

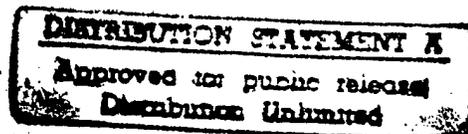


*PRIVATIZATION IN PLACE AND THE BASE CLOSURE COMMUNITY:  
NEWARK AIR FORCE BASE, OHIO  
1993-1995*

THESIS

Paul D. Pidgeon  
Captain, USAF

AFIT/GTM/LAL/96S-12



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***NEWARK AIR FORCE BASE, OHIO***

***1993-1995***

THESIS

Presented to the Faculty of the Graduate 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

Paul D. Pidgeon, B.S.

Captain, USAF

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By far, my greatest debt is owed my loving wife, Laureen, who sacrificed so much for me. Over the past fifteen months, she has consistently carried more than her share of raising our children, and I will never forget what she has done for me.

Paul Pidgeon

## Table of Contents

	Page
Acknowledgments.....	ii
Table of Contents.....	iii
Abstract.....	vi
Chronology .....	viii
List of Acronyms .....	xiii
1: Introduction.....	1
Statement of the Problem.....	4
Research Objective and Questions.....	5
Scope.....	5
Terminology and Concepts.....	6
Local Community .....	6
Economic Impact .....	6
Newark Air Force Base.....	7
Newark Air Force Base Workload.....	8
Air Force Materiel Command (AFMC).....	8
Original Equipment Manufacturers (OEM).....	9
Privatization .....	9
2: Methodology.....	11
Chapter Overview .....	11

	Page
Research Objectives.....	11
Method .....	12
Data Collection .....	14
Data Analysis .....	16
Validity .....	18
Summary .....	19
3: Findings .....	20
Background.....	20
Newark Air Force Base.....	25
Privatization in Place .....	27
1993 BRAC.....	32
Local Community Pursues Privatization in Place.....	36
Heath Forms Reuse Commission.....	40
Air Force Explores its Options .....	45
Local Community Fears Loss of Workforce.....	50
Five-Part Program Impacts NAFB.....	57
“The Preferred Option” .....	60
Sources Sought Synopsis .....	68
Contractors Show Interest.....	78
GAO Studies .....	81
Reuse Commission Takes Step Towards Port Authority.....	87

	Page
Draft Request for Proposal.....	90
Fiscal Worries.....	97
Senator Glenn Fights Closure.....	101
Request for Proposal.....	108
1995 BRAC.....	111
“Rescue” Pleases Local Officials.....	114
4: Summary and Conclusion.....	117
Works Cited.....	129
Vita.....	137

## **Abstract**

This thesis studies the experience of the local community during the privatization in place of Newark Air Force Base (NAFB), Ohio. Licking County faced the loss of its largest employer after the 1993 Defense Base Closure and Realignment Commission (BRAC), a five-year commission established by President George Bush as a measure to cut national defense spending after the Cold War's end, recommended closing the Air Force repair facility. In its base closure recommendation, the BRAC gave the Air Force flexibility to craft a privatization in place plan. But the Air Force did not know how much the plan would cost or if it was in the best interests of national defense. The Air Force, as a result, embarked on a long, complicated procedure to determine the future of NAFB.

At stake for Licking County were jobs for over 1,500 base employees and a \$200 million economic impact. Licking County leaders cited a new federal initiative announced by President Clinton--the Five Part Program for Revitalizing Base Closure Communities--as justification for privatization in place. Licking County leaders also sought help from the man that the local community considers the "father of NAFB" to lead a push for privatization in place. An in-depth historical analysis identifies the critical issues as seen through the eyes of the local community and places them in an economic and political context.

## Chronology

1993

- Jan The Air Force Base Closure Executive Group (BCEG) recommended that NAFB be closed and that the workload be privatized in place (PIP).
- 12 Mar The Department of Defense (DOD) agreed with closure recommendation, as well as the plan to keep the NAFB workload in place. In his report to the 1993 BRAC, Secretary of Defense Les Aspin wrote that "we anticipate that most will be privtized in place."
- Apr A group of retired NAFB employees, led Wallace Horton, testified before BRAC to keep NAFB open. The "Horton Group" also fought privatization in place.
- 26 Apr Responses to an Air Force Request for Information (RFI) indicated that there was no interest among private companies for PIP.
- 23 Jun At a staff briefing designed to prepare BRAC members for final votes later that week, the 1993 BRAC expressed skepticism about PIP at a hearing in Washington.
- 1 Jul In its report to President Bill Clinton, the BRAC recommended closure for NAFB and endorsed PIP.
- 2 Jul President Clinton approved work of 1993 BRAC and announced his Five Part Program for Revitalizing Base Closure Communities.
- 2 Aug Local community leaders made fact-finding trip to Washington DC. Heath Mayor, John Geller, gave a letter to Secretary of Defense Les Aspin notifying him of the local community's interest in PIP.
- 17 Aug NAFB employees heard about employee buyout option from state officials.
- 18 Aug Heath's city council passed resolution #93-9 which formed the Reuse Commission. Wallace Horton began working as consultant.
- 3 Sep Air Force Materiel Command (AFMC) formed an integrated product team (IPT) to identify and evaluate alternative closure strategies for NAFB.

- 13 Sep AFMC Deputy Director of Plans and Programs, Major General Stephen Condon approved IPT charter which outlined 3 primary options for NAFB workload: 1) privatization in place, 2) moving workload to contractors' facilities, and 3) moving workload to other Air Force depots.
- 20 Sep US Senate approved a motion that rejected a motion to disapprove the BRAC recommendations. NAFB closure became law.
- 23 Sep Wallace Horton presented Reuse Commission with 16-page study which examined community issues with privatization in place.
- Sep-Oct State and Federal elected officials urge DoD and Air Force to implement PIP.
- 13 Oct IPT recommended to AFMC senior management that NAFB be privatized in place, yet added that there was "no obligation" to implement PIP.
- 7-8 Nov Federal Assistance Team visited NAFB to encourage workers to not delay in looking for other jobs--local leaders worried that lost workers threatened PIP.
- 10 Nov *The Advocate* featured an editorial, entitled "Air Force Should Reveal NAFB Future," which criticized the Air Force for not being more forthcoming with its decision-making.
- 18 Nov General Michael P. C. Carns, USAF Vice Chief of Staff, directed AFMC to implement NAFB closure and give PIP a "full and fair opportunity."
- 30 Nov Congress Passed Base Closure Community Assistance Act of 1993.
- 2 Dec Licking County Commissioner, Don Hill, harshly criticized AFMC Commander, General Ron Yates, after he had declined a request for meeting with Reuse Commission.
- Dec Pre-feasibility studies revealed that an employee buyout option might be a viable privatization in place alternative
- 1994
- 31 Jan AFMC announced that PIP was "preferred option." PIP depended on 1) sufficient contractor interest and 2) work being done at competitive price.
- 8 Feb AFMC established Aerospace Guidance and Metrology Center (AGMC) Workload Transition Office (WTO) to develop request for proposal (RFP).
- 18 Feb Local leaders learned during a visit to NAFB by General Ronald Yates, AFMC Commander, that the federal government did not want continued ownership of NAFB.

- 5 Mar Local leaders learned during a visit to NAFB by Ohio Governor George Voinovich that the state government did not want own NAFB after base closure.
- 6 Apr DoD issued interim final rule for implementing provisions of the Base Closure Community Assistance Act of 1993. The interim final rule established Economic Development Conveyance (EDC) procedures.
- 10 May Air Force placed a sources sought synopsis in the *Commerce Business Daily* stated PIP required existing facilities.
- 31 May An amendment to the synopsis appeared in the *Commerce Business Daily* in which the Air Force stated it would consider proposals to move NAFB workload to contractors' facilities.
- 8 Jun AFMC announced to private industry that the length of contract would be (1) year with (4) renewal options.
- 15 Jun The recent Air Force actions--the sources sought synopsis and announcement that the contract would be only one year with four annual renewal options--prompted Horton to write to elected officials for help.
- 2 Aug The AGMC Employee Buyout Association and UNC Inc. announced a partnership between the two groups-- "UNC Newark"--that would bid on privatization in place contract.
- 15 Sep *The Advocate* reported that Rockwell International announced the formation of a team of Original Equipment Manufacturers (OEMs) that will bid on the NAFB privatization in place. This announcement followed other announcements by companies in the aerospace defense industry that they would make proposals to the Air Force for the PIP contract.
- 6 Oct Representative John Kasich announced in Washington that a recent report by the General Accounting Office (GAO), which among other things revealed NAFB's one-time closure costs had doubled, gave NAFB a chance to remain open.
- Oct Reuse Commission recommended Air Force consider government owned, contractor operated (GOCO) arrangement.

- 26 Oct DoD amended interim final rule which changed EDC procedures. Although it was able to negotiate for a price much below its fair market value, at this time local officials worried that they might have to pay fair market value. This issue became a major concern to Air Force, realizing that if the local community could not take ownership of NAFB, privatization in place would be difficult.
- 7-8 Nov Members of the WTO visited NAFB to meet with Reuse Commission members. Minutes to meeting reveal that the Air Force planners were “anxious” for the Reuse Commission to form a local redevelopment authority (LRA).
- 28 Nov Horton wrote in a Reuse Commission staff study that the new EDC rules made it increasingly unlikely that the local community could afford ownership of NAFB.
- 1 Dec Reuse Commission moved to request that Heath, Newark, and Licking County form a port authority.
- 7 Dec HQ AFMC Acquisition Strategy Panel identified major “disconnects” with transferring NAFB property to local community.
- 9 Dec GAO recommended that the Air Force and DoD revisit the decision to close NAFB in a report given to Representative Kasich’s Readiness Subcommittee. The GAO report led to a six-month political fight by Senator John Glenn to save NAFB’s military status.
- 1995
- 11 Jan City councils of Heath and Newark, and the Licking County Commissioners met in a rare joint meeting in downtown Newark to discuss forming a port authority.
- 17 Jan Air Force released draft request for proposal (DRFP).
- Feb-Mar Local community blasted draft RFP as evidence that Air Force was not committed to privatization in place.
- 14 Feb GAO issued another report which criticized the NAFB closure decision.
- 21 Feb Heath, Newark and Licking County pass legislation forming port authority.
- 10 Mar Licking County Port Authority held first meeting.

- 27 Apr Air Force held a meeting with private industry representatives at Hill AFB, Utah. The Air Force announced at the conference that if it awarded a privatization in place contract, the contractor would be allowed to bring in additional commercial workload.
- 3 May Air Force released RFP.
- 17 Jun Air Force received contractor responses to RFP.
- 15 Dec Air Force announced PIP contract awarded to Rockwell and Wyle.

## **List of Acronyms**

AFBCA	Air Force Base Conversion Agency
AFMC	Air Force Materiel Command
ALC	Air Logistics Center
BCEG	Base Closure Executive Group
BRAC	Defense Base Closure and Realignment Commission
DoD	Department of Defense
EAO	Employment Assistance Office
EDC	Economic Development Conveyance
GFE	Government Furnished Equipment
IPT	Integrated Product Team
LRA	Local Redevelopment Agency
NAFB	Newark Air Force Base
OEM	Original Equipment Manufacturer
RFI	Request for Information
RFP	Request for Proposal
WTO	Workload Transition Office

***PRIVATIZATION IN PLACE AND THE BASE CLOSURE COMMUNITY:***

***NEWARK AIR FORCE BASE, OHIO***

***1993-1995***

**1: Introduction**

One of the most important things to recognize today...is that the people who won the Cold War cannot be left out in the cold. We are going through a period of change....that's fine if you're winning from it, but its pretty scary if you're not sure what the future holds.<sup>1</sup>

President Bill Clinton  
Kelly Air Force Base, Texas  
17 October 1995

The Air Force announcement on 15 December 1995 that Newark Air Force Base privatization in place contracts had been awarded ended a roller-coaster saga for residents of Licking County, Ohio. Years from now, residents will surely recall the controversial two years preceding the announcement. This thesis focuses on the local community during one of the most controversial base closures in recent memory.

The saga began on 1 July 1993, when the Base Realignment and Closure Commission approved a Department of Defense (DoD) recommendation to close Newark Air Force Base. The Base Realignment and Closure Commission (BRAC) was an independent, five year base closure commission mandated by Public Law 101-510, signed on 5 November 1990 by President George Bush. Enacted as a means to cut

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<sup>1</sup> Clinton, William J., President of the United States, "Remarks to Service Personnel and Employees of Kelly AFB," Kelly AFB, San Antonio, TX, 17 October 1995.

spending on national defense in the wake of the Cold War, P.L. 101-510 authorized closure rounds in 1991, 1993, and 1995.

DoD's closure recommendation, a measure to pare down its bloated maintenance depot system, left a problem for the Air Force. Nestled in the cornfields of central Ohio, Newark Air Force Base (NAFB) was critical to national defense. NAFB was the Air Force's single repair center for inertial guidance systems for strategic missiles and navigational equipment for most of its airplanes. The Air Force needed the workload performed somewhere, yet no other Air Force maintenance depot had the capability. Worse, the cost for replicating the capability elsewhere was expected to cost hundreds of millions of dollars.

The 1993 BRAC gave the Air Force flexibility to craft a plan to leave the critical NAFB workload in place under the auspices of private industry--a plan called "privatization in place." Privatization in place would allow the Air Force to hire a private company from the aerospace defense industry to perform the workload at NAFB using existing facilities and employees. While some expected privatization in place to cost millions of dollars less than moving the workload, the Air Force was not yet convinced that the approach was in the best interests of national defense. The military had never tried privatization in place before; there were many unanswered questions.

Shortly after the 1993 BRAC recommended closure for NAFB, the Air Force embarked on procedures that would determine the future of the NAFB workload. And while it called privatization in place its "preferred option," the Air Force did not rule out

its other two options: moving the NAFB workload to either facilities owned by private companies in the aerospace defense industry or to other Air Force depots.

Licking County officials, meanwhile, pressured their elected officials to have the Air Force implement privatization in place. They were already convinced that privatization in place was the least expensive option. Besides, local leaders argued, the BRAC had already recommended privatization in place. More importantly, though, they argued privatization in place was in the spirit of a new federal initiative to help communities recover from the ill economic effects of base closure--President Bill Clinton's "Five Part Program for Revitalizing Base Closure Communities." At stake for Licking County were the jobs for over 1,500 employees and a \$200 million impact.

When the Air Force decided that it would take measures for implementing privatization in place, the local community was highly critical. Much of the criticism stemmed from the local community's realization that it would have to take ownership of NAFB after closure--a central concept to the privatization in place. With operating costs expected to cost millions of dollars every year, Licking County leaders worried that taking ownership of NAFB might bankrupt the local community. Exacerbating local leaders' concerns about becoming NAFB landlord were actions taken by the Air Force. This NAFB ownership issue became a major issue during the privatization in place controversy; one Air Force official called it a possible "showstopper."

## **Statement of the Problem**

President Bill Clinton, whose administration would be involved with two of the base closure rounds mandated by P.L. 101-510, has made the economic recovery of base closure communities a centerpiece of his administration. On 2 July 1993, the day after approving the work of the 1993 BRAC, President Clinton announced a new federal initiative for helping communities impacted by base closure--the "Five Part Program for Revitalizing Base Closure Communities." The Five Part Program intended to help hundreds of communities make a smoother, quicker economic recovery.

A valuable help to base closure communities are the experiences of others. Studying the experiences of other base closure communities is an aid to decision-making. Currently, there exists a wealth of information available to base closure communities. Much of this information comes from DoD and other government agencies which have studied base closures for lessons learned.

Before the NAFB closure recommendation, the government had never previously privatized in place an entire military base. That makes it imperative that the government understand fully the experience of Licking County. What were the critical issues? What role did the local community play? Considering the importance that the government places on the economic recovery of base closure communities, and the fact that NAFB is the first privatization in place in the US military, it is imperative that the government understand the experience of the local community during a privatization in place, especially as it looks to privatization as a means for acquiring services at less cost in the aftermath of the Cold War.

## **Research Objective and Questions**

The research objective is to describe the experience of the local community during the NAFB privatization in place. The objective will be addressed by using a qualitative research strategy and by focusing on the following research questions:

1. What role did the local community play in the privatization in place?
2. What were the major concerns of the local community?
3. How did the local community perceive Air Force decision-making?

## **Scope**

This study covers the period between the BRAC base closure recommendation in 1993 and the Air Force's announcement in December 1995 that it was awarding privatization in place contracts (one for depot repair; one for metrology). This was the most controversial and confrontational period for the local community.

To better understand the military's perspective, some background research into the history of NAFB and the events that led to the closure recommendation was necessary. It should be stated at the outset, however, that this study is not meant to be a critique of Air Force decision-making nor a full dress analysis of all issues confronting the Air Force; rather, the more modest goal of identifying critical factors to the local community, and placing them in their proper political and economic perspective, is all that is sought.

## **Terminology and Concepts**

### Local Community

Newark AFB (NAFB) is located within the city limits of Heath, which is located in the southeast quadrant of Licking County in central Ohio. Heath's 12 square mile area serves a residential population of 7,500; the estimated daytime population is 45,000 because of the high concentration of service industries located within the center of the city. Nearby cities include the county seat of Newark, located approximately 2 miles north of Heath on State Route 79. Of the 140,000 residents in Licking County, roughly 50,000 live in Newark. Columbus, the state capital, is located 35 miles west on Interstate 70.

### Economic Impact<sup>2</sup>

Newark AFB is a dominant economic force in Licking County. In 1993, three-fourths of the 1,750 employees, about four percent of the employment base, lived in Licking County. More than four fifths of NAFB employees have been employed 10 years or more making NAFB a long-term stabilizer for the economy. The average salary of an NAFB employee was roughly \$40,000, a considerable amount above the local average. With little in the local economy that offered comparable salaries and job benefits, local officials feared that many of the employees would leave the local community, perhaps the state, after base closure.

