



19970122 118

PRIVATIZATION-IN-PLACE AND THE IMPACT
ON THE DEPARTMENT OF DEFENSE DEPOTS:
A CASE STUDY AT NEWARK AFB

THESIS

Mark Luttschwager, Captain, USAF

AFIT/GTM/LAL/96S-9

DISTRIBUTION STATEMENT A

Approved for public release;
Distribution Unlimited

DO NOT QUOTE OR PARAPHRASE

DEPARTMENT OF THE AIR FORCE
AIR UNIVERSITY

AIR FORCE INSTITUTE OF TECHNOLOGY

Wright-Patterson Air Force Base, Ohio

AFIT/GTM/LAL/96S-9

PRIVATIZATION-IN-PLACE AND THE IMPACT
ON THE DEPARTMENT OF DEFENSE DEPOTS:
A CASE STUDY AT NEWARK AFB

THESIS

Mark Luttschwager, Captain, USAF

AFIT/GTM/LAL/96S-9

Approved for public release; distribution unlimited

The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

AFIT/GTM/LAL/96S-9

PRIVATIZATION-IN-PLACE AND THE IMPACT
ON THE DEPARTMENT OF DEFENSE DEPOTS:
A CASE STUDY AT NEWARK AFB

THESIS

Presented to the Faculty of the School of
Logistics and Acquisition Management
of the Air Force Institute of Technology
Air University
Air Education and Training Command
In Partial Fulfillment of the
Requirements for the Degree of
Master of Science in Logistics Management

Mark Luttschwager, B.S.

Captain, USAF

September 1996

Approved for public release; distribution unlimited

Preface

This research was the result of the impetus to privatize depot maintenance operations and the concern expressed by many about the possible loss of thousands of jobs. Comparing and contrasting depot operations and proposed private sector operations will benefit in identifying why each system requires their proposed manpower levels. The results of this study should be useful to those parties interested in minimizing job loss with privatization in the military.

I would like to thank all those who helped compile the data necessary for this study. My thesis advisor, Dr. Craig Brandt, who provided just the right amount of guidance and allowed me the freedom to pursue this idea in my own way. Dr. Richard Taliaferro, who provided insight in areas that made this thesis a much better product. Major Terry Pohlen, who helped locate many sources of research material that added to the depth of this study. In addition, I would like to thank Mr. E. Dwayne Weir and Mr. R. F. Weideman, the Center Director and Deputy Center Director of the Rockwell Defense Electronics Division at Newark AFB and Mr. John E. Lindsey, the Operations Manager of Wyle Laboratories at Newark AFB, for their assistance and detailed information about their individual operations. Mr. John Day, Director

of Personnel at Newark AFB, who provided information about the transition services. Col William M. Hogan, Directorate Chief, USAF Metrology and Calibration program, for his insight into the operation of a truly unique operation. Finally, Col Joseph M. Renaud, Commander, Aerospace Guidance and Metrology Center and the sponsor of this research, for his knowledge, understanding, and support. I sincerely appreciate all of your assistance and support in making this research successful.

Last, but not least, I give heartfelt thanks to my wife Kathy and children Trinna, Mykahl, Jeremy, and Derrik. Without their patience, love, support, and understanding, this thesis would never have reached completion.

Mark Luttschwager

Table of Contents

| | Page |
|--|------|
| Preface | ii |
| List of Tables | vii |
| Abstract | viii |
| I. Introduction | 1 |
| Chapter Overview | 1 |
| General Issue | 1 |
| Specific Problem | 4 |
| Justification And Objectives | 4 |
| Investigative Questions | 5 |
| Scope and Limitations of the Research | 6 |
| II. Background of the Problem/ Review of the Literature .. | 7 |
| Chapter Overview | 7 |
| General Issue | 7 |
| Privatization Defined | 8 |
| The Growth and Transformation of Privatization | 10 |
| Base Realignment and Closure Commission (BRAC) | 12 |
| Training and Job Placement Programs | 18 |
| Core Maintenance and the 60/40 Rule | 21 |
| Public-Private Competition Debate | 26 |
| Newark Air Force Base | 32 |
| III. Methodology | 35 |
| Chapter Review | 35 |
| Research Approach | 35 |
| Investigative Question One | 35 |
| Investigative Question Two | 36 |
| Investigative Question Three | 37 |
| Investigative Question Four | 38 |
| Data Analysis | 39 |
| Data Integrity | 41 |

| | Page |
|--|------|
| IV. Presentation of Results | 45 |
| Chapter Overview | 45 |
| Investigative Question One | 46 |
| Investigative Question Two | 53 |
| Investigative Question Three | 57 |
| Investigative Question Four | 60 |
| V. Conclusions and Recommendations | 64 |
| Chapter Overview | 64 |
| Investigative Question One | 65 |
| Conclusion | 65 |
| Recommendation | 66 |
| Investigative Question Two | 66 |
| Conclusion | 66 |
| Recommendation | 67 |
| Investigative Question Three | 68 |
| Conclusion | 68 |
| Recommendation | 69 |
| Investigative Question Four | 70 |
| Conclusion | 70 |
| Recommendation | 72 |
| Recommendations For Further Research | 73 |
| Chapter Conclusion | 73 |
| APPENDIX A | 76 |
| APPENDIX B | 77 |
| APPENDIX C | 78 |
| APPENDIX D | 79 |
| APPENDIX E | 85 |
| APPENDIX F | 87 |
| APPENDIX G | 89 |

| | Page |
|--------------------|------|
| APPENDIX H | 90 |
| APPENDIX I | 91 |
| BIBLIOGRAPHY | 92 |
| VITA | 101 |

List of Tables

| TABLE | Page |
|--|------|
| 1 Depot Maintenance by Service and Type Equipment | 16 |
| 2 Major Transition Benefits Available to DoD Workers ... | 19 |
| 3 Sacramento Army Depot Workload Competitions | 29 |
| 4 Air Force FY91 Competition Results | 29 |
| 5 Navy Airframe and Engine Competition Results | 30 |
| 6 Impact on Future Privatization-In-Place | 46 |
| 7 Civilian Manpower Strength and Cumulative Losses | 55 |
| 8 Civilian Outsourced Functions | 76 |
| 9 Major Transition Benefits Available to DoD Workers ... | 78 |

Abstract

The purpose of this study is to document the change in organizational structure when military jobs and production are transferred to civilian corporations under privatization-in-place (PIP). Privatization-in-place is a new concept that is being implemented, at Newark AFB, as a result of base closure and the desire to maintain as many jobs as possible in the local community. In the course of this research, it is shown how the new civilian management structure compares to the existing military structure and functions. The purpose was to provide insight into what changes would occur under private management as opposed to public management. Base closures cause tremendous concern in local communities with their resultant impact to the socioeconomic structure. Privatization-in-place, as shown in this study, will keep jobs and incomes in the local community and therefore be less disruptive than with a normal base closure. In addition, this study shows why PIP is being implemented, initially, at Newark AFB and provides insight into proposed future implementations with recommendations for future projects.

PRIVATIZATION-IN-PLACE AND THE IMPACT
ON THE DEPARTMENT OF DEFENSE DEPOTS:
A CASE STUDY AT NEWARK AFB

I. Introduction

Chapter Overview

This chapter first identifies the basic concepts of privatization-in-place and provides a general overview of the problem. Second, this chapter explains the specific problem and provides the justification for and the objective of this research. These sections are followed by a list of investigative questions. Finally, this chapter establishes the scope and limitations of this research effort.

General Issue

With the end of the Cold War, we Americans find ourselves in a situation where we cannot justify the spending required to maintain the massive arsenals and stockpiles of equipment that we needed to defend ourselves against the former Soviet Union. As a result, we have been forced to reduce our military and DoD civilian personnel authorizations and close many military installations around the world. When a military installation closes, the local community suffers the brunt of absorbing not only the loss

of jobs but also the loss of income. In June 1995, the Commission on Base Realignment and Closure (BRAC) reversed the recommendations of both Pentagon and Air Force officials, calling for the closure of both Kelly Air Force Base, TX and McClellan Air Force Base, CA. These two bases are comprised of more than 30,000 government employees, and the impact of these closures would be traumatic on their local communities. To reduce the shock of these base closures, the Clinton administration has decided to use privatization-in-place. Since this concept has not been implemented in the Air Force depot system before, it would not be wise or feasible to experiment on the scale of bases such as Kelly and McClellan. Fortunately, Newark Air Force Base, Ohio, one of the bases chosen by the 1993 Base Realignment and Closure (BRAC) Commission to realign its functions, is a depot that is small enough to implement and test privatization-in-place (Schmitt (c): 8, 1995).

Privatization-in-place is a process that will enable a private contractor to assume control of existing government facilities and equipment and then produce the same product that was originally produced by government employees. The idea is that a private contractor should be able to produce the product at less cost than the government. As a result, a substantial savings should be returned to the government. In addition, the private contractor may hire many of the

previous government employees to accomplish the same tasks that they used to perform for the government. Also, local communities should be helped by the continued income and employment. This process could save as many as two-thirds of the jobs at large bases like Kelly AFB, TX (Masko (b), 1995: WWWeb), and there is even the possibility of increased jobs (Ripps, 1995: WWWeb).

There are currently many areas throughout the government where civilian contractors do the same job that military personnel used to do.

Already 83 percent of the Army's mess halls under private management. Beyond the kitchen, all the military services are planning to turn their entire food warehousing and delivery operations over to commercial companies by March 1997. (Lewthaite: 1, 1995)

With all the areas that can be and have been privatized over the last several years, many people are now asking why have the depots not been changed over before now? The answer, by law under Title 10 U.S.C. 2466, is that only 40 percent of depot level workload can be contracted out; the rest must remain in-house. However, Congressman Frank Tejada, of Texas, has formally filed legislation to repeal the 60-40 rule (Greater Kelly Development Corporation, 1996: WWWeb). If this legislation is passed, it could open up the Department of Defense depot systems to 100 percent privatization, which has been proposed by Deputy Defense

Secretary White (Commission on Roles and Missions of the Armed Forces: A-5, 1995). It is therefore imperative that information be collected and documented to show how the process of privatization-in-place is accomplished.

Specific Problem

The specific problem may be stated as: How will changes in management operations affect the personnel when transitioning from government control to private contractor control due to privatization-in-place?

Justification And Objectives

Since the privatization-in-place (PIP) of the Air Force depot systems has never been tried before, it is necessary to document the initial process and demonstrate how the private contractor will implement and establish operations. Both the good and bad aspects can be shown with the smaller scale implementation at Newark AFB. The results of this can then be used to ensure a successful implementation on the large scale at Kelly AFB and McClellan AFB.

The overall objective of this research was to identify the differences between government operation and private contractor operation and how the personnel were affected at Newark Air Force Base. The information obtained, which details the organizational structures, management changes, and personnel retained, can then be used to adjust and

restructure PIP implementation at Kelly AFB and McClellan AFB. These adjustments will help to ensure the maximum benefits possible for the Department of Defense and the United States Government when PIP is implemented.

Investigative Questions

To accomplish the research objective, data were collected to answer the following investigative questions:

1. How does the existing government management structure function as opposed to what the private contractor proposes? What impact will this have on future PIP implementations?
2. How many personnel from the existing government operation will the private contractor retain? What impact will this have on future PIP implementations?
3. How are the individuals who do not wish to remain in government service assisted in finding other employment? What impact will this have on future PIP implementations?
4. Will those who are employed by the contractor receive the same type of benefits that they received with the government? What impact will this have on future PIP implementations?

Scope and Limitations of the Research

This research was conducted to gain insight into the managerial structure and personnel changes that would result from PIP implementation at Newark AFB, OH. The intent was not to do a total study of the implementation of PIP at Newark AFB which would require research into areas such as:

- transition costs
- extra-contractual costs of the transfer
- dual costs during transfer (contractor personnel learning jobs/systems-particularly if the current workforce are not retained)

These concerns are beyond the scope and time-frame of this research and will be left for others to delve into.

II. Background of the Problem/ Review of the Literature

Chapter Overview

This chapter presents a review of what privatization is and how the changes from public to private operations will impact the management of Department of Defense depots. First, the chapter establishes a working definition of what privatization means, followed by a history of the establishment, growth, and transformation of privatization. The chapter then reviews why the Base Realignment and Closure (BRAC) Commission came into existence. Next, the chapter discusses the training and job placement programs in-place for DoD employees. This is followed by a review of what composes "core" maintenance and the 60/40 rule along with the laws governing them. The chapter will then show an overview of the public-private competition debate. The chapter closes with a brief discussion of how privatization-in-place will be accomplished at Newark Air Force Base.

General Issue

The Department of Defense depot maintenance system has been a military-controlled operation since its conception. However, now that the threat of global superpower confrontation is fading away with the last vestiges of the Cold War, the Department of Defense is focusing on downsizing through total-force reductions and massive budget

cuts. As a result, we must look for smarter, more efficient ways to stretch our dollars and still get the job done.

One of the quickest ways to accomplish total-force reduction and reduce spending has been through base closures. Unfortunately, this process not only removes the income generated from the military facility from the local communities, but also creates local unemployment. Base closures have become an everyday occurrence, they happen in almost every state, and affect thousands of people. There is, however, an alternative to many future base closures that will help to maintain income and jobs in local communities. This alternative is called privatization-in-place (PIP).

Privatization Defined

The idea of privatization is basically to remove the government (public) control from a service so that the service can be performed, instead, by a civilian (private) contractor. Examples of this can be found at the state and local levels of government and also in the Department of Defense. At the state and local level, many different services have been privatized to include airports, fire protection, and hospitals (see Appendix A). The Department of Defense has also privatized many services to include pest

control, telephone systems, and solid waste collection and disposal (See Appendix B).

There have been several different definitions of what privatization means and it is necessary to understand the difference between privatization and privatization-in-place in order to understand the objective of this study. The Office of Management and Budget (OMB) developed a definition of privatization that was described by Grier as, "The transfer of government services, assets and/or enterprises to private-sector owners and suppliers, when those owners and suppliers have the capability of providing better services at lower costs" (Grier: 31, 1989). Another definition provided by Kent is, "Privatization refers to the transfer of functions previously performed exclusively by government, usually at zero or below full-cost prices, to the private sector at prices that clear the market and reflect the full costs of production" (Kent: 4, 1987). Yet another concept of privatization, that is closer to the intent and scope of this research, was set forth by Savas and states that, "Privatization is the act of reducing the role of government, or increasing the role of the private sector, in an activity or in the ownership of assets" (Savas: 3, 1987). Clearly, there are almost as many permutations of the definition of privatization as there are authors to write about the subject. However, privatization

of services entails the transfer of the functions and responsibilities to private companies who then carry out these tasks. Many times under privatization, the new companies move the operations and control functions into their own facilities instead of performing them on-site. This is an essential difference between privatization and privatization-in-place.

Another difference is that with privatization, the private contractor usually provides their own equipment to perform the job. This contrasts with privatization-in-place where the contractor buys or leases the existing equipment and facilities from the government to accomplish the job (Kitfield: 42, 1995). As a result, the contractor does not have to possess the facilities or equipment before bidding on a privatization-in-place type contract. This study is concerned with the concept of privatization-in-place.

