

# Privatizing an Air Force Depot

## Closure of Newark Air Force Base, Ohio

LT. COL. PAUL STIPE, USAF

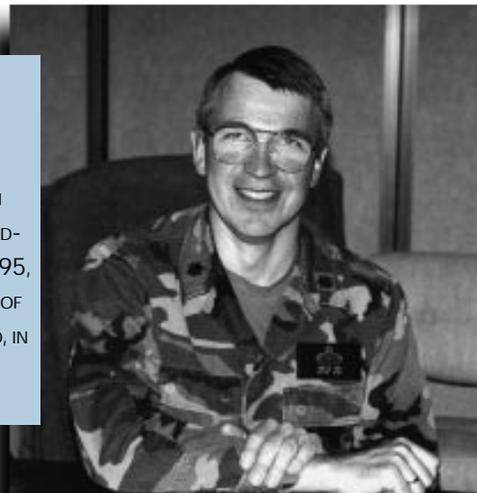
The 1993 Defense Base Closure and Realignment Commission, commonly referred to as BRAC, recommended Newark Air Force Base, Ohio, for closure. In September 1993, when Congress enacted into law and the President subsequently approved the Commission's recommendation, Newark Air Force Base became the first Air Force depot slated for closure as part of the BRAC process.

### Privatization—The Chosen Method

As Headquarters Air Force and Headquarters Air Force Materiel Command (HQ AFMC) examined options and developed guidance for the closure, privatizing the depot's functions became the chosen method of closing the base. Privatizing Newark Air Force Base then became the task of HQ AFMC. HQ AFMC, in turn, directed the creation of a management office at the Ogden Air Logistics Center (OOLC), Hill Air Force Base, Utah, to develop the acquisition strategy and contracting approach.

In February 1994, Headquarters Air Force chartered this new office, called the Aerospace Guidance and Metrology Center (AGMC) Workload Transition Program Office, and gave them a mandate to close Newark Air Force Base by September 1996. This left 32 months to create a strategy, gain approval, create a request for proposal (RFP), conduct a source selection, and

AIR FORCE LT. COL. PAUL STIPE, PROGRAM MANAGER FOR THE AGMC WORKLOAD TRANSITION OFFICE, FORMED THE TRANSITION TEAM IN FEBRUARY 1994, AWARDED CONTRACTS IN DECEMBER 1995, AND STAYED THROUGH CLOSURE OF NEWARK AIR FORCE BASE, OHIO, IN SEPTEMBER 1996.



then manage the transition process as the winning contractors took responsibility for the current workloads.

The entire process of privatizing the AGMC workloads would require significant new thinking, using the existing acquisition process while dealing with the unique challenges of



AERIAL PHOTO OF AEROSPACE GUIDANCE AND METROLOGY CENTER, NEWARK AIR FORCE BASE, OHIO. THE LARGE OUTSTANDING BUILDING IS BUILDING 4 WHERE ALL THE REPAIR AND METROLOGY PROCESSES ARE ACCOMPLISHED. THE SMALLER BUILDING TO THE LEFT OF BUILDING 4 THAT HAS VISIBLE WINDOWS IS BUILDING 2, THE HEADQUARTERS BUILDING FOR THE BASE, WITH AN ADJOINING WALKWAY, CONNECTS IT TO THE OFFICERS CLUB/CAFETERIA.

the Air Force's first depot privatization effort. This article looks at the key decisions that were made for AGMC, lessons learned, and then evaluates

*Stipe is Program Manager for the Aerospace Guidance and Metrology Center (AGMC) Workload Transition Office, Ogden Air Logistics Center (Air Force Materiel Command), Hill Air Force Base, Utah. He now works in the B-1B System Program Office at Wright-Patterson Air Force Base, Ohio.*

how those decisions apply to other privatization efforts.