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<sup>2</sup> Hammer, Siler, George Associates, *Newark Air Force Base Reuse Plan* (Heath, 1995), 3.

In 1993, NAFB's direct infusion to the economy totaled \$88 million. This included a \$79 million payroll, and \$9 million that NAFB spent with local businesses located within 50 miles of the base. Using economic multipliers prepared by the US Bureau of Economic Analysis, the \$88 million direct infusion created an additional \$105.6 million in indirect spin-off income, for a total economic impact of nearly \$200 million.

The small city of Heath stood to take the economic brunt of base closure. Heath collected over one-fourth of its annual income tax revenue from 250 base employees which resided in the city. Heath also faced lost revenues from depressed housing values, lower motor vehicle registration fees, and reduced motel/hotel taxes. In addition, Heath stood to lose \$118,000 in annual sewer fees from NAFB and state and federal aid for its public school system.

### Newark Air Force Base

Newark AFB is a small base, encompassing only about 70 acres. Although there are 37 different buildings on the base, the main facility is a massive industrial plant, building #4, which comprises 12 acres. There is no runway at NAFB. The overwhelming majority of workers at NAFB are civilian employees of the federal government. In 1993, there was roughly 1,750 civilian employees and 100 military personnel at NAFB.

### Newark Air Force Base Workload

The sole purpose of NAFB is to house and support the massive industrial complex that makes up the Aerospace Guidance and Metrology Center (AGMC). AGMC supports two Air Force missions--depot maintenance and metrology and calibration. Roughly 80 percent of the NAFB personnel provide depot-level maintenance of inertial guidance and navigation systems and components and displacement gyroscopes for the Minuteman and Peacekeeper intercontinental ballistic missiles and most of the Air Force's airplanes.

Personnel at NAFB also perform the primary management function of technical manager of the Air Force Metrology and Calibration Program. As the program's manager, it operates the Air Force Measurements Standards Laboratory, provides technical and procedural direction in the operation of a single integrated measurement system, and designs and periodically calibrates measurement standards used in all Air Force precision measurement equipment laboratories.

### Air Force Materiel Command (AFMC)

Air Force Materiel Command (AFMC) is the parent command for NAFB and other Air Force maintenance depots. The other depots include five huge Air Logistics Centers (ALCs) located Hill AFB, Ogden, Utah; Tinker AFB, Oklahoma City, Oklahoma; Warner-Robins AFB, Macon, Georgia; Kelly AFB, San Antonio, Texas; and McClellan AFB, Sacramento, California. The 1995 BRAC recommended closure for the Sacramento and San Antonio ALCs, where the Air Force is currently implementing

privatization plans. Headquarters for AFMC (HQ AFMC) is at Wright-Patterson AFB, near Dayton, Ohio.

### Original Equipment Manufacturers (OEM)

Original equipment manufacturers (OEMs) are the private companies in the aerospace industry that have developed and manufactured the equipment which is repaired at NAFB. Some OEMs include Rockwell International, Litton, Kearfott, and Honeywell. Rockwell is the largest OEM. More than half of the NAFB workload is on Rockwell-manufactured equipment, such as the Minuteman and Peacekeeper Intercontinental Ballistic Missile (ICBM) systems.

### Privatization

General Henry Viccellio Jr., Commander of Air Force Materiel Command, defines "privatization" as 1) "the conversion of public sector activities, capabilities, and/or facilities to private industry, while maintaining the appropriate level of government oversight to ensure protection of public interest and desired levels of performance;" and 2) the use of excess public sector capacities, equipment, and facilities by private industry, while maintaining appropriate standards of maintenance, safety and environmental compliance."<sup>3</sup>

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<sup>3</sup> Viccellio, Henry Jr., AFMC/CC, Briefing to students at the Air Force Institute of Technology (AFIT), WPAFB OH, 9 July 1996.

Privatization in place is the conversion of work from the public sector to the private sector, but at the existing facilities. NAFB is the first instance in the history of the US military where an entire base will be converted to the private sector.

## **2: Methodology**

### **Chapter Overview**

This chapter reviews the research objectives that must be met to complete the study. Most importantly, it describes the methodology used to collect and analyze research data. A hybrid method of case study and historical, or “archival,” research forms the basis of the research methodology.

### **Research Objectives**

This research will meet several objectives to describe the experience of the local community during the NAFB privatization in place. First, the events leading to the decision to close NAFB must be identified. Considering that NAFB was the only Air Force base capable of repairing the sophisticated inertial guidance and navigational systems for strategic missiles and airplanes, why did the Department of Defense (DoD) recommend to close the base? And why did BRAC approve the recommendation?

Second, to determine why the local community was so adamant about having the base privatized in place, it is necessary to examine the privatization in place concept. Where and how did the concept originate? Both DoD and BRAC agreed that privatization in place might be a viable option for NAFB, yet the Air Force balked at implementing the approach. Why? And related to this point, how did community leaders respond?

Third, the local community believed that since privatization in place supported President Clinton's Five Part Program for Revitalizing Base Closure Communities the Air Force was obligated to implement privatization in place. What was the Five Part Program? And did this federal initiative have an impact on the NAFB privatization in place?

Third, and finally, the local community was extremely critical of Air Force decision-making throughout the entire period, 1993-1995. Why? What were the sources of these concerns? Were they in fact attributable to the Air Force? Or did these concerns reflect the local community's misgivings about fulfilling its own role in the privatization in place? These research objectives are the major lines of inquiry taken in completing this study.

## **Method**

The historical, or "archival," and case study methods are usually considered as separate approaches to research. Historical research, according to Borg and Gall, is "a systematic and objective location, evaluation, and synthesis of evidence in order to establish facts and draw conclusions concerning past events."<sup>4</sup> Dane considers archival research as any research in which a public record is the unit of analysis.<sup>5</sup> The use of this method involves the collecting information concerning research objectives. By collecting

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<sup>4</sup> Borg, Walter R. and Meredith D. Gall, *Educational Research: An Introduction*, 2nd ed., (New York: David McKay Company Inc., 1971), 260.

<sup>5</sup> Dane, Francis C., *Research Methods*, (Pacific Grove, CA: Brook/ Cole Publishing Company, 1990), 169.

data, normally in the form of historical documents and archival data, the historian appraises interrelationships. Then, through the process of synthesis, the historian combines key elements of data into a coherent document that describes past events to meet research objectives.<sup>6</sup> The research objectives for this study deal with describing the experience of the local community during the initial phase of the privatization in place.

Case study research is similar to historical research in many respects. The US General Accounting Office (GAO) defines a case study as “a method for learning about a complex instance, based on a comprehensive understanding of that instance obtained by extensive description and analysis of that instance taken as a whole and in its context.”<sup>7</sup> A primary feature of case study research is that the researcher relies on the input from major participants that lived through a particular event. Interviewing is a major component of the case study method. The main difference between studies written with a case study approach and an historical approach is the time in which the events being studied occurred: histories describe the past events, while case studies focus on contemporary events.

Yet instances occur when, according to Yin, the case study and historical strategies can be used simultaneously. “Histories can, of course, be done about contemporary events;” Yin wrote, “in this situation, the strategy begins to overlap with

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<sup>6</sup> Social Science Research Council, *The Social Sciences in Historical Research: Report of the Committee on Historiography*, (New York: Social Science Council, 1954), 157-159.

<sup>7</sup> General Accounting Office (GAO), *Case Study Evaluations*, (Washington: GPO, 1990), 14.

that of the case study.”<sup>8</sup> Thus, archival research is combined with case study methods (i.e. interviewing) to meet the research objective which is to describe the local community’s experience during the NAFB privatization in place.

### **Data Collection**

Data were collected from two primary sources. The vast majority of research for this study is comprised of primary sources of information contained in the files of the Newark-Heath Air Force Base Economic Adjustment Reuse Commission. Primary sources of data are original and yield data intended for a specific task or study.<sup>9</sup> The “Reuse Commission” was the group of Licking County officials who represented the community’s interests throughout the period. The Reuse Commission office was initially located at the Heath municipal building, but later was moved to NAFB. The Reuse Commission’s working papers--consisting mainly of official memos, staff studies, and meeting minutes--reflect the local community leaders’ thinking on the closure and privatization.

The author conducted numerous interviews, in person and by telephone, with key Reuse Commission members, primarily the head of the Reuse Commission, Mr. Wallace Horton. Horton spear-headed the local community’s efforts for privatization in place. More than any other local leader, he voiced the interests of the local community during

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<sup>8</sup>Yin, Robert K., *Case Study Research*, (Sage Publications: Newbury Park, 1989), 19.

<sup>9</sup> *Ibid.*

the episode. And since he is widely given credit for establishing NAFB thirty years earlier, he might be the most knowledgeable person on NAFB in general.

This study makes extensive use of secondary information-- information that has been collected by others to be used for another purpose.<sup>10</sup> Secondary information was contained in several different local newspapers, probably the single best sources for the reaction of Licking County residents to the privatization in place controversy.

Newspapers used as sources of secondary information in this report include:

- Newark's daily newspaper, *The Advocate*;
- Heath's *Ace News*;
- *The Columbus Dispatch*;
- and NAFB's *On Target*.

Although this thesis focuses on the experience of the local community, it does not entirely ignore the military's perspective. Special emphasis was given to examining the concerns that Air Force officials had about privatization in place. Primary information was gathered from the archives at Headquarters Air Force Materiel Command (HQ AFMC), located at Wright-Patterson AFB, Ohio. The data consisted mostly of talking papers, official memos, and briefing slides. These primary documents were used to reflect the government's thinking on the issues.

Interviews were also conducted with several key Air Force personnel at HQ AFMC. The most helpful in this respect was Sam Rizzotte, of AFMC's BRAC Implementation Division, who was consulted several times, in person and by telephone,

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<sup>10</sup> *Ibid.*

during the course of this writing. Also, the author conducted very important interviews with Colonel William Kohler, AFMC's Deputy Director of Plans and Programs and NAFB Commander, Colonel Joseph Renaud.

In addition, AFMC senior management established a Workload Transition Office (WTO) at the Ogden Air Logistic Center, Hill AFB, Utah, to take actions that would allow the Air Force to award a privatization in place contract. Numerous telephone interviews were conducted with the head of the WTO, Lt Col Paul Stipe.

Lt Col Stipe, Colonel Kohler, Colonel Renaud, and Mr. Rizzotte are arguably the most knowledgeable Air Force officials on the NAFB privatization in place. All reviewed drafts of this thesis and their comments and suggestions helped improve the accuracy of the information contained within.

## **Data Analysis**

The procedure used to analyze data combined some of the techniques of historical and case study research. When data collection was complete, the collected data were analyzed for accuracy, importance and meaning. The data was first analyzed to determine the historical meaning as intended by the author or organization. This is called internal analysis. Internal analysis provides the researcher insight toward the true meaning that the author intended to convey.<sup>11</sup>

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<sup>11</sup> Reitzel, J. M. and B. Lindemann, "Introduction to Historical Analysis," in *Qualitative Methods: Volume II of Handbook of Social Science Methods*, edited by Robert B. Smith and Peter K. Manning, (Cambridge, MA: Ballinger Publishing Company, 1982), 184-185.

Then the data was analyzed to determine how it fits into the historical context of the period during which the data were produced. This is called external analysis.<sup>12</sup>

External analysis attempts to build a framework to understand data by comparing information with other records from that time to ensure meaning is clearly understood and transferable to research. Data are compared to ensure dates, information and content are compatible, reliable, accurate and valid. Data analysis also involves an assessment of the relative importance of the data.

A data analysis technique recommended by the GAO was also used. GAO suggests four essentials to qualitative data analysis: iteration, OTTR (observe, think, test, revise), triangulation, and ruling out rival explanations.<sup>13</sup> This iterative technique requires that data analysis occur concurrently with data collection. The OTTR feature is the sequence in which the concurrent data analysis and collection takes place.

After observations have been made in the first phase, researchers think about the meaning of the information by asking some of the following types of questions: "What does it suggest about what is happening and why? What else could explain what is going on?" The second, or "think" phase ends with specification of what new information would be needed to rule out alternative explanations or confirm interpretations. The third, or "test," phase requires more data collection and analysis to address questions

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<sup>12</sup> Ibid.

<sup>13</sup> GAO, *Case Study Evaluations*, 54-67.

raised in the second phase. The fourth, or “revise,” phase requires an examination of the original interpretations and expectations in order to determine their plausibility.

This iterative process ends when a plausible explanation has been developed at the end of a “revise” phase, and when there are no outlier or unexplained data, no further interpretations possible, or it is clear that despite the most diligent search for information, more is not available to further refine description and explanation.

### **Validity**

This case study method can use two tactics for achieving validity: multiple sources of evidence and using the chain of evidence technique in data analysis. A chain of evidence is the sequence from observation to conclusions. This technique sounds more complicated than it actually is. The technique requires careful organization of files so that an independent second researcher could reach the same conclusions which were reached by the author. Some researchers call this “building an audit trail.”<sup>14</sup> Yin wrote that every report should contain enough data “so that the reader of the report could draw independent conclusions about the case study.”<sup>15</sup> The purpose of the multiple sources of evidence is to provide enough description “in order to get enough information to check for trends, to rule out competing explanations, and to corroborate findings.”<sup>16</sup>

Some techniques recommended by the GAO include:

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<sup>14</sup> GAO, *Case Study Evaluations*, 57.

<sup>15</sup> Yin, 93.

<sup>16</sup> GAO, *Case Study Evaluation*, 54.

1. Collecting documents such as contracts, memos, and reports.
2. Examining archives such as lists of persons served, computerized order records.
3. Conducting open-ended interviews.

These three techniques were used in this research. And, as Yin pointed out, “the most important advantage presented by using multiple sources of evidence is the development of converging lines of inquiry, a process of triangulation.”<sup>17</sup> In other words, the more pieces of evidence the historian has about a certain issue, the more accurate and valid his or her conclusions about that evidence will be.

### **Summary**

The research method used in writing this report followed a logical process to create a document that details the events and processes that complete the research objectives. Completion of the research objectives provides a coherent, objective, reliable and valid description of the past. This study, using historical and case study research methods, describes the experience of the local community during the NAFB privatization in place. The next chapter provides the results of the historical research in a coherent document which explains the experience of the local community during the NAFB privatization in place.

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<sup>17</sup> Yin, 91.

### **3: Findings**

#### **Background**

The US government shares a mutually beneficial relationship with communities that host military bases. A sound infrastructure, talented workforce, and support and affection for US soldiers, sailors and airmen--all are contributions made by local communities that have strengthened the military and contributed to national defense. Local communities, in turn, enjoy the economic benefits from hosting a military base. The military base provides employment to local citizens; local businesses enjoy the economic benefits that result from having the federal government as a major customer.

An unfortunate reality for the local communities, though, is that base closure is a frequent measure taken by the government to trim spending on defense. Base closure means unemployment and lost business activity for the local community. And the damage that base closure does to the local community's economy puts the entire social fabric at stake. Considering, then, the mutually beneficial relationship described above, what responsibility does the government have in ensuring the economic recovery and long-term, financial well-being of the base-closure community?

Historically, the government has put its own needs ahead of the local community's during base closures. During the 1960s and early 1970s, DoD closed military bases at will with little or no input from congress or the local communities. DoD and other federal agencies often stripped the bases of valuable assets leaving little for communities' economic recovery. Making the base closure community's plight

particularly onerous was that there was little many of them could do to fight a base closure. Unemployment, economic depression, and fear about the future--while some communities recovered from these adverse affects of base closure, many did not. The mayor of Roswell, New Mexico recalled the 1967 closure of Walker AFB: "All you could see was moving vans along main street. It was absolutely devastating. The town was in a deep mental depression. And soon we were in an economic depression."<sup>18</sup>

In the late 1970s, congress sought to end DoD's free hand at closing military bases. Lawmakers realized that lost jobs resulting from base closure might lead to lost votes on election day. In 1977, congress passed Title 10, United States Code, Section 2687--legislation restricting DoD's ability to close military bases. The legislation required DoD to notify congress of all proposed base closures affecting more than 300 people, and subjected those closures to the lengthy environment evaluation requirements of the National Environmental Protection Act (NEPA). This legislation, combined with congressional reluctance to close military bases, effectively halted base closures for a decade.<sup>19</sup> Every base closure attempt by DoD between 1977-1987 failed.

The collapse of the Berlin Wall, the disintegration of the Soviet Union, and the end to an expensive arms race--all brought base closures back to the forefront of defense policy in the late 1980s. In 1988, DoD successfully closed 86 bases and realigned 59

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<sup>18</sup> Clairborne, William, "Surviving a Base Closure: Isolated Town Shows How Conversion Works," Reprinted by permission of the *Washington Post* in the Office of Economic Adjustment's *Civilian Reuse of Former Military Bases: 1961-1993* (Washington: GPO, 1993), 30.

<sup>19</sup> Base Realignment and Closure Commission, *Base Realignments and Closures: Report of the Defense Secretary's Commission* (Washington: GPO, 1988), 6.

others through the actions of a one-time, independent Base Realignment and Closure Commission (BRAC), established by P.L.100-526. Represented only 3 percent of domestic military base structure these closures were not enough. So in early 1990, DoD tried to make additional cuts. Reminiscent of past closure attempts, congress protested. A political stalemate was averted on 5 November 1990 when President George Bush signed P.L.101-510, legislation establishing an independent, five year BRAC with base closure rounds in 1991, 1993 and 1995.

The actions mandated by the new BRAC law during each closure round were intended to de-politicize the base closure process. The Secretary of Defense had to recommend a list of base closures to the BRAC by 15 March. BRAC then had authority to amend the closure recommendations by making additions to, or deletions from, the DoD closure list, based on how well the Secretary of Defense applied a set of eight closure criteria. By 1 July, BRAC had to give its recommendations to the President, who would have until 15 July to either accept, or reject, the closure recommendation list in its entirety. If accepted, the President would transmit the closure list to Congress. Barring a congressional motion of disapproval for the entire report, the base closures would become law.