The Growth and Transformation of Privatization

The basis for privatization has been around for some time; in fact, it has been part of our government processes for more than 40 years. It was first initiated in 1955 by President Eisenhower's Bureau of the Budget, which announced the governmental policy of reliance on commercial sources for goods and services (Wheeler: 30, 1987). To further the idea and clarify the usage of privatization, in 1966 under

President Johnson's administration, the Bureau of the Budget issued its first authoritative document on commercial activities, Circular A-76. This publication soon became the guide for all privatization initiatives (Pope: 9, 1989) and was developed to "discourage the federal government from being in direct competition with private industry for goods and services" (Dept of the AF: The Privatization Process: 1, 1989). During the late 1960s and early 1970s, increased support of privatization was primarily due to the "taxpayer revolts". However, this was the period of the Great Society and not of economic reform (Wheeler: 30, 1987). As a result, there was little privatization implemented until the late 1970s. The next step in the evolutionary process was stated best by Wheeler:

President Carter's Office of Management and Budget revised Circular A-76 in 1979, but it fell to the Reagan Administration to establish the first significant momentum in commercial activities. What began as leadership without a program had become a program without leadership. Both were now provided, set within an agenda for realizing, in Mr. Reagan's words, "why we came to Washington." (Wheeler: 30, 1987)

Although growth continued in privatization, usually in repetitive non-technical services (see Appendix B), the opposite was happening with the depot systems. By 1987, the DoD depot system had reached its peak employment of approximately 148,000 people. Since that time, depot personnel have been reduced by over 40 percent, but the

facilities and equipment remained at prior levels (GAO (c): 5, 1996). In order to reduce these areas and others within the DoD, the Defense Secretary's Commission on Base Realignment and Closure was chartered on May 3, 1988.

Base Realignment and Closure Commission (BRAC)

The purpose of this commission was to recommend military installations within the United States, its commonwealths, territories, and possessions for realignment and closure. The Congress and the President subsequently endorsed this approach through legislation that removed some of the previous impediments to successful base-closure actions (Base Realignments and Closures: 6, 1988).

These impediments were the result of 1977 legislation which stated that any closure actions that affected more than 300 DoD civilian personnel mandated Congressional approval. In 1983, the President's Private Sector Survey on Cost Control (the Grace Commission) recognized that national defense could be improved, and its cost reduced, through a more efficient military base structure. The Grace Commission, therefore, recommended that a non-partisan, independent commission be established to study the base-closure issue (Base Realignments and Closures: 6, 1988). As a result, the Defense Secretary's Commission on Realignment and Closure was formed on May 3, 1988 and then made binding

under Public Law 100-526 on October 24, 1988 in the Base Closure and Realignment Act. There have been four Base Realignment and Closure (BRAC) processes. The first was in 1988, followed by 1991, 1993, and finally 1995. Each has been a separate entity with modifications and alterations to adapt to changing conditions such as the passage of the Defense Base Closure and Realignment Act of 1990 (Title XXIX, P.L. 101-510), which halted any major closures unless DoD followed the new act's requirements. This act created:

- Independent BRAC Commissions
- Outlined procedures, roles, and time frames for the President, Congress, DoD, GAO, and the commission to follow
- Required that all bases be compared equally against
 - Selection criteria to be developed by DoD and
 - DoD's current force structure plan

In addition, this legislation mandated rounds of BRAC reviews in 1991, 1993, and 1995 (GAO (c): 15, 1996).

When selecting a base for closure or realignment, selection criteria were created to ensure that each installation was graded on the same scale. To ensure this unbiased selection, total of eight criteria were developed and divided into three categories:

I. Military Value (given priority consideration)

1. The current and future mission requirements and the impact on operational readiness of the Department of Defense's total force.
2. The availability and condition of land, facilities, and associated airspace at both the existing and potential receiving locations.
3. The ability to accommodate contingency, mobilization, and future total force requirements at both the existing and potential receiving locations.
4. The cost and manpower implications.

II. Return on Investment

5. The extent and timing of potential costs and savings, including the number of years, beginning with the date of completion of the closure or realignment, for the savings to exceed the costs.

III. Impacts

6. The economic impact on communities.
7. The ability of both the existing and potential receiving communities' infrastructure to support forces, missions, and personnel.
8. The environmental impact. (Defense Base Closure and Realignment Commission: C-1, 1993; Cassata (a): 1765, 1995)

Using these criteria, the BRAC process has closed, or is in the process of closing, 10 DoD depots since 1988. Even so, the results of the 1995 BRAC process determined that the depot system had 40 percent excess capacity. (This analysis was based upon a 5-day week, with one 8-hour-per-day shift operation.) As a result, 10 of the 29 major DOD depot maintenance facilities—Army depots, Air Force logistics centers, naval aviation depots, naval shipyards, naval warfare centers, and Marine Corps logistics bases—that

perform depot maintenance work—are in the process of being closed as DoD maintenance depots (GAO (d): 5, 1996). This is a vast amount of DoD logistics repair capability to be closing and without a doubt, depot maintenance is a key part of the total DoD logistics effort. The current depot system supports millions of equipment items: 53,000 combat vehicles; 514,000 wheeled vehicles; 372 ships; and 17,300 aircraft of over 100 different models (GOA (e): 4, 1996).

Over the years, the DoD depots have shared this workload with private-sector companies and by 1993, the private sector performed about 30 percent of the military's depot-level maintenance. Moreover, the percentage of work done in the private sector was roughly similar for the Army, the Navy, and the Air Force (see Table 1).

This percentage of workload complied with DoD Directive 4151.1, "Use of Contractor and DoD Resources for Maintenance of Materiel," which directed the services to plan for not more than 70 percent of their depot maintenance to be conducted in DoD depots to maintain a private sector industrial base (DoD Directive 4151.1).

Table 1, Depot Maintenance by Service and Type Equipment

| Share of depot-level Maintenance Performed in the Private Sector by Service and Type of Equipment, 1990 Through 1993 (in percent) | | | | |
|---|------|-----------------------|-----------|--------------|
| Equipment | Army | Navy and Marine Corps | Air Force | All Services |
| Fixed-Wing Aircraft | | | | |
| Fighter, bomber, and attack | n.a. | 24 | 26 | 25 |
| Transport and tanker | n.a. | 58 | 51 | 51 |
| Other aircraft | 100 | 10 | 53 | 29 |
| All fixed-wing aircraft | 100 | 20 | 39 | 34 |
| Helicopters | | | | |
| Helicopters | 43 | 29 | 75 | 38 |
| Ground Systems | | | | |
| Combat vehicles and artillery | 20 | 0 | n.a. | 18 |
| Automotive and construction | 12 | 0 | 1 | 9 |
| Ordnance, weapons, and munitions | 50 | 9 | 0 | 16 |
| Other systems | 4 | 81 | 38 | 44 |
| All ground systems | 19 | 22 | 34 | 22 |
| Missiles and electronic systems | | | | |
| Missiles | | | | |
| Strategic | n.a. | 100 | 28 | 59 |
| Tactical | 34 | 56 | 0 | 38 |
| Electronic systems | | | | |
| Communications | 25 | 65 | 30 | 32 |
| Avionics | 37 | 33 | 26 | 30 |
| Army or NAVSEA cont software support | 100 | 100 | n.a. | 100 |
| All electronic systems and missiles | 36 | 44 | 27 | 36 |
| Sea Systems | | | | |
| Aircraft carriers | n.a. | 23 | n.a. | 23 |
| Submarines | n.a. | 3 | n.a. | 3 |
| Other ships | 100 | 54 | n.a. | 54 |
| Components and other systems | n.a. | 23 | n.a. | 23 |
| All sea systems | 100 | 31 | n.a. | 31 |
| All Equipment | | | | |
| All Equipment | 35 | 30 | 36 | 32 |
| <p>SOURCE: Congressional Budget Office based on data from the services provided to the Defense Science Board Task Force on Depot Maintenance Management, April 1994.</p> <p>NOTES: Percentages are based on the cost of public and private workloads over the four year period. Costs are grouped according to the service that managed the work. For example, Air Force helicopters maintained in Navy depots are included in data for the Navy.</p> <p>NAVSEA = Naval Sea Systems Command; n.a. = not applicable.</p> | | | | |

(Congressional Budget Office: 140-141, 1993)

In addition, several other legislative mandates have been passed that affect depot operations. The first of these is Title 10 U.S.C. 2464, which provides for a "core" logistics capability to be identified by the Secretary of Defense and maintained by the DoD unless the Secretary waives DoD performance as not required for national defense. The General Accounting Office provided a good working definition of core as, "the capability, including personnel, equipment, and facilities, to ensure timely response to a mobilization, national contingency, or other emergency requirement (GAO (e): 5, 1996).

Another statute, Title 10 U.S.C. 2466, prohibits the use of more than 40 percent of the funds made available in a fiscal year for depot-level maintenance or repair for private sector performance (GAO (e): 5, 1996). As a result of this 60/40 rule, the depots must maintain 60 percent of their repair capability within the depot.

A third statute, Title 10 U.S.C. 2469, provides that competitive procedures that include public entities be used when privatizing depot maintenance workloads valued at \$3 million or more (GAO (d): 7, 1996).

However, with the reduced threat of global confrontation and the increased emphasis on regional conflicts, these mandates may be subject to change. The Congressional Budget Office believes the DoD may find that

allocating a larger share of maintenance to the private sector can reduce its costs and yet still ensure high-quality, responsive support in major regional conflicts (Congressional Budget Office: 33, 1993). By moving more work to the private sector, the hardships of base closures and realignments on local communities will be lessened.

Training and Job Placement Programs

The DoD has initiated several training and job placement programs (see Table 2,) that have helped 20,692 workers as of July 31, 1995. Of this number 694 employees were separated through the reduction-in-force process; 11,286 found another job through such programs as DoD's priority placement program; 8,712 separated voluntarily (GAO (d): 5, 1996). This success can be attributed to legislative action and the services' comprehensive outplacement program that includes:

- Job placement assistance
- Job training opportunities
- Separation incentive pay (for those who resign voluntarily)
- Early retirement options (GAO (d): 5, 1996)

Table 2, Major Transition Benefits Available to DoD Workers

| Program/Benefits | Description |
|--|---|
| Placement Programs | |
| Priority Placement | Provides mandatory placement rights for separated DoD workers to other vacant positions within DoD. When a vacancy occurs, employees have a right to mandatory placement in those positions matching their skills and grades. |
| Defense Outplacement Referral System | The automated job referral system enables employees in the public and private sector who have job vacancies to get a list of DoD workers who may match the skill needed. |
| VSIP Exchange | Provides an incentive payment to employees who resign or retire from installations that are remaining open, and the vacant positions are then filled by employees from closing depots who are moved to their new duty assignments at government expense. |
| Training/Transition | |
| Job Training Partnership Act | Eligible DoD employees can participate in career counseling, testing, retraining, placement assistance, support services, and financial counseling. |
| Transition Assistance Center | Provides a variety of services to dislocated employees, including assessment tools to provide guidance in making career changes; workshops on stress management, job search, and interviewing techniques; assistance in preparing resumes; job fairs; and administrative support. |
| Separation Incentives | |
| VSIP (voluntary separation incentive pay) | A lump sum incentive equivalent to an employee's severance pay entitlement, up to a maximum of \$25,000, is paid upon voluntary resignation, early retirement, or optional retirement. |
| Voluntary Early Retirement | Employees can retire early if they have at least 20 years of service and have reached age 50 or have 25 years of service, regardless of age. Annuities are reduced by 2 percent for each year below 55. |
| Relocation Benefits | |
| Reimbursement of Relocation Costs | DoD employees transferring to other DoD and federal government jobs are reimbursed for travel, transportation, and relocation expenses. |
| Homeowner's Assistance | DoD offers to buy a worker's house if it cannot be sold and provides compensation for some property value losses. |

(GAO (d): 33, 1996)

It is still early in the process to state the exact amount of success these programs have. However, at two depots that have closed or are near final closure the number of involuntary separations remains low.

At the Sacramento Army Depot, although 164 employees were separated through the reduction-in-force process, this represents only 7.3 percent of the

total losses and, according to the depot commander, most of these employees chose to be separated rather than to relocate to other localities where DoD jobs for which they qualified were available. Likewise, at the Lexington-Bluegrass Army Depot, only two employees have been separated through the reduction-in-force process. (GAO (d): 27, 1996)

To help personnel with job placement assistance, referral services, counseling, resume preparation, and even interviewing techniques, the services set up transition centers at each closing depot. These placement programs often depend upon whether or not the employee desires to relocate. Displaced DoD employees are given priority in hiring decisions and when combined with a policy of giving workers an opportunity to move with workloads being transferred to other depots, have been effective in securing employment for many displaced workers (GAO (d): 30, 1996).

On the other hand, when employees chose not to relocate, it may be impossible to place them in comparable jobs in the same geographic area (GAO (d): 31, 1996). Also, the depots might be the single largest employer in the area, require extensive skills and job knowledge, and pays better than most civilian companies. As a result, it may be impossible to place depot employees in comparative civilian jobs at their old depot wage. This may in turn, force the employee to switch career fields, again usually resulting in lower wages.

Opportunities to apply for federal grants to upgrade or acquire new skills under the Defense Conversion Adjustment and Defense Diversification programs are available to employees at closing depots. The DoD has allocated \$225 million to retrain employees at closing bases (GAO (d): 35, 1996). This type of training can be in areas such as computer science, automobile repair, social work, and teaching and can be made available for up to two years (GAO (d): 32, 1996).

In addition, the Fiscal Year 1995 National Defense Authorization Act authorized \$12.5 million for DoD civilians to participate in several new programs.

A pilot program was established whereby, if certain conditions were met, DoD would pay up to \$10,000 of the relocation and/or training costs of former DoD employees hired by nonfederal employers. A second program was designed to place separated military and terminated civilians in teaching positions as bilingual math and science teachers. Finally, demonstration projects were authorized to help military and terminated civilians become business owners and obtain employment by participating in the establishment and operation of ship recycling facilities. (GAO (d): 35-36, 1996)

Core Maintenance and the 60/40 Rule

Lessening the impact of base closures and realignments on local communities by moving more workload from public to private control will necessitate a change in what "core" maintenance means and the traditional 60/40 rule.

The Department of Defense is now moving away from previous decisions to keep as much organic (in-house) repair as possible and is now looking to privatize, or outsource, more of the depot maintenance workload than ever before.

However, Title 10 U.S.C. 2464 states that:

DoD activities should maintain a logistics capability sufficient to ensure technical competence and resources necessary for an effective and timely response to a mobilization or other national emergency. It also requires that the Secretary of Defense identify specific logistics activities necessary to maintain the core capability described by that provision. (GAO (g): 21, 1996)

To do more outsourcing would have the effect of reducing the core capability which is in opposition to Section 311 of the National Defense Authorization Act for Fiscal Year 1996. This act, as reported by the General Accounting Office states:

The DoD policy should provide that core depot-level maintenance and repair capabilities are performed in facilities owned and operated by the United States. Core capabilities include sufficient skilled personnel, equipment, and facilities that are of the proper size to ensure a ready and controlled source of technical competence, and repair and maintenance capability necessary to meet requirements of the National Military Strategy and other requirements, and to provide for rapid augmentation in time of emergency. (GAO (e): 9,1996)

The Department of Defense has defined core depot maintenance as the capability maintained within organic defense depots to meet readiness and sustainability requirements of the weapon systems that support the Joint

Chiefs of Staff scenarios (GAO (g): 21, 1996). The core capability, therefore, exists to minimize operational risks and to guarantee required readiness for these weapon systems and should be composed of the minimum facilities, equipment, and personnel to ensure a ready and controlled source of required technical competence. As a result, the depot maintenance for these weapon systems will be the primary workloads assigned to DoD depots to support core depot maintenance capabilities (GAO (g): 21, 1996).

The Deputy Under Secretary of Defense, in November 1993, issued a policy memorandum that directed each service to quantify, by January 1994, what their individual depot maintenance core requirements were. The secretary provided the methodology to follow which emphasized that core depot maintenance capability comprises only the minimum level of capability needed to support mission-essential weapon systems (GAO (g): 22, 1996). Core is the "capability" to support specific weapons systems instead of core meaning to provide "maintenance" for all weapons systems. As a result, depot maintenance for some core engines could be privatized since the capability to repair the engines is similar to the same capability used to repair other core engines in the public depot (GAO (g): 22, 1996; Klugh: 2-3, 1995).

