2015

# Public Safety & Homeland Security Industry



Homeland Security Research Corp.

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***Homeland Security Research Corp. (HSRC)*** *is an international market and technology research firm specializing in the Homeland Security (HLS) & Public Safety (PS) Industry. HSRC provides premium market reports on present and emerging technologies and industry expertise, enabling global clients to gain time-critical insight into business opportunities. HSRC's clients include U.S. Congress, DHS, U.S. Army, U.S. Navy, NATO, DOD, DOT, GAO, and EU, among others; as well as HLS & PS government agencies in Japan, Korea, Taiwan, Israel, Canada, UK, Germany, Australia, Sweden, Finland, Singapore. With over 750 private sector clients (72% repeat customers), including major defense and security contractors, and Fortune 500 companies. HSRC earned the reputation as the industry's Gold Standard for HLS & PS market reports.*

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## 1.1 Forces that Shape the Public Safety and Homeland Security Industry & Markets

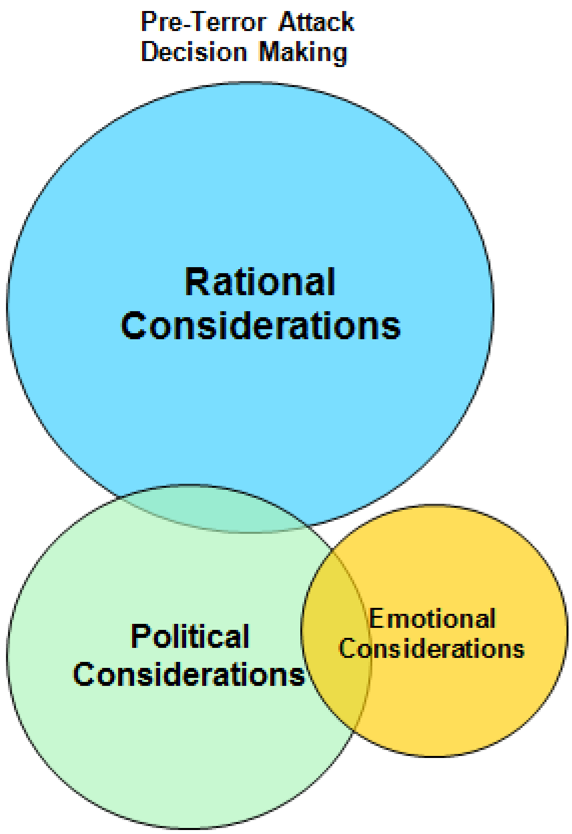
- **Terror, crime & natural disasters are here to stay –** It is not only that the threat of another 9/11 like terror attack still exists. The vulnerabilities are mostly the same and the need to protect and militate against the impact and ramification of such threats will probably remain constant in the foreseeable future.
- **Costly asymmetry –** The astronomical number of targets of potential terror, crime and natural disasters and the multitude of forecasted terror scenarios requires continuous investment of tremendous resources over a long period.
- **The changing nature of anti-terror crime & natural disasters challenges –** With the nature of the adversary changing and with the need to adapt rapidly to this change, pre-9/11 defense, intelligence, and general security establishments will have to shift major resources from their pre-9/11 agenda to HLS & Public Safety assets.
- **Public fear and public opinion –** Public opinion and consequently the political establishments, rank home grown and foreign terror as the #1 threat to national stability. Consistent public opinion polls demonstrate that the public fears and supports the war on terror.
- **Political drivers –** Politicians and legislators are much attuned to the public's fear of terror. The political organizations will do all they can to convey and sustain a sense of security and business as usual.
- **Survival of the protected –** Investment in anti-terror, crime and natural disasters mitigation is not only the destiny of western and/or western-leaning countries. Autocratic (non-democratic) regimes need to invest heavily in their regime survival (e.g., Saudi Arabia, PRC).
- **Technological evolution –** The HLS & Public Safety market is driven by the growing dependence on cutting-edge HLS & Public Safety technologies.
- **Culture of outsourcing –** The HLS & Public Safety market is increasingly driven by the tendency of most governments and private sector organizations to outsource as much as possible, HLS & Public Safety services and goods to the business community.
- **Lack of strategy is expensive –** The lack of a comprehensive HLS & Public Safety strategy in several countries will generate investment in low-priority HLS & Public Safety resources, which will need to be reformed once a comprehensive strategy is in place.
- **Multiplicity of responders and organizations –** Redundant responsibilities and resources of different agencies will result in an extended market.