The BRAC law's "all or nothing approach" shielded lawmakers from the political flak resulting from voting for base closures; it proved to be an effective antidote to the politics that impede base closure. While new in many respects, the BRAC process implemented by Public Law 101-510 remained the same in one regard: the local community's economic needs were still secondary to needs of the federal government.

Take, for instance, the closure criteria. When recommending base closure, BRAC considers the economic impact on the local community only after it considers the value of a base closure to the government--i.e. military value, savings, and return on investment. The BRAC law ultimately meant that hundreds of communities across America were once again at risk in the early 1990s of losing economic centerpieces.

Even worse for base closure communities was that economic recovery had become increasingly uncertain due to a labyrinth of federal regulations governing the base closure process that emerged in the late 1980s. After studying local communities affected by the 1991 BRAC, the Business Executives for National Security (BENS) concluded that economic recovery was possible, but that it was "more difficult due to changes in the economy, increased government involvement and regulations."<sup>20</sup> Particularly troubling was the government's property disposal process. For instance, the Stewart B. McKinney Homeless Assistance Act of 1987 allowed homeless assistance groups screening rights over property at closed military bases before the local community.

Also, federal law prohibited the transfer of base closure property to local communities for economic development. Other property transfers, or "conveyances," were available for "public" uses, such as health, education, aviation or recreation. But if base closure communities wanted to use property for economic development they had to pay the base's "fair market value," often far above what some communities could afford

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<sup>20</sup> Cunningham, Keith, *Base Closure and Reuse: 24 Case Studies* (Washington: Business Executives for National Security, 1993).

to pay. So in effect, the base closure community was getting hit twice: the government was telling the base closure community that it had to pay millions of dollars to buy base closure property, after removing the centerpiece of its economy.

Granted, the most important consideration when closing military bases must be implications on national defense. Yet, the question remains: what responsibility does the government have for the economic recovery of the base closure community?

President Bill Clinton, whose election in 1992 guaranteed that he would twice have the unenviable task of accepting or rejecting BRAC recommendations, recognized that it was fiscally important, and politically wise, for the government to do more for base closure communities. On 2 July 1993, one day after approving the work of the BRAC, he announced a "Five Part Program for Revitalizing Base Closure Communities." The revolutionary Five Part Program consisted of the following:

1. Job-centered property disposal that puts local economic development first,
2. Easy access to transition and redevelopment help for workers and communities,
3. Fast-track environmental cleanup that removes needless delays while protecting human health and the environment,
4. Transition coordinators at major bases slated for closure, and
5. Larger economic development planning grants to base closure communities.<sup>21</sup>

The centerpiece of the Five Part Program was jobs-centered property disposal.

President Clinton announced that his administration would seek changes to federal law

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<sup>21</sup> Aspin, Les, Secretary of Defense, "Revitalizing Base Closure Communities," Memorandum to Congress, 2 July 1993.

that would allow DoD to transfer property from closed military bases to local communities for economic development.

Pledging \$5 billion over five years, including \$2.8 billion in economic development and transition assistance for base closure communities and civilian employees at the bases, plus \$2.2 billion for environmental cleanup, and the help of federal agencies like the Departments of Commerce and Labor, President Clinton aimed at making base closure communities partners in, not victims of, the base closure process. One of the first tests for this bold federal initiative was Newark Air Force Base (NAFB), Ohio.

### **Newark Air Force Base<sup>22</sup>**

The Air Force began using NAFB while the US was fighting communist expansion in Korea. In 1952, the Air Force contracted Kaiser Aluminum and Chemical Corporation to build and operate a plant in Heath, Ohio, as part of its Heavy Press Program. The plant was to be used to stamp out single wing spars 35 feet in length. In July 1953, the Air Force began using the plant for heavy equipment storage as the Heavy Press Program was curtailed, in part, due to a change in technology and the shift in defense emphasis towards missiles.

In 1956, the Soviet Union began testing the hydrogen bomb; a year later it launched the first satellite into orbit around the earth. The Cold War grew colder.

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<sup>22</sup> Bradley, George W. III, and Carl B. Beamer, *From 'Missile Base' to 'Gold Watch': An Illustrated History of the Aerospace Guidance and Metrology Center and Newark Air Force Base.* (AGMC: Office of History, 1992).

In 1958, the Heath plant caught the attention of Air Force personnel from Gentile Air Force Station in Dayton, Ohio, looking for a place to house some laboratories for the burgeoning Air Force Metrology and Calibration Program, critical to the US's strategic missile program. There were several reasons why the Dayton planners considered the plant ideal for metrology and calibration .

The plant was particularly attractive because it housed a large underground pit, 65 feet deep, with concrete walls ranging from 8 feet, and a floor of 12 feet. In addition, the 400,000 square feet of open production area in the main facility, provided more than enough room for the proposed inertial guidance system repair facilities. Also, tests confirmed the site to be the most seismically stable platform available to the Air Force. It rested on a rare geologic formation of 250 to 300 feet of bedrock, giving the site unusual seismic stability. In addition, the site was far enough away from a large city to prevent noises or vibrations to harm the precise measurements of the metrology laboratories. Large open production areas, a seismically stable platform, and little environmental interference from large cities--all were ideal for the inertial guidance repair and the metrology activities.

Nicknamed the "missile base" for its work done on Atlas and Minuteman missiles during the 1960s, the workload expanded in number and variety of airplane inertial navigation systems in the 1970s. By the late 1980s the NAFB workforce peaked above 3,000 with personnel performing repair services for the Minuteman and Peacekeeper Intercontinental Ballistic Missiles (ICBMs) and navigation systems for almost every Air Force airplane.

## Privatization in Place

Soon after the Cold War's end, military planners looked at NAFB more and more closely as a candidate for closure. Newark AFB escaped closure in 1991, but the following year the future of NAFB looked less promising. In November 1992, an executive working group chartered by the Chairman of the Joint Chiefs of Staff, General Colin Powell, completed a review of the DoD depot system--a sprawling network of military facilities that repair and overhaul tanks, planes and ships. After reviewing the capability and requirements of the 30 major facilities across the four services, the group reported in the *Depot Maintenance Consolidation Study* that 25-50 percent excess capacity existed throughout the depot system.<sup>23</sup>

Excess capacity was required to meet "surge" scenarios of the protracted, global confrontation with the Soviet Union that DoD planned for during the Cold War. But when defense budgets declined after the Soviet threat dissipated, excess capacity became a bane to military planners. Precious dollars were being invested to maintain unneeded maintenance depots at the expense of more urgent requirements. The *DMCS* executive working group recommended DoD use the 1993 BRAC process to cut excess capacity and to pare down its bloated depot system. On 3 December 1992, the Deputy Secretary of Defense, Donald Atwood, dispatched a message to the military services outlining measures for implementing the recommendation.<sup>24</sup>

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<sup>23</sup> Slade, Colonel Thomas, USAF, J-4/SCAD, "Depot Maintenance Consolidation Study," Joint Chiefs of Staff briefing, December 1992.

<sup>24</sup> Atwood, Donald, Deputy Secretary of Defense, "Base Closure and Realignment Proposals in Support of Streamlining of Defense Depot Maintenance Activities," Memorandum for the Military

In January 1993, Air Force Base Closure Executive Group (BCEG) recommended closure for NAFB. Various political and economic factors led to BCEG's decision. NAFB was the smallest Air Force depot, so it might have appeared the easiest to close. Also, the closure of NAFB was expected to reduce the Air Force excess capacity by 1.7 million direct product actual hours (DPAH), a measurement of excess manpower capacity.<sup>25</sup>

Also, since there was no runway at the base, its military value might have appeared relatively low compared to the Air Force's other maintenance depots--five huge Air Logistics Centers (ALCs) located at Hill AFB, Utah; Robins AFB, Georgia; Kelly AFB, Texas; McClellan AFB, California; and Tinker AFB, Oklahoma.

Though it had no runway, the NAFB's military value was quite significant. The base was the Air Force's only repair facility for ICBM inertial guidance systems and for many airplane navigational systems. That meant that if NAFB was closed, its workload would have to be transferred to another one of the Air Force depots, something AFMC had estimated would cost \$276 million with a 20 year payback.<sup>26</sup> This figure was comprised of three different costs:

- construction costs necessary to replicate some of the "one of a kind" facilities which existed only at NAFB;

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Departments, Chairman of the Joint Chiefs of Staff and the Under Secretary of Defense for Acquisition, 3 December 1992.

<sup>25</sup> Boatright, James F, Deputy Assistant Secretary of the Air Force, Washington, Letter to to Jim Courter, 1993 BRACC Chairman, Arlington VA, 3 May 1993.

<sup>26</sup> Rizzotte, Sam, AFMC BRAC Implementation Division, "Privatization of Aerospace Guidance and Metrology Center (AGMC)," Talking Paper, WPAFB OH, 12 April 1993.

- employee training costs to replace a skilled, highly technical workforce train a workforce;
- costs for moving the expensive equipment and the almost certain risk of damage that would occur.

Later in January 1993, the BCEG proposed a way to close NAFB without incurring these costs. The BCEG was a group of seven general officers and six senior executive service career civilians appointed by the Secretary of the Air Force to make closure recommendations. The BCEG proposed that after closing NAFB, the Air Force keep the workload in place under the auspices of private industry--a concept it called "privatization in place." Privatization in place involved the Air Force's contracting with a private company, or companies, to perform the workload using the same facilities, equipment and employees presently at NAFB. Central to the privatization in place concept was that the Air Force would transfer ownership of NAFB to another government or private entity.

There were some expected advantages to the privatization in place approach. First, privatization in place would allow the Air Force to maintain the critical repair capability while simultaneously divesting itself of excess capacity. Second, privatization in place would maintain the highly skilled workforce by having it transfer to a private company who would operate under contract to the Air Force. Third, privatization in place would avoid equipment transportation costs and the almost certain damage to the equipment would be averted. BCEG estimated that closing NAFB and privatizing its

workload in place would cost \$31.3 million, much less than AFMC's projected \$276 million.

Secretary of Defense Les Aspin went along with the idea. In March 1993, Secretary Aspin submitted the following recommendation to the BRAC:

Newark AFB, Ohio is recommended for closure. The Aerospace Guidance and Metrology Center (AGMC) depot will be closed; some workload will move to other depot maintenance activities including the private sector. We anticipate that most will be privatized in place.<sup>27</sup>

Following this recommendation, the Air Force took measures toward privatization in place. In April 1993, officials at AFMC issued a Request for Information (RFI) in the *Commerce Business Daily*. The *Commerce Business Daily* is the public notification medium by which the federal government identifies proposed contract actions and contract awards, and solicits private sector participation in meeting government requirements. AFMC intended to gauge private industry's interest in privatization in place through responses to the RFI.

Central to the privatization in place concept was that the Air Force would divest itself of ownership of NAFB. According to the RFI, published in the 26 April 1993 *Commerce Business Daily*, the Air Force considered four privatization in place alternatives:

1. Sale of NAFB facilities to a private company which would perform workload under contract to the Air Force;

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<sup>27</sup> Department of Defense (DoD), *1993 Report to the Defense Base Closure Realignment and Commission* (Washington: GPO, 1993), 111.

2. Sale/Transfer of NAFB facilities to the state of Ohio which would contract with a private contractor which would perform the workload under contract to the Air Force;
3. Sale of NAFB facilities to an employee owned company which would perform workload under contract to the Air Force;
4. Establishment of NAFB as government-owned, contractor-operated (GOCO) plant, with the contractor performing workload under contract to the Air Force.<sup>28</sup>

The RFI stated that under each alternatives the Air Force would maintain ownership of the equipment and provide it to the private contractor as government furnished equipment (GFE). Additionally, the RFI stated that under each alternative "the Air Force would expect that current employees of Newark AFB be given first refusal for any jobs available."

To the later dismay of the local community, the RFI also stated the Air Force would consider other options besides privatization in place:

The alternatives above are not the only alternatives under consideration by the Air Force. The Air Force may also consider moving workload to other Air Force, DoD, or federal sites, or awarding a contract or contracts for metrology and for guidance and navigation systems test, repair and maintenance to be done at a contractor's facility.

Responses to the RFI showed little interest among private industry for privatization in place. An AFMC staff summary report written afterwards revealed that "none of the respondents stated an interest in accomplishing all the workload and

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<sup>28</sup> Brown, Thomas F., AFMC Management, Resources and Analysis Division Chief, AFMC Directorate of Contracting, "CBD Announcement: Special Notice," WPAFB OH, Memo to US Department of Commerce, *Commerce Business Daily*, Chicago Ill., 21 April 1993.

ownership of Newark AFB under one contract.”<sup>29</sup> According to the report, private companies in the aerospace defense industry, including the original equipment manufacturers (OEMs) expressed interest in taking specific workloads to their own plants rather than in performing the workload at NAFB. OEMs like Rockwell, Honeywell and Litton, indicated that they wanted to take workloads relating to their equipment to their own plants. Why? According to a May 1993 AFMC staff briefing, some specific concerns with privatization in place included issues like proprietary data (data rights between OEMs), environmental liabilities, and land transfer.<sup>30</sup> Another contributing factor was the recession in 1993 facing companies in the aerospace defense industry. Facing declining sales due to defense cutbacks, and its own excess capacity problem, companies desired to take the NAFB workload to their own underutilized facilities.

### **1993 BRAC**

Private industry’s lack of interest for privatization in place was the main factor that led some members of the 1993 BRAC to question the plan at a hearing in Washington the following month. On 23 June, the seven-member BRAC held a hearing to prepare itself for final votes on a base closure list later that week. The members’ primary concern--private industry’s lack of interest--stemmed not only from the results of the Air Force’s RFI but from similar results gleaned from BRAC own informal survey of

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<sup>29</sup> Rizzotte, Sam, AFMC BRAC Implementation Division, “Newark AFB Closure and Privatization of Aerospace Guidance and Metrology Center (AGMC)--Request for Information,” Staff Summary Sheet, WPAFB OH, May 1993.

<sup>30</sup> Koepnick, Tom, HQ AFMC/ XP, “MAJCOM BRAC 93 Cost Estimates,” Briefing, HQ AFMC, Wright Patterson AFB, OH, 13 May 1993.

executives from four OEMs--Rockwell International, Northrop, Honeywell, and Litton Industries. The press reported that all of the OEMs wanted the workload, but none wanted to perform it at NAFB.

Other concerns that the BRAC had about privatization in place were uncertain costs and savings. What might have also troubled them was that NAFB was the only Air Force depot with 100 percent of its workload identified as depot maintenance core.<sup>31</sup> Concerns such as these led one BRAC member, Hansford T. Johnson, a retired Air Force general and considered an expert on Air Force closure issues, to say the following:

You say one-time savings are a maybe; the steady savings might be; and we've found only one company that might want to do what the Air Force wants to do....If we're going to privatize Newark or anything else, we have to have some facts. Right now I'm not convinced that the current situation [keeping NAFB open] isn't in the best interests of the country.<sup>32</sup>

Similar skepticism about privatization in place was expressed by local community officials weeks earlier at a regional BRAC hearing in Detroit. The group's leader was a 77-year-old resident of Heath, Wallace Horton. Having written the original studies which brought NAFB into existence over thirty years earlier, Horton was intimately familiar with NAFB. As the Deputy Director of Maintenance Engineering at the Dayton Air Force Depot in the late 1950s, Horton nurtured the fledgling calibration program, promoted organic maintenance of inertial guidance systems, and, more than anyone else,

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<sup>31</sup> According to a Deputy Undersecretary of Defense Policy Letter, dated 15 November 1993, *depot maintenance core* is "the capability maintained within organic defense depots to meet readiness and sustainability requirements...supporting the Joint Chiefs of Staff (JCS) contingency scenario (s). Core exists to minimize operational risks and to guarantee required readiness..."

<sup>32</sup> Barazia, Virginia, "Panel Raises Doubts about NAFB Plan," *The Advocate*, 24 June 1993.

actively assisted in planning NAFB.<sup>33</sup> In 1959, Horton testified before Congress that the Heath plant was the best site for the metrology and inertial guidance system repair facility. He figures so prominently in NAFB's history that its first commander, Colonel Thomas Lawton, said "no other person...has played so vital a part in bringing it from concept to completion."<sup>34</sup> Although he retired in 1973 as NAFB's technical director, Horton maintained close ties with the base through his electronics and management consulting business, located in Heath.

The "Horton Group" fought the privatization in place issue because it was trying to convince the BRAC that keeping NAFB a military facility was in the best interests of national defense. The Horton Group argued that privatization in place was not as cost-effective as keeping the base under government control--concluding in one study that privatization would cost the government 30% more. Transferring the NAFB workload to other Air Force depots, transferring the NAFB workload to facilities owned by private contractors, and privatization in place--none of these alternatives was as cost-effective, according to the Horton Group, as was keeping the base open.

Despite the Horton Group's arguments and the BRAC skepticism NAFB was recommended for closure. With its closure recommendation, BRAC signed off on the privatization in place idea. In the base closure report given him on 1 July 1993, President Clinton read the following:

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<sup>33</sup> Bradley, et. al., 155; See also "Newark Base's Founder Upbeat on Site's Future," by David Jacobs, *The Columbus Dispatch*, 24 January 94; and "'Father of NAFB' Leads Reuse Panel" by Jeff Bell, *The Advocate*, Newark, Ohio, 24 January 1994.

<sup>34</sup>Ibid.

The [NAFB] workload can either be contracted out to one or more of several existing manufacturers or privatized in place. Thus, if privatization is not a viable option, the Air Force can contract the required workload incrementally as the workload declines.<sup>35</sup>

Meanwhile, figures for tentative savings were available for the closure of NAFB:

Table 1. Newark AFB Cost Estimates and Return on Investment	
One-Time Closure Cost	\$31.3 Million
Savings (1994-1999)	\$17.1 Million
Annual Savings	\$3.8 Million
Payback	8 years

By dividing the “one-time closure cost” figure by the “annual savings” figure, one discovers that it would take eight years before DoD received any return on its “investment” to close NAFB. The payback period is calculated by the Cost of Base Realignment Actions (COBRA) model. DoD uses the COBRA model--a set of formulas or algorithms--to estimate the return on investment of its closure and realignment decisions.