The Deputy Under Secretary of Defense also mentioned in the memorandum that it is not core policy that all mission-

essential hardware be maintained in a DoD depot. As a result, the depots could utilize private industry to maintain mission-essential weapon systems if the services were satisfied that reliable sources of repair existed in the private sector to eliminate any risk to the weapon system. With the changing of the appropriate laws, most notably Title 10 U.S.C. 2464/2466/2469, could eventually result in the privatization of all depot workloads.

According to Dr. John P. White, Chairman of the Commission on Roles and Missions of the Armed Forces, the services' methodologies for determining "core" requirements for in-house maintenance capacity are to set "requirements" that exceed the real needs of the national strategy (Commission on Roles and Missions of the Armed Forces: 3-6, 1995).

With proper oversight, private contractors could provide essentially all of the depot-level maintenance services now conducted in government facilities within the United States. This includes any "standby" surge capacity that may be needed. Private competitive practices (including market-driven innovation) should reduce operating costs and provide equal or greater responsiveness. (Commission on Roles and Missions of the Armed Forces: 3-7, 1995)

As a result of this study, the Commission recommended that the Department of Defense transition to a depot maintenance system that relies mostly on the private sector. In addition, DoD should retain organic depot capability only where private-sector alternatives are not available or

cannot be developed reasonably (Commission on Roles and Missions of the Armed Forces: 3-7, 1995).

The Pentagon's Depot Maintenance Task Force, as reported by LeSueur, stated that the service's core workload should be reduced from its current size and that the private sector only should perform upgrades and modifications (LeSueur (c): 1, 1994; LeSueur (e):10, 1994). This thought was also brought forth in the May 4, 1994 Deputy Secretary of Defense Memorandum, Depot Maintenance Operations Policy. This policy mentioned that as major modifications and upgrades are not, by definition, part of depot maintenance DoD core, these will be primarily accomplished by the private sector (Klugh: 3-3, 1995).

Many people have mistakenly confused the idea of core maintenance capacity with a concept known as the 60/40 rule. It is easy to understand why since the 60/40 rule prohibits the military departments from using more than 40 percent of any fiscal year's depot-level maintenance funds to contract workload to the private sector (GAO (g): 6, 1996). In other words, 60 percent of depot maintenance must be accomplished by federal employees (Gregory: 59, 1994; Grier (a): 68, 1994; Holzer: 30, 1994; LeSueur (d): 1, 1994). As a result, many people equate this 60 percent of depot maintenance that must be accomplished by federal employees, as core maintenance capability. However, they are both governed by

different laws. Core is under Title 10 U.S.C. 2464 and the 60/40 rule is under Title 10 U.S.C. 2466. Core is a concept of readiness and maintaining that readiness while the 60/40 rule is a percentage to restrict spending in the private sector.

It should be noted that with the reduction of what is considered to be core maintenance, the opportunity is now available to transfer more of the depot workload to the private sector—at least up to the 60/40 level. But what if reducing the core maintenance level enables more than 40 percent of the depot maintenance workload to be transferred to the private sector? This question has created a lot of debate between Congress and the Department of Defense to determine the correct level of privatization.

Public-Private Competition Debate

Competition has always been a means to provide the best product at the lowest price to the customer. Competition was initially encouraged between private contractors and the depots for non-core depot maintenance workloads (Holzer et al.: 9, 1993). The Navy's public-private competitions usually resulted in savings and/or benefits. Also, for competed workloads, public depots substantially reduced operating costs through streamlined production processes and reduced overhead costs. The Navy was even going to expand

their public-private competitions to over \$550 million over a 6-year period (GAO (i): 3, 1996). However, all public-private competition was stopped in May 1994, by the Deputy Secretary of Defense, for several reasons. Industry felt that the depots had an unfair advantage because the depots are backed by the federal government, meaning they are shielded from the penalties that affect industry for cost overruns (LeSueur (d): 10, 1994). In addition, the depots do not pay taxes and the accounting systems are different (Holzer et al.: 10, 1993). By far, the biggest issue, of fairness, centers on the private sectors' concerns that the DoD depots' prices, during competitions, did not include such costs as labor and material to be applied to competition work as well as an appropriate portion of the overhead (GAO (i): 3, 1996).

The Department of Defense has notified depot activities that they could compete for workloads if certain conditions were met (GAO (i): 7, 1996); however, no competitions have been held since the program was terminated in 1994 (GAO (i): 3, 1996). The main reason for the lack of further competitions has been the differences in the accounting systems between the public and private sectors.

DoD's current policy prohibits public-private competitions until financial accounting systems are improved and the Defense Finance and Accounting Service certifies that all adequate procedures are in

place to identify and track all pertinent costs. (GAO (i): 7, 1996)

Public-private competition has been profitable in more areas than cost savings. In fact, at the Ogden Air Logistics Center (ALC) the turn time for fixing wheels and brakes in landing gear was cut from thirty days to ten days, on the average (Grier (c): 51, 1992). However, competition can be a two-edged sword. Table 3 shows the public-private competitions from the closing of the Sacramento Army Depot workloads. Although these workloads stayed within DoD, they did not all go to the Army. The Sacramento Air Logistics Center won five of the workloads and the Tobyhanna Army Depot won the other four.

The Air Force held several public-private competitions in 1991 in areas ranging from avionics to engines, with private industry winning 3 of the 5 competitions. The results of this competition are shown in table 4.

Table 3, Sacramento Army Depot Workload Competitions

| Dollars in Thousands | | | | |
|---|----------------------|----------------------------|-----------------|-----------------|
| Equipment Group | Dates of Competition | Source Selection Authority | Basis for Award | Award Amount |
| Competition won by the Sacramento ALC | | | | |
| Fighting Vehicle electronics | 1/92 - 7/93 | Missile Command | Best value | \$3,715 |
| Electro-optics Night-vision equipment | 2/92 - 11/93 | Missile Command | Best value | \$48,102 |
| Gyros | 8/92 - 10/93 | CECOM | Low cost | \$1,260 |
| Radar | 4/92 - 7/93 | CECOM | Best value | \$3,474 |
| Test Measurement Diagnostic Equipment (TMDE) | 11/92 - 12/93 | CECOM | Low cost | \$1,235 |
| Total | | | | \$57,786 |
| Competitions won by the Tobyhanna Army Depot | | | | |
| Airborne electronics | 10/91 - 1/93 | CECOM | Best value | \$4,653 |
| Radios | 6/92 - 10/93 | CECOM | Low cost | \$4,976 |
| Intelligence and Electronic warfare | 9/92 - 11/93 | CECOM | Best value | \$7,204 |
| Wire/data Communications switches | 2/93 - 12/93 | CECOM | Low cost | \$1,358 |
| Total | | | | \$18,191 |
| Total | | | | \$75,977 |
| Note: Total may not add due to rounding CECOM (Communications-Electronics Command) | | | | |

(GAO (d): 38, 1996)

Table 4, Air Force FY91 Competition Results

| Dollars in millions | | | |
|---|--------------|----------------------|------------------------|
| Workload | Center | Total Contract Value | Awards |
| TF33 Engine vanes and shrouds | OC-ALC | \$6.7 | 3 Jul 91 (Private) |
| T56 Engine gearbox | SA-ALC | \$7.8 | 4 Sep 91 (Private) |
| F-16 A/B/C/D Operational flight programs | OO-ALC | \$1.5 | 25 Sep 91 (Private) |
| TRC-97A Radio | SM-ALC | \$2.9 | 25 Sep 91 (SM-ALC) |
| ARC-186 Radio | WR-ALC | \$3.8 | 27 Sep 91 (WR-ALC) |
| | TOTAL | \$22.7 | |
| OC (Ogden), SA(San Antonio), OO (Oklahoma City), SM (McClellan), WR (Warner-Robbins) ALC (Air Logistics Command) | | | |

(Rigsbee and West: 26, 1992)

In addition, the Navy has also held several public-private competitions in areas such as airframe overhauls, upgrades, and engines. These competitions have yielded the results shown in table 5.

Table 5, Navy Airframe and Engine Competition Results

| Dollars in millions | | | | | | |
|-------------------------|-----------|------------------|-------------------|---------|------------------|-------------|
| Workload | Year | Type of Work | Number of Bidders | | Winner | Award Value |
| | Completed | | Public | Private | | Estimate |
| F-14A airframe overhaul | 1988 | Public existing | 1 | 2 | Public NADEP | \$81.8 |
| P-3C aircraft upgrade | 1988 | New | 1 | 1 | Public NADEP | \$31.5 |
| SH-2F airframe overhaul | 1990 | Private existing | 1 | 2 | Private | \$22.0 |
| S-3A aircraft upgrade | 1990 | New | 1 | 1 | Private | \$29.7 |
| F/A-18 airframe rework | 1993 | Public existing | 2 | 2 | Public Air Force | \$72.3 |
| J-52 engine repair | 1993 | Public existing | 2 | 1 | Public NADEP | \$30.0 |

(GAO (i): 18, 1996)

However profitable, either in how quickly the work was accomplished or in monetary savings, there will be no more public-private competitions until the cost accounting systems can be resolved. The Department of Defense wants the Defense Finance and Accounting Service, which owns the DoD accounting systems, to certify that adequate procedures are in place to identify and track all relevant costs (GAO (i): 7, 1996). The General Accounting Office is recommending that the Defense Audit Agency would provide a more rigorous, independent assessment of the ability of military depots to

identify and track the costs of competition work and to prepare competition bids that includes all appropriate costs (GAO (i): 8, 1996). Which system is better will be the subject of future debate

As in all important issues there are two opposing sides and it was soon apparent that there were two different ideas on how depot workloads should be distributed. On one side was the Department of Defense, which desired to follow the findings of the Defense Science Board and privatize a maximum amount of depot maintenance. On the other side was the Congress, which desired to maintain a maximum amount of depot workload in the depots (Holzer (c): 1, 1994). Soon after a 4 May 1994 directive from Deputy Defense Secretary John Deutch to halt public-private competition and move towards more private sector involvement in depot maintenance workloads, the House Armed Services Committee approved provisions that required a shift in workloads back to the depots. The difference between these two opposing views is best shown in the amount of money each would spend in private sector involvement. Under the DoD plan, upwards of \$8 billion would have been spent in the private sector as opposed to the Congressional plan of only \$1.5 billion (Holzer (c): 1, 1994). Whatever the answer is it does remain that with the downsizing of the core maintenance

requirement more workload could be transferred to private industry.

Newark Air Force Base

The Department of Defense is in the process of developing a comprehensive statement of depot maintenance policy. This policy will have a preference for privatizing maintenance support for new weapons systems and for those current workloads designated as non-core (GAO (e): 9, 1996). Depending on how this policy is implemented could lead to significant amounts of core depot maintenance workload being reclassified as non-core and then privatized. A case in point is the depot facility at Newark Air Force Base, that was once classified as 100 percent core, now is being privatized-in-place. Two missions are supported at Newark Air Force Base by the Aerospace Guidance and Metrology Center. The first, is depot-level maintenance of aircraft inertial navigation systems and missile guidance systems. This is the single Air Force center for repairing these components and systems installed in most Air Force Aircraft and the Peacekeeper and Minuteman III ICBMs (Renaud, 29 August 1996). The second mission is the Air Force Metrology and Calibration (AFMETCAL) program which assures a system of accuracy for all calibrated items throughout the Air Force inventory from the flightlines to the hospitals. There are

over 970,000 items in the Air Force inventory requiring periodic calibration (Renaud, 28 August 1996. Newark was selected in the 1993 BRAC and is scheduled to close in October 1996. After this time, the missile and aircraft repair workloads will be privatized-in-place, the metrology management will remain under Air Force management and control, and the calibration workload will also be privatized-in-place (Forgey, WWWeb).

To implement this plan, the facilities and property at Newark Air Force Base will be transferred to a local reuse commission. This commission will then lease space to one prime contractor, for the guidance systems, who will provide depot-level repair and maintenance work. A second prime contractor will be leased space to perform the metrology and calibration work and write calibration manuals. Finally, space will be leased by the Air Force metrology program management group (GAO (a): 4, 1995). The Air Force originally proposed to privatized all the functions but later determined that:

the Air Force Metrology and Calibration Program's material group manager function could not be privatized because it is a function considered to be "inherently governmental." In performing this function, AGMC civilian and military employees provide policy and direction for all precision measurement equipment laboratories Air Force wide, inspect these laboratories for compliance with required policies and procedures, and procure calibration standards used in calibration laboratories. (GAO (a): 5, 1995)

An office was established at Hill Air Force Base, UT, to prepare the statement of work, request for proposal (RFP), acquisition plan, source selection plan, and any necessary related documents. A scheduled 9-month transition time frame was also established in order to allow the contractors time to build up their infrastructures and train personnel. This time also ensures the least amount of interruptions in the ongoing operations.

There is considerable disagreement about the extent that each depot should privatize. This study is concerned primarily with the viability of implementing privatization-in-place at the Newark Air Force Base installation. This also includes the personnel of this installation and whether or not their concerns are being taken care of?

As a depot facility, Newark Air Force Base provides a unique opportunity to test privatization-in-place on a smaller scale than with the depot facilities at Kelly Air Force Base, TX, and McClellan Air Force Base, CA. For this reason, this research was tailored to meet the needs of the Newark Air Force Base facility.

III. Methodology

Chapter Review

This chapter describes the procedures used to answer the investigative questions that were presented in Chapter I. Data collection included an extensive search and review of the literature and numerous personal and telephone interviews. The chapter also describes the population from which the data were collected, how the data were analyzed, and the measures that were taken to ensure reliability and validity.

Research Approach

To discuss the full extent of this research, data were gathered and analyzed to specifically address each of the four investigative questions. Each question is restated below, followed by a definition of its intent, and a listing of those individuals and organizations contacted.

Investigative Question One

How does the existing government management structure function as opposed to what the private contractor proposes? What impact will this have on future PIP implementations?

The intent of this question is to discern if there is any inherent difference in how the management operations are performed under public control as opposed to private

control. The goal was to determine if there were any additional, or fewer, requirements necessary to maintain efficiency and control when transferring a public controlled operation to private contractor control.

Initially, interviews were conducted with the Aerospace Guidance and Metrology Center Commander and the Director of Metrology. As the individuals in charge, they would be the best personnel with the knowledge of how the day-to-day operations of Newark Air Force Base are managed.

Secondly, interviews with contracting personnel from both Rockwell International and Wyle Laboratories were conducted to identify any changes that will be made when these private contractors assume operation of the facilities at Newark. Rockwell International will provide depot-level repair and maintenance work for the guidance systems and Wyle Laboratories will perform the metrology and calibration work and author calibration manuals.

Investigative Question Two

How many personnel from the existing government operation will the private contractor retain? What impact will this have on future PIP implementations?

The intent of this question is to identify how many personnel the private contractors will require to perform operations at Newark as opposed to the current government

operations. The goal is to determine if operations under government control are more or less efficient than the same operations under contractor control and why.

Initially, interviews were conducted with the Aerospace Guidance and Metrology Center Commander, the Director of Metrology, and the Director of Civilian Personnel at Newark Air Force Base. Secondly, interviews were conducted with the personnel at Rockwell International and Wyle Laboratories offices at Newark Air Force Base. All who were contacted enabled the gathering of expert opinions for this investigative question.

Investigative Question Three

How are the individuals who do not wish to remain in government service assisted in finding other employment? What impact will this have on future PIP implementations?

The intent of this question was to determine if there were personnel at Newark Air Force Base who did not wish to work under other management or who wished to move to other locations when their tasks were transferred to other military facilities. The goal was to determine if adequate relocation and personnel services were available to help the government employees transition to new employment.

