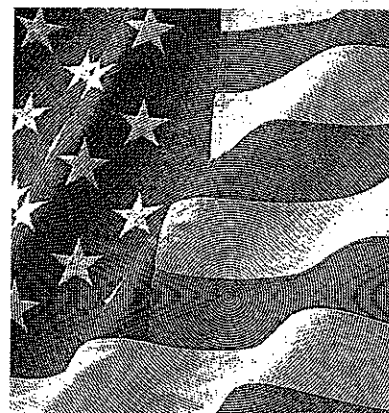
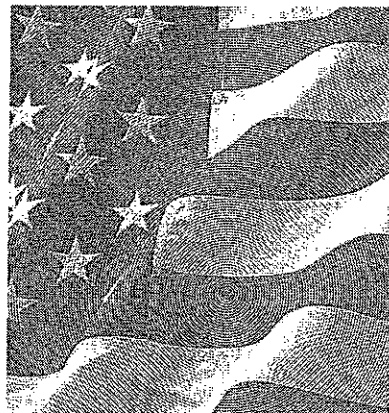
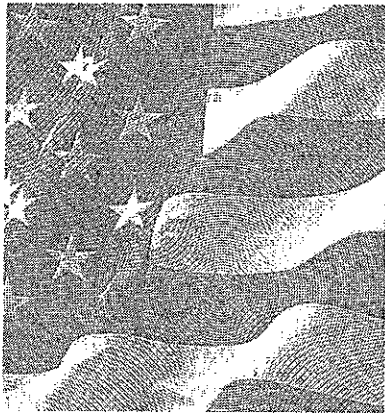


PROFILES

*in Privatization &
Facility Cost Reduction*



John E. Lynch, Editor

Chapter 10

STABILITY SOLID AS BEDROCK: PRIVATIZATION AT THE FORMER NEWARK AIR FORCE BASE

By Wally Horton, Joe Renaud, Rick Platt & Michael M. Brown

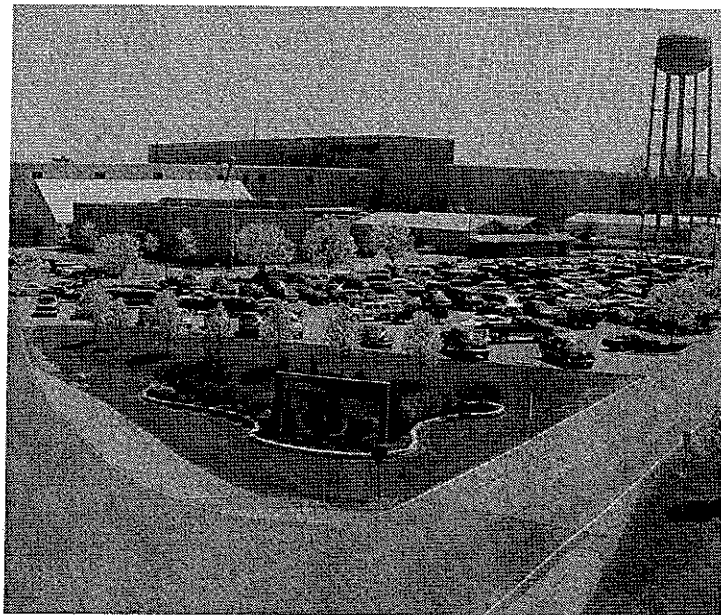
Seismic stability in central Ohio was a primary reason for the selected location of Newark Air Force Base. This characteristic coupled with an existing facility built to withstand the shock of a 50-ton press created an ideal foundation in 1960 for the newly created Air Force Metrology & Calibration (AFMETCAL) program and also satisfied the need for a source of repair for the then new Intercontinental Ballistic Missile (ICBM) program.

1993 BRAC Announcement

Central Ohio stability arose in a different form after the 1993 base closure announcement. The strong, stable leadership team formed by community leaders, base personnel and the eventual contractor group assured that this unique asset would have a new life through privatization. Those involved claim that Newark would be the first successful privatization-in-place (PIP) of a military base.