### Brief History

Newark Air Force Base is home of the AGMC, which has two primary missions. The Maintenance Directorate is the only complete organic repair capability established within the Air Force

for accomplishing depot-level repair of inertial guidance and inertial navigation systems. Because of its complete organic repair capability, the Center repairs virtually every Air Force Inter-Continental Ballistic Missile (ICBM) guidance system and aircraft inertial navigation system, as well as a number of Navy and Army inertial products. It

Force measurement standards. Much of the work is done only at AGMC and requires highly specialized facilities, many one-of-a-kind test stations, and a highly trained, technically skilled workforce.

Newark consists mainly of a single industrial plant. The entire base is situated on 56 acres in the town of Heath, Ohio, about 30 miles east of Columbus. The base does not have a



TO ACCOMPLISH THE PROGRAM OBJECTIVES, CONDUCT THE SOLICITATION AND SOURCE SELECTION, AND AWARD THE CONTRACT, PROGRAM MANAGER AIR FORCE LT. COL. PAUL STIPE PULLED TOGETHER A TEAM OF DIVERSIFIED SPECIALISTS. SEATED FROM LEFT: STEVE WALL, COST ANALYST; STIPE, PROGRAM MANAGER; JARED DUNN, CONTRACTS OFFICER. STANDING FROM LEFT: TERRY KILBURN, EXTERNAL COORDINATOR; ROCKY JURKIEWICZ, FUNDING MANAGER; KEITH GIBBY, CONTRACTS OFFICER; BRENT PARRISH, PROGRAM CONTRACT OFFICER; MARLA CAYWOOD, ADMINISTRATIVE ASSISTANT. (OTHER TEAM MEMBERS NOT PICTURED: AIR FORCE MAJ. WAYNE AIRMET; AIR FORCE CAPTAINS CRAIG PETERSEN, BRYAN TURNER, AND DAVE WILLIAMSEN. ALSO NOT PICTURED ARE SEVERAL AIR FORCE RESERVISTS WHO ASSISTED THE PROGRAM THROUGHOUT ITS DURATION.)

runway or other active Air Force missions. Newark's total workforce was approximately 1,500 when the decision for closure was made, with fewer than 100 active duty military members.

In January 1993, the Base Closure Executive Group recommended Newark Air Force Base be closed and the workload privatized-in-place (PIP); in July 1993, the BRAC forwarded their recommendation to Congress. Congress approved the BRAC recommendation on Sept. 29, 1993. The AFMC strategy for closure was to move non-inertial workloads—those not dependent on the AGMC infrastructure—to Air Force depots, and to maximize privatization-in-place for the remainder of the repair workloads, the metrology laboratory, and technical order writing functions. The AFMETCAL would continue on-site as an organic government function.

### Getting Started

The most daunting part of a project like this was to get it going in the right



PUBLICITY PHOTO TAKEN ON THE EVENT OF THE FIRST ROCKWELL TURNKEY, MAY 6, 1996. PICTURED FROM LEFT HOLDING THE KEY: DWAYNE WEIR, ROCKWELL GUIDANCE REPAIR CENTER DIRECTOR; AIR FORCE COL. JOSEPH RENAUD, BASE COMMANDER, AEROSPACE GUIDANCE AND METROLOGY CENTER.

also houses the Air Force Metrology and Calibration (AFMETCAL) Program, which provides worldwide support to the Air Force's Precision Measurement Equipment Laboratories around the world. The Air Force Measurement Standards Laboratory, located within Metrology, maintains all Air

direction, with the right resources, and with a plan that was likely to succeed. After Congress enacted the BRAC report into law, the responsibility to close the base fell to the Command. HQ AFMC quickly set up an integrated product team with membership from the headquarters staff, AGMC personnel, and people from each of the air logistics centers (ALC). This team looked at methods of accomplishing the Newark workload after the base closed. The team recommendation was briefed to the AFMC Mission Element Boards, where it was decided from an overall Command perspective that the best option was to try to implement PIP. The Command strategy was to ensure the senior HQ AFMC staff was an integral part of the acquisition and closure strategy.