Initially, a listing was gathered of the available services that are provided to government employees. These

services are shown in Appendix C. Interviews were conducted with the Aerospace Guidance and Metrology Commander, the Director of Metrology, Director of Civilian Personnel, and the chief of the Employee Assistance Office at Newark Air Force Base, OH, to determine what types of programs were in-place and the extent they were utilized. Secondly, interviews were also conducted with personnel at the Rockwell International and Wyle Labs offices at Newark Air Force Base to determine what measures they would initiate to assist personnel with the change over.

Investigative Question Four

Will those who are employed by the contractor receive the same type of benefits that they received with the government? What impact will this have on future PIP implementations?

The intent of this question was to identify the types of benefits that were received by employees under government controlled operations as opposed to those benefits received under contractor controlled operations. The goal was to determine if the benefits provided by the government or the contractor have any bearing on the employees desire to transfer to other government controlled operations or to transfer to the contractor controlled operations.

Initially, interviews were conducted with the commander, the Director of Metrology, and Director of Civilian Personnel at Newark Air Force Base. Secondly, interviews were conducted with personnel at the offices of Rockwell International and Wyle Laboratories at Newark Air Force Base.

Data Analysis

The data collection was accomplished in two distinct phases prior to data analysis. The first phase was composed of interviews with government personnel. The purpose of these interviews was to determine the government's requirements in the areas discussed in the investigative questions. An example is investigative question two, which is concerned with the number of personnel the private contractor will retain after assuming control of the operations at Newark Air Force Base. Interviews with government personnel indicate the exact number of personnel that government operations will require. However, a limitation for government personnel was that while they knew what management and work practices that the private contractor would implement, they could only provide approximate numbers of personnel that would be retained since many of the personnel had not yet decided that question for themselves.

The second phase consisted of interviews with the private contractor personnel from Rockwell International and Wyle Laboratories. These interviews were extremely important to the research since Rockwell International and Wyle Laboratories were the contractors that were awarded the contracts for Newark Air Force Base. Since these companies bid on the Newark contract, they were aware of how their operations would be implemented and maintained. As a result, they had the knowledge of the number of personnel that their operations required. Because of this knowledge, the private contractor personnel provided the primary source of data.

Data analysis was conducted by attempting to identify a consensus in the replies. Both the government and contractor replies were summarized separately. The data acquired through government interviews were relatively easy to gather and analyze, since each of the investigative questions had specific individuals and organizations that could provide detailed information.

In the same vein, the data acquired through contractor interviews were also relatively easy to gather and analyze, since this research pertained to only one location and a limited number of contracts. As a result, there were also specific personnel and organizations that were able to provide the detailed information that was needed.

Data Integrity

The semi-structured interview was the primary means of data collection and was used for all the interviews. A questionnaire was prepared by the researcher prior to the interviews which listed the specific areas to be covered during the interview. The questionnaire was used as a guide for the researcher and ensured a measure of standardization for each interview. The questions used for the interviews with government personnel are shown in Appendix D and those used for contractor personnel are shown in Appendix E. Interviews were accomplished by the researcher in person and by telephone with several personnel in the public sector and with the private contractors who were awarded the Newark Air Force Base contracts. The researcher believes that a representative sample was reached. Attempts were made to contact the two contractors who were awarded the Newark Air Force Base contracts. Contact was achieved with full interviews conducted with each of the two companies. The selection of these two firms was based on their award of the Newark contracts and subsequent knowledge of how they would implement their operations.

One of the most important sources of case study information is the interview (Yin: 88,1988). As such, the personal interview was the preferred method when possible. With a focused, semi-structured approach the researcher was

able to ask open-ended questions that enabled more detailed information in key areas as well as the respondent's opinions about events. Personal interviews were invaluable in that they provided a technique for gathering data and a means for seeing how the respondents felt about the areas covered.

Personal interviews do, however, have disadvantages. "They are subject to the problems of bias, poor recall, and poor or inaccurate articulation," (Yin: 91, 1988). To minimize the possibility of interviewer bias, the research was cautious to avoid inappropriate or leading questions, question rephrasing, tone of voice, or word emphasis.

Since there were limited travel funds available to AFIT students, telephone interviewing was accomplished due to the moderate costs involved (Emory: 169, 1985). Use of the telephone interview, provided a reasonably efficient means to contact personnel over long distances such as the Privatization Project Office in Ogden Utah, government personnel at Newark Air Force Base, Ohio, and the two companies who were awarded the Newark Air Force Base contract. Use of the telephone interview also decreases the likelihood of interviewer bias (Emory: 170, 1985). Unfortunately, the lack of eye contact required the use of different methods to gather information. As a result, the interview questions were read slowly and with care to

articulate each word clearly to ensure the interviewee understood the question correctly.

The researcher attempted to conduct a standardized interview for both the personal and telephone interviews. Access was gained to the individuals with the knowledge to answer the researcher's questions by presenting a brief description of the study. As soon as contact was made with the correct personnel, several standardized statements were made, the brief description of the study was again stated to orient the individual with the study, their strictly voluntary participation was made known to them, and the intended uses of the study results were explained. To maintain standardization within the interviews, the questions were read aloud, exactly as printed on the questionnaire. Next, simple probing questions were used to ensure a full response to the investigative question. Several of the interview techniques that were utilized included using expectant pauses, repeating the question, and repeating the interviewee's reply. Where possible a tape recorder was used to capture the interviewee's reply to the questions, "tapes certainly provide a more accurate rendition of any interview than any other method" (Yin: 91, 1988). When the use of the tape recorder was not possible, the questionnaire was used to immediately write down the interviewee's responses in order to preclude any loss of

data or misinterpretations. After the interview was finished, the researcher, in private, documented a brief description of both the interviewee and the tone of the interview on the tape or questionnaire.

In order to maintain a standardized interviewing process, the interviewer was the same throughout all the interviews. In this manner, the behavior of the interviewer could be standardized to minimize the negative impacts of any interpersonal aspects. Those interviews accomplished in person, were done in military uniform to present a positive and professional appearance.

For each investigative question, the data were compiled and summarized in a separate format. This method made the identification of any outliers much easier and in addition, quickly identified any trends or consensus ideas for each question.

The usage of the techniques mentioned above helped to ensure that a consistent measurement was obtained. In addition, these techniques should enhance the reliability and validity of the information gathered, which will serve to maximize data integrity.

IV. Presentation of Results

Chapter Overview

The findings of the investigative questions presented in chapter I are discussed in this chapter. To competently address the scope of this study, the data were gathered to specifically answer each of the four investigative questions. To accomplish this, personal and telephone interviews were conducted with government and contractor personnel to answer each of the investigative questions. Government personnel at the Newark Air Force Base, OH, installation and the Program Office at Hill Air Force Base, UT, were contacted and telephone interviews were accomplished. In addition, personnel from the firms who were awarded the Newark Air Force Base, OH, contracts were contacted and personal and telephone interviews were accomplished.

A summary of the results of the government and contractor personal and telephone interviews, as they pertain to the impact on future privatization-in-place initiatives, are shown in Table 6 for each investigative question.

Table 6, Impact on Future Privatization-In-Place

| Privatization-In-Place | Government | Contractor |
|-------------------------------|-------------------|-------------------|
| Management Structure | Minimal | Positive |
| Number of Personnel Retained | Direct | Direct |
| Transition Services | Direct | Direct |
| Same Type of Benefits | No Impact | No Impact |

(Day, 25 June 1996)

This table displays the basic answers to the four investigative questions as they pertain to the impact on future privatization-in-place initiatives from the government and contractor perspectives. This table will be used as a guide to direct the answers to the investigative questions and each will be examined in detail. To accomplish this, each investigative question will be restated in the following pages and followed by a detailed description of the results shown in Table 6.

Investigative Question One

How does the existing government management structure function as opposed to what the private contractor proposes? What impact will this have on future PIP implementations?

The intent of this question is to discern if there is any inherent difference in how the management operations are performed under public control as opposed to private control. The goal was to determine if there were any additional, or fewer, levels of management requirements

necessary to maintain efficiency and control when transferring a public operation to a private contractor.

Government operations have always had several layers of management and supervision. In the researcher's personal experience as an enlisted Avionics Navigation Systems Specialist, there were supervisors, section chiefs, branch chiefs, maintenance chiefs, commanders, Deputy Commander For Maintenance, and finally the Wing Commander. The management hierarchy at Newark Air Force Base is similar, but has some differences due to Newark being a depot installation and not an operational Air Force Base. Also, force restructuring has changed the organizational structure over the last few years. As a result, the Aerospace Guidance and Metrology Center (AGMC) at Newark Air Force Base has a structure that encompasses supervisors, section chiefs, branch chiefs, division chiefs, a directorate chief, and the AGMC Commander (see appendix G). The levels of supervision and management have dropped over the years from seven levels to six and in some cases to five levels. However, private industry has even fewer levels (Weir, 27 June 1996; Weideman, 27 June 1996; Lindsey, 27 June 1996) (see appendix H and I). Private industry works for a profit motive while public operations are not profit driven. Because of this, private industry is continually looking for newer and better methods to increase profits that have resulted in fewer levels of

supervision and management. As a result, the contractor operations at Newark Air Force Base will have two or three levels of supervision and management. Complex workloads may have as many as four levels. This is approximately three levels of supervision and management less than the current government operations.

It was also discovered that the contractors will employ fewer personnel than were required at Newark Air Force Base (Renaud, 25 June 1996). This is due to the government operations requiring administration, finance, purchasing, personnel and logistics support, to name a few, to be collocated at Newark. The contractor will perform many of these functions at a different off-site location that will consolidate activities from many different operations within a region. The number of individuals to be employed to maintain operations in the repair and metrology contracts will be approximately 98 personnel (Lindsey, 27 June 1996). This number is slightly less than the number of personnel required by the current government operations. The repair operations will employ about 850 personnel of which approximately 90 percent, or about 750 personnel, will be employees retained from the current government operations at Newark (Weir, 27 June 1996; Weideman, 27 June 1996;). This number is also slightly less than the 825 personnel employed in the current depot repair operations. The remainder of

the personnel, approximately 133 personnel, at the Newark Air Force Base, OH, installation will be in the Calibration Management portion of the facility and will be composed of military and government service civilians.

A good measure of how well the operations are controlled and maintained, when transferring management from public to private operation, is through the quality of the resulting products and processes. The current Air Force operation is actively pursuing the use of quality principles throughout Newark. The training, implementation, and use of quality principles has been easier to establish since the predominance of the population is civilian (Hogan, 27 June 1996; Renaud, 27 June 1996). This means there are fewer personnel transfers which helps with standardization. Therefore, once trained, everyone has the same perception of what quality means (Renaud, 27 June 1996). For example, the metrology function is more process oriented and therefore more functionally aligned at Newark than at most Air Force bases because of the nature of the job. This is the only place in the Air Force that can do this type of work (Hogan, 27 June 1996). As a result of their experience and knowledge, the personnel in metrology implemented a quality initiative to increase the time between evaluations from two years to three years at most Air Force calibration sites. The use of improved technology, equipment, and personal

abilities greatly aided this quality initiative. Both contractors advocate strong quality programs which has made the transition at Newark easier to accomplish (Renaud, 27 June 1996).

Both contractors also believed that the employees should benefit from their process and product improvement ideas by receiving cash award fees. Wyle Laboratories established a total quality process, where all the employees have equal access to the program. Employees are recognized for any contribution they make to the process and the higher the award fee the more the employee receives. This is 75 percent for the employee and 25 percent for the company when the award fee is above 95 percent (Lindsey, 27 June 1996). The award fee is inherent in the contract itself. This privatization-in-place initiative was accomplished through a cost-plus-award-fee contract. This allows for the application of incentives in contracts that are not susceptible to factors such as precise measurement of cost efficiency and technical performance.

The fee established consists of two parts: (1) a fixed amount that does not vary with performance and (2) an award amount in addition to the fixed amount sufficient to provide motivation for excellence in contract performance in areas such as quality, timeliness, ingenuity, and cost effectiveness. (Government Contract Guidebook: 4-20, 1994)

Rockwell breaks their process down into teams called Intermediate Repair Teams (IRT). These teams are empowered

to make decisions and even perform their own quality inspections. Since they do not have quality inspectors, each individual is qualified to make their own inspections (Weir, 27 June 1996; Weideman, 27 June 1996). This program of PAC (Product Acceptance Certification) was an AFLC wide initiative that began in the late 1980's (Renaud, 28 August 1996). Rockwell also recompenses their employees through an award fee sharing program, where anything over 90 percent of the award fee the employee shares 50 percent. In addition, there are team awards and even individual awards from other members of the team.

If quality remains high, then how will the success of the operation be measured? There are many methods of measuring success like mean-time-between-failures (MTBF) or even in controlling costs. The current government operation also looks at how well the customer is supported, attitudes in dealing with customers, how well the organization works together, and the desire of the employees to be at work which all impact how good the end product is (Renaud, 25 June 1996).

"We also looked at recycle rates which is a measure of major defects, these were not done per 1000 hours of repair because it was felt that granularity would be lost in the aggregation." (Renaud, 28 August 1996)

Rockwell International will use many of the previously designed metrics such as MTBF, short time, and zero time

failures. However, they will also use some different metrics like defects per 1,000 hours of repair or possibly defects per opportunity to try to reach a six-sigma figure that Motorola pioneered (Weir, 27 June 1996; Weideman, 27 June 1996). On the metrology side, success is measured during weekly and monthly meetings to review progress, success, and failures. In addition, personnel actively look for way to improve processes in support of customers. Newark metrology personnel meet twice a year with customers worldwide to evaluate performance and performance measures are also published once a month. A periodic newsletter is sent to all major command customers to share information so that "all the cards are on the table" and customers are encouraged to send in their feedback to improve the processes (Hogan, 27 Jun1996).

To ensure a successful turn over to Wyle Laboratories, the contractor was made a "full partner." This entailed the contractor attending all meetings and being involved in all decisions prior to the turn over. As a result, Wyle Laboratories personnel are better equipped to step in and assume control of the metrology operation. Wyle Laboratories also considers a wide range of metrics to measure success. Objective quantities of productivity which measures the number of assets turned out based on historical data, quality processes to produce fewer rejects, and

ensuring the personnel are happy to minimize turn over (Lindsey, 27 June 1996). Workforce involvement was discovered by the researcher to be the key whether in process and product success or in the transition of management. By ensuring that everyone understands what is happening and are actively involved success was almost automatic.

The impact on future privatization-in-place initiatives with the changing of management structures, on the government side, was felt to be minimal since empowerment is a major thrust of the AGMC and Air Force quality program. However, both contractors felt that there would be positive improvements due to better industry efficiencies and utilization of resources. These were in areas such as more direct man hours per year productivity, opportunities to reduce costs and reduce management levels, and by empowering employees to make more and more decisions.

Investigative Question Two

How many personnel from the existing government operation will the private contractor retain? What impact will this have on future PIP implementations?

The intent of this question is to identify how many personnel the private contractors will require to perform operations at Newark as opposed to the current government

operations. The goal is to determine if operations under contractor control are more or less efficient than the same operations under government control and why.

There are currently less personnel employed at Newark Air Force Base than there were before closure was announced as a result of BRAC 1993. This is due to many reasons. First, there have been force structure changes that have caused downsizing that actually started prior to privatization-in-place actions and lowered the number of employees from approximately 1,850 to 1,500 personnel. There have been technology changes that positively impacted product reliability and therefore necessitated fewer personnel than before. Finally, there have been cost driven changes from DMRDs to lower overhead costs that have resulted in reductions in personnel (Renaud, 25 June 1996). A movement freeze was then initiated in the beginning of 1996 when manpower strengths reached the correct levels of approximately 1,200 personnel. By the time operations at Newark are turned over to the contractors, the ending strength will be approximately 1,050 personnel. Since it is normal to lose 3 to 4 percent of your workforce per year to attrition, temporary hires were done to make up the difference in order to keep the mission functional. Table 7 shows civilian manning strengths by quarter and cumulative losses.

