

NWS Enterprise Analysis and Engagement

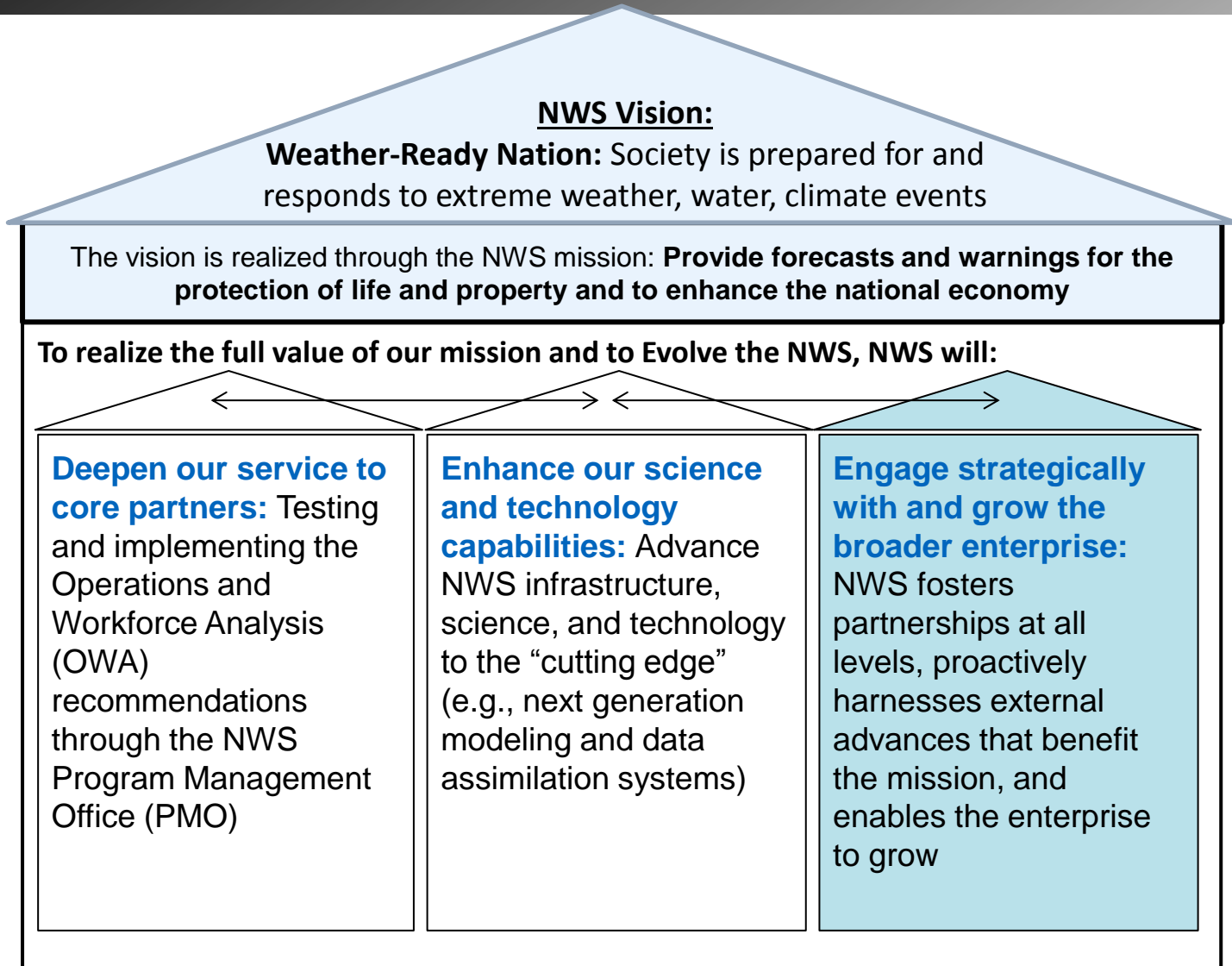


NWS Partners Meeting
January 26, 2017

NWS Office of Organizational Excellence



NWS Evolve Strategy





The National Weather Service has a dual mission – to provide data, forecasts, and warnings for the protection of life and property and the enhancement of the national economy

National Weather Service's mission statement

“Provide weather, water, and climate data, forecasts and warnings for the protection of life and property and enhancement of the national economy.”