In February 1994, HQ AFMC held the first of a series of roundtable meetings where the senior staff provided periodic guidance to carry out the closure and privatization of the AGMC.

The roundtable membership, as part of its first meeting, determined the primary management organizations of the AGMC repair work resided at the Ogden and Oklahoma City Air Logistics Centers. As part of its strategy, the membership designated Ogden to manage the overall privatization effort. The deadline for base closure was determined to be September 1996, less than three years away. That was the overall program guidance, and the commander at OO-ALC along with the weapon system managers, had to figure out how to manage and implement the program.

Since I had been involved in forming another team to handle meeting critical requirements for navigation satellites after the Space Shuttle Challenger explosion, the OO-ALC commander selected me to lead the AGMC privatization effort. With guidance to use whatever resources were needed to get the job done, I set out to form a small team to assemble the overall acquisition strategy and the contracting approach. I quickly pulled together a

half dozen acquisition and contracting experts, and we briefed HQ AFMC just seven weeks later on how we were going to do the job. The team soon grew to a dozen people.

The biggest issue in this entire program was the central idea of privatizing a DoD depot and whether the work should be privatized in place or privatized regardless of location. Newark Air Force Base was probably a very good choice for privatization since it was the smallest of the Air Force depots, and it had a specialized workload. The decision about whether to specify the location of future work was a tough one. There were good arguments to keep the AGMC workload where it was. There was an extensive amount of very complex, one-of-a-kind test equipment in place, much of which would not likely survive a move to another location. In addition, there was a highly skilled workforce at AGMC, which could be best retained if left in place.

Over the years, the facility had evolved into a specialized complex with extensive clean rooms and support services. Finally, the seismic stability of this part of Ohio was ideal for the precision test measurements and calibration work in the repair areas and the Air Force Measurements Standards Laboratory. After several months of discussion, industry's argument to allow proposals at other locations made good business sense, and HQ AFMC agreed to change that part of the RFP. The proviso was that any proposal on repair work must encompass all of the repair workloads.

### The Community— A Necessary Partner

A very central part of the privatization of AGMC was the plan to transfer title of the property to a local reuse authority (LRA). The requirements for closing bases demanded that the local community organize an LRA and that the LRA document how it would use the base facilities beneficially after closure. The neighboring cities of Heath and Newark then joined with Licking County to form an LRA, and found a

longtime civilian employee from Newark Air Force Base who would lead the efforts: Wally Horton.

With the cooperation of and help from Horton, we hammered out an approach where the LRA would take full ownership of the property, the buildings, and the essential equipment that had become an integral part of the facility, such as utilities and the heat and cooling systems. The Air Force would select the best contractors to perform our work at the LRA-owned facilities, and the LRA would lease the appropriate portions of the former Newark Air Force Base to our chosen contractors. The Air Force contractors would retain first right to use the appropriate facilities as long as needed. This solution gave the community the opportunity to keep a large percentage of the jobs in the community and its tax base. In addition, they would be able to solicit other business in portions of the base not needed by the Air Force contractors, and therefore bring new jobs to their community.

While there were challenges along the way, this proved to be a mutually beneficial approach. We had to help open contacts with state and federal organizations, and the LRA likewise pointed out changes to our approach to better reach our goals. Working as partners with a common goal, this approach worked well. But it depended a great deal on the expertise that Horton brought to the LRA from his long career as an AGMC employee and his skills at working with the Air Force hierarchy.

### Dealing With Change

Change was a constant in this program, as with so much of the acquisition community. We had to deal with a very basic change from PIP to privatization regardless of the location of the work. Fortunately, this change came about early enough that the RFP required only a few adjustments.