- **The restructuring of the armed forces and the intel community –** There is a consensus that with the exception of a handful of countries (e.g. Israel, Saudi Arabia) both the intelligence and the armed forces infrastructures are not ready to adequately respond to the new challenges posed by terrorism and low intensity conflicts (LIC) natural disasters and emerging crime like cybercrime. The only possible solution is to restructure both the military and the intelligence community, to provide much higher level of open source Intel collection and processing technologies, human intelligence and analysis, a much more localized and dispersed collection process, a much nimbler and imaginative analyst class, and a much more agile and responsive military, capable of both responding to and protecting against conventional and unconventional threats.
- **Restructuring national HLS and public safety infrastructure** – Because of the apparent government nature and because of the dominant role the central government is taking in this area, it is taking states and local governments much longer than necessary to understand that if they want to ensure maximum safety of their constituencies and best response in the event of a terror attack, they should take a proactive position and not rely almost exclusively on cues from the central government. Such a commitment should start with a detailed risk analysis and the identification of potential targets, including the allocation of resources to help mitigate various identified threats. The next step in the process should be prioritizing the identified targets, as obviously, there will not be sufficient funds and there is no operational need to deal with all identified vulnerabilities as a single priority item.
- **Bottom-line:** In spite of the global economic uncertainty, the HLS & Public Safety market is robust and will continue to demonstrate a robust growth rate over the forecasted period.
- **Poor management –** The present HLS & Public Safety decision-making process (e.g. the Mumbai terror attack) is pretty chaotic and poorly managed by most governments. Assignment of priorities and risk assessment is contaminated by political considerations. Turf wars between decision makers also degrade the quality of decision-making. Because of the apparent government nature of HLS & Public Safety and because of the dominant role the central government is taking in this area, it is taking states and local governments much longer than necessary to understand that if they want to ensure maximum safety of their constituencies and best response in the event of a terror attack, they should take a proactive position and not rely almost exclusively on cues from Washington., DC.
- **Governments as main Customer –** Procurement administration of governments in HLS & Public Safety is and will continue to be inefficient at least for the next several years. Anti-terror is also a finite effort - Nations cannot spend HLS & Public Safety resources without consideration of the current global economic downturn. National deficits and other non-defense priorities put a cap on HLS & Public Safety expenditures.

- **Success leads to relaxation –** Paradoxically enough, success in anti-terror measures leads to an increased sense of security, which inevitably results in reduced outlay for anti-terror defense. Unless a new major wave of terror attacks occur, the HLS & Public Safety infrastructure upgrade process will take 10 to 20 years.
- **Lack of in-depth understanding of issues –** The public as well as many of the relevant members of the political community have a superficial understanding of the risks and consequences of terror. They are largely motivated by immediate fear, sense of current insecurity and a need to appease the electorate.
- **Economic inhibitors and national deficits –** The war against terror is expensive and creates economic and monetary pressures on even the most prosperous economies. Less prosperous economies will find the war on terror to be an unwelcome drain on their already-limited resources. Active mitigation of terror threats may also result in slowing economic activity, due to cross-border screening and other activities that are incompatible with the free flow of goods, services and people. Additional insurance and homeland security burdens might prove more than what some companies already in economic difficulties can endure, such as increasing bankruptcies and inhibiting the starting of new businesses.
- **The socio–political environment –** Fighting terrorism, crime and mitigating natural disasters requires a long-term commitment that is sometimes (in the absence of frequent events) difficult to explain and even more difficult to sustain. Civil societies in democracies are intuitively open and forward-looking, and they find it difficult to reconcile to the inevitable constraints of a war against terror, such as modifications to civil rights statutes. This leads to a strange contradiction: the better a government is at fighting terror, the lesser terror affects the lives of its citizens; yet, the lesser a population is impacted by terror, the more difficult it is to explain to the constituents the need to invest resources in anti-terror means.
- **Limited international cooperation –** Since terror, crime and natural disasters do not affect every nation equally, and since it is reasonable to assume that nations will have differing ideas about how best to fight terror and crime, it is quite likely that international cooperation in the war against terror will be a struggle of its own. Since the war against terror cannot be won without tight cooperation between disparately different countries, it may very well be the case that such cooperation will be long in establishing and maintaining properly. It is also safe to assume that many countries will be quite reluctant to dedicate resources to support policies and/or actions that they deem unnecessary or even damaging to their own self-interests.
- **Ever-changing legislation and funding –** Legislation and funding of HLS and public safety activities is often influenced by local sensitivities and by immediate perception of vulnerability and threat. The allocation of funds towards defending

targets of low priority, though of high importance, may be difficult if not impossible.

