-Narrative.pdf](https://greenfleet.dodlive.mil/files/2017/03/2-NSA-Mechanicsburg-Narrative.pdf)

<sup>7</sup> Michael Baker & Associates, *Strategic Positioning Plan*, Appendix 22-25



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**This report is part of a larger study of the economic and community impacts of Pennsylvania's military and defense installations. Visit the Pennsylvania Military Community Enhancement Commission's website at [www.dced.pa.gov/pmcec](http://www.dced.pa.gov/pmcec) to see other installation-specific reports and a statewide report.**

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