Table 7, Civilian Manpower Strength and Cumulative Losses

| Year | Quarter | Manning | Losses |
|--|-----------|---------|--------|
| 1994 | 1 October | 1,541 | ----- |
| 1995 | 1 January | 1,476 | 100 |
| | 1 April | 1,451 | 161 |
| | 1 July | 1,467 | 207 |
| | 1 October | 1,436 | 260 |
| 1996 | 1 January | 1,395 | 326 |
| | 1 April | 1,286 | 469 |
| | 31 May | 1,033 | 934 |
| 31 May 1996 manning number includes 193 temporary hires 31 May 1996 manning and losses numbers include personnel who are working for the government that are in the process of transferring to contractor operations. Since this process is fluid, the numbers will not add correctly | | | |

(Day, 25 June 1996)

When Wyle Laboratories assumes control of the metrology functions, they will employ close to 100 personnel of which 90 percent should be from the Newark operation (Lindsey, 27 June 1996). The Air Force will maintain upwards of 135 military and civilian personnel to provide policy and direction for all precision measurement equipment laboratories Air Force wide, inspect these laboratories for compliance with required policies and procedures, and procure calibration standards used in calibration laboratories (GAO (a): 5, 1995). Rockwell International has targeted over 750 requirements for Newark personnel. Their desire is to have 95 percent of their workforce to be from Newark and the remainder made up from Rockwell Original Equipment Manufacturer (OEM) management and technical specialists (Rockwell Guidance Repair Center Employee Handbook: 2-7, 1996). Rockwell intends to have an ending strength of approximately 850 personnel. Further, Mr Weir,

the Center Director, has stated that if they do not make the 95 percent utilization it will be because the personnel are not available to fill the position due to the priority placement program or retirement (Weir, 27 June 1996; Weideman, 27 June 1996). There is a resulting difference of approximately 65 personnel less under contractor operation. This is due to several reasons including less administrative, security, purchasing, personnel and logistics support. Use of priority place programs and retirements may affect availability but have no effect on required personnel.

The researcher has found that the utilization of this many personnel is normal for this specific privatization-in-place initiative. This is due to the experience and knowledge base that the current employees possess that is very difficult if not impossible to replace. Newark personnel work on missile and aircraft guidance systems and establish calibration standards for the entire Air Force and many DoD installations.

Using as many personnel as possible from the existing operation will therefore facilitate the transition process and is beneficial to the contractor to bring that experience base over so they can continue to produce the outstanding product that they have here at Newark. (Weir, 27 June 1996; Weideman, 27 June 1996)

Both government and contractor personnel feel that the number of employees that the contractor utilizes from

existing operations will have a direct impact on future privatization-in-place implementations (Hogan, 27 June 1996; Renaud, 25 June 1996; Lindsey, 27 June 1996; Weir, 27 June 1996; Weideman, 27 June 1996). The idea is not to displace the people but change the employers (Lindsey, 27 June 1996). It must be remembered that each privatization-in-place initiative is unique and must be constructed and implemented for the specific job and area of the country that it is to be implemented at.

Investigative Question Three

How are the individuals who do not wish to remain in government service assisted in finding other employment? What impact will this have on future PIP implementations?

The intent of this question was to determine if there were personnel at Newark Air Force Base who did not wish to remain under other management or desired to move to other locations when their tasks were transferred. The goal was to determine if adequate relocation and personnel services were available to help the government employees transition to new locations or new jobs.

When Newark Air Force Base came out on the 1993 BRAC list, personnel at Newark established an Employee Assistance Office (Day, 25 June 1996). This office helps personnel by showing DoD jobs nationwide that are available for employees

who desire to relocate to a job somewhere else in the country. Facilities across the United States send their job openings and qualifications to the Employee Assistance Office on a regular basis (Rizzotte, 25 June 1996). This office will see on the average of 500 to 600 personnel per month, and many times individuals will come to the office more than once. As the time draws nearer to transition to contractor control, more and more employees are using the facility. As many as 1,396 personnel assistance actions occurred utilizing the resources at the Employee Assistance Office in January of 1996. The Employee Assistance Office also helps personnel to prepare for the transfer to contractor employment. If the contractor requires education or training in certain skills to qualify for employment, the employee can apply for aid. A \$2.75 million grant, through the Department of Labor, has been set up to help employees with counseling, financial assistance, education, and training. This program has been responsible for helping between 600 and 700 personnel (Day, 25 June 1996). Other services include the Priority Placement Program that places individuals in similar jobs at other locations. In addition, if the employee desires to stay in the local area, then similar employment opportunities are sought and the employee assisted to move to that company (See appendix C).

As would be expected, the contractors do not provide services to personnel who wish to leave their employ. However, they do provide good services to their personnel who are transferring to another location within their company. However, this situation is not common and would not be expected to occur with any regularity except possibly with upper management positions. This is another aspect of the differences between public and private operations. As a result, the contractors felt that this was not a contractor function and there would be no impact to future privatization-in-place initiatives. The researcher did discover that, as far as the contractors are concerned, these services could be construed to be anti-privatization-in-place. This is due to these services helping to move the workforce away from the area and jobs when the contractor may need them to perform operations under contractor control. In the case of Newark Air Force Base, these jobs are not performed at other locations; many are unique to Newark and the outflow of personnel could hurt the privatization-in-place effort. As a result, both contractors felt that government provided services will have a direct impact on future privatization-in-place initiatives.

Government personnel also believe that these transition services can have a direct impact on future privatization-

in-place efforts. In fact, the Employee Assistance Office at Newark Air Force Base, OH, using the Priority Placement Program, has assisted over 400 personnel in examining potential job offers nationwide (Day, 27 June 1996).

Investigative Question Four

Will those who are employed by the contractor receive the same type of benefits that they received with the government? What impact will this have on future PIP implementations?

The intent of this question was to identify the types of benefits received by employees under government-controlled operations as opposed to those benefits received under contractor-controlled operations. The goal was to determine if the benefits provided by the government or the contractor have any bearing on the employee's desire to remain with the government controlled operations or to transfer to the contractor controlled operations.

There are several benefits in question, some will be similar, some different, and some will even be lost. One of the largest similarities in benefits between the government and the contractors will be the matching of current employee salaries by both contractors (Lindsey, 27 June 1996; Weir, 27 June 1996; Weideman, 27 June 1996). This goes a long way in "leveling the playing field" for the personnel at Newark

to decide whether to transfer to contractor controlled operations or to move on to other jobs. The action of matching salaries is a necessity for the contractor to have any chance of retaining the skilled and experienced personnel required to perform the tasks at Newark. In addition, any other contractors would do the same to retain this type of workforce. However, this is written into the contract and is not paid for out-of-pocket by the contractors. Another similarity is the health benefits, with a slight edge going to the contractors' plans which are similar to an HMO (Day, 25 June 1996).

Those benefits that will be different are dental and retirement. Current government employees may not receive dental benefits but will through the contractor. This dental coverage is for the employee and eligible dependents with no employee contribution towards the monthly premium (Rockwell Guidance Repair Center Employee Handbook: 4-5, 1996). Retirement benefits, on the other hand, are a little more involved because of the different options available. First, a government employee, who is eligible for retirement, could retire and then start to work for the contractor at day one and work towards vestment and retirement with the contractor. Vestment is the right to retirement benefits, which starts after 5 years of continuous service with both contractors. Another option,

if the individual is not government retirement eligible, would be to transfer straight over to the contractor. If the individual has more than 5 years at Newark, they are then automatically vested with the contractor. If they have less than 5 years at Newark when they transfer to the contractor, the individual must work the difference between their time at Newark and the 5 year mark to be vested with the contractor. In other words, both contractors, by choice, are counting time in service at Newark towards vestment in their retirement programs (Rockwell Guidance Repair Center Employee Handbook: 4-8, 1996). A final difference is that industry pays more of the life insurance premiums than civil service does (Weir, 27 June 1996; Weideman, 27 June 1996).

Those benefits that will be lost are accrued vacation time and the ability to retire from civil service. Accrued time is in discussion right now with no answer as of this writing. Currently, employees will lose all built up time when transferring to the contractor. In addition, when the individual transfers to the contractors' operations they will also forgo any chance for a civil service retirement. A plus to this may be that when retiring with the government, the individual must pay into the plan, while the contractor requires no employee contribution.

If the same type of benefits are provided to the employees, than both government and contractor personnel agree there will be no impact on future privatization-in-place initiatives.

V. Conclusions and Recommendations

Chapter Overview

The purpose of this study was to identify the differences between public controlled operations and private controlled operations and how this transfer of control affected the employees at Newark Air Force Base, Ohio. In order for this task to be accomplished, information was gathered and provided to the reader to ensure understanding of the issue involved. A background on privatization was reviewed, including a brief history of privatization, current issues between Congress and the Department of Defense, and programs that have been established to help the personnel at closing bases and depots. In addition, the methodology that was used to answer the investigative questions, the associated analysis, and data integrity concerns were also reviewed. The results of this research were presented in chapter four. This chapter will restate each investigative question followed by any conclusions drawn from the data and any recommendation for further action. Finally, a list of topics for further research is also provided.

Investigative Question One

How does the existing government management structure function as opposed to what the private contractor proposes? What impact will this have on future PIP implementations?

Conclusion

Government operations have always had more levels of supervision and management than in similar private industry operations. Each method of operation, while producing the same end result, is approached from two entirely different reasons. Public operations, until recently, have not been as cost oriented as their counterparts in private industry. As a result, industry, with a profit motive, is driven to perform in as cost effective a manner as possible. To the employee, this means that costs are now a larger concern than they were in the past, but it does not really matter who the manager is. What is most important, especially at Newark, was the preparation that was put into this initiative. By the time the contractors arrived and transition was begun, everyone at Newark was already informed of all the issues and were actively involved in the process of transition.

Recommendation

While it does not appear to matter which management structure is in place, it does matter how involved the current management team is. It is critical to ensure that all the information that is received about base closure and transition actions must be disseminated to the employees in a timely and accurate manner. These same employees must believe they are part of the team that is working towards a successful transition. Without their wholehearted cooperation, the privatization initiative coupled with the base closure may be doomed to failure.

Investigative Question Two

How many personnel from the existing government operation will the private contractor retain? What impact will this have on future PIP implementations?

Conclusion

Both government and contractor personnel believe that the number of personnel retained by the contractor will have a direct impact on future privatization-in-place initiatives. However, with this specific privatization-in-place initiative transition at Newark, the contractors needed a majority of the current workforce to carry on the operations. This is due, primarily, to the experience and knowledge base possessed by the employees and the fact that

many of the functions carried out in the repair and calibration functions are unique to Newark. The Rockwell functions will retain approximately 750 personnel, the Wyle Laboratories operation will retain approximately 100 personnel, and the Air Force will maintain a contingent of approximately 135 personnel. This equates to about 985 personnel maintained from the 1,050 who were available when the transfer to contractor control occurred. The remaining personnel were administrative and similar related functions that were not required by the contractor.

Recommendation

Future privatization-in-place initiatives may not involve such a unique situation as that posed at Newark. It is reasonable to suggest that a review of future privatization initiatives be accomplished to determine which functions are unique or difficult to replace, like Newark, and which functions are not. The employees, in all functions and specialties, must then be informed whether or not the contractor requires their work specialty. Those employees who have non technical or specialty skills, who wish to use the government provided transition services, should be assisted to the utmost ability of their local Employee Assistance Office. These individual will be hit the hardest by privatization-in-place initiatives. However,

those technical and specialty skills that are unique or difficult to replace may be offered salaries that are comparable to their current government wages. These individuals should be encouraged to remain and if possible transition over to the contractor operation to help ensure a smooth and positive transition. Personnel must be cautioned that there is the possibility of the loss of civil service retirement when transferring over to contractor operations. Understanding of the type of contract used in future privatization-in-place initiatives and the types of benefits that will be provided by the contractor must be known before the employees can make a meaningful decision.

Investigative Question Three

How are the individuals who do not wish to remain in government service assisted in finding other employment? What impact will this have on future PIP implementations?

Conclusion

There are several services available to government employees that they can use to help make the best decisions for their future employment. These services will help them to either remain in the local area working for a different company or even to relocate them to another area of the United States. Counseling, education, and training are made available through grants from the Department of Labor to

ensure the personnel receive the best possible assistance. An Employee Assistance Office is set up at each closing base to help the personnel transition with the base closure. In addition to all the above mentioned services, companies from across the United States send their employment needs to these offices so that the government employees can determine their best choices.

Recommendation

The continued establishment and use of the Employee Assistance Offices is highly encouraged. In addition, since there are no laws yet for the implementation of privatization-in-place initiatives, base closure laws are used. These are two very different concepts and should be separated with their own governing laws as soon as possible. For example, there are over 960 base closure initiatives that must be accomplished before the government turns the base over to the local community reuse committee. In the normal course of a closure, the mission, equipment, and personnel are scaled down and the normal workload that must be accomplished by the personnel is also scaled down. However, if the operation is only changing management and is not shutting down, but still uses base closure procedures, then on top of continuing with a full scale operation, the personnel must also take on the tasks of accomplishing the

base closure initiatives. It should be possible to streamline the base closure initiatives down to a more manageable checklist that would better fit a privatization-in-place.

Investigative Question Four

Will those who are employed by the contractor receive the same type of benefits that they received with the government? What impact will this have on future PIP implementations?

Conclusion

This privatization-in-place initiative was accomplished through a cost-plus-award-fee contract. This is a type of cost-reimbursement contract that is a variation of the cost-plus-incentive-fee contract. This allows for the application of incentives in contracts that are not susceptible to factors such as precise measurement of cost efficiency and technical performance.

The fee established consists of two parts: (1) a fixed amount that does not vary with performance and (2) an award amount in addition to the fixed amount sufficient to provide motivation for excellence in contract performance in areas such as quality, timeliness, ingenuity, and cost effectiveness. The amount of the award fee to be paid is based on a subjective evaluation by the Government of the quality of the contractor's performance, judged by the criteria set forth in the contract. (Government Contract Guidebook: 4-20, 1994)

As shown in the literature review, there is disagreement as to the accuracy of the Air Force accounting system. It was for this reason and the fact that privatization-in-place has not been implemented before that this type of contract was used (Parrish, 2 July 1996). With a cost-reimbursement type of contract, the matching of government salaries by the contractor is possible since the government bears the final costs not the contractors. With no benchmarks to measure how well the privatization-in-place implementation process is progressing, it is difficult to know what to put into the contract. As a result, this has been a learning process for both government and contractor personnel. As mentioned before, private industry is in business to make a profit. Therefore, if the benefits, and their costs, are not expressly incorporated into the contract then it is unreasonable to demand that the contractor pay for these additional costs. This results in changes to the contract which adds to the government's overall costs. Therefore, as long as the benefits that the contractor can provide are similar to the government provided benefits, the only impact to future privatization-in-place initiatives will be the additional costs, to the government, of these matching benefits in the contract. In addition, if matching salaries are not seen as a necessity in future privatization-in-place initiatives not only will

the cost of the contract be less but the retention of personnel will be more difficult.

Recommendation

Now that the first privatization-in-place initiative is being implemented, documentation stating what benefits should and should not be included in future contracts needs to be accomplished. Areas such as the transfer of accrued vacation time and time in service were not in the original contract. The ability to match benefits will have a tremendous impact on the successful retention of personnel. It must be remembered that Newark Air Force Base has many unique taskings that cannot be accomplished at other locations. As a result, the personnel were highly recruited to transfer to contractor controlled operation. Future privatization-in-place initiatives may not have unique taskings resulting in the workforce not being highly recruited. Since government wages are usually higher than the surrounding community wage rate, and private industry is profit driven, it may be less expensive for the contractor to replace the existing workforce. As a result, whenever possible, the ability of the contractor to match benefits will help to "level the playing field" and ensure that the employees receive the best possible alternatives.