Stability was needed because the road to privatization was anything but smooth. The complexity of the closure led many to believe that privatization was not a viable option. There were too many uncertainties and there were multiple competing interests with different visions for the Newark closure. Despite the uncertainties, the October 1996 closure date was firm.

With the announcement made, the Newark and Heath communities worried about potential dire economic consequences. Gone was the \$200 million economic impact on a small community located 30 miles east of Columbus. Gone also were 1,800 quality, highly technical, well-paying civilian jobs along with 70 active duty military and 120 Air Force Reserve positions.



A plan to implement privatization-in-place at the closing Newark AFB helped retain almost 1,000 high-tech jobs and produce a \$200 million annual economic impact.

The outright closure was problematic. The Aerospace Guidance & Metrology Center (AGMC) at Newark AFB had a unique mission. AGMC managed the AFMETCAL program, which would continue to exist. Newark AFB also was the Air Force Center of Excellence for guidance system repair. It provided repair services for the Minuteman and Peacekeeper Missile Guidance systems, most of the frontline aircraft inertial guidance systems, and three joint service systems for the Army and Navy. Each of these systems continued to require a source of repair, as this work was not performed elsewhere.

Wally Horton was the first AGMC technical director. In 1993 he came out of retirement to serve as chairman of the reuse commission. He subsequently served as director of the Heath-Newark-Licking County Port Authority.

Col. Joe Renaud, USAF (retired) was the AGMC commander from 1991-1996. He continues to live in Newark and is presently the governor's aerospace and defense advisor. He can be reached at jrenaud@odod.state.oh.us.

Rick Platt is the executive director of the Heath-Newark-Licking County Port Authority. He can be reached at rplatt@bnlcpa.com.

Michael M. Brown is a freelance writer from Licking County, Ohio.

With the programs continuing, the work of AGMC had to be sustained at previous levels throughout the closure process and would need to be reconstituted without interruption after closure. The essence of the work was in the unique facilities, high-cost integrated equipment, and the skills of the existing workforce. This was a difficult undertaking under any conditions, but the morale of the highly skilled civilian workforce held the key to success.

Like any civilian workforce, these people had deep roots in the local area and were not very mobile. At the time, it was estimated that fewer than 15 percent would be willing to move. If morale was lost, critical weapon system support would be degraded during and after closure. Many inside and outside the Air Force thought that program support would degrade to unacceptable levels.

Only Viable Option: Privatization-in-Place

Ultimately, privatization-in-place of the center's workload became the only acceptable solution. It saved the day both for the Air Force and the local community. The workload was transitioned seamlessly and quality customer support never missed a beat, thanks to the faith and hard work of many determined men and women. In 1993, however, privatization was not acceptable to weapons system managers, the Air Force Materiel Command (AFMC) headquarters or the original equipment manufacturers.

In the chaotic days of 1993 and 1994, the closure outcome was unclear. Though the original directive spoke of privatization, many in and out of the government believed there were better options. Within days of the closure announcement in March 1993, all post-closure options were back under consideration. These options included movement of the entire workload to another organic base and movement of the workload to the private sector in another location. What had been clear in early March of that year became totally uncertain. Morale had been expectedly poor with the closure announcement, but it was downright low with the additional uncertainty in the scenario for the closure.

Multiple teams worked through several options and collectively maneuvered along a rocky road between vested interest and workable solutions. They were in the middle of a web of many powerful stakeholders, such as members of Congress, Department of Defense offices, management and union organizations within Newark AFB, the BRAC Commission, the General Accounting Office (GAO), the state of Ohio, and local interests in Newark, Heath and Licking County.

In March 1993, Wally Horton, the first AGMC technical director, came out of retirement to help lead the effort to save the base. The community wanted to reverse the decision, so it turned to the man who knew the most about the work inside the gates. Horton rallied retirees, local officials, community leaders and the congressional delegation. He sent a loud and clear message to the BRAC Commission and to Washington that the work was critical and must be preserved either by retaining Newark AFB, the preferred option, or through privatization-in-place. His message was received.

By the end of the Commission's review, it became evident that the commission believed a private contractor, employing the Newark AFB civilians at the current Air Force facilities, could do the work. The commission agreed with the original Air Force recommendation for privatization-in-place and included that recommendation in the commission's report, which was forwarded to the president.