Overall, the NAFB closure recommendation was part of a BRAC package that included recommendations for 130 base closures and 45 realignments. BRAC estimated that the actions would save about \$4 billion between fiscal years 1994-1999, after one-time closure costs of \$7 billion.

President Clinton took only one day to approve BRAC closure report. On 2 July, he forwarded the report to Capitol Hill for congressional debate that would last over two

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<sup>35</sup> Base Closure and Realignment Commission (BRAC), *1993 Report to the President* (Washington : GPO, 1993), 1-82.

months. That same day, President Clinton unveiled his "Five Part Program for Revitalizing Base Closure Communities." Secretary of Defense Les Aspin sent the following letter, along with a copy of President Clinton's Five Part Program to congressional members affected by base closure:<sup>36</sup>

Dear Representative:

As you know, today President Bill Clinton transmitted to the Congress the base closing recommendations of the Defense Base Closure and Realignment Commission. These base closings are necessary for an effective military in a changing world.

I share the President's belief that the communities that won the Cold War must not be left out in the cold. Today the Administration announced a five point plan to ensure that communities affected by base closing are given the tools and resources to make the transition. These efforts are guided by an emphasis on economic development and job creation....

....I pledge to work with you and leaders in your community to ease the transition and to turn closing military bases into engines of economic development.

Warm Regards,  
Les Aspin

### **Local Community Pursues Privatization in Place**

On 2 August, a delegation of local leaders made a fact-finding trip to Washington in response to an invitation from Secretary Aspin, who had invited community leaders across the country affected by base closure to learn about President Clinton's Five Part Program. Members of the local delegation consisted of Joseph Geller, mayor of Heath; Frank Stare, mayor of Newark; Leonard Feightner, Newark auditor; and Carolyn Broyles, Heath auditor. Before leaving for Washington, some in the delegation seemed less

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<sup>36</sup> Aspin, Les, Secretary of Defense, Washington, Letter to US Representatives, Washington, 2 July 1993.

interested in hearing about the Five Part Program than in expressing disappointment about the government's decision to close NAFB. Mayor Stare, whose city faced job loss for over 600 of its citizens, seemed anxious to fight the issue. "I plan to tell them that I'm not happy and they didn't look at it from the fullest extent of what is out there," he told Jeff Bell, a reporter for *The Advocate*, "I'll tell them it really was all cut and dried and not in the best interests of the nation."<sup>37</sup> Carolyn Broyles expressed similar disappointment, but added she would press Secretary Aspin to implement privatization in place. "If I get the chance to put in my two cents worth, I'll surely go for it," she said "the easiest, cheapest way out of this [for DoD] is privatizing in place."

Broyles' statement about privatization in place reflected a belief which had become widespread among Licking County officials during the month after the BRAC recommendation--that privatization in place was the best option for both the local community and the government. Immediately following the BRAC recommendation, local leaders including the County Commissioner Don Hill, Mayor Stare, and Mayor Geller, asked Wallace Horton to lead a community push for privatization in place. Reeling with disappointment, he agreed. Horton told the author he was anxious for a "rematch" with the government.<sup>38</sup>

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<sup>37</sup> Bell, Jeff, "Local Leaders to Meet With Pentagon Boss," *The Advocate*, 2 August, 1993.

<sup>38</sup> Horton, Wallace, Personal Interview with the author, NAFB, July 1996.

But how would he argue for privatization in place having only weeks earlier opposed the idea? Letters written during the ensuing weeks and months revealed Horton's three main arguments:

- First, he argued the seismic stability which existed at NAFB demanded that the workload remain at NAFB under privatization in place (an argument that he used thirty years earlier for establishing NAFB).
- Second, he argued that privatization in place was more cost-effective than moving the NAFB workload to either other Air Force depots or facilities owned by private contractors, for the same reasons that the Air Force BCEG originally proposed the approach--it eliminates the costs for facility replication, employee retraining and equipment damage.
- Third, since privatization in place would save the jobs for over 1,500 NAFB employees, and would consequently save a major part of the Licking County economy, he argued that the Air Force implement the approach in support of President Clinton's Five Part Program for Revitalizing Base Closure Communities.

The last point was especially important. The fact that the government had pledged to help base closure communities demanded the Air Force privatize in place, for if not, Licking County faced a \$200 million loss, Newark the loss of jobs for 600 residents, and Heath the loss of one-fourth its annual tax revenues. Horton and other local leaders worried that without privatization in place most of the displaced workers would leave the local community, perhaps the state, to find different other jobs. President Clinton's Five Part Program, they believed, was intended to alleviate the adverse economic impacts that faced the local community.

What most worried Horton at the outset, however, was the lack of interest for privatization in place. But he believed the Air Force was partly to blame for this. By

writing in its April RFI that it would consider alternatives for “moving workload to other Air Force, DoD, or federal sites, or...a contractor’s facility,” Horton believed the Air Force was giving private companies too much leeway in determining where the NAFB workload would be performed. On 30 July, Horton wrote the following in a letter that Mayor Geller hand-delivered to Secretary Aspin when the local delegation traveled to Washington:

We realize that the interest shown to date has been to move the workload to each contractor’s plant. We believe this position was taken because of the wording of the RFI...We feel that, if explained correctly, the various contractors involved would find [privatization in place] a workable approach. We believe this is an area with such sizable potential savings, that the government must take a more firm position in respect to the contractors....We want to make it clear that we...are deeply interested in looking at this option and sincerely hope the Air Force will help us explore this option.<sup>39</sup>

Horton believed the Air Force should mandate privatization in place so that private contractors’ would not make an effort to take the NAFB workload at to their own facilities. Making privatization in place a “ground rule” would serve several purposes. First, it would serve the Air Force because it would prevent private contractors from “playing with numbers” to make moving workload to their facilities appear more cost-effective than privatization in place. Second, it would leave no question in private contractors’ minds that the Air Force was fully committed to ensuring the success of privatization in place. Third, by mandating privatization in place, thus guaranteeing jobs

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<sup>39</sup> Geller, John, Mayor, Heath, Letter to Les Aspin, Secretary of Defense, Washington, 30 July 1993.

for NAFB employees, the Air Force would be supporting President Clinton's Five Part Program. Horton argued this same point in another letter to Secretary Aspin. "If aggressively pursued by the government," he wrote, "[privatization in place] can be a workable solution."<sup>40</sup> This issue--whether to mandate privatization in place--would be a controversial recurring issue over the next two and a half years.

### **Heath Forms Reuse Commission**

Following the meetings with Secretary Aspin on 2 August, the Licking County delegation returned somewhat more optimistic--and more determined--about privatization in place. On 18 August 1993, the Heath City Council passed resolution 93-9 which established the Newark-Heath Air Force Base Economic Adjustment Reuse Commission. Resolution 93-9 gave Mayor Geller authority to appoint seven members to the Reuse Commission, formed by Heath since NAFB was in its jurisdiction. Five of Geller's appointments were Heath residents, including himself; Carolyn Broyles, Heath auditor; Joe Day, a retired NAFB employee; and two city council members-- Richard Gardner and Mary Kelley. Recognizing the regional impact of base closure, Mayor Geller appointed Mayor Stare and Commissioner Don Hill to the panel. Wallace Horton began working for the Reuse Commission as a consultant and was later hired as a full-time project administrator.

Resolution 93-9 listed the primary goals of the Reuse Commission:

- To diversify the Heath economy;

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<sup>40</sup> Geller to Aspin, 9 September 1993.

- To facilitate employment of displaced Newark-Heath Air Force Base employees;
- To provide employment opportunities for area residents;
- To provide jobs which increase income levels for the impacted area;
- To strengthen the local tax base for the city of Heath;
- To determine highest and best land use to serve the highest overall return.<sup>41</sup>

Although not explicitly stated in resolution 93-9, the primary goal was to work towards privatization in place. The day after the Reuse Commission's establishment, *The Advocate* featured an article in which Mayor Geller said the Reuse Commission would explore the Air Force's privatization in place alternatives--including a state- or federal-run facility, a private sector purchase of NAFB, or an employee buyout option.<sup>42</sup>

Another option, Mayor Geller said, was the local community's purchase of NAFB. While in Washington, he and other local leaders learned the government would transfer ownership of NAFB to the local community for \$1 to spur economic development. That was important since NAFB's value was estimated at around \$331 million, far above what Geller considered the community could afford to pay. If the community took ownership of NAFB it could lease the base to a private company who would hire the present workforce, use the existing facilities, and perform the workload under contract with the Air Force. The community would use its lease revenues to pay the expensive costs associated with operating and maintaining the base.

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<sup>41</sup> Heath City Council, "A Resolution Establishing the Newark-Heath Air Force Base Economic Adjustment Reuse Commission," Resolution no. 93-9, 18 August 1993.

<sup>42</sup> Bell, Jeff, "Heath Takes Over Future of Base," *The Advocate*, 19 August 1993.

If it owned NAFB, the local community could also lease the base to an employee owned company. In fact, the employee buyout option was already receiving strong consideration from NAFB employees. On 17 August, the day before Heath formed the Reuse Commission, NAFB employees met with representatives from the Northeast Ohio Employee Ownership Center (NOEOC), a state organization specializing in employee-owned companies.<sup>43</sup> The meeting was arranged by Gene Ott, an NAFB employee who several days later formed a 12 person steering committee for the "AGMC Employee Buyout Association." NOEOC representative, James Bado, explained to the anxious employees that they could form a company through what was called an Employee Stock Ownership Plan (ESOP)--a pension plan that allowed employees to own common stock in the company. There were over 300 such ESOPs in Ohio and interest among NAFB employees for the idea was high. Weeks later, on the first day of the Employee Buyout Association membership drive, over 250 employees paid the \$5 membership fee to join.<sup>44</sup>

As promising as the employee buyout option appeared, there were concerns. Before approval of an employee-owned company, the state of Ohio required lengthy economic feasibility studies which would take months to complete. On 30 August, Gene Ott wrote a letter to Mayor Geller and the Reuse Commission stating that he worried that the Air Force might move the NAFB workload before completion of the feasibility studies. "The [steering] committee and the employees are very concerned that the

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<sup>43</sup> Wilson, Mike, "Workers Hear About Buyout Option," *On Target*, 26 August 1993.

<sup>44</sup> Bell, Jeff, "NAFB Progressing On Study," *The Advocate*, 8 October 1993.

military will not seriously consider an employee buyout," he wrote, "and that some of the workloads will be committed to other facilities or actually moved to other facilities before the buyout studies have been completed."<sup>45</sup>

In a detailed, 16-page study presented on 23 September to the Reuse Commission, Wallace Horton echoed this concern:

This venture, if drawn out too far in time, may be faced with many of the key employees having moved on to other jobs. Many of the key employees have considerable civil service retirement time years in and will be looking for other civil service positions and this could present a problem in supporting the workloads.<sup>46</sup>

Particularly concerning Horton was that over four-fifths of the 1,750 NAFB employees had over 10 years employment with the federal government. This meant that these employees might want to continue working at another military base so they might keep retirement benefits. The government had a program--the Priority Placement Program--in which it placed employees from closing military bases at other federal facilities. Horton worried that these employees might not be interested in staying for privatization in place, employee buyout or not.

Horton also addressed in the study the local community's prospects of taking ownership of NAFB. His main concern was the financial risk that owning NAFB might pose if the Air Force decided to end its contract with the private contractor and the

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<sup>45</sup> Ott, Gene, Pickerington, Letter to Mayor Joseph Geller, Heath, 30 August, 1993.

<sup>46</sup> Horton, Wallace, Untitled Privatization in Place Study, Presented to Reuse Commission on 23 September 1993.

community would not be able to find new workloads for the base. "There would be a risk if the government decided not to continue to have their work accomplished at this location," he wrote. Operating and maintenance costs were later estimated at over \$4 million--over half of Heath's budget. If the Air Force pulled later decided that it did not need the privatization in place workloads, and the community took ownership of NAFB, how could it afford this?

Horton's study that he gave on 23 September to the Reuse Commission represented the two major concerns that faced local leaders then, and for the next two years. The two major concerns were employee attrition and the financial risks associated with taking ownership. The latter concern, though, would not become a major issue for over a year. But for the time being, Horton believed the local community's planning for privatization in place had to be placed on hold, adding "I do not see a short-term solution to this project. At this point in time, there is insufficient knowledge of what the Air Force intends to do to develop future plans in any detail." On 24 September, the day after presenting his study to the Reuse Commission, Horton wrote a letter to Major General Stephen Condon, AFMC's Director of Plans and Programs, stating that it was "very difficult to proceed with planning until a position is taken by the Air Force."<sup>47</sup>

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<sup>47</sup> Geller, John, Mayor, Heath, Letter to Major General Stephen Condon, AFMC Director of Plans and Programs, WPAFB, 24 September 1993.

## Air Force Explores its Options

But a position from the Air Force would not soon be forthcoming. In fact, events during September and October at headquarters AFMC (HQ AFMC), Wright-Patterson AFB, Ohio, would put NAFB's future in doubt until the end of January 1994, almost five months away. On 3 September 1993, AFMC senior management formed an Integrated Product Team (IPT)--comprised of Air Force officials from HQ AFMC, NAFB, and maintenance depots with equipment repaired at NAFB--to develop a plan for continuing NAFB's workload upon closure.<sup>48</sup> Upon reviewing the IPT's charter, approved on 13 September by Major General Stephen Condon, AFMC's Director of Plans and Programs, one discovers that there were misgivings about privatization in place.

The IPT's purpose, according to the charter, was "to identify and detail alternative strategies for the realignment of the Aerospace Guidance and Metrology Center (AGMC) workload and the closure of NAFB."<sup>49</sup> The IPT had three principle options to examine:

- 1) Privatization in place
- 2) Privatization at contractors' facilities; and
- 3) Transferring the workload to other Air Force depots.

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<sup>48</sup> Rizzotte, Sam, AFMC BRAC Implementation Division, "Newark AFB Closure Strategy Integrated Product Team (IPT) Status Report--20 September 1993," Draft Staff Summary Report, September 1993.

<sup>49</sup> Newark AFB Closure Strategy Integrated Product Team (IPT), *Charter*, Approved at HQ AFMC, WPAFB, 13 September 1993.

The IPT had to fully examine cost, contracting, and legal implications for each option. After considering the IPT's work, AFMC senior management would choose the best one. As part of its analysis, the IPT had to answer four questions:

1. Does the language of the BRAC recommendation bind the Air Force and AFMC to a particular course of action?
2. What latitude, if any, does the Air Force and AFMC have in light of the identification of most of the workload as "core"?
3. What is the possibility that additional BRAC funds will be available if AFMC selects a realignment/closure alternative other than privatization in place?
4. What is the cost of each realignment/closure action?

So not only did AFMC officials have misgivings about privatization in place, but they also questioned what the BRAC had meant by its recommendation. Worth remembering is that the original AFMC recommendation was for closing NAFB and transferring the workload to other Air Force maintenance depots. The privatization in place concept originated with the Air Force Base Closure Executive Group (BCEG), not AFMC. Apparently AFMC wanted to consider fairly all its options since it had never previously privatized in place. Thus, at the onset of the privatization in place controversy, citizens of Licking County were confronted with a disadvantage. The federal government would make its determination on NAFB based on its own needs, not those of the local community.

During the weeks following AFMC's formation of the IPT, Licking County's elected officials in Washington and Columbus interceded on behalf of the local community. On 20 September 1993, the NAFB closure became law after the US Senate

rejected a motion to disapprove the work of the 1993 BRAC by an 83-12 vote.<sup>50</sup> John Glenn and Howard Metzenbaum, Ohio's two Democratic senators, were two of those who voted for approving the BRAC work. On 24 September, they wrote a letter from Washington to AFMC Commander, General Ronald Yates. "We continue to have reservations about the Air Force's plans for this facility," they wrote, "and we know the local community would like additional information so that it may make appropriate plans for Newark's closure and ensuing privatization in place."<sup>51</sup> On 1 October, Governor George Voinovich and Lieutenant Governor Mike Dewine wrote Secretary Aspin urging him to "permit the local community to plan, develop, and implement a strategy for privatization in place."<sup>52</sup>

On 5 October, Licking County's entire congressional delegation, including Senators Glenn and Metzenbaum, and Representatives John Kasich and Doug Applegate, sent a forceful letter to Secretary Aspin. The letter outlined worries that the lawmakers had that the Air Force might abandon privatization in place:

The Newark-Heath Air Force Base Economic Adjustment Reuse Commission has been established and is proceeding with its work in order to make the transition as smooth as possible and as beneficial to the community as possible. Many of the options now being reviewed by the Commission are based on the premise of privatization in place. However, in recent weeks, there have been discussions that indicate privatization in place may not be beneficial to the Air Force and that this option may be abandoned.

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<sup>50</sup> "Congress Seals Fate of NAFB," *The Advocate*, 21 September 1993.

<sup>51</sup> Glenn, John, and Howard Metzenbaum, US Senators, Washington, Letter to General Ronald Yates, AFMC Commander, WPAFB, 24 September 1993.

<sup>52</sup> Voinovich, George, Governor of Ohio, and Lt Governor Mike Dewine, Columbus, Letter to Les Aspin, Secretary of Defense, Washington, 1 October 1993.