NWS is a small government agency with a \$1.1B¹ budget serving a critical mission...

...saving lives...



NWS is a **cornerstone of the emergency management community**

- 5,000 employees
- 122 weather forecast offices
- 13 river forecast centers
- 9 national centers

...enabling a thriving weather industry...

\$7B

growing weather industry supported by the NWS

~350

companies depend on the NWS to some extent²

*“The NWS’s key role has been to serve as **the foundation for the tremendous growth** that the enterprise has experienced and will continue to experience.”*

*“The weather enterprise is a unique group. **Almost none of us could exist without the NWS and NOAA.**”*

...that unlocks economic value

\$32B

total value US households place on the weather information they receive³

\$13B

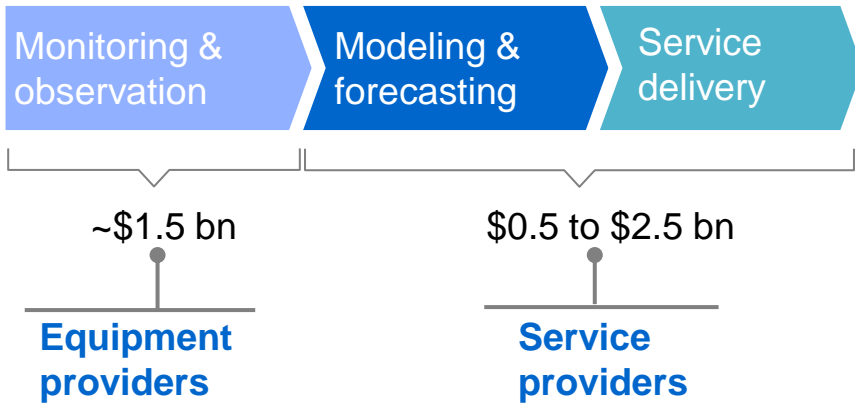
estimated potential value of weather data to US industry⁴

*“The NWS is an **enabler of economic development.**”*

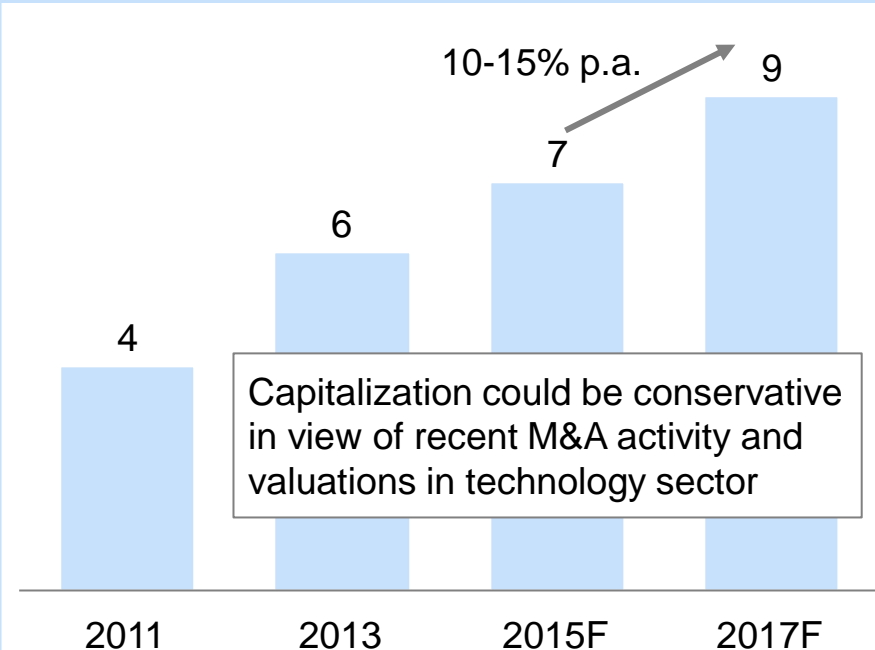


The U.S. weather industry is estimated today at over \$7 billion in market value and revenues of \$2 to \$4 billion