There were a number of changes to the workloads as we progressed with

the program. When the Air Force retired the F-111A airframes from its fleet early, we eliminated one organization from our team completely. After this decision, the managers from Sacramento ALC were no longer involved in the privatization of AGMC. Another change came when we contacted the Army and Navy about whether they wanted to include their navigation systems in our privatization effort. The Army decided to contract for all of their work separately, and the Navy agreed to include one of their workloads and to contract for the other on their own. Through this process, our list of repair workloads came down to the following Air Force guidance and navigation workloads, plus one navigation system for the Navy: Advanced Cruise Missile, Minuteman III and Peacekeeper ICBMs, A-10, B-1B, B-2, C-5, C-130, C-141, EH-60, F-4, F-15, F-16, F-117, KC-135, and MH-53.

As we neared completion of the RFP, Congress enacted the Federal Acquisition Streamlining Act (FASA). While the guidance for implementing FASA did not require us to use this streamlining approach, we seriously considered it. We subsequently made the decision not to apply the provisions of FASA because our timeline to award contracts was so short and because of the extreme need to leave time for an adequate transition period. This decision drove us to a very detailed set of work specifications, and included almost 3,000 pages listing the available government-furnished equipment and material.

### Working With Industry

Industry played a central role in much of this acquisition. As is often the case, differing perspectives in government and industry drive some unavoidable friction. The key for this program was to work together toward a sound goal, and to minimize that friction.

The Air Force issued its initial query as a request for information in April 1993. It was very open-ended and sought the opinion of industry on

*A major undertaking between us and industry was the identification of needed technical data and how we would gain access to that data once the contractor began repairs.*

how best to close the base. Industry's initial answer was to suggest moving the work to other locations where excess capacity existed. The Air Force, drawing upon its expertise with the specific facility and equipment, believed that moving the work away from Newark Air Force Base posed serious risks that had not been evaluated carefully by industry.

Our office worked very hard over the next year to fight the perception of indifference to industry's expertise. This started with a two-day industry conference in June 1994. We explained to industry what we intended to do, why we intended to do it a certain way, and asked for feedback on how we could improve our plans. Through this and a later series of discussions with industry, we ultimately reached the point where we had a good solicitation and were able to maintain good competition for the work.

We placed great importance on the draft RFP and the feedback we could gain from it. We pushed extremely hard to get the draft out in a hurry with enough material to allow constructive criticism, without holding up the show to wait for perfection. There were more than 300 comments from industry, and we made more than a dozen major changes to the RFP. These changes were as basic as whether to have a fixed price or a cost plus contract, and how many years the contract would cover. I am still amazed at how many improvements came out of the detailed industry review of the draft RFP.

To improve the communication process, we downloaded a series of files on the electronic bulletin board at Hanscom Air Force Base, Mass. This made our draft RFP available to industry far more quickly and we, in turn, received responses much sooner. Use of the bulletin board proved its merits many times over. Wherever possible, we included files outlining labor standards, material costs, operating procedures, and other internal AGMC information. On top of that, we continued to have face-to-face meetings at key points. The combination of the right exchanges at the right time allowed us to work faster and better in developing a final RFP that we could have confidence in as a way to get good proposals.

### Proprietary Data

A major undertaking between us and industry was the identification of needed technical data and how we would gain access to that data once the contractor began repairs. As a government depot, the Air Force had full rights to use the data for repair. Once this work transferred to a contractor's control, these rights no longer applied. This was the big issue that many people thought would prevent any significant privatization effort. It readily became apparent that much of the data needed for AGMC repair work was in fact marked as proprietary. Legal research showed the Air Force had to honor proprietary data mark-

ings until some type of definitive research or a cooperative agreement had been reached. A formal challenge of data rights could easily take two or three years and require massive amounts of research and legal support. We simply didn't have time for this with the tight schedule for closing Newark Air Force Base.

We initially identified 12 companies and divisions of companies that had proprietary data we needed to do the repair work. This is an area where the HQ AFMC staff played a major role. We invited senior members from all affected companies and divisions to discuss our desires and ideas on how to make the data available. A similar session at AGMC followed five months later. In the meantime, our contracts officer and deputy program manager traveled to each company and division facility to personally discuss the strategic importance of the data and how to best cooperate on this privatization effort. The results were very encouraging: six of the 12 groups agreed to allow use of the data at no charge through a Government Purpose License Rights agreement. The remaining companies at least agreed to deal fairly with all potential bidders in establishing some type of compensation for use of their data.