**Figure 1 - Pre- and Post-Terror Attack Procurement Decision Making Scenarios**




It is also safe to assume that most significant movements toward effective technologies and deployment will be driven by legislation and regulations responding to immediate events (e.g., rail protection bills in the wake of the Madrid bombing; "bio-shield" biological agent mitigation allocations following the Anthrax attacks on Washington, DC).

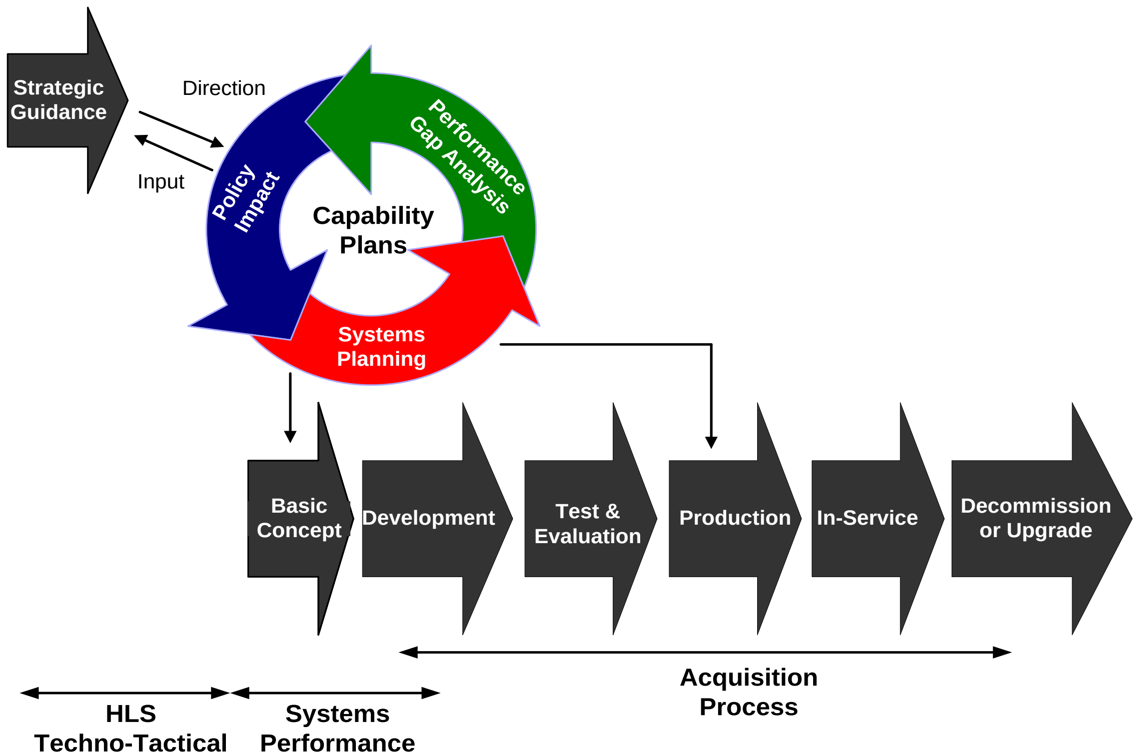
Some key governments (e.g., EC governments) refrain from aggressive investments in HLS & Public Safety.

The demand for development and deployment of improved capabilities HLS & Public Safety systems is driving a dynamic and multi-faceted RDT&E sector.

## 1.2 Vendor – Government Relationship

As governments control the lion's share of the HLS & Public Safety market, they have a dominant position in the customer-vendor relationship.