We believe that for the Air Force to take this position at this time is to reverse a previous commitment by the Air Force on the way closure was first presented to us. Privatization in place must be kept as a viable option for the Reuse Commission to have available to them. Further, it must be recognized by the Air Force as a viable means by which to obtain necessary services. We urge you to take whatever steps are necessary to allow these efforts to continue.<sup>53</sup>

As for Licking County, which by early October had been without an answer on privatization in place for over three months, feelings about Air Force decision-making was generally negative. *The Advocate* featured on 8 October an editorial, entitled "Base Alternatives Need To Be Pursued," that cautioned local leaders from putting too much faith in privatization in place:

The Air Force seems to be totally confused whether "privatization in place" as it talked about when presenting the case for closing the base will actually happen. What the Air Force told the Base Closure and Realignment Commission would happen and what may actually happen could well be two entirely different things. With the Air Force's lack of clear vision, that makes it even more important to aggressively pursue all viable alternatives.<sup>54</sup>

Jokingly, someone told Wallace Horton that "the best thing the Air Force could do is fly over the base and bomb it--then let the community reuse the land."<sup>55</sup>

On 13 October, a month after General Condon approved its charter, the IPT presented AFMC senior management with preliminary findings. In a briefing that

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<sup>53</sup> Glenn, John, US Senator, et al., Washington, Letter to Secretary of Defense Les Aspin, Washington, 5 October 1993.

<sup>54</sup> "Base Alternatives Need to Be Pursued," *The Advocate*, 8 October 1993.

<sup>55</sup> Horton, Wallace, Personal interview with author, NAFB, 18 March 1996.

outlined the major "pros and cons" of the three principle options, the IPT provided answers to the first three questions listed on its charter.<sup>56</sup> The first question dealt with the legality of the BRAC recommendation; after consulting with the AFMC Staff Judge Advocate, the IPT concluded that there was "no obligation as to implementation approach." The second question dealt with privatizing depot maintenance core; after consulting with AFMC's Director of Logistics, the IPT concluded that privatization in place was an "acceptable risk" for contracting core workload. The third question dealt with obtaining additional BRAC funding if AFMC chose an alternative other than privatization in place; the IPT concluded that "reallocation of Air Force closure funding is possible, but unlikely."

No local officials were present at the IPT's 13 October briefing, yet Wallace Horton had obtained a copy of the briefing slides the day before during a visit by General Condon to NAFB. Perusing the slides, he came across one that bothered him. The slide listed assumptions the IPT made while performing its analysis. One assumption was that there was "no overreaching political or social reason to select any one option--all options are workable."<sup>57</sup> That bothered Horton, who along with other local leaders believed President Clinton's Five Part Program meant the government was going to go out of its way to help the community recover from base closure. Disgruntled, Horton faxed a letter

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<sup>56</sup> Newark Air Force Base Closure Strategy Integrated Product Team (IPT), Briefing Slides, HQ AFMC, WPAFB, 13 October 1993.

<sup>57</sup> Ibid.

to General Condon the next day hoping that he would get the message before the IPT briefing. Horton wrote the following:

We were made to understand that great importance was to be placed on what the community wanted. The community had taken strong position that what they want is privatization in place. So in the community view, there are reasons to select one option over other options.<sup>58</sup>

Already convinced privatization in place was the most cost-effective option, Horton believed that President Clinton's Five Part Program was just more justification for the Air Force's implementing the plan.

The major outcome of the 13 October briefing was that AFMC senior management tasked the IPT with figuring the costs for each option and presenting its recommendations to the AFMC Business Board by mid-December 1993.<sup>59</sup> That was two months away, and would be more than five months since BRAC announcement that NAFB was going to close.

### **Local Community Fears Loss of Workforce**

While the Air Force considered the time that it was taking as necessary to fairly consider all its options, the local community viewed it with increasing angst. In several interviews, Horton told the author that at times he considered keeping the local community optimistic about privatization in place was the Reuse Commission's primary

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<sup>58</sup> Horton, Wallace, Heath, Letter to General Stephen Condon, WPAFB, 13 October 1993.

<sup>59</sup> Koepnick, Thomas L., AFMC Infrastructure Planning Division, Plans and Programs Directorate, "Newark Air Force Base Closure Strategy Briefing Minutes," 27 October 1993, Approved by Major General Condon.

task. While reassuring the local community that positive steps were being taken, the Reuse Commission sponsored a town-hall meeting on 23 October at the Heath municipal building. Only a small turnout of NAFB employees and local residents--less than 100--turned out that Saturday morning to hear from a panel of community and federal government officials. Included on the panel were County Commissioner Don Hill; Mayor Joseph Geller; State Representative Marc Guthrie (D-Heath); Colonel Joseph Renaud, NAFB Commander; Pat McCullough, Air Force Base Disposal Representative; and John Groff, Heath's building and zoning chief and Reuse Commission member.

Also on the panel was the senior project manager for DoD's Office of Economic Adjustment (OEA), Wallace Bishop, who was eager to put a positive light on base closure. Over the past thirty years, he explained, the OEA had helped over 400 communities recover from base closures. Industrial parks, metal works complexes, colleges, airports and prisons--these were some of uses being found for former military bases that turned what appeared to be a 87,500 job loss into the creation of 171,000 jobs. "Yes, Bishop said, "there is life after a base closure."<sup>60</sup>

Bishop's upbeat tone, though, seemed to make little impression on some of the anxious on-lookers, more interested more in learning about the prospects for privatization in place. Someone asked Colonel Renaud during the town-hall meeting if the Air Force would make public the criteria on which it will base its decision. Summing up the Air Force's predicament with implementing an approach never tried before, Colonel Renaud

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<sup>60</sup> Fugate, Larry, "Future Cloudy at NAFB," *The Advocate*, 24 October 1993.

replied, "I can't tell you what I don't know."<sup>61</sup> Colonel Renaud also cautioned against hasty decision-making, adding that the government needed to "take its time and do it right" on determining the NAFB's future.<sup>62</sup> But the local community wondered, "how much time would the government take?"

The ensuing weeks were tense as criticism for Air Force decision-making escalated. On 8 November, a seven-member team of federal representatives from the Departments of Labor, Commerce and Defense, visited NAFB as part of President Clinton's Five Part Program. Commodore Jones, regional director of the US Department's of Labor's Office of Training and Employment Services, led this particular team, which was responsible for visiting communities affected by base closure in a six state region which included Illinois, Indiana, Ohio, Michigan, Minnesota and Wisconsin. NAFB was one of the first stops for the team because it was one of four "high impact" bases--most severely hit by job loss from base closure.<sup>63</sup>

Jones encouraged workers to not delay job searching, encouraging them to take advantage of federal and state assistance. Federal assistance was available through the programs like Department of Labor's Job Training Partnership Act (JTPA). State assistance was available through programs sponsored by the Ohio Bureau of Employment Services, Ohio Department of Development, and Central Ohio Rural Consortium (CORC). Most of the federal and state assistance programs could not begin until base

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<sup>61</sup> "Town Meeting Opens Doors," *Ace News*, October 1993

<sup>62</sup> Fugate, Larry, "Future Cloudy at NAFB," *The Advocate*, 24 October 1993.

<sup>63</sup> Carelli, Jean, "NAFB Employment Help Office Busy," *Ace News*, 11 November 1993.

closure was within two years. That meant 1 October 1994 was the earliest date at which employees could start receiving assistance since the Air Force wanted NAFB closed by 1 October 1996. Nevertheless, Jones encouraged workers to begin looking for jobs, adding "It's better to be early than be late."<sup>64</sup>

Jones commended the NAFB commander, Colonel Joseph Renaud, for his establishing an Employment Assistance Office (EAO) soon after DoD recommended NAFB for closure almost eight months earlier. The EAO offered NAFB workers free services for finding private or public sector jobs. One service was computer assistance through a program which gave job-searchers access to over 250,000 companies in the US. All one had to do was type in his or her profession, and the program would provide the user a list of companies nationwide that used people in that field.

Tanya Meyers, a staffing specialist at the EAO, told *Advocate* reporter Jeff Bell that most NAFB workers were looking for jobs with other federal agencies. "They've got five to 10 years in [the government]," she said, "and want to continue as federal employees."<sup>65</sup> One wall at the EAO was covered with job vacancy notices from other federal agencies. One of those federal agencies was the US Postal Service, which twice had representatives visit NAFB in recent months to administer tests to workers interested in becoming mail carriers, window clerks, or repairmen for postal equipment. Both times, over 300 people applied to take the test.

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<sup>64</sup> Bell, Jeff, "Job Search Begins for NAFB Staff," *The Advocate*, 8 November 1993.

<sup>65</sup> Bell, Jeff, "NAFB Workers Taking Big Step," *The Advocate*, 11 November 1993.

By November 1993, the EAO was helping about 35 people each day look for jobs. Twenty had already found them. This worker attrition worried local leaders who believed the longer the Air Force took in reaching a decision, the more NAFB workers would take jobs elsewhere. One of the advantages of privatization in place was existence of a skilled workforce. The government would save millions of dollars in employee retraining costs by privatizing in place. If too many workers left NAFB, local leaders worried, that advantage would no longer exist. These concerns were expressed in a critical editorial entitled, "Air Force Should Reveal NAFB Future," featured in the 10 November edition of *The Advocate*:

The Air Force needs to stop stalling and make some decisions on the future of Newark Air Force Base. Despite the passing of all these months, the Air Force still has not made clear what it will do with the facility.

The longer a decision is delayed on privatization in place, the less likely the chances are that such an approach will work. If an air of uncertainty continues to hang over NAFB, it is likely its workloads will be gobbled up by other bases or private contractors that will move work into their own plants.

The base's highly skilled workers also are looking elsewhere for jobs because there is no clear-cut path for NAFB's future. The loss of these expert technicians will make it more difficult to convince a private contractor that NAFB is the best place to do the base's work.

The longer the [Reuse] commission has to wait for an Air Force decision, the tougher it will be to find ways to keep people working at the base. These delays are unfair to the NAFB workers and the community. It's bad enough that the base will be closed as a military installation. We shouldn't also have to twist in the wind because the Air Force can't make up its mind about NAFB's future.<sup>66</sup>

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<sup>66</sup> "Air Force Should Reveal NAFB Future," *The Advocate*, 11 October 1993.

Tensions boiled over at the Reuse Commission's 2 December meeting. Licking County Commissioner Don Hill harshly criticized AFMC's Commander, General Ronald Yates during the meeting. At issue was General Yates' declining a Reuse Commission request for a meeting. In early November, Mayor Geller requested a meeting between the Reuse Commission and General Yates through the NAFB transition coordinator, Major Dave Cook. The purpose of the meeting, according to Geller's letter to Cook was to "emphasize the benefits of privatization in place over relocation of repair functions to established contractor facilities."<sup>67</sup> Since NAFB's fate rested on a decision by General Yates, the Reuse Commission believed that that it would benefit them to meet with the General. But on 24 November, during a HQ AFMC staff meeting at Wright Patterson AFB, General Yates directed two of his subordinates, General Condon, AFMC Director of Plans and Programs, and General Kenneth Eickmann, AFMC Director of Logistics, to meet with the Reuse Commission in his place. General Condon received the following message from one of his aides:

At today's staff stand-up, General Yates asked that you evaluate the value of such a meeting and that you "take" the meeting if you feel it is worthwhile.<sup>68</sup>

Commissioner Hill bristled when he heard that General Yates had declined the visit. "A half hour with this Reuse Commission wouldn't be too much to ask of this

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<sup>67</sup> Geller, John, Mayor, Heath, Letter to Dave Cook, NAFB Transition Officer, Heath, 4 November 1993.

<sup>68</sup> Feehan, Terrance A., Commander's Action Officer, HQ AFMC/XPA, "Privatization of Newark," Memo to General Stephen Condon, WPAFB, 24 November 1993.

man's time," he said during the meeting, "He's not that good that he can't meet with us."<sup>69</sup> Commissioner Hill urged another letter be sent to General Yates a message demanding a meeting. Wallace Horton did not think that would be a good idea, believing that by badgering General Yates, the Reuse Commission might help make up his mind for him.

Consistent with the critical tone of Hill's remarks, though, was an editorial that several days later appeared in *The Advocate* entitled "Commission Should Pull No Punches." The editorial contended that the Reuse Commission was "right to expect a general who has the livelihood of 1,500 people in his hands to at least meet with the local officials trying to save those jobs."<sup>70</sup>

On 13 December, several members of the Reuse Commission, including Don Hill and Wallace Horton, met with General Condon and General Eickmann at Wright-Patterson AFB. At this and other meetings with AFMC senior management, Horton told the author, the community's views were "well-received." Nevertheless, General Yates' declining the request for a meeting lessened morale. "It took a lot of convincing to get the Reuse Commission to get confidence," Horton said during an interview, "particularly when General Yates would not visit them."<sup>71</sup>

There was, however, reason to be confident. Later that month, Gene Ott, chairman of the Employee Buyout Association, whose membership grew to 680, received

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<sup>69</sup>Bell, Jeff, "Hill Unhappy General Won't Meet NAFB Panel," *The Advocate*, 3 December 1993.

<sup>70</sup>"Commission Should Pull No Punches," *The Advocate*, 6 December 1993.

<sup>71</sup>Horton, Wallace, Personal interview with author, NAFB, 18 March 1996.

word that the pre-feasibility studies revealed that an employee buyout might work. That, according to ESOP Advisors, a Washington-based consulting firm specializing in employee-owned companies, was announced by Ott at a Reuse Commission meeting in mid-December.<sup>72</sup>

### **Five-Part Program Impacts NAFB**

Meanwhile, two events had taken place in Washington during November 1993 which improved the prospects for privatization in place. Both were a result of President Clinton's Five Part Program. The first event was correspondence from General Michael Carns, USAF Vice Chief of Staff, to General Yates. On 2 November, General Carns wrote General Yates from Washington directing that "the primary objective of the NAFB workload transfer plan must be to maximize privatization in place at Newark."<sup>73</sup> General Carns' rationale was that privatization in place supported President Clinton's Five Part Program. General Carns emphasized in his letter the importance of involving the local community in decision-making, adding that "its understanding and support of the privatization process will be a significant factor in a successful transition."

On 19 November, General Carns wrote General Yates the following message clarifying what he had meant by his earlier letter:

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<sup>72</sup> Bell, Jeff, "Study: Buyout May Fly at Base," *The Advocate*, December 1993

<sup>73</sup> Michael Carns, General, USAF Vice Chief of Staff, Washington, Letter to General Ronald Yates, AFMC Commander, WPAFB, 2 November 1993.

The purpose of this letter is to clarify the intent of a key statement in my letter on the closure of Newark Air Force Base, Ohio and transition/transfer of the depot's work dated 2 November 1993.

The statement requiring clarification is "the primary objective of the workload transfer plan must be to maximize privatization in place in place at Newark." The intent of this statement is that "privatization in place" will be given a full and fair opportunity to compete for this workload within the competitive solicitation process. The award of workload, of course, must be placed on sound business practice that will result in the best value to the Government.

AFMC has the lead in this effort and I am confident your staff will achieve the most cost effective solution.<sup>74</sup>

General Carns' correspondence was significant because it revealed that the local community's interests were being addressed at the highest levels in the Pentagon.

Privatization in place was no longer just a means for maintaining critical depot repair capability, but it was also considered a means for facilitating Licking County's economic recovery. Granted, General Carns' second letter revealed the government would still put its own needs ahead of the local community's. Nevertheless, this was a positive development because privatization in place was now guaranteed a "full and fair opportunity."

The second event which improved the prospects for privatization in place was Congress' passage of Base Closure Community Assistance Act. Enacted on 30 November as part of the National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160), the Act supported President Clinton's Five Part Program.

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<sup>74</sup> Michael Carns, General, USAF Vice Chief of Staff, Washington, Letter to General Ronald Yates, AFMC Commander, WPAFB, 19 November 1993.

The Act's most important part was Section 2903, the "Pryor Amendment," named after its main sponsor, Senator David Pryor (D-Arkansas). The Pryor Amendment gave the Secretary of Defense authority to transfer, or "convey," base closure property to a local community "for consideration at or below the estimated fair market value of the property transferred or without consideration."<sup>75</sup> In other words, the Pryor Amendment gave DoD authority to transfer base closure property to a local community at less than fair market value and, when appropriate, for free to help create jobs. Previously, DoD had authority to convey property to local communities for free only if the property was going to be used for such public purposes as health (for hospitals), aviation (for airports), recreation (for parks) and education (for schools). If the community intended to use the property for economic development (to create jobs), it had to pay the property's fair market value.

Since the essence of privatization in place was job creation, the Pryor Amendment's importance is obvious. Only weeks earlier, *The Advocate* featured an article entitled "New Hurdle for NAFB Privatization," which outlined the need for Congress to pass a measure making it easier for the local community to take ownership of NAFB.<sup>76</sup> Purchase of NAFB by a private company, the article said, was unlikely because of the high market value of the base. The value of NAFB property was estimated at \$331 million, which was what a private company would have to pay to buy NAFB.

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<sup>75</sup> Congress, *Base Closure Community Assistance Act*, National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160), Title XXIX, Subtitle A, Section 2903, 30 November 1993.

<sup>76</sup> Bell, Jeff, "New Hurdle for NAFB Privatization," *The Advocate*, November 1993.

The Pryor Amendment did not change guidelines for private companies, but it finally gave DoD authority to transfer NAFB to the local community for economic development.

So while tensions rose in Licking County, November 1993 was actually a turning point in the NAFB privatization in place. First, the Base Closure Community Assistance Act opened the avenue for the local community's taking ownership of NAFB. Second, General Carns' correspondence laid the groundwork for a competitive solicitation process that AFMC would embark upon to determine if privatization in place was in the best interests of national defense. In early January, General Yates wrote the following message to Senator John Glenn in Washington:

We are developing plans to implement the closure of Newark AFB and transfer the workload of the AGMC. Competition will determine disposition of the center's workload and will be open to both the public and private sectors. A detailed cost analysis of the options is being performed and recommendations will be provided to my senior staff. I anticipate decisions on most of the workloads in February 1994 and will make those results available to you.<sup>77</sup>

### **"The Preferred Option"**

General Yates wrote that letter to Senator Glenn on 10 January 1994. Later that month, Licking County received some much-needed good news. On 31 January, the NAFB Office of Public Affairs issued a news release that stated that privatization in place was AFMC's "preferred option."<sup>78</sup> According to the news release, Major General

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<sup>77</sup> Yates, Ronald, General, AFMC Commander, WPAFB, Letter to Senator John Glenn, Washington, 10 January 1994.