These results came about only after a lot of hard work. It took several man-years of effort at AGMC to identify the basic list of about 7,000 technical orders and drawings needed for the routine repair operations. After that, the weapon system managers and each of the original equipment manufacturers (OEM) was given the opportunity to modify the list of data used in routine repair and to identify which of that data contained proprietary data markings. Only after all of this work could we focus on that data marked as proprietary, whether we agreed with the markings or not.

The second part of the effort was to reason with each OEM on the specific data marked for proprietary use. We pointed out where newer technology

had far surpassed that used in the equipment repaired at AGMC. We also pointed out where there were no other logical applications for the technology. Our limited research on the massive list of data showed specific cases where the Air Force had been previously granted use for data, and we asked for the same type of permission. Finally, we always tried to protect legitimate claims of proprietary ownership and fully agreed to limit the ability of the winning AGMC contractor from using the data on any other efforts.

With the remaining list of needed technical data, the final step was for potential offerors to make business arrangements with the other OEMs for access. This proved to be a challenge, but one that was met successfully by those companies who were serious about submitting proposals on the Newark Air Force Base repair work.

While this approach proved to be successful for the Newark Air Force Base privatization, this is not necessarily a good match for workloads at other bases. There is no easy solution for the Air Force given the complex rules that govern rights for technical data. This issue should be central to any decision on how to, and even whether to, attempt to privatize a depot.

### Source Selection

We approached the source selection with great care. Our strategy up to that point had been to progress as fast as we reasonably could. This changed as soon as we started the formal source selection upon receipt of proposals in June 1995. The need to get on contract, start the transition period, and close the base was just as strong, but was tempered by our concern for protest either during or right after the source selection. We became meticulous in our attention to detail, documenting all of our actions thoroughly, and carefully considering the consequences with each step forward.

There were several principles that we established to guide our progress. Since we had by now decided to award

two separate contracts for the repair and metrology work, we had two separate teams, and really had two independent source selection decisions. We determined to keep them on the same schedule if at all possible, and to use a single source selection advisory council. The technical teams consisted of personnel from the AGMC Workload Transition Office, AGMC itself, and all of the weapon system managers. The total team was about 70 people. The advisory council consisted of senior personnel from the same organizations, plus senior members from HQ AFMC and from the Pentagon. The willingness of advisory council members to travel to the Ogden ALC when we called decision meetings stood as an example of the extraordinary cooperation that we received and vitally needed to stay on a tight schedule with such a high-visibility program.

The hard work leading to the final RFP and the extremely hard work during the source selection period showed up with a very good competition on both contract efforts. There was a mix of OEMs, companies with similar work experience, and those seeking new business to complement existing business activities. Both of the winning contractors were extremely competent and were expected to perform very well in the work previously done by Air Force personnel at AGMC. The other critical fact was that no other bidders lodged protests against the process or the final decision. I believe that our extra effort and cautious approach were right for these circumstances.

### Transition and Preparation For Base Closure

From the onset of the transition effort, we established the transition period as a way to reduce risks of a break in the repair lines. Our plan called for an ordered process to plan, document, and then be fully ready to take over a repair line. As the program schedule slipped a total of 10 weeks by the time of contract award, we shortened the transition period in kind. This made it even more important to prepare care-

fully for the final transition and base closure events.

The RFP required that the successful contractor plan and provide detailed documentation to show their readiness to conduct the transfer of responsibility (turnkey event) for each workload. Through careful planning on the part of the contractor, and thorough review by the Air Force, we all hoped to reduce the risks as the turnkey events approached. Another facet of the process was the requirement to actually demonstrate critical repair processes. If the documentation and planning was good enough, the Air Force intended to waive the demonstration events. Actual planning and documentation on the repair contract was so good that the Air Force waived 21 out of 29 planned demonstrations. For the metrology contract, the manager chose to conduct most of the demonstrations, and results at the time of the turnkey events were also very good.