**Figure 2 - Government - Industry Homeland Security & Public Safety Life Cycle**

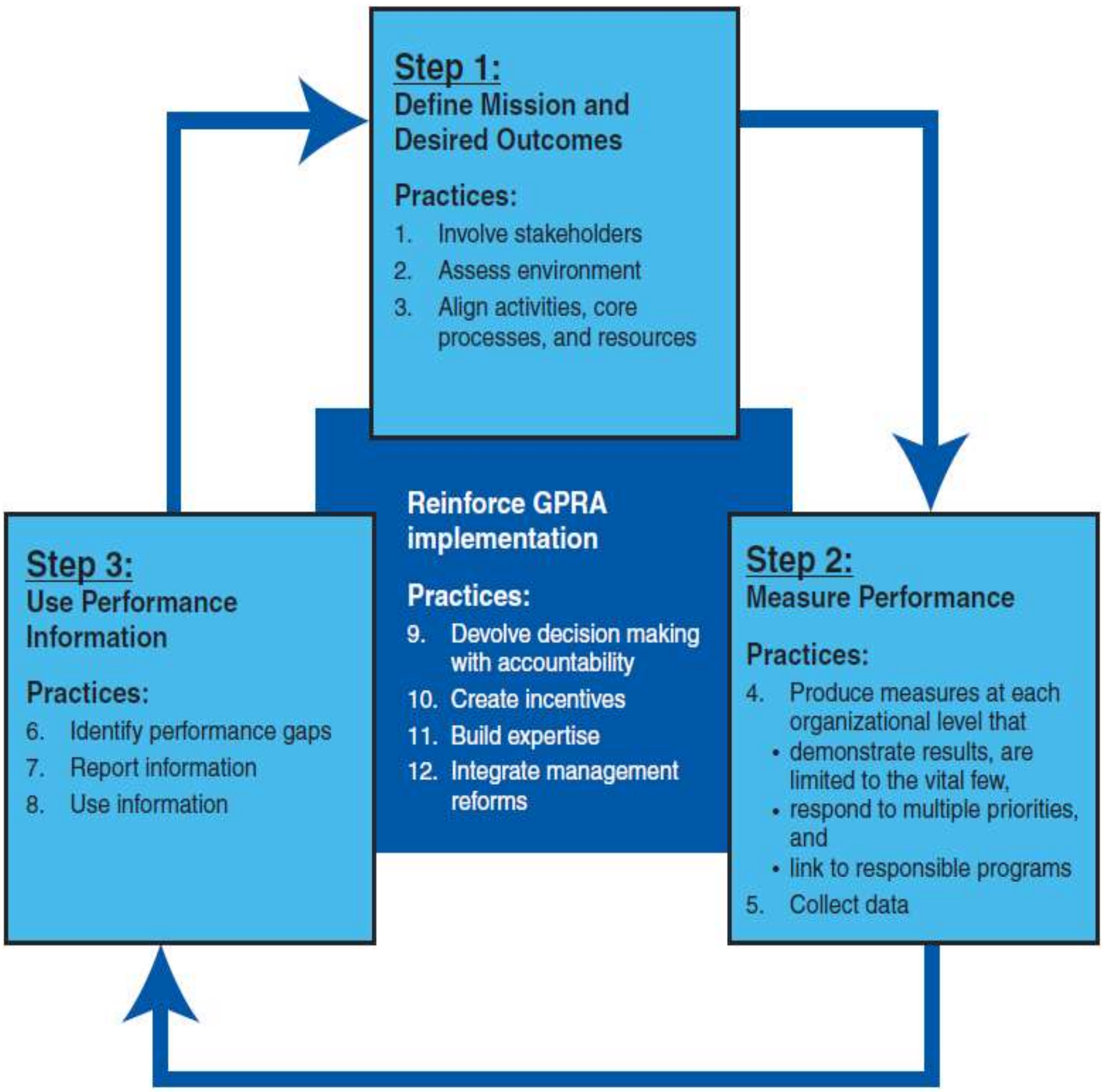



The Government uses a set of tools to drive and control the HLS & Public Safety market. Some are available through day-to-day activities. HSRC classifies 4 government roles:

**[1] Government as HLS & Public Safety Investor –** While most of the governmental investment in research and technology exists to support intelligent customer status, some are also intended to secure appropriate technology and innovation in the HLS & Public Safety industrial base. Careful deployment of a range of investment levers can support technology development in critical parts of the industry. Furthermore, government approach to R&D is an important factor in determining the overall attractiveness of the HLS & Public Safety market as it impacts risk and profitability.