<sup>78</sup> "Privatization is Air Force Materiel Command's Preferred Option for Newark AFB," USAF News Release, NAFB, 31 January 1994.

Kenneth Eickmann, AFMC's Director of Logistics and one of General Yates' top advisors, told that to base officials when he visited NAFB four days earlier. General Eickmann reportedly said that for NAFB to be privatized in place, two criteria would have to be met.

The first criterion was "sufficient contractor interest." General Eickmann announced that after AFMC determined the best contracting strategy, it would gauge contractor interest through a "sources sought synopsis" in the *Commerce Business Daily*. A sources sought synopsis was similar to a request for information (RFI) in that it was the government's way of allowing private industry to contribute to defining government's needs. The difference, however, is that a sources sought synopsis defines a specific contracting approach.

The second criteria was that privatization in place had to lead to the NAFB workload being done at a "competitive price." General Eickmann announced that if sufficient contractor interested existed, AFMC would formally request that contractors submit cost proposals for a privatization in place contract through a request for proposal (RFP). Based on responses to the RFP, AFMC would then determine whether privatization in place could be done at a competitive price.

According to the news release, General Eickmann reportedly stated that although keeping the workload at NAFB was seriously being considered, "privatization must prove to be the best overall value to the Air Force."

Mayor Geller seemed vindicated by the announcement. "Now it's not a just a bunch of local boys shooting their mouths off," he told *Advocate* reporter Jeff Bell, "They

seem to be telling us: 'Maybe we slipped up and [the workload] should be done here.'<sup>79</sup>

Commissioner Don Hill expressed similar optimism, adding "I think we've been heard...I think we're on the right track." Wallace Horton, though, was a bit less optimistic. He said that General Eickmann's announcement "doesn't mean the thing is over, but at least they're on our side. There is still a lot of work to be done."<sup>80</sup> Over the next month, the local community learned how much work would have to be done.

On 18 February, General Yates visited NAFB where he told local officials that the federal government did not want continued ownership of NAFB after closure.<sup>81</sup> This eliminated one of the Air Force's original privatization in place alternatives--transferring NAFB to a government owned, contractor operated (GOCO) facility. General Yates said that rather than federal ownership that either the local community or a private company would have to take ownership of NAFB. But he admitted that local community ownership was more probable since a private company's paying NAFB's \$331 million price tag was unlikely.

Licking County did not totally concede, however, that owning NAFB was in its best interests. At issue was the extremely high operation costs. Local leaders and residents alike, worried that local ownership might bankrupt local tax coffers, naturally looked to the state government for help. The state of Ohio was in much better financial

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<sup>79</sup> Bell, Jeff, "Air Force on Same Side as Base Panel," *The Advocate*, 1 February 1994.

<sup>80</sup> Ibid.

<sup>81</sup> Bell, Jeff, "Air Force Taking Bids this Summer," *The Advocate*, 19 February 1994; See also "Private Contractor is Option at Heath Base," by David Jacobs, *The Columbus Dispatch*, 19 February 1994.

position to become "landlord" for NAFB than was Heath, Newark, or Licking County; besides, state ownership was one of the Air Force's original privatization in place options. Just days following General Yates' visit to NAFB, an editorial appeared in *The Advocate* that expressed misgivings about local ownership and urged local leaders to get the state of Ohio involved:

The problem is that owning the base is really too big of a job for Heath, Newark, or the county. The obvious answer--in fact, maybe the only answer--is to get the state involved. Realistically, it's likely that only the state has the ability and financial resources to own the base and subcontract it out.<sup>82</sup>

Governor George Voinovich quickly dispelled any notion of state ownership when on 3 March 1994 he made the 35 mile trip from Columbus to NAFB. It was the Governor's first visit since BRAC recommended closure eight months earlier. Before taking an hour-long walking tour of the base, Governor Voinovich met with news reporters, base officials, Reuse Commission members and local politicians in a crowded briefing room at NAFB headquarters. There he was given a briefing by the Base Commander, Colonel Renaud; Wallace Horton; and Steve Webster, site manager for the Air Force Base Conversion Agency (AFBCA), responsible for Air Force base conversion issues. During his segment of the briefing, Colonel Renaud addressed the critical issue of property ownership. "The real key is the property conversion," Colonel Renaud told

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<sup>82</sup> "Let's Get State Involved in NAFB," *The Advocate*, 22 February 1994.

Governor Voinovich, "We must have someone take over the facility at privatization in place."<sup>83</sup>

During a question period that immediately followed, a reporter asked Governor Voinovich if the state would consider buying NAFB. Governor Voinovich's reply was not optimistic. "I think our feelings is we've always believed that it's better for the local community to do that," he said "it is better for the local community to be involved in the decision-making rather than someone in Columbus."<sup>84</sup> Apparently, Governor Voinovich believed that since the local community had the most to gain from NAFB it would serve as the best landlord.

Rather than state ownership, Governor Voinovich preferred the local community form a non-profit organization that would take ownership of NAFB. Governor Voinovich called nearby Rickenbacker AFB, a 1991 base closure on the outskirts of Columbus, a "model of a locally owned base." Following the 1991 BRAC decision, local leaders there formed a "port authority" that took ownership of base property and leased it to private companies. According to Ohio law a port authority was a "body corporate and politic" that operated much like a municipal corporation.<sup>85</sup> Governed by a locally-appointed board of directors, a port authority could own property, issue revenue bonds, and offer tax abatements to businesses. A major advantage of a port authority is that it

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<sup>83</sup> Wilson, Mike, "Governor Voinovich Visits Newark AFB," *On Target*, 10 March 1994.

<sup>84</sup> Bell, Jeff, "Governor Wants Local Ownership of Newark Air Force Base," *The Advocate*, 4 March 1994.

<sup>85</sup> Ohio Revised Code, Section 4582.22, para (A), *Baldwin's Ohio Revised Code Annotated*, Title 45 (Banks-Baldwin Publishing Co: 1994) 826.

shields local communities forming the port authority from lawsuits. Encouraging a similar venture at NAFB, Governor Voinovich pledged financial help and assistance from state agencies like the Department of Development, Environmental Protection Agency, and the Bureau of Employment Services for a similar venture with NAFB. He also pledged financial assistance to the local community, reminding officials that during his state of the state address he asked for \$5 million to help communities such as Licking County recover from defense downsizing.

So the state of Ohio, like the federal government did not want ownership of NAFB. Both General Yates and Governor Voinovich told the local community that they preferred that the local community form some type of locally formed, non-profit organization to take ownership of NAFB. In fact, the Reuse Commission had already discussed forming a port authority months earlier. County Commissioner Don Hill first proposed the idea of Heath, Newark and Licking County forming a “multi-jurisdictional” port authority back in November 1993.<sup>86</sup> An editorial in *The Advocate* around that time said that a port authority was “worth a closer look.”<sup>87</sup>

After Governor Voinovich’s announcement that the state did not want to own NAFB local leaders realized that a port authority was worth more than a closer look, and was perhaps the best option for the local community. Wallace Horton told the author that he and other local leaders questioned how the state’s commitment to the local community

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<sup>86</sup> Bell, Jeff, “Panel Eyes New Ideas for NAFB,” *The Advocate*, 19 November 1993.

<sup>87</sup> “Port Authority, CIC Deserve Closer Look,” *The Advocate*, 21 November 1993.

following the Governor's visit to NAFB. And since a port authority was controlled entirely by the local community forming it (even though it was an arm of the state), they believed that it was best to keep control in the local community rather than giving state bureaucrats the control. The local community had taken formal action forming a port authority; in fact, that would not come for another 10 months. In the meantime, events would happen that would add to the controversy.

A private company's purchase of NAFB was unlikely; the federal government did not want continued ownership of NAFB; and the state of Ohio did not want to take ownership from the federal government. These factors made it a certainty by March 1994 that the local community would have to take ownership of NAFB from the government if privatization in place was going to happen. The following month, DoD spelled out how that would happen by issuing guidelines that supported Pryor Amendment provisions of the Base Closure Community Assistance Act of 1993. On 6 April DoD published in the *Federal Register* an interim rule delineating how it would transfer base closure property from the government to the local community. The rule was "interim" because DoD would not finalize it until the fall of 1994. This was interim instruction because DoD would not have final instructions completed until the fall of 1994; DoD issued the rule before its being finalized to give base closure communities opportunity to take immediate advantage of provisions in the Base Closure Community Assistance Act.

The interim rule, prepared in coordination with the President's National Economic Council, an inter-agency coordinating arm of the White House, set forth guidelines for a

new DoD method for transferring property to a local community for economic development--the "economic development conveyance." An officials news release revealed how DoD would grant an economic development conveyance (EDC). First, DoD would perform a "market test" to determine if there were interested buyers for the base closure property. If there was, the property would be sold. If not, the property would be made available to a local redevelopment authority (LRA) at or below its fair market value, or for free. Only an LRA could receive an EDC; private businesses wanting to buy base closure property still were required to pay fair market value.

Like President Clinton's Five Part Program and the Base Closure Community Assistance Act, DoD's interim rule revolutionized how the government dealt with base-closure communities. Talking about the interim rule's importance, Deputy Secretary of Defense, John Deutch said that "I believe the interim instruction will permit communities to immediately take advantage of the new authorities to convey property quickly and create new jobs."<sup>88</sup>

Compared to the last months of 1993, the first four months of 1994 were much more favorable for Licking County. In January, AFMC announced that privatization in place was its "preferred option" and that it would receive a "full and fair opportunity" through the government's competitive solicitation process. In April, DoD announced its guidelines which would allow the community to take ownership of NAFB possibly for free. Apparently, things seemed to be panning out as local leaders would have liked. In

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<sup>88</sup> DoD, "DoD Issues Interim Rule for Revitalizing Base Closure Communities," News Release (no.175-94), Office of the Assistant Secretary of Defense, 6 April 1994.

an early May Reuse Commission report, Wallace Horton expressed a sense of optimism by writing, "We feel confident that we will succeed in privatization in place."<sup>89</sup>

Horton wrote those optimistic words on 10 May 1994. His optimism, and that of other local leaders soon turned to anxiety about the prospects for privatization in place and NAFB's future. Over the next six months, three events would take place that set the stage for later controversy in Licking County. The three events also set the stage for a barrage of criticism that the local community meted out to the Air Force.

### **Sources Sought Synopsis**

The first two events were Air Force actions taken by the AGMC Workload Transition Office (WTO), a team that AFMC senior management established on 8 February 1994 to develop a contracting strategy for awarding a privatization in place contract. The WTO was established at the Ogden Air Logistic Center (ALC), Hill AFB, Utah, home for the primary management office for the Intercontinental Ballistic Missile Systems repaired at NAFB. Led by Major Paul Stipe, the WTO had a strategy for awarding a privatization in place contract figured less than two months after being established. That strategy called for the following timetable for events:

- issue request for proposal (RFP)--March 1995;
- selection of contractor--September 1995;
- contract award--October, 1995;

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<sup>89</sup> Horton, Wallace, "Interim Reuse Plan for the Newark-Heath Air Force Base Economic Adjustment Reuse Commission," Staff study, 10 May 1994.

- a one-year transition period would take place between the date of contract award in October 1995, and the official closure date of 1 October 1996.

The first event that worried local leaders was the Air Force's announcement that it would accept cost proposals for transferring the NAFB workload to contractors' facilities. Originally, the Air Force had planned to do what Wallace Horton had argued for months earlier--that was to mandate privatization in place on cost proposals. In the 10 May 1994 edition of the *Commerce Business Daily*, the Air Force published a sources sought synopsis that stated the Air Force intended to contract the NAFB workload under a privatization in place arrangement, which "requires the successful offeror(s) to perform the workload in the existing facilities."<sup>90</sup> The synopsis revealed that the Air Force preferred to award a single contract for the entire NAFB workload--including the repair of aircraft inertial navigation units, Minuteman and Peacekeeper ICBM guidance systems, and other Air Force and DoD electronic equipment, and the metrology workload. But three weeks later, the Air Force lifted the privatization in place requirement by placing the following amendment in the *Commerce Business Daily*:

A proposal for a single contract for the total workload to be accomplished at contractors' facilities will be considered. If workload is to be performed at other than AGMC facilities, multiple contracts are not acceptable.<sup>91</sup>

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<sup>90</sup> *Commerce Business Daily*, 10 May 1994.

<sup>91</sup> *Commerce Business Daily*, 31 May 1994.

Why did the Air Force change its position? Apparently, some executives from private companies convinced General Yates to lift the "in place" requirement after the original sources sought synopsis.<sup>92</sup> General Yates acquiesced and lifted the requirement, agreeing with private contractors' arguments that they might be able to perform the workload more inexpensively at their own facilities.

An interesting contrast emerges when comparing the Air Force's rationale for, and the local community's reaction to, the amendment to the sources sought synopsis. Lt Col Stipe, in an article that he wrote during the summer of 1996, wrote that General Yates' decision "made good business sense."<sup>93</sup> If privatization in place was indeed the most cost-effective option, so went the Air Force's rationale, then the marketplace would allow it to happen.

The local community's frustration with the amendment resulted for the exact opposite reason. The community's main spokesperson was Wallace Horton, who was convinced that private contractors would make an effort to defeat a privatization in place—even if that meant they would make inaccurate cost proposals. Horton's belief that private contractors would try to defeat privatization in place stemmed from private industry's response to the Air Force's RFI, issued April 1993. So from the local community's vantage, the amendment did not make good business sense; on the contrary,

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<sup>92</sup> Stipe, Paul, Lt Col, AGMC WTO Program Manager, Telephone interview with author, 26 July 1996; Colonel William Kohler, AFMC Deputy Director of Plans and Programs, discussed this during a personal interview with author, WPAFB, 15 May 1996.

<sup>93</sup> Stipe, Paul, LtCol, AGMC WTO Program Manager, "Privatizing an Air Force Depot," 18 July 1996. Lt Col faxed this article to the author.

it was a poor business decision because the Air Force might wind up paying much more for work that supposedly could be done at least cost at NAFB. On 15 June 1994, Horton wrote a letter to Senator John Glenn blasting the Air Force's decision:

This amendment opens the door once more for the [OEMs] to try and defeat privatization in place. The OEMs have always proposed that they take the work to their own plants. We believe that such a plan will end up costing the government considerably more money, the OEMs state it will cost less. Our concern is that the OEMs are in a position to "PLAY" with the numbers and that the Air Force is not in position to evaluate what are the true numbers...If the OEMs are successful in this endeavor the majority of the employees at NAFB will be facing unemployment and the community will be the loser.<sup>94</sup>

The following week, *The Advocate* featured an article that contained excerpts from an interview that Horton gave to Jeff Bell, who was the newspaper's primary reporter on the NAFB episode. "We're fighting for survival and want it to be full privatization in place," Horton said, "we were right at that point and then they give us this darned amendment."<sup>95</sup> He also stated that OEM claims that they could do the work at their facilities as cost-effectively as at NAFB was "just whistlin' Dixie." In the same news article, NAFB spokesman, Dave Livingston, provided the Air Force's response to Horton's criticism. "As the Air Force has said all along," said Livingston, "privatization in place is the preferred option providing it does offer the best value." "The Air Force is pressing forward very hard on how to do privatization in place," he continued, "we see [it] as not an absolute given, but certainly the most likely option."

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<sup>94</sup> Horton, Wallace, Heath, Letter to Senator John Glenn, Washington, 15 June 1994.

<sup>95</sup> Bell, Jeff, "NAFB Fights to Be Fully Privatized," *The Advocate*, 23 June 1994.

Horton's 15 June letter to Senator Glenn revealed the second issue that worried local officials. That was the Air Force's announcement to private industry representatives at an 8 June conference at Hill AFB that if a privatization in place contract were awarded it would be for only one year, plus four annual renewal options. In other words, a privatization in place contract, if awarded, was only guaranteed to last one year. Already frightened about the financial risks that NAFB ownership posed to the local community, local officials worried that this proposed contract was too short. A one-year contract, as Horton pointed out in his letter to Senator Glenn, "would enable [the contractor] to terminate the Air Force and LRA contracts at the end of the first year and leave the community with an empty facility." With no source of lease revenues to pay the expensive operating and maintenance costs--estimated at \$4 million per year --the local community would be forced to pay from local tax coffers. "The operational costs of the base," he continued, "are too great for the local community to support over any period of time."

On 24 June, the Reuse Commission held its first meeting with a representatives from Hammer, Siler, George Associates (HSGA), a consultant firm it had hired to help it develop a reuse plan for NAFB. HSGA was a Maryland-based firm with experience from over two dozen base closure experiences.<sup>96</sup> Three days before the meeting, Wallace Horton wrote a letter to HSGA representative, Anita Morrison, explaining the community's financial concerns about the proposed length of the Air Force contract:

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<sup>96</sup> "Meeting with consultant for NAFB set on June 24," *The Advocate*, 16 June 1994.

It is very questionable if the community leaders would be willing to support this type venture considering the short-term period of the Air Force contract. The proposed Air Force contract will be established as one year contract with an option to renew for four following years. This leaves the contractor the option to pull out at the end of one year....it is questionable if the community would see this as a good risk venture....There is no doubt but what other workloads could be found over a period of time to utilize some of the maintenance space, but the cost of operation by the community is far beyond what the community leaders believe would be a good investment, especially in view of the added loss the community would have through the loss of the present work force<sup>97</sup>

Horton's letters to Senator Glenn and HSGA representative Anita Morrison reflect the local community's growing concern about its ability to afford the financial responsibilities of becoming landlord for NAFB. In late October, DoD exacerbated those fiscal concerns by amending its interim rule that prescribed procedures for transferring property to base closure communities. The interim rule, issued on 6 April, led community officials to believe that NAFB would be transferred to the local community for free through an economic development conveyance (EDC).<sup>98</sup> On 26 October 1994, DoD placed in the *Federal Register* an amendment to the interim rule that eliminated the possibility of the local community taking ownership for free and made it more likely that it would have to pay NAFB's fair market value.