Recommendations For Further Research

Privatization-in-place has just begun and has a tremendous depth and breadth of areas to explore. The following list is just a few of the areas that have potential for further research.

- 1- Prepare a case study of Newark Air Force Base after PIP implementation on 1 October 1996.
- 2- Prepare a case study of the pre-implementation processes at either Kelly Air Force Base, TX, or McClellan Air Force Base, CA.
- 3- Research the core maintenance concept, 60/40 ruling and associated laws such as Title 10 U.S.C. 2464, 2466, and 2469 and what should be done to change them to make PIP easier to implement.
- 4- Prepare a case study on the step-by-step processes to implement PIP.

Chapter Conclusion

This is the first implementation of privatization-in-place in the Department of Defense. As with all "first" occurrences, there will be growing pains as both government and contractor personnel learn how to build the contracts. It was shown that as long as the benefits remain similar, it does not matter what the type of management structure is in place. In addition, it was shown that the number of personnel retained by the contractor had a direct impact on the PIP implementation. It was fairly easy to retain a majority of the Newark workforce due to the nature of the work performed there. However, other PIP initiatives may

not have this option. As a result, the provision of transition services by the government also will directly impact future PIP initiatives. Another key to the successful implementation of PIP will be the involvement and attitude of the personnel. Both contractors were impressed with the reception and attitude of the employees and stated that the ease of transition and success of implementation was due directly to the personnel at Newark. The reception and ease of transition may change with future privatization-in-place initiatives where the contractors pay less and hire fewer personnel. In the future, the new "core" maintenance definition will make more government work available to private industry, at least up to the 60/40 ruling. A review of the current regulations, statutes, and laws must be accomplished if further PIP implementation efforts are to be possible.

This research has attempted to show what the impact of different management structures and key personnel issues have on future PIP implementations. The information obtained from this research should be used to improve future contracts, initiate active employee involvement with the PIP processes, and examine the current regulations and laws governing base closures and PIP. If these things occur, future PIP initiatives will be much easier to accomplish.

Now that the first privatization-in-place initiative is being implemented, documentation stating what benefits should and should not be included in future contracts needs to be accomplished. Areas such as the transfer of accrued vacation time and time in service were not in the original contract. The ability to match benefits will have a tremendous impact on the successful retention of personnel. It must be remembered that Newark Air Force Base has many unique taskings that cannot be accomplished at other locations. As a result, the personnel were highly recruited to transfer to contractor controlled operation. Future privatization-in-place initiatives may not have unique taskings resulting in the workforce not being highly recruited. Since government wages are usually higher than the surrounding community wage rate, and private industry is profit driven, it may be less expensive for the contractor to replace the existing workforce. As a result, whenever possible, the ability of the contractor to match benefits will help to "level the playing field" and ensure that the employees receive the best possible alternatives.

APPENDIX A

CIVILIAN OUTSOURCED FUNCTIONS

The 1987 and 1992 Censuses of Governments, as reported by Barro, states there has been a push to return a lot of power from the federal government to states and localities, and these lower levels of government have also been the focus of privatization efforts. Table A-1, shows the fraction of services privatized in 1987 and 1992 in 12 activities that range from hospitals and libraries to public transit and utilities. (Barro, 25 June 1995)

Table 8, Civilian Outsourced Functions

| Type of Service | 1987 | 1992 |
|--------------------|------|------|
| Airports | 30% | 36% |
| Electric Utilities | 74% | 96% |
| Fire Protection | 22% | 37% |
| Gas Utility | 78% | 89% |
| Hospitals | 34% | 46% |
| Landfills | 20% | 26% |
| Libraries | 14% | 23% |
| Nursing Homes | 24% | 28% |
| Public Transit | 37% | 48% |
| Sewerage | 13% | 30% |
| Stadiums | 21% | 29% |
| Water Supply | 21% | 35% |
| TOTAL | 24% | 34% |

(Barro, 25 June 1995)

APPENDIX B

COMNAVAIRPAC OUTSOURCED FUNCTIONS
(Commander, U.S. Naval Air Force, Pacific Fleet)

Management and Administration
Hazardous Wastes Collection, Storage, and Disposal
Antenna Maintenance
Custodial Services
Grounds Structure Maintenance
Pest Control
Utilities Management
Electrical Power Production
Auxiliary and Portable Engine Generator Unit
Electrical Distribution System
Telephone System
Steam and Domestic Hot Water Heating System
Potable Water System
Sewage Systems
Communications, Computer, and RADAR Systems
Transportation Operations and Maintenance
Solid Wastes Collection and Disposal
Resale/Service Activities
Food Services
Billeting
Vehicle Maintenance
Morale, Welfare, and Recreation Services
Engineering and Maintenance Control Services
Buildings and Structures Maintenance and Repair
Photographic Services
Bachelor Quarters
Supply Services
Fuels Management Operations
Audiovisual Services
Public Works Support Services
Housing Maintenance
Gas Distribution Systems
Air Passenger Terminal and Air Cargo Services
Tugboat Services
Port and Harbor Services
Maintenance and Repair of Aircraft
Laundry and Dry Cleaning
Automatic Data Processing Services

(Snyder: 69, 1995)

APPENDIX C

Government Provided Transition Services

Table 9, Major Transition Benefits Available to DoD Workers

| Program/Benefits | Description |
|--|---|
| Placement Programs | |
| Priority Placement | Provides mandatory placement rights for separated DoD workers to other vacant positions within DoD. When a vacancy occurs, employees have a right to mandatory placement in those positions matching their skills and grades. |
| Defense Outplacement Referral System | The automated job referral system enables employees in the public and private sector who have job vacancies to get a list of DoD workers who may match the skill needed. |
| VSIP Exchange | Provides an incentive payment to employees who resign or retire from installations that are remaining open, and the vacant positions are then filled by employees from closing depots who are moved to their new duty assignments at government expense. |
| Training/Transition | |
| Job Training Partnership Act | Eligible DoD employees can participate in career counseling, testing, retraining, placement assistance, support services, and financial counseling. |
| Transition Assistance Center | Provides a variety of services to dislocated employees, including assessment tools to provide guidance in making career changes; workshops on stress management, job search, and interviewing techniques; assistance in preparing resumes; job fairs; and administrative support. |
| Separation Incentives | |
| VSIP (voluntary separation incentive pay) | A lump sum incentive equivalent to an employee's severance pay entitlement, up to a maximum of \$25,000, is paid upon voluntary resignation, early retirement, or optional retirement. |
| Voluntary Early Retirement | Employees can retire early if they have at least 20 years of service and have reached age 50 or have 25 years of service, regardless of age. Annuities are reduced by 2 percent for each year below 55. |
| Relocation Benefits | |
| Reimbursement of Relocation Costs | DoD employees transferring to other DoD and federal government jobs are reimbursed for travel, transportation, and relocation expenses. |
| Homeowner's Assistance | DoD offers to buy a worker's house if it cannot be sold and provides compensation for some property value losses. |

(GAO (d): 33, 1996)

APPENDIX D

Data Summary Sheets

This appendix duplicates the data summary sheets used to aid the researcher in identifying a consensus. The data and comments were obtained from the questionnaires used during the personal and telephone interviews. Each investigative question is restated, followed by the results.

Investigative Question One

How does the existing government management structure function as opposed to what the private contractor proposes? What impact will this have on future PIP implementations?

- 1- Government operation is more vertical while the contractor operation is more horizontal
 - Government has several layers - supervisor, section chief, branch chief, division chiefs, directorate chiefs, and the AGMC Commander
 - (Wyle) two or three layers only - first-line supervisor, metrology director, Contract Manager
 - (Rockwell) three or four levels - Center Director, Functional Departments, Intermediate Repair Teams
 - (Rockwell) Each team will be cross-functional, vertically integrated, and self-directing from a stand point of how to do the job and to make improvements in the job
- 2- Government has more on-site functions that the contractor will perform at off-site locations
 - Administration
 - Finance
 - Fire
- 3- All government repair activities under one person at the directorate level (Metrology Directorate)
 - More empowerment at worker/supervisor levels
- 4- Metrology function more process oriented
 - More functionally aligned at Newark than other AF bases because of the nature of the job. Only one place to do this type of work

- 5- Quality principles actively utilized
 - Air Force increasing the evaluation interval from two to three years
 - Easier to implement in a mostly civilian workforce
 - Everyone has same perception of quality
 - Fewer moves helps with standardization
 - Contractors had very similar quality perspectives, made turn-over easier to accomplish
 - Incentives paid by both contractors for quality improvements to the process or the product

- 6- Success measured by
 - How well the customer is supported
 - Attitudes in dealing with customers
 - Mean-time-between-failures (MTBF)
 - Controlling costs
 - Provide an good product
 - How well the organization works together
 - Desire of employees to want to be at work

- 7- Success on the Metrology side measured by
 - Meet weekly to once a month to review progress, success, and failures
 - Actively look for ways to improve processes in support of customers
 - Meet twice a year with customers from around the world to evaluate performance
 - publish performance measures once a month
 - Share information in a periodic newsletter to all MAJCOM customers, show all the cards
 - Contractor made a full partner before transition
 - Contractor attends all meetings and is involved in decisions

- 8- Workforce involvement imperative for successful turn over to contractor operation
 - Weekly and even daily meetings required
 - Keep personnel informed of every change
 - Ensure everyone understands what is happening and are actively involved

- 9- Impact should be minimal on any future privatization-in-place operations as long as situation is similar
 - Highly skilled workforce in-place that is not easily replaced
 - Involvement and attitude of employees making the transition successful
 - May have some impact on metrology implementation

- Productive impact. Will have more direct man hours per year productivity than civil service because of the way industry works. Less vacation time for one thing.
- Positive impact. Opportunity to reduce costs and reduce management levels. Empower employees to make more and more decisions

Investigative Question Two

How many personnel from the existing government operation will the private contractor retain? What impact will this have on future PIP implementations?

- 1- Less people currently employed than before closure was announced in 1993
- 2- Force structure changes caused downsizing prior to privatization from approximately 1,850 to 1,500 personnel
- 3- Technology changes impacted product reliability necessitated fewer personnel than before
- 4- Cost driven changes from DMRDs to lower overhead costs caused reductions in personnel
- 5- Movement freeze, with approximately 1,200 personnel in January 1996
 - Ending strength will be approximately 1,050 personnel when functions turned over to contractor
- 6- 3% to 4% attrition per year is normal
 - Younger people usually lost first
- 7- Temporary hires ensure mission accomplishment
- 8- Workload sent to Ogden, UT, Wright-Patterson, OH, Warner-Robins, GA, San Antonio, TX, and Oklahoma City, OK
 - Some of this workload also had personnel transfer with it
- 9- Utilization of current workforce is high
 - Utilization of this many personnel from the existing operation is normal in this specific privatization-in-place.
- 10-Could have large impact on future privatization-in-place

Investigative Question Three

How are the individuals who do not wish to remain in government service assisted in finding other employment? What impact will this have on future PIP implementations?

- 1- Average of 500 to 600 visits per month at the Employee Assistance Office at Newark Air Force Base
 - 1,396 visits in January 1996
 - Shows jobs nationwide that are available for employees who desire to relocate to a similar job somewhere else in the country
 - Help for personnel to transfer to contractor employment
 - Provides the means for employees to receive education and training in other skills
 - \$2.75 million grant provided to assist personnel in their transition
- 2- Services can be considered anti-privatization
 - Help to move workforce away from area and jobs when the contractor may need them to perform operations under contractor control
- 3- Numerous transition services are provided to help personnel
 - Priority placement in jobs at other areas
 - Payment of moving expenses
 - Help for jobs in local areas
- 4- Contractors will buy the employees homes
 - Will also pay moving expenses
 - Will also pay moving expenses
 - Help personnel with resumes, but not share in any expenses if the individual is not staying with the contractor
- 5- Political impact
 - Loss of voters
 - Loss of income
- 6- About half of the people, in the local community, are for privatization and the other half against it
 - This is also reflected in the congressional viewpoint
- 7- We must actively pursue what is best for the United States Government and then what is best for the Air Force

- 8- Transition services can have an impact on future privatization efforts
 - Services provide personnel with the means of staying in the local area or in relocating to other areas
- 9- Transition services can have an impact on future privatization efforts
 - Services provide personnel with the means of staying in the local area or in relocating to other areas
 - Metrology technicians don't have much civilian counterpart work and are therefore tied to Newark
 - Not really a contractor function
 - Not really a contractor function

Investigative Question Four

Will those who are employed by the contractor receive the same type of benefits that they received with the government? What impact will this have on future PIP implementations?

- 1- In-place employees were given right of first refusal
- 2- Some benefits will be similar
 - Both contractors are matching salaries for comparable jobs
 - Health similar with slight edge to contractors
- 3- Some benefits will be different
 - Dental benefits available with contractor
 - Retirement is paid by contractor instead of the employee contribution into the program
 - A person with 15 years experience with the government would start collecting benefits at the fifteen year mark with the contractor instead of starting all over again at the zero year mark
 - Industry pays more of the insurance than civil service
- 4- Some benefits will be lost
 - Those personnel transferring to contractor operation will lose their ability to achieve government retirement. Those who are eligible may retire with the government and then go to work for the contractor
- 5- Need for experienced people
 - The type of work accomplished at Newark requires experienced personnel. For this reason, the contractors met the salaries paid by the government in order to

maintain the workforce. This may not be the case in future privatization-in-place efforts

- 6- Some management level personnel not available to the contractors
 - Due to Priority Placement in other locations or retirement
 - Caused some delay for contractors to train new people

- 7- Benefits can have an impact on future privatization-in-place efforts
 - If the workforce does not need to be as skilled or experienced as at Newark then the benefits and matching of salaries may not happen or be as good
 - (Rockwell) If benefits are equivalent then there wont be any impact. The precedents set with this privatization-in-place effort will impact future efforts. For example matching salaries instead of matching local area pay rates

APPENDIX E

Government Interview Questions

This appendix lists the questions that were used during each government interview. These questions were used as an interview guide which ensured a degree of standardization during each focused, semi-structured interview. Full responses were solicited by using several common probing questions. Each question and the related investigative question are listed below. Some questions were utilized to collect general background information about the individual or the company.

1. Please list your name, title, and organization.
 - background information

2. What type of management structure is employed at Newark Air Force Base?
 - a. Is Quality Management actively practiced?
 - b. How do you measure whether or not your operation is successful?
 - c. Will a change in the type of management structure have any impact on future privatization-in-place implementations
 - Investigative question one

3. How many people are currently employed at Newark AFB in the areas that will be contracted?
 - a. Is this number fewer than in the past?

b. If so, did these people use any of the transition services provided by the government?

c. Does providing these transition services have any impact on future privatization-in-place implementations?

- investigative question three

4. Of the contracted operations, how many personnel will the contractors retain when they assume control?

a. Is this a normal happening? Why, or why not?

b. Will the number of personnel retained have any impact on future privatization-in-place implementations?

- investigative question two

5. Will the government employees who transfer over to the contractor operations lose any benefits?

- Will the loss or gain of benefits have any impact on future privatization-in-place implementations?

- investigative question four

6. Can you identify any areas that could be improved in the privatization-in-place process?

- all investigative questions

APPENDIX F

Contractor Interview Questions

This appendix lists the questions that were used during each contractor interview. These questions were used as an interview guide which ensured a degree of standardization during each focused, semi-structured interview. Full responses were solicited by using several common probing questions. Each question and the related investigative question are listed below. Some questions were utilized to collect general background information about the individual or the company.

1. Please list your name, title, and organization.
 - background information

 2. What type of management structure will be implemented at Newark Air Force Base?
 - a. Are process and product improvements sought from the employees?
 - b. How do you measure whether or not your operation is successful?
 - c. Will a change in the type of management structure have any impact on future privatization-in-place implementations
- Investigative question one

3. How many people at Newark AFB will be employed in the areas that are to be contracted?
 - a. Is this a normal? Why, or why not?
 - b. Will the number of personnel retained have any impact on future privatization-in-place implementations?