Private weather industry revenues (2012)¹, \$B



Private weather industry market capitalization projection², \$B



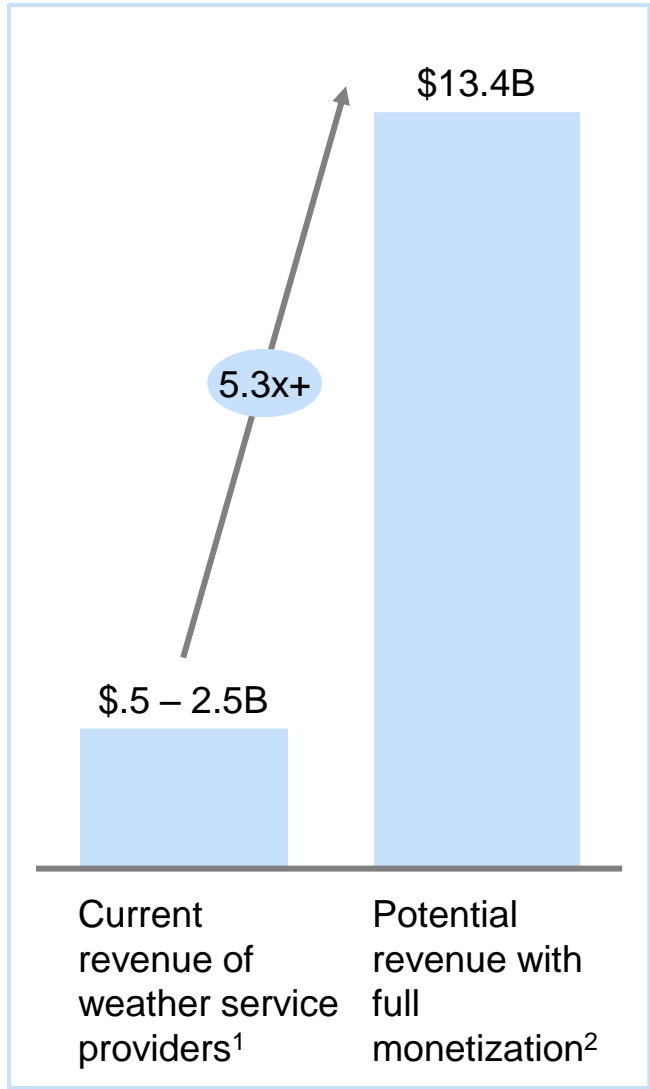
Capitalization could be conservative in view of recent M&A activity and valuations in technology sector

- In FY2012, NWS's budget was \$998 million – comparable to or less than weather service revenue³
- With ~5,000 employees, the NWS is a significantly large player in the weather enterprise

Note: Estimates of the commercial weather industry vary greatly and are hard to find, as most companies are private
 1 AMS estimates; other industry reports estimate global forecasting systems revenues at \$1.5bn in 2015 and global forecasting services revenues at \$1.1bn in 2016, and US forecasting services at \$550m (Market and Market; IBIS Watch)
 2 Assumes 10% growth per year as forecasted (F) by UCAR. Estimation is needed given almost all companies in the weather enterprise are private and do not disclose financials
 3 Related budgets from NOAA in 2012 included \$2B from NESDIS and \$449M from OAR, more comparable to the equipment providers part of the value chain. (In order to prevent double counting of private sector providers who sell to NOAA, comparison is not made of full private value chain vs all NOAA weather)



The current value of weather data across industries indicates a significant potential for growth in the demand for weather services



Key growth drivers

New industries are finding value in weather data for daily decision making
“There’s a huge opportunity to incorporate weather in manufacturing supply chain logistics... These companies have really never thought about weather before”
 – Meteorologist at weather risk mgmt. co

Increased weather volatility is driving use of weather and climate data for long-term decisions
“Insurance companies have started realizing that you can’t set a premium based on past weather – it’s just not a good enough predictor now”
 – Insurance industry adviser

Companies are making more use of data and analytics in all aspects of business
“We’re increasingly using all kinds of data to make decisions...weather will be another data source that helps us increase efficiency and safety”
 – Former railroad co. GM

¹ AMS estimates; other industry reports estimate global forecasting systems revenues at \$1.5bn in 2015 and global forecasting services revenues at \$1.1bn in 2016, and US forecasting services at \$550m (Market and Market; IBIS Watch) ² Weather-related GDP variability is estimated at \$1,344B, using AMS (2012) “US Economic sensitivity to weather variability” and US 2011-2014 GDP values. On average, 1% of this variability translates into value able to be captured today given estimates for value of weather data to agriculture and utility sectors from NOAA (2011). 1% of \$1,344B = 13.4B



Companies suggested ways NWS could enable the enterprise and shape the market...