**[2] Government as HLS & Public Safety Planner –** The Government engages in planning activity at the strategic and business level and addresses HLS & Public Safety capability, equipment investment and business operations, and provides industry with a level of future market understanding that underpins business strategy and corporate investment. Joint planning approaches take this a stage further by providing planned alignment and interdependency between the government and key suppliers.

**Figure 3 - Government – Private Sector Techno-Tactical Technology Assessment Process**

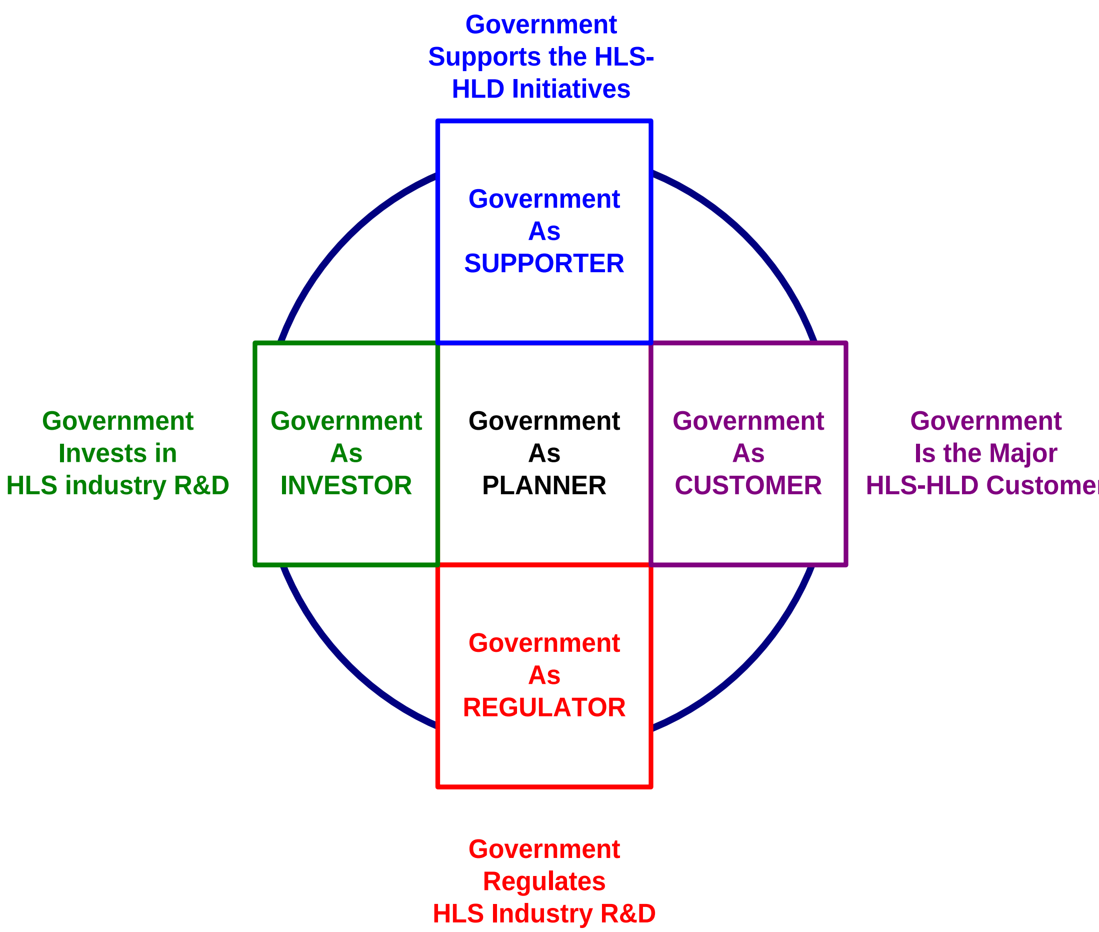


**[3] Government as HLS & Public Safety Customer –** The approach taken to acquire HLS & Public Safety products and services - from the acquisition model chosen to the selection of suppliers and the profit margins available - fundamentally defines the attractiveness of the HLS & Public Safety market.