DoD changed its interim rule as a result of the feedback that it had received from other base closure communities. Apparently, the interim rule was not helping base

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<sup>97</sup> Horton, Wallace, Heath, Letter to Anita Morrison, HSGA, Silver Spring, Maryland, 21 June 1994.

<sup>98</sup> Gotbaum, Joshua, Assistant Secretary of Defense, Letter to Mayor John Geller, Heath, 26 October.

closure community redevelopment as DoD had hoped. The problem was that the “market test” prescribed by the interim rule as the precondition for an economic development conveyance (EDC) was encouraging private interests to “cherry pick” the most valuable properties from closed bases, leaving less attractive ones for community redevelopment. Based on comments from base closure communities nationwide, DoD determined that the interim rule to be “inconsistent with property planning methods and not in the long-term interest of enhancing local economic recovery.”<sup>99</sup> As a result, DoD eliminated the market test as the precondition for the EDC (a no-cost transfer of base closure property to the local community) and in its place gave flexibility to the military services and the local communities to negotiate terms of an EDC. “These negotiations,” according to the amendment, “must be fair and reasonable and strike a balance between compensation to the federal taxpayer and the need for the EDC to spur redevelopment.”

The problem for Licking County was the criteria that DoD would use for determining the terms of the EDC. On 26 and 27 October, DoD sponsored a conference in Kansas City, Missouri to explain how it would determine the price to be paid for base closure property. Local officials attending the conference were Wallace Horton; Dave Cook, NAFB Transition Officer; and Steve Webster, AFBCA Site Manager at NAFB. While at the conference, government officials told Horton, Cook and Webster that the price that the community would pay for NAFB would be based primarily on the amount of *job creation* expected to result from the community’s use of the property.

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<sup>99</sup> DoD, “Revitalizing Base Closure Communities and Community Assistance,” 32 CFR Parts 90 and 91, *Federal Register*, 26 October 1994, pp 53735-53741.

After appraising NAFB's fair market value, DoD would discount it for some amount determined by the amount of job creation potential the base had. The *more* job creation that was expected, the *less* of a discount that would result. Likewise, the *less* job creation that was expected, the *more* of a discount would result.<sup>100</sup>

Since the very essence of privatization in place was job creation (by saving the present jobs, and possibly creating more in the future), the group returned from Kansas City believing the local community would have to pay some amount, perhaps fair market value, to buy NAFB. Horton wrote a memo to the Reuse Commission stating that although the community could still possibly take ownership for free, that was "not intended to be easy to obtain."<sup>101</sup> *Advocate* reporter Jeff Bell interviewed Dave Cook about the interim rule amendment two weeks later. Cook told Bell that "You can still get a base for free, but you have to show the base is worthless--that it can't create jobs. Everybody knows that is not the case here."<sup>102</sup> Bell also interviewed Steve Webster, who bluntly stated that there would be no "free lunch" for the local community. Mayor Geller was not optimistic either. When Bell asked Mayor Geller about the prospects of

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<sup>100</sup> Eventually, the local community negotiated with the government a very favorable purchase price for NAFB. According to a 22 August 1996 memo for the record, entitled "EDC Terms and Conditions," Wallace Horton outlined the agreement reached between the local community and the government. That agreement stipulated that the local community would have to pay \$11.3 million for the base, with a 10-year mortgage. That amount was lowered to \$2.2 million in the event that privatization in place workloads ended at the base. Also, the government allowed the local community to defer payments on the base in the event that privatization in place left early by deferring payments until new lessees could be found to replace the privatization in place workloads. But in late 1994, none of this was known; the local community was uncertain about how much it would have to pay to buy NAFB which worried local officials.

<sup>101</sup> Horton, Wallace, Memo to the Reuse Commission, 31 October 1994.

<sup>102</sup> Bell, Jeff, "NAFB Will Carry Price Tag," *The Advocate*, 13 November 1994.

Heath buying NAFB under the new DoD guidelines, he said "I don't think we could handle that; I wouldn't jeopardize the whole city."

Local leaders were now confronted with not only paying extremely high operating costs for NAFB but also paying millions of dollars to buy the base. In a status report on 28 November, Horton wrote that "the community does not want to make a profit on the program, but it cannot afford to become involved if it must operate at a loss and we do not believe the Air Force would expect us to do so."<sup>103</sup> In a letter to Major Stipe on 30 November, he wrote that the community "is keenly interested in having privatization in place...but being business people they need to make sure it makes good sense and will not bankrupt this small community."<sup>104</sup>

DoD could not have issued the interim rule amendment at a more inopportune time, because by late 1994 the Air Force was nearing when it wanted to release a draft request for proposal to private companies. During November and December 1994, Licking County's wariness in becoming NAFB landlord had serious implications for Air Force officials who realized that if the local community could not or did not want to take ownership of NAFB, privatization in place would be impossible.

On 7 November representatives from the WTO, including WTO's leader, Major Paul Stipe, traveled to NAFB for two days of meetings with the Reuse Commission and

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<sup>103</sup> Horton, "PIP Program Status," Memo to Reuse Commission, 28 November 1994.

<sup>104</sup> Horton, Wallace, Heath, Letter to Major Paul Stipe, Hill AFB, 30 November 1994.

base officials. According to minutes taken at the meetings, the WTO had become “anxious” about the community’s taking steps to fulfill landlord responsibilities.<sup>105</sup>

The local community’s concerns reverberated through HQ AFMC and Pentagon as Air Force planners realized that this was a major issue. On 7 December 1994, WTO representatives traveled from Hill AFB to Wright-Patterson AFB to gain AFMC senior management’s approval for final contracting strategy. The NAFB property transfer issue was one of the “disconnects” facing the privatization in place. One of those in attendance was Colonel William Kohler, the Deputy Director for Logistics for AFMC, who vividly remembered the briefing:

We had an Acquisition Strategy Panel meeting, on 7 December 1994. I’ll never forget the day for two reasons: 1) for Pearl Harbor and 2) because it was almost that bad a day for the Acquisition Strategy Panel which got “murdered” by staff. One of the things that came out of the pre-brief I got was that we were about ready to lose the bubble on LRA. We were that far away from losing the bubble.<sup>106</sup>

Later that month, the issue made itself known to the Secretary of the Air Force, Sheila Widnall. Secretary Widnall requested a status report on the NAFB privatization in place following a meeting she had with Senator John Glenn. Air Force officials from the Pentagon responded with a collection of talking papers assessing the current status of the NAFB privatization in place. Among the major “risks” facing privatization in place was

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<sup>105</sup> Morrison, Anita, HSGA, “Next Steps to Complete Reuse Plan,” Memorandum to Reuse Commission, 11 November 1994.

<sup>106</sup> Kohler, William, Colonel, AFMC Deputy Director of Plans and Programs, Personal interview with author, WPAFB OH, 15 May 1996.

the property ownership issue. Tom Girz, a HQ USAF Program Analyst, wrote on the staff summary sheet covering the packet that "unsuccessful transfer of facilities to the LRA could potentially be a showstopper."<sup>107</sup>

### **Contractors Show Interest**

During the period between the Air Force's amendment to the sources sought synopsis and DoD's amendment to the interim rule, that is, June through November 1994, other events had occurred which proved important in determining NAFB's future. During August and September, a number of private companies in the aerospace industry announced they were interested in privatization in place. On 3 August, the AGMC Employee Buyout Group, which had over 800 members, and UNC Inc., a Maryland-based company with over 6,000 employees and \$600 million in annual sales, announced a partnership between the two groups that would make a cost proposal for privatization in place. The partnership, "UNC Newark," would become part of UNC Aviation Services, one of the company's 13 different subsidiaries that had more than \$240 million in government contracts with the US military and foreign governments. According to *The Advocate*, the Employee Buyout Group would own 20 percent of UNC Newark and have one seat on its five member board of directors. Employee Buyout Association and UNC officials both expressed optimism before an afternoon press conference. Obviously pleased with having the support of a major company, chairman Gene Ott said that the

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<sup>107</sup> Girz, Tom, GS-14, HQ USAF/LGMM, "Newark AFB Closure," Staff summary sheet to Secretary of the Air Force Sheila Widnall, 29 December 1994.

Buyout Group's members voted overwhelmingly for the partnership, adding "we are real happy to find a company of UNC's caliber to go forward with."<sup>108</sup> Dan Colussy, UNC's chief executive officer praised the privatization in place approach as an "innovative solution...to overcome the difficult, yet inevitable, defense spending cuts."

Licking County received more good news when Rockwell International, a giant in the aerospace defense industry, announced on 14 September that it had formed a consortium between it and other original equipment manufacturers (OEMs) representing the majority of contractors who have developed and produced the highly sophisticated equipment repaired at NAFB-- including Allied Signal, Delco Electronics, Honeywell, Hughes, Kearfott, Litton Industries, Raytheon Service Company, and Smiths Industries. The largest OEM with over \$11 billion in sales during 1993, Rockwell was based in Seal Beach, California. The company already had ties to the local community through its axle plant in Heath that employed 1,000 workers. Rockwell officials announced that the company would immediately begin taking resumes there from NAFB employees. Like UNC, Rockwell was optimistic about privatization in place. "We built the equipment and have put a lot of emphasis on their credibility and how they perform," said a Rockwell official, "so there is more than a profit motive here. We want to see that the names of our companies and the products we build are properly maintained."<sup>109</sup>

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<sup>108</sup> Bell, Jeff, "NAFB Workers Sign With Partner," *The Advocate*, 3 August 1994

<sup>109</sup> Bell, Jeff, "Rockwell Backs Bid for NAFB," *The Advocate*, 15 September 1994.

In late September, three more companies announced they were interested in privatization in place. These companies included Boeing, another giant in the aerospace industry with 120,000 employees and \$11 billion in annual sales; Johnson Controls, a company with over 50,000 and best known for its work with the US space program; and Science Applications International Corporation (SAIC), the largest employee-owned company in the US high-tech industry with over 17,000 employees and with \$150 million in annual sales. The press quoted representatives from all three companies who voiced similar optimism about NAFB's potential. One of those representatives, David Bertau, Vice President for Business Development for SAIC, said that "the opportunity there holds so much promise...the workforce there and facility have tremendous capability."<sup>110</sup>

Licking County welcomed these announcements as shown in the following editorial from the 25 September edition of *The Advocate*, because it believed that they apparently satisfied one of the criteria AFMC stated as a requirement for a privatization in place--sufficient contractor interest:

Things are looking up for the future of Newark Air Force Base. A sense of optimism seems to be replacing the gloom and doom that shrouded the base at this time a year ago. The reason is the level of interest by defense contractors in the Air Force's "privatization in place" plan for NAFB....It would have been hard to believe a year ago that NAFB had a chance to not only retain its current workloads but even add to them in the future. Now that unlikely scenario seems to be taking shape.<sup>111</sup>

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<sup>110</sup> Bell, Jeff, "Defense Contractors Like the Potential at NAFB," *The Advocate*, September 1994.

<sup>111</sup> "Optimism Joins Future of NAFB," *The Advocate*, 25 September 1994.

## GAO Studies

Another event had taken place in October did not, surprisingly, stir as much optimism among Licking County residents. That was Representative John Kasich's announcement on 6 October that there was a chance that NAFB could remain open. Representative Kasich, from Westerville, had close ties to NAFB. Until Ohio changed the boundaries of its 18th congressional district in 1992, NAFB was under his jurisdiction. Representative Kasich was the ranking Republican on the Readiness Subcommittee of the House Armed Services Committee. In early October, the General Accounting Office (GAO), the auditing arm of the federal government, reported to the Readiness subcommittee that NAFB's one-time closure costs had doubled, rising from the original BRAC estimate of \$31.3 million to \$62.2 million. GAO's report was part of an on-going review of BRAC decisions mandated by P.L. 101-510.

The doubling of the one-time closure cost was due mainly to the cost for the year-long transition period that the Air Force considered necessary to transfer NAFB from government to private operation. According to a point paper by Sam Rizzotte, of AFMC's BRAC Implementation Division, the transition period's estimated cost was \$30.6 million.<sup>112</sup> Air Force planners at HQ AFMC considered this transition period essential to avoid any break in NAFB's critical repair lines. But when NAFB was first recommended for closure, Air Force planners overlooked the need, and costs, of the

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<sup>112</sup> Rizzotte, Sam, AFMC BRAC Implementation Division, Point Paper, 2 November 1994.

transition period. Thus, the original one-time closure cost estimates were much lower than expected.

The GAO also reported to the Readiness Subcommittee that NAFB's privatization in place costs had skyrocketed. Rather than conceding the projected annual savings of \$3.8 million, as originally estimated, GAO predicted that closing NAFB would result in annual costs of \$1-\$4 million.

In a letter to DoD comptroller, John Hamre, Representative Kasich requested that if the "numbers hold up," DoD recommend to the 1995 BRAC that NAFB be taken off of the base closure roster. "The GAO's finding clearly calls into question the propriety of closing Newark Air Force Base," Kasich said in Washington.<sup>113</sup> Representative Kasich's announcement was the opening salvo in a political battle over NAFB that would culminate during the 1995 BRAC process.

Ironically, Licking County was not wholly optimistic about Representative Kasich's announcement. While most residents would have welcomed a change in NAFB's closure status, there were two reasons why many did not put faith in that happening. The first reason dealt with concerns about employee attrition. The second reason dealt with the widespread belief that that since the 1993 BRAC did not listen to compelling fiscal arguments presented by the local community for keeping the base open, there was no reason to conclude that the 1995 BRAC would now consider those same arguments.

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<sup>113</sup> Bell, Jeff, "Kasich Claims New Data May Save NAFB," *The Advocate*, 7 October 1994.

The first reason why Licking County was not wholly enthusiastic about a political fight to save NAFB's military status stemmed from concerns about employee attrition.

*The Advocate* reported that in recent months employees were leaving NAFB at the rate of 10 per month.<sup>114</sup> And since 1 October, just days before Kasich's announcement, was the two year point for base closure, state and federal employee assistance programs would kick in then. An example of such assistance was the US Department of Labor's \$2.75 million grant, announced in June, to NAFB to help its employees with job retraining and tuition assistance. A political fight and any delays that might result, local leaders feared, might convince more workers to leave NAFB, leaving less for privatization in place.

Wallace Horton outlined the local community's concerns in a 29 September letter to Major Stipe, head of the WTO. In his letter, Horton implored the Air Force to reconsider transferring NAFB to a government owned, contractor operated (GOCO) facility. By transferring NAFB to a GOCO facility, the government would retain ownership of NAFB, but a private contractor would perform the workload under contract to the Air Force. The only problem was that General Yates had already told the local community that the government did not want continued ownership of NAFB since this would not meet the BRAC's intent to close the base. But in his letter to Major Stipe, Horton recommended an "interim GOCO" in which the government would retain ownership of NAFB for one to four years before transferring ownership to the local

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<sup>114</sup> Bell, Jeff, "New Skills to Help Staff Stay at Base," *The Advocate*, 4 August 1994.

community. This was possible, he believed, since BRAC law allowed the Air Force until 1999 to close NAFB.

A major advantage of the "interim GOCO", according to the letter, would be that it would place privatization in place in operation at an earlier point thus eliminating the concern about employee attrition. In his letter to Major Stipe, Horton wrote the following:

This is new ground and requires new concepts. GOCO may offer a "good" solution to some later base closings and I believe an interim GOCO concept would place [privatization in place] into an earlier operation at NAFB, save money in the total picture and allow for a smoother transition at a later date to the community.<sup>115</sup>

The interim GOCO approach would also eliminate, for the time being, concerns and difficulties that the local community was having in becoming owner of NAFB. One such difficulty was determining the lease rates that it would offer a private contractor to operate out of NAFB. An interim GOCO would allow several years of cost data to be gathered thus giving the local community a better picture of lease rates to offer. Several times Horton told the author that this interim GOCO approach was in his estimation the best way to implement privatization in place.

At the Reuse Commission's meeting at the Heath municipal building on 6 October, the same day of Representative Kasich's announcement, the employee attrition was the major topic of discussion. At the meeting, Anita Hamm, provided the Reuse

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<sup>115</sup> Horton, Wallace, Heath, Letter to Major Stipe, Hill AFB, 29 September 1994.

Commission an update on the efforts of a Labor Management Committee established at NAFB in October 1993--the Base Employment Assistance Team (BEAT). The BEAT had been active in recent months with helping NAFB employees search for new jobs. About 800 NAFB employees responded to BEAT's survey in the summer that was intended to help employees reevaluate their options.<sup>116</sup> As a result the BEAT offered two days of seminars with a professional team where employees were taught how to compile a resume, enter the job market, and assess what transferable skills they had. Another seminar scheduled for early November already had 100 people on the waiting list.

When Anita Morrison opened up the floor for questions Wallace Horton said he was concerned about employees not staying at NAFB so that the base would have enough to support privatization in place. He and other Reuse Commission members were pleased with the BEAT's efforts, yet they believed that the BEAT should also address privatization in place as a long-term option to displaced workers. Anita Hamm agreed. She invited a Reuse Commission member to come to BEAT meetings to explain the Reuse Commission's concerns.

The second reason why Licking County did not wholly support a political fight to save NAFB was the widespread belief in Licking County that since the 1993 BRAC did not listen to compelling fiscal arguments presented by the local community for keeping the base open, there was no reason to conclude that the 1995 BRAC would now consider

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<sup>116</sup> Reuse Commission, Meeting Minutes, 6 October 1994.

those same arguments. Wallace Horton wrote the following letter to Reuse Commission members several days after Kasich's announcement:

Dear Reuse Commission Members:

This memo is in response to the various articles with reference to Congressman's Kasich's action to get the closing of NAFB reconsidered. The Reuse Commission would be very pleased to see the base remain open and appreciate his efforts in this regard. However the odds are very much against this happening.