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Weather, Water, and Climate Industry views

Enabler of the enterprise

“The weather enterprise is a unique group. Almost none of us could exist without the NWS and NOAA”

“The NWS is an enabler of economic development”

“The private sector needs to do a better job broadcasting the importance of the NWS”

“Figure out what is valuable but not covered by the market – climate data, for example – and invest in that”

Market shaper

“The NWS is an important shaper of the market...Think more about how to leverage that role to accelerate innovation.... Be ready to make long-term commitments, or at minimum, signal future needs”

“We would like to see the government drive cutting-edge observation research and innovation”



Weather, Water, and Climate Industry views

Provider of warnings and services to EMs

“Public safety is a primary role for the NWS”

“The NWS should focus on generating the best possible warnings”

“Our customers ask for custom alerts or thresholds for different locations”

“If NWS owns the EM segment, the private sector won’t invest in public safety”

Potential partner with the private industry?

“There needs to be a formal process to evaluate private sector capabilities in a systematic way”

“Our precise rainfall information... could help with flood monitoring”

“There is an immediate opportunity for us to work together to optimize the Geostationary Lightning Mapper... combining our ground-based data with your satellite data”



Insights from NWS leaders and external stakeholders show the potential for future engagement

- **Open collaboration with the weather, water, and climate industry and academia will be increasingly crucial** to the success of NWS's mission and the enterprise going forward:
 - **The private industry and academia are driving major advances** throughout the weather value chain and developing significant new capabilities
 - **These innovations offer potential benefits** for the NWS mission of protecting life and property
 - **The growth of external capabilities poses new questions**, such as equity in access to advances, confusion from conflicting warnings
 - **The NWS should proactively consider where its role might change and how to maintain its capabilities**
 - **The role of the NWS is likely to shift as the enterprise grows** – NWS can adopt new ways to uphold its responsibility to protect the public interest and perform valuable activities that the market cannot
 - **NOAA and the NWS have served, and should continue to serve, a critical foundational role** that enables the enterprise to innovate and unlock the economic value of weather information
- Harness external advances that benefit the mission
 - Maintain core capabilities needed to uphold responsibility for public safety
 - Continue to serve as the enabler of the enterprise



Next Steps

- Continue dialogue with the enterprise and incorporate external insights into NWS strategy and operations
- Take advantage of advances in the enterprise throughout the value chain
- Emphasize how the Evolve strategy will enhance NWS's contribution to the national economy and public safety
- Apply insights from work to other line offices and gain support for actions that affect broader NOAA



Open Questions

- ❖ Reactions to the analysis presented? Missing or mischaracterized information?
- ❖ How do you see NWS role changing in a growing and evolving enterprise?
- ❖ Should the private or academic sectors consider any role changes themselves? (i.e. innovation)
- ❖ What other ideas do you have on how the NWS can enable the enterprise? Does those ideas differ from today?



Appendix



NWS Enterprise Analysis Summary

- The National Weather Service and NOAA provide the foundation for a thriving, growing weather industry
- We recognize that the private sector is building on this foundation to innovate and drive advances in weather prediction and decisions
- We are excited about the opportunities this creates for our dual mission of ensuring public safety and enhancing the economy
- As the custodians of public safety, we will ensure that these innovations benefit the public and our core partners in emergency management:
 - by harnessing and adopting innovations to deepen our impact-based decision support services (IDSS) and ensure we remain at the cutting edge of science
 - by ensuring that vulnerable communities have access to the best of the enterprise
 - by identifying areas where the private sector can complement our public safety role
- Additionally, in our role of enhancing the economy, we are committed to growing the enterprise and will look for opportunities to partner with the private sector and academia to accelerate innovation:
 - by driving scientific research in valuable new frontiers
 - by facilitating enterprise collaboration around community modeling
 - by continuing to fill gaps in environmental observation, modeling and other areas important to the market
- As the enterprise evolves, we will also continue to evolve to ensure best protection of public safety, enhancement of the economy, and advancement of science
- The NWS and its partners within NOAA will lead the way for the public sector, the weather, water and climate industry and academia to work hand in hand to ensure a Weather-Ready Nation now and in the future, and continue to unlock the economic value of weather