Privatization Option Still Questioned

After the closure was approved in September 1993, the AGMC commander was directed by AFMC to put all the original options back on the table. Privatization-in-place was not, at that time, a popular outcome for many of the stakeholders. While the closure language clearly stated the required direction, the closure began to flounder while the language was re-interpreted and all possible options again were explored.

The AGMC director of financial management, who was also responsible for AGMC planning, coordinated the analysis, while the AGMC metrology and maintenance directors led the effort to work out the technical problems of moving the workloads under the various scenarios. Teaming with AGMC was a group from AFMC headquarters representing the directorates of planning, finance, civil engineering, logistics and requirements. Added to the headquarters group were systems managers from the air logistics centers (ALCs) in Oklahoma City and Ogden, Utah.

The AGMC commander had the job of keeping the group moving in the same direction for a timely solution, as the clock was ticking. The Oct. 1, 1996, closure deadline was immovable regardless of the starting date. For every successful leap, there were additional hurdles to overcome. For nearly three years, the community on and off the base held its collective breath as the ground was literally shifting under its feet with the latest proposal, rumor or possibility of permanent closure.

While this external work was taking place, the internal work was more critical. The essence of the capa-

bility was in the personnel. The people of AGMC were highly skilled and the pay grades reflected this point. The average pay at Newark was higher than at any of the five ALCs. If there was to be a successful outcome, regardless of the scenario for closure, it would only be with the full cooperation and help of the workforce.

Almost immediately the AGMC staff recognized this and swung into action. AGMC formed a team to address all workforce issues throughout the closure. It consisted of the civilian deputy to the commander, the AGMC personnel director and the local president of the Association of Federal Government Employees (AFGE), along with key members of their staffs.

The issues outlined by this team fell into two main categories: the morale of the workforce and the retention of the personnel skill sets during the closure and beyond. Both factors were essential to support the mission and attain an effective transition to what was at the time an unknown outcome.

Strategically only two choices were available. AGMC could choose a path of workforce retention, where the base worked to keep the most knowledgeable people on the job until closure, or a path of individual choice, where each person could decide his or her own future with as many options as possible, regardless of the impact to the AGMC capability.

Though not obvious to all, the commander wanted the choice of flexibility for the workforce. While he was concerned that the skill base would deteriorate severely before the October 1996 closure, he knew that morale was crucial. He felt that with strong morale and an innovative approach, the other problems could be overcome. This selected strategy was considered highly risky by many of the stakeholders.

The personnel strategy team went to work developing communications and personnel assistance tools. Communications consisted of many integrated efforts that included: town hall meetings; small group sessions where base personnel were scheduled to meet with the commander in groups of 15-20 without any supervisors present; supervisors' quarterly meetings; closed circuit TV call-in shows, where anonymous calls could be made live to a panel consisting of the commander, the AGMC financial management and personnel directors, and a local union officer; and an additional commander's hotline dedicated to closure issues where every two weeks three to four pages of the base newspaper were dedicated to answering questions. This process was in addition to the normal communications flow.

The base teamed with the state of Ohio to provide every possible means to help the employees make

choices, and once made, to achieve those choices. This resulted in people leaving the base very early. For example, the base lost its senior civilian civil engineer and environmental manager in 1993. Many of the key supervisors, managers and engineers in the critical mission workloads also were early losses, but putting choice in the hands of the individuals resulted in a workforce of highly dedicated individuals willing to overcome obstacles. One measure of success was seen in the eyes of the numerous base visitors. Visitors often would comment on the unexpectedly high morale and dedication of the workforce.

As part of the employee support plan, everyone was offered entry into the DOD Priority Placement Program (PPP) 24 months before transition. Entry into PPP started in May 1994, 29 months before closure. Since the workload would continue, the tools of recruitment, temporary promotion and a much-improved training program were used to overcome the high turnover due to early loss of critical skills.

Weathering constant turmoil while moving toward privatization required a team effort that extracted the best in human ingenuity, determination and spirit. The personnel assistance tools eventually led to a National Award for Excellence in 1996 from the National Association of Counties for outstanding employee assistance programs.