- investigative question two

4. Of those individuals who are retained from previous operations, do many decide to leave the firm at a later time?
 - a. For those people who decide to leave, are there any transition services provided by the contractor?
 - b. Does providing or not providing these transition services have any impact on future privatization-in-place implementations?

- investigative question three

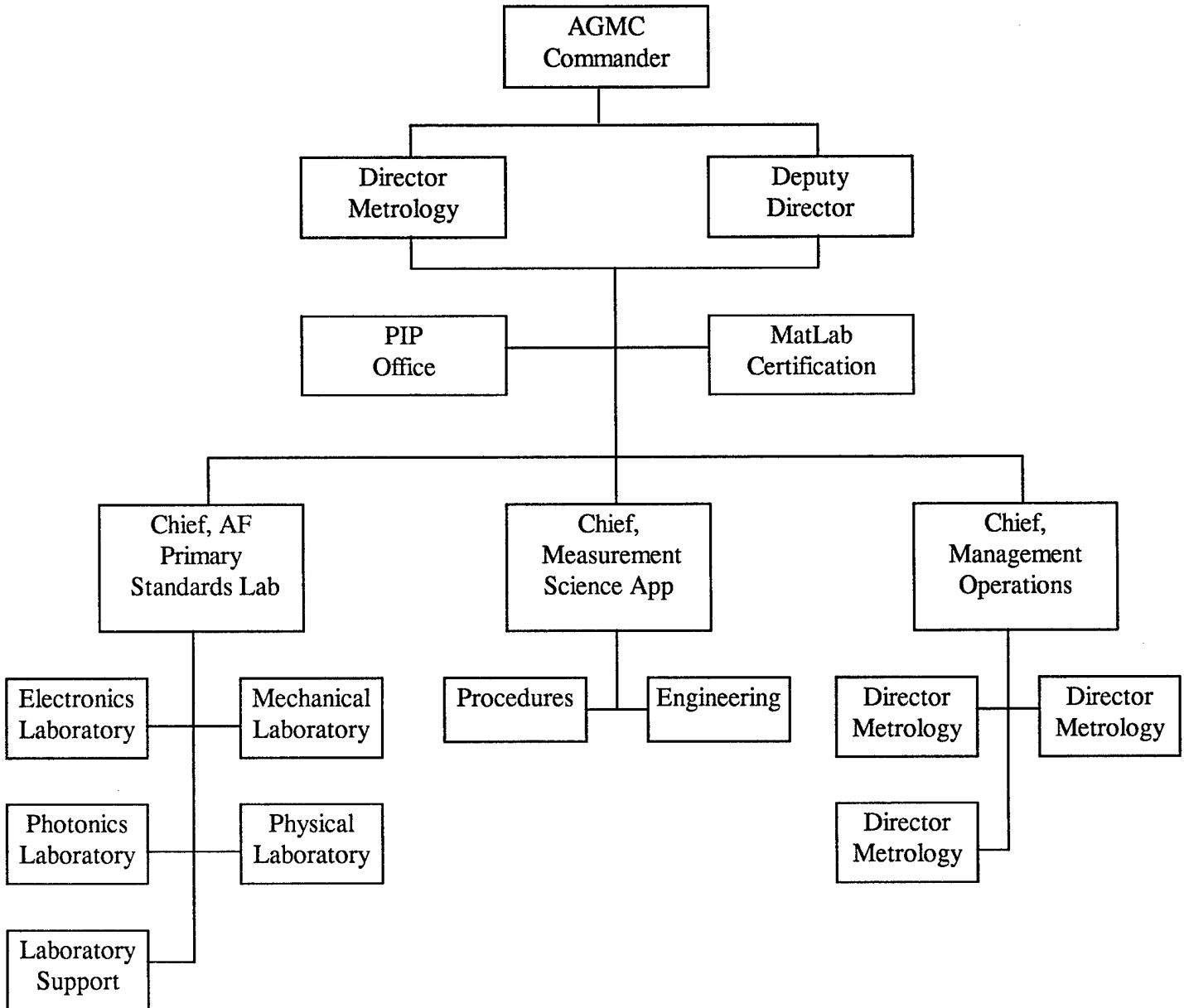
5. Will the government employees who transfer over to the contractor operations lose or gain benefits?
 - Will the loss or gain of benefits have any impact on future privatization-in-place implementations?

- investigative question four

6. Can you identify any areas that could be improved in the privatization-in-place process?
 - all investigative questions

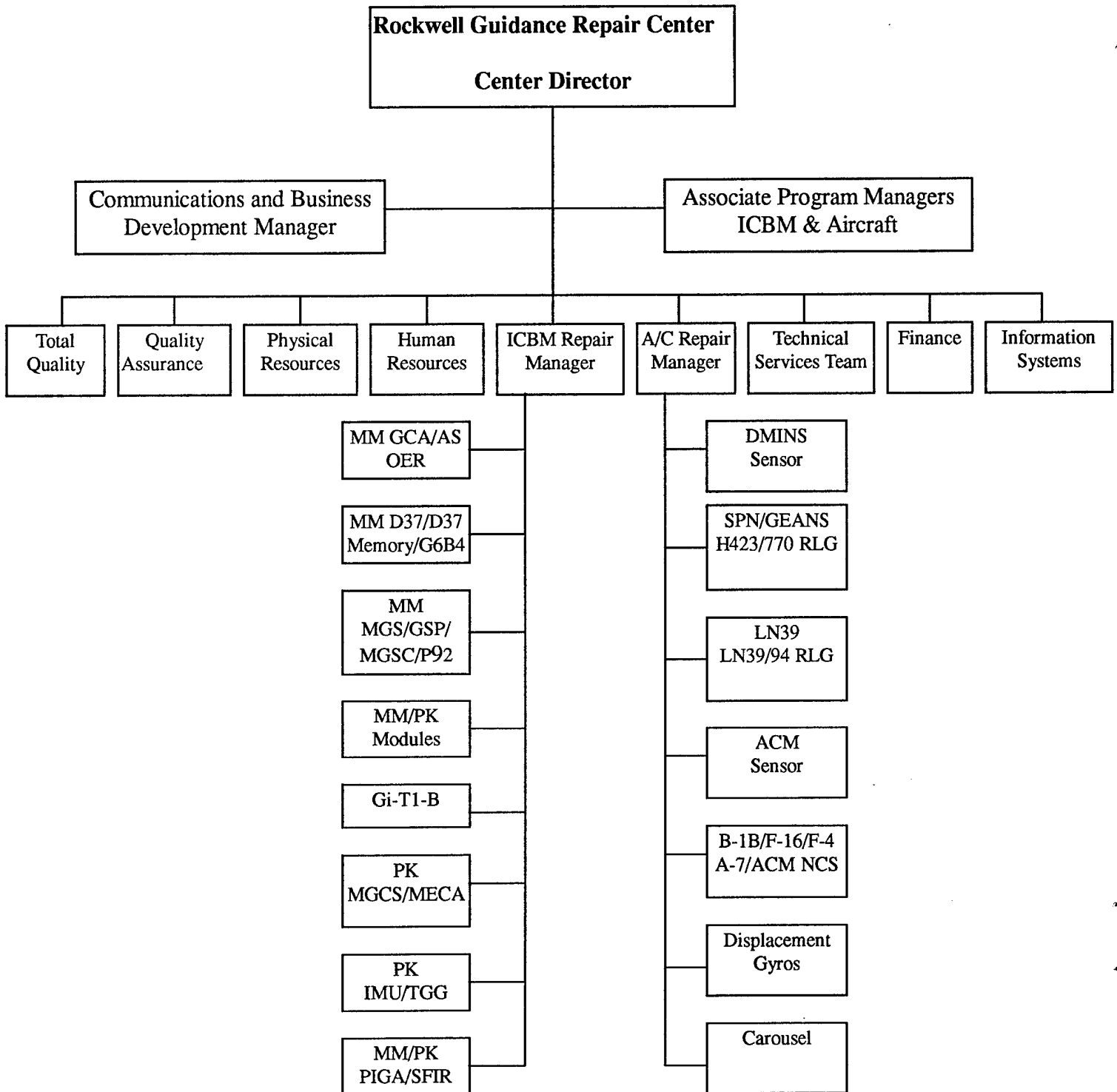
APPENDIX G

Newark Air Force Base Organizational Chart



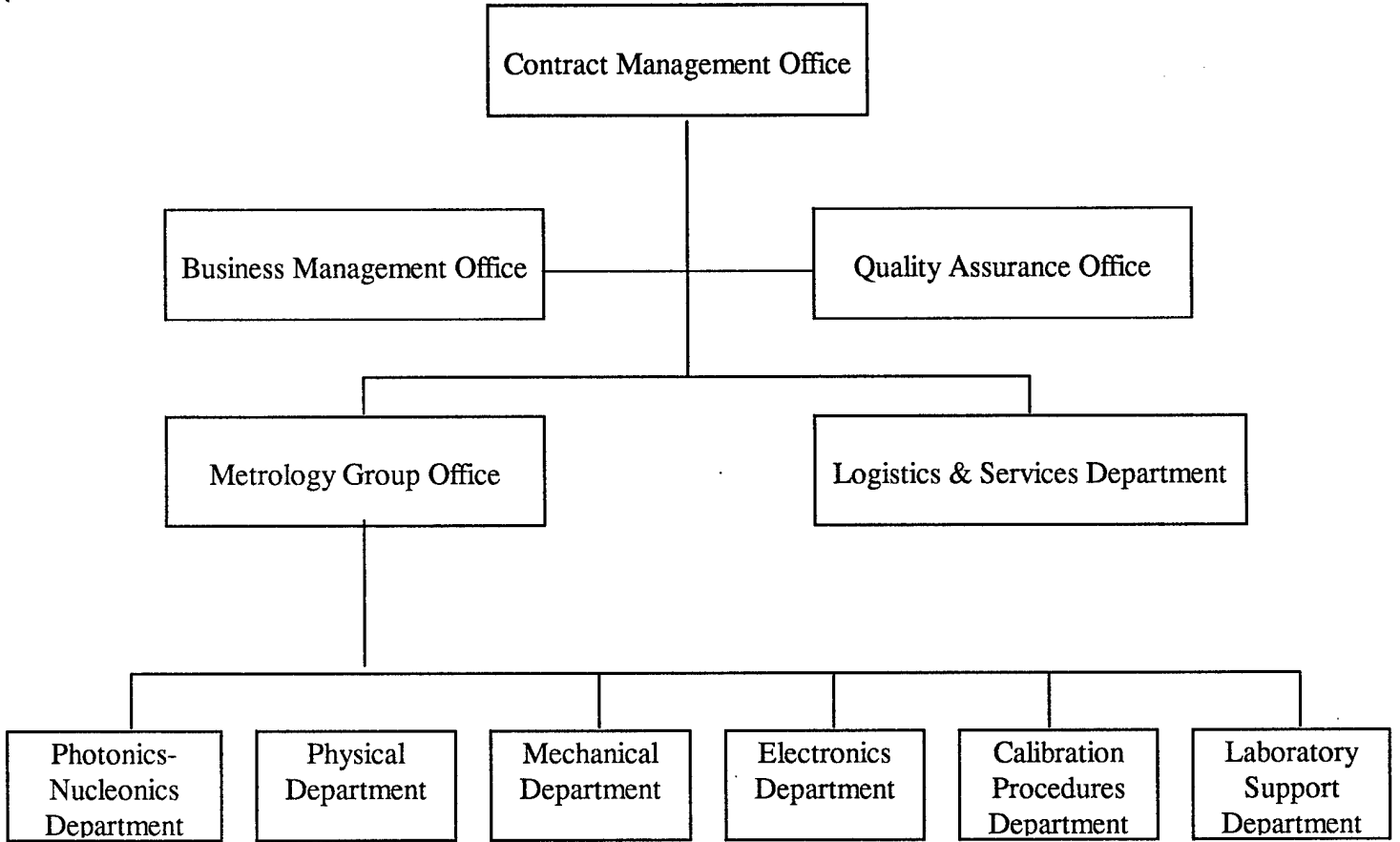
APPENDIX H

Rockwell International Organizational Chart



APPENDIX I

Wyle Laboratories Organizational Chart



BIBLIOGRAPHY

- Air Force Materiel Command. "Fact Sheet," USAF Fact Sheet, No. 95-19.
- Barro, Robert. "The Imperative to Privatize". The Wall Street Journal, 29 June 1995, sec. A16:3.
- Barazia, Virginia. "Privatization Under Fire," The Advocate, Vol. 175, No. 95: A1, (1996).
- Camm, Frank. DoD Should Maintain Both Organic and Contract Sources for Depot-Level Logistics Services. RAND Corporation, Issue Paper, August 1993.
- Cassata, Donna (a). "Air Force Besieged Over Plan To Retain Five Depots," CQ Weekly Report: 1764-1765 (June 17, 1995).
- (b). "Angry Clinton Accepts List, Seeks to Privatize Jobs," CQ Weekly Report: 2086 (July 15, 1995).
- (c). "Clinton Strains To Save Jobs At California Depot," CQ Weekly Report: 2006-2007 (July 8, 1995).
- (d). "Panel Votes To Slash Depots Despite Air Force Protests," CQ Weekly Report: 1855-1856 (June 24, 1995).
- Chenoweth, Mary E. and John B. Abell. "Making Contractual Component Repair More Responsive to Air Force Needs." RAND Corporation research brief from MR-440-AF, 1994.
- "Clinton Tries to Ease Effects of Base Cuts. " The New York Times, 9 July 1995, sec A: 23.
- Clinton, William. President of the United States of America. "Privatization." Remarks by the President to Service Personnel and Employees of Kelly Air Force Base, San Antonio TX, 17 October 1995.
- Commission on Roles and Missions of the Armed Forces. Directions for Defense: The Department of Defense Report. Brassey's, Washington DC, 1995.

- Congressional Budget Office. Public and Private Roles in Maintaining Military Equipment at the Depot Level. Washington DC, July 1995.
- Conver, Stephen K. "Defense Industrial Base: Shaping the Downsizing." Armed Forces Journal International: 48-51 (March 1993).
- Correll, John T. and Colleen A. Nash. "The Industrial Base at War," Air Force Magazine: 52-56 (December 1991).
- Courter, Jim. Defense Base Closure and Realignment Commission: Report on Base Closures. Washington: Government Printing Office, (July 1, 1993).
- Day, John. Director of Personnel. Personal Interview. Newark Air Force Base OH, 25 June 1996.
- Department of the Air Force. The Privatization Process - Policies and Procedures for Facilities and Services. Washington: Headquarters United States Air Force, 22 May 1989.
- Dunn, Jared. Contractor, Aerospace Guidance and Metrology Center Workload Transition Office. Telephone Interview, 2 July 1996.
- Ely, Robert (a). "Depot," Leading Edge: 18-19 (May 1994).
- (b). "Viccellio Leads AFMC," Air Force News Service, WWWeb, (July 1, 1995).
- Emory, William C. Business Research Methods. Homewood IL: Irwin, 1985.
- Erlich, Jeff. "White Referees Competing Aims For Privatization," Defense News, October 30-November 5, 1995: 3.
- Farrington, A. J. Director Military Customer Support, Allied Signal Aerospace. "What America Needs, Wants, and Hopes For in a Privatized Depot Maintenance Process." Address to Society of Logistics Engineers. San Antonio TX, 22 August 1995.
- General Accounting Office (a). Aerospace Guidance and Metrology Center: Cost, Growth, and Other Factors Affect Closure and Privatization. Report GAO/NSIAD-95-60. Washington: Government Printing Office, 1995.