Another concern during the transition phase was whether the winning contractors would be able to hire the highly skilled AGMC workers. Their plans were always to hire most of their workers from the existing workforce. This worked out very well. It was only during the final stages of filling out their workforce that the winning companies had to seek people from outside the

existing or recently retired AGMC workforce.

### Sharing Our Knowledge

We ultimately expended a lot of effort in transferring the lessons learned while privatizing Newark Air Force Base to the other DoD facilities slated for privatization. We certainly created one path toward successful award of contracts and transferring the work to private industry. Many of our lessons will apply to other depots, while others will serve as a benchmark to be improved upon or changed due to different circumstances.

Our team put together a summary level briefing of the lessons learned and used it with HQ AFMC and Pentagon personnel as they prepared to initiate other privatization efforts. We also worked directly with the next two depots slated for privatization: the San Antonio and Sacramento ALCs.

As more and more depots consider privatization, we respond to more and more inquiries from other offices who must develop and implement these plans. The Defense Logistics Agency is privatizing their operations at the San Antonio and Sacramento ALCs, and the Navy is privatizing two of their unique depots in Indiana and Kentucky. It's unclear just how many DoD depots will be seriously considered for privatization.

## IN MEMORIAM

The DSMC Visual Arts and Press recently learned of the death of long-time former employee, Frederick Hughes, Sr. Born in Johnstown, Penn., Hughes served in the Army and retired from the Air Force. He also retired from the Department of Defense as a graphic artist. Hughes was buried in Quantico National Cemetery with full military honors.

### Privatization— Is It a Good Thing?

The big question on the value of privatizing an Air Force depot will remain unanswered for some time. On the surface, we already proved that depot contracts can be planned and awarded. This can be done on a tight schedule when all levels of the Air Force are willing to go out of their way to help with the critical decisions. We demonstrated there is a way to transfer very complex repair operations to a competent contractor without causing a break in the flow of repaired items. What we won't know for some time to come is whether the results will prove to be significantly cheaper than the cost of operating an Air Force depot. Since the example of contracts at Newark Air Force Base are cost reimbursement contracts, it will be some time before we can truly evaluate how big the cost savings will be.

## DSMC & FEDERAL ACADEMY OF DEFENSE ADMINISTRATION AND MILITARY TECHNOLOGY TO CONDUCT INTERNATIONAL SEMINAR

**T**he Ninth Annual Acquisition/Procurement Seminar focuses on international acquisition practices and cooperative programs. The seminar is sponsored by the International Defense Educational Arrangement (IDEA) between defense acquisition educational institutions in Germany, France, the United States, and the United Kingdom.

Those eligible to attend are Defense Department/Ministry and defense industry employees from the four IDEA nations who are actively engaged in international defense acquisition programs. Other nations may participate by invitation. Nations participating in past seminars were Australia, Belgium, Canada, Denmark, Italy, The Netherlands, Norway, Portugal, Spain, and Switzerland.

This year the seminar will be held July 7-11, 1997, at the Federal Academy of Defense Administration and Military Technology (one hour from the Frankfurt Airport by train or bus). The last day of the

seminar, July 11, will be an optional day for those interested in the educational aspects of international acquisition.

The IDEA Seminar is by invitation only. Those desiring an invitation, who have not attended past IDEA Seminars, should contact the IDEA team at DSMC. Those U.S. DoD personnel receiving an invitation should submit an approved DD Form 1556 with a copy to DSMC by fax. Industry representatives should submit letterhead requests by fax. There is no fee for the seminar. Invitations and confirmations will be issued after May 1, 1997.

For more information, contact IDEA Team Members  
Prof. Richard Kwatnoski, Director, International Acquisition Courses  
or Sharon Boyd, Seminar Organizer

Commercial: (703) 805-5196/4592 DSN: 655-5196/4592  
Fax: (703) 805-3175