With the closure outcome still uncertain in 1994 and 1995, AGMC worked with an AFMC Acquisition Strategy Panel (ASP) to specify contract approaches for the Newark workload. The ASP separated the metrology work from the guidance system repair work, but kept the contract milestones the same.

The ASP explored all possible relocation options for the Air Force Primary Standards Laboratory (AFPSL) and the management portion of the AFMETCAL program. Also reviewed were the elements of the AFMETCAL program that should be retained organically in the Air Force as opposed to being placed on contract. Additionally the ASP reviewed whether these functions should be collocated or separated. There was strong consideration for moving the management to an Air Force installation, while contracting out the AFPSL and calibration technical order development at a "to be determined" contractor location.

Decision at Last: Privatization-in-Place

For the guidance system repair portion, the ASP first addressed the notion by some Air Force stakeholders that the work could be moved cost-effectively to another location. The ALCs wanted the workload moved to

ACHIEVEMENTS DURING AND AFTER THE SUCCESSFUL PRIVATIZATION-IN-PLACE

- AGMC, AFMC and the contractor team achieved a seamless transition of workload, which was virtually invisible to the customer in the field.
- The Air Force avoided an expensive (estimated at \$300 million) closure and reconstitution of the AGMC capability. The cost would have been associated with moving highly sophisticated precision equipment integrated into the existing facilities, preparing new facilities, installing and testing this equipment, and building a new skilled workforce for metrology and gyroscope repair. Ability to support ongoing missions would have been almost non-existent during this transition.
- The port authority, Air Force and Boeing established an innovative facilities purchase and lease agreement assuring the Air Force workload would be sustained at a high level of support for the foreseeable future.
- The \$200 million annual economic impact with about 940 high-tech workers has been sustained to the present day.
- The Central Ohio Aerospace & Technology Center (COATC), as a private enterprise in contrast to a non-taxable federal installation, is the largest source of revenue for the city of Heath. COATC has paid more than \$1 million in property taxes since the privatization took effect.
- The port authority is entirely self-sustaining and manages the former Newark AFB without any government subsidies.
- The former Air Force base buildings are now completely leased.
- The AFMETCAL Program management functions still operate on COATC property through the Bionetics Corp., which operates the AFPSL. This assures the necessary synergy between laboratory operations and program management.
- Since privatization, the PIP contractors have improved productivity by increasing customer system reliability and reducing repair man-hours.
- The port authority continues to install cutting-edge property management techniques and has actually reduced property management expenses over the years with lease charges to PIP contractors down 32 percent versus four years ago.

their locations. Private contractors initially sought to move specified mission work to corporate sites far from Newark. This movement would have “orphaned” a portion of the work. Since no location was reasonably able to receive all of the work, this approach would have resulted in a net increase in cost for the movement of the entire workload.

Ultimately privatization-in-place was chosen, not by the Air Force, but by the contractors. PIP occurred through an ASP decision to write a single contract for the entire repair workload, requiring the selected contractor to determine the most efficient location for supporting the entire workload.

It was only possible to have the AFPSL remain in the Newark AFB facilities if the repair work was to remain. As nearly all mission work was performed in a single 750,000-square-foot building, any partial occupancy would be unduly expensive. The uncertainty was settled when these contracts were awarded in December 1995 to a Rockwell division (later purchased by Boeing) and Wyle Laboratories.

A consortium of businesses, led by Rockwell, won the guidance system repair contract providing the first concrete indication to the workforce that privatization was a reality. This also provided an opportunity to retain the AFPSL facilities and collocate the remaining organic AFMETCAL employees with the Wyle-managed AFPSL by creating an Air Force detachment that would report to Warner Robins ALC in Georgia.

Due to contracting restrictions, there was little public knowledge of the sensitive behind-the-scenes work in achieving this outcome. There were numerous objections that had to be resolved before the decision was made to retain the essential mission of repair and metrology at Newark AFB. In one form or another, the answer to each objection was tied to the funding available for closure. If the cost escalated, the savings to the Air Force for closure would disappear.