**[4] Government as HLS & Public Safety Regulator –** The U.S. government plays a key role in setting the techno-tactical and safety performance standards and regulations**.**

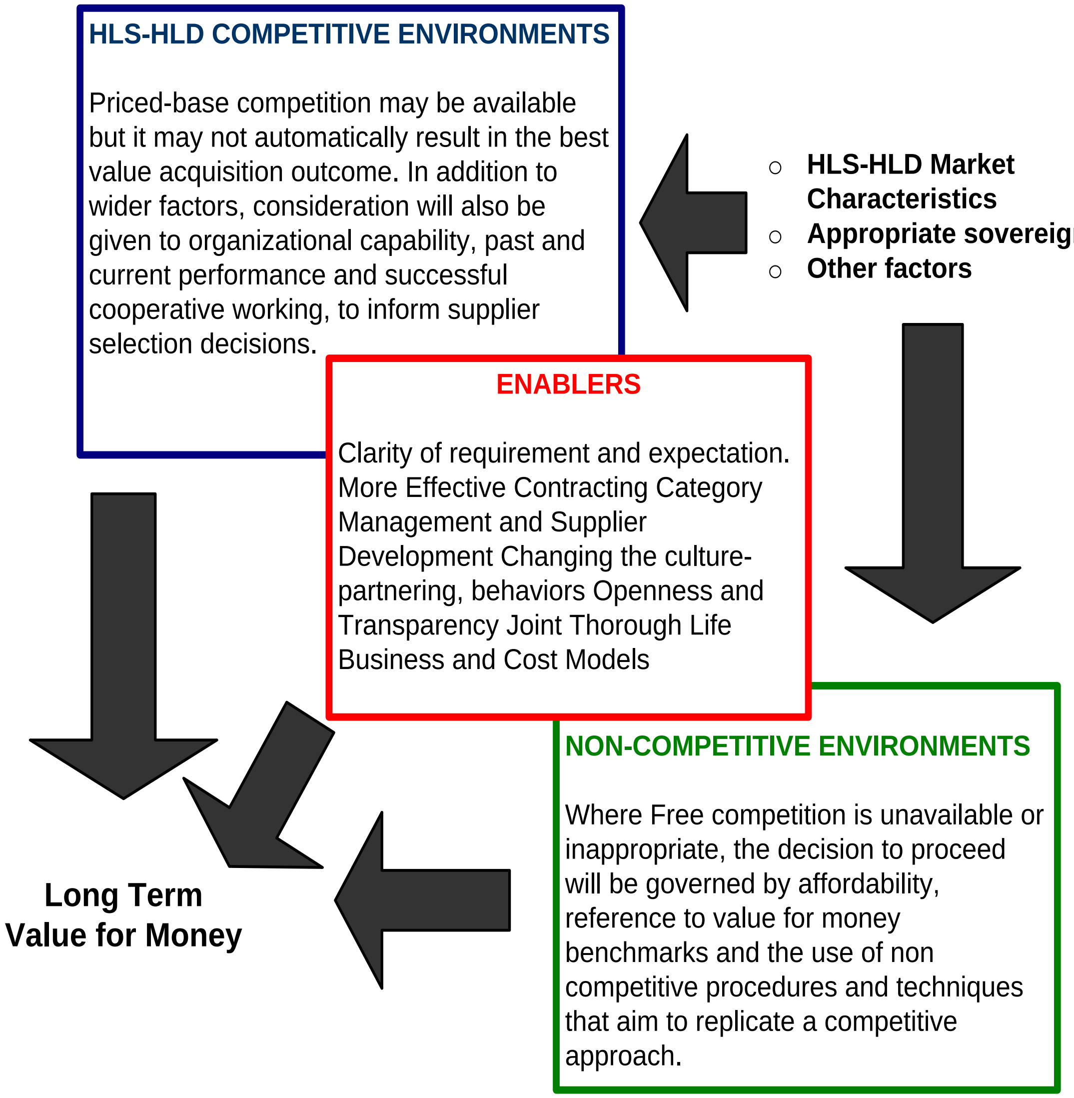
**Figure 4 - Homeland Security & Public Safety Industry - Government Relationship**



## 1.3 Vendor – Client Relationship

**Figure 5 - The Homeland Security & Public Safety Vendor - Client Inter-Relationship**




**More information can be found at:**
**[Global Homeland Security & Public Safety Market – 2015-2022]**