- (b). Defense Industrial Base: An Overview of an Emerging Issue. Report GAO/NSIAD-93-68. Washington: Government Printing Office, 1993.
- (c). Depot Maintenance: Issues in Allocating Workload Between the Public and Private Sectors. Report GAO/T-NSIAD-94-161. Washington: Government Printing Office, 1994.
- (d). Closing Maintenance Depots: Savings, Workload, and Redistribution Issues. Report GAO/T-NSIAD-96-29. Washington: Government Printing Office, 1996.
- (e). Defense Depot Maintenance: Privatization and the Debate Over the Public-Private Mix. Report GAO/T-NSIAD-96-148. Washington: Government Printing Office, 1996.
- (f). Defense Logistics: Requirement Determinations for Aviation Spare Parts Need to be Improved. Report GAO/NSIAD-96-70. Washington: Government Printing Office, 1996.
- (g). Depot Maintenance: Opportunities to Privatize Repair of Military Engines. Report GAO/NSIAD-96-33. Washington: Government Printing Office, 1996.
- (h). Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified. Report GAO/NSIAD-96-67. Washington: Government Printing Office, 1996.
- (i). Navy Maintenance: Assessment of the Public-Private Competition Program for Aviation Maintenance. Report GAO/NSIAD-96-30. Washington: Government Printing Office, 1996.

Greater Kelly Development Corporation. "Privatization and Realignment Update," WWWeb, (February 7, 1996).

Gregory, William H. "Depot Dilemma," Government Executive: 59-68 (June 1994).

Grier, Peter (a). "Depots in Dispute," Air Force Magazine: 66-69 (July 1994).

----- (b). "Has Privatization Gone Too Far?" Military Forum: 30-35 (April 1989).

- (c). "The Other Industrial Base," Air Force Magazine: 50-52 (July 1992).
- Hamlin, Mary B. Privatization of Aircraft Maintenance: Maximizing Contract Effectiveness. Research Paper, Air University, Maxwell AFB AL, May 1990 (AD-A241089).
- Hogan, William M. Directorate Chief, United States Air Force Metrology and Calibration Program. Personal Interview. Newark Air Force Base OH, 27 June 1996.
- Holzer, Robert. "One-on-One With William Bowes," Defense News: January 10-16, 1994: 30.
- Holzer, Robert and Stephen C. LeSueur (a). "Depot Debate Tilts," Defense News, January 10-16, 1994: 1.
- (b). "House May Boost Depot Work," Defense News, May 30 - June 6, 1994: 1.
- (c). "Deutch Orders Depot Rivalry To Halt," Defense News, May 9-15, 1994: 1.
- Holzer, Robert et al. "Darwinism Shapes U.S. Depot System As Military Shrinks," Defense News, March 22-28, 1993: 1.
- Kent, Calvin A. Entrepreneurship and the Privatizing of Government. New York: Quorum Books, 1987.
- King, Christopher R. An Examination of Three Forms of Private Sector Financing of Military Facilities. MS Thesis, AFIT/GSM/LSY/88S-13. School of Systems and Logistics, Air Force Institute of Technology (AU), Wright-Patterson AFB OH, September 1988 (AD-A201591).
- Kitfield, James. "Depots for Sale," Government Executive, Vol. 27, No. 12: 41-62, (December 1995).
- Klugh James R. Defense Depot Maintenance Council Business Plan, Fiscal Years 1995-1999. Office of the Under Secretary of Defense. Washington: Government Printing Office, 30 January 1995.
- Kuckleman, David J. Office of Management and Budget Circular A76 as a Statement of Federal Procurement Policy. MS Thesis, George Washington University, Washington DC, 17 February 1981 (AD-A107259).
- LeSueur, Stephen C. (a). "Defense Science Board to Direct Depot Study," Defense News, January 10-16, 1994: 16.

----- (b). "Depot Advisors: End Competition," Defense News, April 11-17, 1994: 4.

----- (c). "Perry Delays Depot Decision That Favors Industry," Defense News, April 4-10, 1994: 1.

----- (d). "Report: Depot Contest is Unfair," Defense News, August 15-21, 1994: 10.

----- (d). "Sending it Out For Repairs," Defense News, January 10, 1994: 31.

----- (e). "U.S. Depot System: Finding the Core Solution," Defense News, 7-13 March 1994: 10-11.

Lewthwaite, G. A. "Pvt. Contractor Reporting, Sir!," Baltimore Sun, 3 October 1995, sec A: 1

Lindsey, John E. Operations Manager, Newark Facility, Wyle Laboratories. Personal Interview, 27 June 1996.

Locklear, Glen D. Issues of Depot Maintenance: Changes for the Future. Research Report, Industrial College of the Armed Forces, Washington DC, August 1993-April 1994 (AD-A288594).

Lovik, Lawrence W. Bureaucracy, Privatization, and the Supply of Public Goods. New York: Quorum Books, 1987.

Masko, David P. (a). "AAFES is Big Business," Air Force News Service, WWWeb, (August 14, 1995).

----- (b). "Administration Seeks to Minimize Pain of Closures," Air Force News Service, WWWeb, (August 14, 1995).

----- (c). "AFMC Facing Budget Realities," Air Force News Service, WWWeb, (August 28, 1995).

Muradian, Vago. "Joint Command Would Streamline, Coordinate Depots," Defense News: March 22-28, 1993: 8.

Neve, Trevor L., Robert L. Crosslin and John E. Peterson. One Solution to Capital Budget Shortfalls: A Primer for Public-Private Ventures. Logistics Management Institute, Bethesda MD, June 1992.

"New Defense Industrial Strategy, A," Airpower Journal, Vol. VII, No. 3: 16-33, (Fall 1993).

- Nunn, Jack. "Defense Industrial Base: Faces Radical Restructuring." Armed Forces Journal International, 36-40 (December 1992).
- Odeen, Philip A. Defense Science Board Task Force Chairman. "Interim Briefing." Address to the Chairman of the Joint Chiefs of Staff. Washington DC, 12 March 1996.
- Office of the Secretary of Defense (a). An Overview of Contract Services in the Department of Defense. Washington: Department of Defense, October 1974 (AD-A04429).
- (b). Depot Level Maintenance and Repair Workload. Washington: Department of Defense, March 1996.
- (c). Improving the Combat Edge Through Outsourcing. Washington: Department of Defense, March 1996.
- (d). Policy Regarding Performance of Depot-Level Maintenance and Repair. Washington: Department of Defense, March 1996.
- Parish, Brent. Contract Manager, Aerospace Guidance and Metrology Center Workload Transition Office. Telephone Interview, 2 July 1996.
- Polsky Werner, Debra. "Industry Faces a Second Wrenching Wave of Cuts," Defense News: April 11-17, 1994: 1.
- Pope, Andrew M. The Military Construction (MILCON) Program and Privatization: A Comparative Analysis. MS thesis, AFIT/GCA/LSG/90S-7. School of Systems and Logistics, Air Force Institute of Technology (AU), Wright-Patterson AFB OH, September 1990 (AD-A229577).
- President's Commission on Privatization. Privatization: Toward More Effective Government. Report of the President's Commission on Privatization, Washington: Government Printing Office, 1988.
- Privatization Council. The Privatization Review. New York NY: The Privatization Council, (Summer 1987).
- Reca, Joseph V. and Dr. Kermit C Zieg Jr. "Privatization: An Analysis of Contracting Out of Government-Provided Services." National Contract Management Journal, 51-63 Vol. 26, Iss. 2, 1995.

- Renaud, Col Joseph M. Commander, Aerospace Guidance and Metrology Center. Personal Interview. Newark Air Force Base OH, 25 June 1996.
- Ricks, Thomas E. (a). "Is KP Dead?," The Wall Street Journal, July 1995, sec A:1.
- (b). "Pentagon Seeks to Help Solve Base Dilemma," The Wall Street Journal, July 1995, sec A10:5.
- Rigsbee, Col David M. and Shelly West. "Competition: A New Way of Life For the DOD Depots," Air Force Journal of Logistics: 25-26 (Spring 1992).
- Ripps, Greg. "Clinton at Kelly to Discuss Privatization," Air Force News Service: San Antonio ALC Public Affairs, October 17, 1995.
- Rizzotte, Jody. Deputy Director, Employee Assistance Office. Personal Interview. Newark Air Force Base OH, 25 June 1996.
- Savas, E. S. Privatization The Key to Better Government. New Jersey: Chatham House Publishers, Inc., 1987.
- "Saving Jobs-And Votes-In California." U.S. News & World Report: July 17, 1995: 8.
- Schmitt, Eric (a). "New Report on Long-Sought Goal: Efficiency in Military," The New York Times, 24 May 1995, sec A: 1.
- (b). "Military Officials Seek Way to Save Jobs in California," The New York Times, 3 July 1995, sec A: 1.
- (c). "Tiny Base May Give Clues to Saving Jobs," The New York Times, 3 August 1995, sec A: 8.
- Self, Ross. "Depot Sham," Defense News, June 13-19, 1994: 22.
- Silverberg, David (a). "Depots Pit Congress Against Pentagon, Jumble Party Lines," Defense News, March 22-28, 1993: 9.
- (b). "Government, Industry Battle Over U.S. Depot System," Defense News, March 22-28, 1993: 8.

Snyder, Elizabeth A. Public or Private: The Outsourcing Dilemma Within the Department of Defense. MS Thesis, Naval Postgraduate School, Monterey CA, March 1995 (AD-A295657).

Swain, Frank S. and Jean C. Godwin. "Contracting Out: Government Efficiency Leads to Economic Growth," The Privatization Review, 3: 45-55 (Summer 1987).

Viccellio, Gen Henry Jr. Commander, Air Force Materiel Command. "A New Era of Acquisition and Sustainment." Remarks by the Commander AFMC to the Society of Logistics Engineers, San Antonio TX, 22 August 1995.

Vines, Stephen A. Privatization of Military Utility Plants. Research Report, Industrial College of the Armed Forces, Washington DC, April 1992.

Waters, Alan Rufus. Privatization: A Viable Policy Option? New York: Quorum Books, 1987.

Weir, E. Dwayne (a). Center Director, Rockwell Defense Electronics. Personal Interview. Newark Air Force Base OH, 27 June 1996.

----- (b). Center Director, Rockwell Defense Electronics. Rockwell Guidance Repair Center Employee Handbook. Rockwell International Corporation, 16 January 1996.

Weideman, R. F. Deputy Center Director, Rockwell Defense Electronics. Personal Interview. Newark Air Force Base OH, 27 June 1996.

Wheeler, E. D. "Privatization: Over 30 and Reaching for Maturity," Armed Forces Comptroller: 30-34 (Spring 1987).

Widnall, Sheila E. Secretary of the Air Force. "Which Way to the Revolution?" Remarks to the Air Force Association National Symposium, Los Angeles CA, 27 October 1995.

Wilson, Mike, "Priority Placement Works for Some at Newark," Wright-Patterson Air Force Base Skywriter, April 5, 1996: 5.

Wilson, Vivian, "Employee Initiatives May Ease Transition to Privatization at Kelly, McClellan," Wright-Patterson Air Force Base Skywriter, April 5, 1996: 5.

Yin, Robert K. Case Study Research: Design and Methods.
Newbury Park, London: Sage Publications, 1988.

VITA

Captain Mark Luttschwager was born on 27 January 1956 in Omaha, Nebraska. He graduated from Douglas High School in Douglas, Arizona, in 1974. He enlisted in the Air Force in April, 1978 as an avionics navigation systems specialist and was stationed at Little Rock, Arkansas. During this time, he attended college and received a Bachelor of Science in Computer Applications. After attending Officer Training School and receiving his commission on March 17, 1989, he was assigned to Norton Air Force Base, CA. While there he was the Chief of the Aircraft Maintenance Operations Support Section. From there, he was assigned to Kunsan Air Base, Korea, where he was the Operations Support Branch Chief for the 8th Supply Squadron from August 1991 to August 1992. Following this assignment, he was stationed at Elmendorf Air Force Base, Alaska. While there, he was selected to attend the Air Force Institute of Technology and in May 1995, he was transferred to the Graduate School of Logistics and Acquisition Management. Captain Luttschwager completed Squadron Officer School in December 1993. He is married to the former Kathy Freire and has four children: a daughter Trinna and three sons Mykahl, Jeremy, and Derrik.

Permanent Address: 9-420A Chinook Circle
Anchorage, Alaska 99506

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 074-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of the collection of information, including suggestions for reducing this burden to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503

| | | | |
|--|---|---|---|
| 1. AGENCY USE ONLY (Leave blank) | 2. REPORT DATE September 1996 | 3. REPORT TYPE AND DATES COVERED Master's Thesis | |
| 4. TITLE AND SUBTITLE PRIVATIZATION-IN-PLACE AND THE IMPACT ON THE DEPARTMENT OF DEFENSE DEPOTS: A CASE STUDY AT NEWARK AFB | | 5. FUNDING NUMBERS | |
| 6. AUTHOR(S) Mark Luttschwager, Captain, USAF | | | |
| 7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(S) Air Force Institute of Technology 2750 P Street WPAFB OH 45433-7765 | | 8. PERFORMING ORGANIZATION REPORT NUMBER AFIT/GTM/LAL/96S-9 | |
| 9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) HQ AGMC Col Joseph M. Renaud Newark AFB, OH 43057-0036 | | 10. SPONSORING / MONITORING AGENCY REPORT NUMBER | |
| 11. SUPPLEMENTARY NOTES | | | |
| 12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution unlimited | | 12b. DISTRIBUTION CODE | |
| 13. ABSTRACT (Maximum 200 Words) The purpose of this study is to document the change in organizational structure when military jobs and production are transferred to civilian corporations under privatization-in-place (PIP). Privatization-in-place is a new concept that is being implemented, at Newark AFB, as a result of base closure and the desire to maintain as many jobs as possible in the local community. In the course of this research, it is shown how the new civilian management structure compares to the existing military structure and functions. The purpose was to provide insight into what changes would occur under private management as opposed to public management. Base closures cause tremendous concern in local communities with their resultant impact to the socioeconomic structure. Privatization-in-place, as shown in this study, will keep jobs and incomes in the local community and therefore be less disruptive than with a normal base closure. In addition, this study shows why PIP is being implemented, initially, at Newark AFB and provides insight into proposed future implementations with recommendations for future projects. | | | |
| 14. SUBJECT TERMS Privatization, Privatization-in-place, Outsourcing, Public-private debate, Depot systems privatization, Department of Defense privatization | | 15. NUMBER OF PAGES 113 | |
| | | 16. PRICE CODE | |
| 17. SECURITY CLASSIFICATION OF REPORT UNCLASSIFIED | 18. SECURITY CLASSIFICATION OF THIS PAGE UNCLASSIFIED | 19. SECURITY CLASSIFICATION OF ABSTRACT UNCLASSIFIED | 20. LIMITATION OF ABSTRACT UNCLASSIFIED |

AFIT RESEARCH ASSESSMENT

The purpose of this questionnaire is to determine the potential for current and future applications of AFIT thesis research. **Please return completed questionnaire to: AIR FORCE INSTITUTE OF TECHNOLOGY/LAC, 2950 P STREET, WRIGHT-PATTERSON AFB OH 45433-7765.** Your response is **important**. Thank you.

1. Did this research contribute to a current research project? a. Yes b. No

2. Do you believe this research topic is significant enough that it would have been researched (or contracted) by your organization or another agency if AFIT had not researched it?
a. Yes b. No

3. **Please estimate** what this research would have cost in terms of manpower and dollars if it had been accomplished under contract or if it had been done in-house.

Man Years _____ \$ _____

4. Whether or not you were able to establish an equivalent value for this research (in Question 3), what is your estimate of its significance?

- a. Highly Significant b. Significant c. Slightly Significant d. Of No Significance

5. Comments (Please feel free to use a separate sheet for more detailed answers and include it with this form):

Name and Grade

Organization

Position or Title

Address