Some of the challenges and solutions along the road to privatization at Newark included:

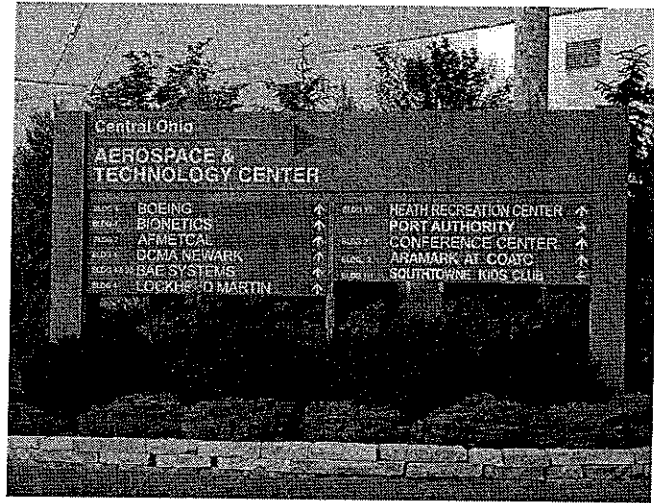
- Issues over proprietary rights nearly destroyed the acquisition strategy. Ultimately these objections were overcome through concessions from some contractors, potential royalty agreements with others, and a determination that not all proprietary data was needed, given the skill set possessed by the workforce. Rockwell formed a consortium of contractors that still exists today with Boeing, which won the contract. As this consortium held the data rights, the theory that the workload could be supported after a competitive win never had to be proven.
- Another vital element was convincing the ICBM Program Office at Ogden AFB to keep the ICBM package in the overall repair contract. It was unlikely that there could be successful privatization without the ICBM element, because this was a significant portion of the facility-dependent workload at Newark.
- The fact that the sensitive equipment would be extremely expensive to move or duplicate elsewhere, eventually helped make the case for privatization. The unique equipment could not be in two places at once, so seamless transition could not exist. As the ASP was reluctant to independently make this conclusion, the competition process analyzed the courses of action and provided the best option.

Port Authority as the Local Redevelopment Authority

In parallel, the community ably met a key challenge. The reuse commission successfully addressed the Air Force Base Conversion Agency (AFBCA) issue of assuring that the community was fully capable of accepting and managing the base property while facilitating a successful transition from the Air Force to a contractor-run program. For this reason, the Heath-Newark-Licking County Port Authority was formed. This entity was considered by the AFBCA and the community as the best organization to accept and manage the property.

On the day of closure, Oct. 1, 1996, the Newark privatization was touted as a model for others to follow by Air Force Secretary Sheila Widnall. "Newark has carved a path for thousands of others who are just beginning a similar journey," she proclaimed. Some 10 years later, it is still regarded by those who know the operational challenges, as the first and most successful privatization-in-place — as highlighted in the accompanying "Privatization-in-Place Achievements" insert.

This model PIP program is nationally recognized for continued mission success and outstanding customer service. It remains a pillar of sustained, economic development strength for Licking County and Ohio as well.



After purchasing additional property, the city of Heath turned the former Newark AFB into a 350-acre business campus, now known as the Central Ohio Aerospace & Technology Center.

How to Make Privatization Work

Privatization at Newark has caused many to ask, "How can we make it work here?" The simple answer is: people. It could not have worked without the Air Force, community leaders and the civilian workforce at the base all coming together.

Moreover, the final privatization result was indeed a win-win for the Air Force and the community. Success came when more people recognized what the Newark community knew: privatization of the base could continue offering seamless customer service and save a great deal of money compared to closing and moving out. This was the best option for the Air Force and coincidentally for many of our people.

A recent investment in additional property at Heath has turned the 69-acre former base into a 350-acre business campus, now known as the Central Ohio Aerospace & Technology Center (COATC). Six of the top 20 DOD contractors (Boeing, BAE Systems, Lockheed Martin, Northrop Grumman, Raytheon and Honeywell) currently have operations at COATC. The mix of private and public sector operations and the \$200 million economic impact combine to make COATC among the largest concentrations of the aerospace and defense industry in Ohio.

Thus, a large part of the port authority's daily mission is working with an array of commercial and industrial prospects to help realize future growth potential. The bedrock that was the magnet for Newark AFB in the past now forms the foundation upon which the Heath and Newark communities will build for the future.