I was chairman of a group of senior retired NAFB employees that spent months reviewing closing costs and mission impacts. We prepared studies to the BRAC that we hoped would be analyzed in detail by the Air Force and by BRAC prior to passing judgment on closing the base. Our studies indicated that there would be large added costs rather than savings. It is interesting to note that GAO also reviewed the Air Force's costs at that time and indicated the costs being considered by the BRAC and the Air Force were far less than the real costs. Both our studies and those of the GAO were not really considered.

We were told everything from "costs are not the important factor" to "in the big picture it made sense to close NAFB" to "it did not deviate from the new force structure" (whatever that really meant) to "that's what the Air Force wanted."

The FACT is, however, the decision to close the base was made by BRAC...requested by the Air Force....voted on by Congress after approval by the President. Considering all this, it is unlikely that the decision will be reversed.<sup>117</sup>

An editorial in *The Advocate* several days later publicized the salient points of Horton's argument:

Kasich now has stirred hopes that NAFB might receive a second chance before the BRAC in the next round of base closings in 1995. But it is hard to get excited about that possibility considering the commission's previous decision gave little attention to the financial facts.....Let's hope the Air Force and local officials continue to work to make privatization in place as

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<sup>117</sup> Horton, Wallace, Memorandum to Reuse Commission, 11 October 1994.

successful as possible. It's a bad bet to place much hope on the chances of NAFB hanging on to its military status.<sup>118</sup>

Licking County's response to Representative Kasich's announcement might have differed had privatization in place not been an option for NAFB. But since it was, local leaders believed that pressing on with plans for privatization in place was its best alternative. Much still had to be accomplished by the local community. The major responsibility that it had was to form a public body, a local redevelopment authority (LRA) that could take ownership of NAFB. Less than three weeks after Representative Kasich's announcement was when DoD announced the amendment to the interim rule for the Pryor Amendment. The financial worries that resulted from this amendment and the worries that existed before that, formed the backdrop for a controversial five or six months in Licking County as local leaders embarked on steps to form a port authority. Adding to the controversy were misgivings about Air Force decision-making that resurfaced in Licking County during the following months. These misgivings surfaced because due to the Air Force's release of a draft request for proposal (RFP) that defined how it wanted privatization in place to work.

### **Reuse Commission Takes Step Towards Port Authority**

A decision that emerged from the 7 and 8 November meetings between the Reuse Commission and WTO was that steps had to be taken by the local community to form a

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<sup>118</sup> "Privatization Still Best Shot For NAFB," *The Advocate*, October 1994

public entity, or local redevelopment authority (LRA), that would take ownership of NAFB upon closure. The Reuse Commission discussed forming a port authority as early as November 1993, yet it took no formal steps in creating one since then.

At the Reuse Commission meeting on 1 December 1994, County Commissioner Don Hill moved that the city councils of Heath and Newark, and the County commissioners establish a port authority that would take ownership of NAFB. Commissioner Hill was head of a 10-member group that studied how the local community could form a port authority. The group's first draft of a proposal creating the port authority suggested a nine-member board of directors with Newark, Heath, and Licking County each having three appointees. Newark Mayor Frank Stare seconded the motion and, by a 6-0 vote, the Reuse Commission approved the proposal.<sup>119</sup> No timetable was set for the proposal's adoption. "We're not forcing the issue," Commissioner Hill said after the meeting, "but saying 'let's do it together and start off in cooperative way.'"<sup>120</sup> But he added, "it's something we need to discuss in our own political entities."

On 11 January 1995, the city councils of Heath and Newark, and the county commissioners discussed the proposal for a port authority at a rare joint session in Newark. Commissioner Hill told *The Advocate* that the meeting was to "ease fears about

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<sup>119</sup> Reuse Commission, Meeting Minutes, 1 December 1994.

<sup>120</sup> Bell, Jeff, "Committee Lays Groundwork for Port Authority," *The Advocate*, 2 December 1994.

a port authority.”<sup>121</sup> The economic impact of base closure seemed to be the overriding issue as Wallace Horton and other Reuse Commission members pitched the idea of a port authority to the councils, and to the citizens that showed up to the meeting. Horton reminded those at the meeting of the “economic sting” if no new use could be found for NAFB. Mayor Geller predicted cutbacks in his city without a way to save the majority of jobs for NAFB employees. No formal decisions were reached at the meeting but Horton did give the community representatives a deadline in which they had to have reached a decision on the port authority. The Air Force wanted the local community to have a port authority formed by 1 April, around the time when it expected to release its RFP to private contractors.<sup>122</sup>

The general feeling at the meeting was the need for cooperation of all three political entities--Newark, Heath, and Licking County. “If we can participate equally,” said Heath Councilwoman Vira Wise, “this can be a great milestone for the community.” The following day, *The Advocate* encouraged the meeting’s “spirit of cooperation.”<sup>123</sup> Although most thought the port authority was in the best interests of the local community, a decision on the port authority would be debated in each community over the next several weeks.

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<sup>121</sup> Bell, Jeff, “Port Authority Talks,” *The Advocate*, 12 January 1995

<sup>122</sup> The Air Force pushed the RFP release date back from March to April 1995.

<sup>123</sup> “NAFB Future Tied to Port Authority,” *The Advocate*, 12 January 1995.

## Draft Request for Proposal

Meanwhile, as the local governments debated the port authority issue, the Air Force released on 17 January a draft request for proposal (RFP) that provoked much controversy during the following weeks and months. The draft RFP served two purposes. First, it defined the work on which private contractors would bid. Second, it gave private contractors a chance to make comments and suggestions about the Air Force's privatization in place contract. The comment period was expected to last until 13 February; between then and 11 April the Air Force would review those comments and suggestions before making appropriate changes in the final RFP.

From the government's perspective, the draft RFP was significant. In a letter to private industry representatives, Brent Parrish, the WTO's contracting officer, hailed the draft RFP as representing "a tremendous amount of work by the Air Force."<sup>124</sup> Another member of the WTO, Bill Pitts, called the draft RFP a "tangible step towards privatization."<sup>125</sup> Licking County, however, had an opposing viewpoint. During the ensuing weeks local leaders and the community in general harshly criticized the Air Force for the draft RFP, meant as a document between the government and private industry. The local community considered the draft RFP, not as a step towards, but quite possibly a step away from, privatization in place.

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<sup>124</sup> Parrish, Brent, WTO Contracting Officer, Hill AFB, Memorandum to private industry representatives, 19 January 1995.

<sup>125</sup> Wilson, Mike, "Base on Schedule to Privatize by '96," *On Target*, 27 January 1995.

Like the criticism dealt the Air Force about the RFI and the sources sought synopsis, the overwhelming criticism about the draft RFP was that it did not mandate privatization in place. The draft RFP allowed private contractors to make cost proposals for transferring the NAFB workload to their own facilities. On 6 January, ten days before releasing the draft RFP, the Air Force announced again in the *Commerce Business Daily* that it would accept proposals to move the total NAFB workload to contractors' facilities.<sup>126</sup>

Wallace Horton said that he "bootlegged" a copy of the draft RFP from a representative of one of the private contractors.<sup>127</sup> After quickly reviewing the draft RFP, Horton wrote the following in a letter to Major Stipe, head of the WTO:

The key to a successful [privatization in place] program really depends on the facilities and the available NAFB technicians, regardless of who obtains the contract. This is also true regardless of where the work is accomplished. It is doubtful if any contractor could meet the October 1996 [closure] date if the work would be done elsewhere due to the time and true costs required for additional specialized [Minuteman ICBM] facilities and time to hire and train the required technical personnel. I do have a concern that all true costs involved will not considered in any contract proposal for the work to be done elsewhere.<sup>128</sup>

Several weeks later, on 21 February, legislation creating the first-ever Licking County Port Authority "sailed through calm political waters," passed by Newark City

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<sup>126</sup> *Commerce Business Daily*, 6 January 1995.

<sup>127</sup> Horton, Wallace, Heath, Telephone interview with author, WPAFB, 30 July 1996.

<sup>128</sup> Horton, Wallace, Heath, Letter to Lt Col Paul Stipe, Hill AFB, 25 January 1995.

Council, Heath City Council, and the Licking County Commissioners.<sup>129</sup> The legislation was hailed immediately as one of the most important ever passed by the the local communities. Headlines in the next day's edition of *The Advocate* read, "Port Authority Nearing Reality." All of the local officials interviewed by reporter Larry Fugate underscored the importance of the action. One of the County Commissioners, David Houser, said "this is a pretty big business transaction that has a potential for reward and a potential for loss."

The next day, Gene Ott, chairman of the AGMC Employee Buyout Group, which by then had over 800 members, wrote the following in a forceful letter to Mayor Geller:

We are concerned first, because it now appears the Air Force is not nearly as committed as they were to privatization in place (PIP), and second, it has also become clear the PIP option is not really an accurate description of that option....

The reality of what the Air Force is calling PIP is just as discouraging as their lack of support for PIP. The PIP option does not require that the work be done at the Newark facility. The draft Request for Proposal (RFP), distributed by the Air Force during January 1995, specifically states that the winning bidder can move all or part of the work to any location of the bidder's choice. It is mind-boggling that the Air Force expects the community to take ownership of a building when there is no assurance of any workload. It is equally incomprehensible as to why the Air Force would expect the current employees to remain for PIP when the winning bidder could move all or part of the workload at any time. Current employees are tired of uncertain futures and are not likely to tolerate it much longer.<sup>130</sup>

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<sup>129</sup> Fugate, Larry, "Port Authority Nearing Reality," *The Advocate*, 22 February 1995

<sup>130</sup> Ott, Gene, Chairman, AGMC Employee Buyout Association, Heath, Letter to Mayor John Geller, Heath, 22 February 1995.

Ott urged Mayor Geller to convey these concerns to Secretary of Defense William Perry, Secretary of the Air Force Sheila Widnall, and AFMC Commander General Yates "at the earliest possible date."

The overwhelming concern with the draft RFP was that the Air Force would allow private contractors to make cost proposals for transferring the workload to their own facilities. But there were other concerns with the document. Another concern with the draft RFP was that it did not specify allowing a private contractor, if privatization in place did occur, to use government furnished equipment (GFE) for commercial workloads not involved with privatization in place. A contractual clause was included in the draft RFP, yet it was obscure and needed to be explained. Horton and other local officials believed this was critical for the local community for if a private contractor could use GFE on commercial workloads because it would give the private contractor more incentive to stay at NAFB. Thus jobs would be saved, and possibly more created.

This was particularly important since the Air Force was only guaranteeing privatization in place for one year. A month before the Air Force released the draft RFP, Horton wrote a letter to Lt Col Stipe stating that "the use of GFE should be allowed where available on a noninterference basis."<sup>131</sup>

What kinds of commercial workloads could be performed at NAFB? Horton and other local officials believed that the best use for NAFB was that for which it was built-- repair of inertial guidance and navigational equipment. This was because the base's

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<sup>131</sup> Horton, Wallace, Heath, Letter to Lt Col Paul Stipe, 14 December 1994.

facilities were so specialized. But there were other uses possible in the event that privatization in place workloads ended. In a staff study that he wrote on 1 February 1994, Horton wrote that he believed that NAFB could become “one of the largest electronic service facilities in the country.”<sup>132</sup> Foreign aircraft inertial navigation systems; wireless electronics; computer repair, including circuit board assembly, testing and repair; fiber optics; global positioning system--these were commercial areas Horton believed could provide “long-term employment of technicians and engineers.”<sup>133</sup>

Considering the short-term length of the privatization in place contract that the Air Force stated it would offer, it is easy to understand why this issue was important to the local community. The local community perhaps saw privatization in place as a means toward an end. Privatization in place would allow the local community to “break its dependence” on government workloads. In an interview with Lt Col Stipe, he said that although there was no specific explanation of how private contractors could bring in commercial workloads, the government would have allowed it. Yet local officials wanted explicit assurance that it could be done.

*The Advocate's* publisher, Mark Richmond, publicized for Licking County residents the major concerns that local officials had about the draft RFP during this early part of 1995. On 26 February, a month after the Air Force released the draft RFP and only days after the city councils of Heath and Newark and Licking County

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<sup>132</sup> Horton, Wallace, Staff Study, 1 February 1995.; see also the cover story of the 20 February 1995 edition of *The Advocate*, “NAFB Has High-Tech Possibilities,” by Jeff Bell.

<sup>133</sup> Ibid.

commissioners passed legislation creating a port authority, Richmond featured an editorial entitled "Air Force Needs to Reconsider" in which he urged community leaders to pressure the Air Force to reconsider its position on issues such as requiring the workload to be done at NAFB and allowing a private contractor to bring in commercial workload. "We must as one voice," he wrote, "implore the Air Force to consider and adopt these points. Let's do it while there is still time."<sup>134</sup>

Richmond's position as *Advocate* publisher was important considering that his newspaper was the source of information for most Licking County residents, who were not privy to the everyday decision-making of community leaders. Undoubtedly, his editorials had an impact on shaping Licking County's perceptions about the Air Force during this controversy. And even though Wallace Horton admitted that by this time he was becoming more and more optimistic about the chances for success for privatization in place, Licking County in general was not as optimistic. In fact, in a 7 March editorial entitled, "Air Force Plan Flawed," Richmond questioned the Air Force's commitment to privatization in place:

Is the Air Force really committed to privatization in place?

You could never tell it from the draft request for proposal, the document which helps shape the future of the base. In essence, the Air Force has created a vision which would almost require a single source supplier while at the same time putting some significant restrictions on what that supplier could do.

But one of those restrictions would not keep the workloads here. In fact, according to some, the draft request for proposal almost ultimately

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<sup>134</sup> "Air Force Needs to Reconsider," *The Advocate*, 26 February, 1995.

mandates moving the work someplace else simply because the cost structures the contract would include.

There are plenty of reasons to be skeptical of the Air Force's direction. When NAFB first landed on the closing list, many local officials questioned the reported savings. The Base Realignment and Closing Commission essentially ignored those objections.

Unfortunately, the General Accounting Office later confirmed that the Air Force was wrong--and local officials right--about the true costs of closing the base.

We are in favor of privatizing in place. Given the right set of circumstances, NAFB in private hands can be an economic boon to the community. But that will not happen unless the Air Force produces a more reasonable contract. What exists now is simply unsuitable.<sup>135</sup>

This editorial followed a letter written the previous day by four Republican US Representatives affected by the NAFB issue, including John Kasich, to Secretary of Defense William Perry. In the letter, the congressmen wrote that "we are seriously concerned that the Air Force is renegeing on its commitment to privatize in place the work at Newark AFB."<sup>136</sup> They blasted the draft RFP as "not consistent with the Air Force's commitment to privatize in place."

Representative Kasich and the other congressmen's response to Secretary Perry, and Richmond's editorials occurred around the same time that Heath, Newark and Licking County appointed members to the newly created Licking County Port Authority. Lingering concerns in Licking County about the community's ability to become NAFB

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<sup>135</sup> "Air Force Plan Flawed," *The Advocate*, 7 March 1995

<sup>136</sup> Kasich, John, et al., US Representatives, Washington, Letter to Secretary of Defense William Perry, Washington, 6 March 1995.

landlord, the doubts about the Air Force's decision-making raised over the past year, and more recently, the doubts raised by the Air Force's recent release of the draft RFP impacted the views of some of the Port Authority board members. Examining news accounts of the Port Authority's first meetings reveals that while forming the port authority may have been a foregone conclusion in most peoples' minds, that is, the local community really had no other option except to take ownership of NAFB after closure, there were serious concerns raised about what role the port authority would play in NAFB's future.

### **Fiscal Worries**

During the first week in March 1995, the three political jurisdictions forming the Licking County Port Authority--Heath, Newark and Licking County--each appointed three people as members to the board of directors. The board members, who would oversee the Port Authority's direction of NAFB operations after closure, had a wide array of backgrounds. Included on the board of directors from Heath were Dan Dupps, retired superintendent of Heath City Schools; Jeff Crabill, lending officer for Bank One, a local bank; and Mary Jane McDonald, vice-president at Denison University. From Newark were Dr. Robert Klingensmith, Ohio State University professor; Jerry Besanceney, Holophane plant manger; and Dan DeLawder, president of Park National Bank. From Licking County were Dr. Lewis Mollica, a professor at Ashland University and former Licking County schools superintendent; John Oberfield, a certified public accountant

with Scheffler Scherer CPA Group; and Charles Manning, general manager of Licking Rural Electrification.

Fiscal worries dominated one of the first meetings of the Licking County Port Authority's board of directors, and some of its members were not entirely convinced that NAFB could attract other than military workloads. During a meeting held on 6 April, Jerry Besanceney said that NAFB was so "DoD-specific" that it would be difficult to market it to general businesses adding that "we would be in a very hard position to find anyone who could adapt a private-sector business to that site."<sup>137</sup> Another board member, Dan Delawder said during the meeting that he realized the importance of saving 1,500 jobs of NAFB employees, but he stressed the Port Authority must consider the long-term financial risk the base posed to the local community. Wallace Horton, hired by the Port Authority as executive director, tried to paint a more optimistic picture about privatization in place at the meeting. While he agreed that there was no guarantee for privatization in place, he told the Port Authority board of directors that the local community was at a cross-roads:

If [privatization in place] lasts a year after the transition stage, I think you will see it here another 15 years from now. The bottom line is [whether the contractors will] make money. If they do, they'll stay. You've got to look at the overall risk and overall possibility of success. A lot of companies have taken bigger gambles than this and come out on top.<sup>138</sup>

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<sup>137</sup> Bell, Jeff, "Officials Want to Know Answers," *The Advocate*, 6 April 1995.

<sup>138</sup> Ibid.

The overriding concern, as it had been from the beginning, was how the local community would afford the ownership responsibilities of NAFB without privatization in place. That was one of Wallace Horton's concerns in the very first report he gave the Reuse Commission on 23 September. It remained a concern throughout, not only for local officials but state officials as well. Licking County's State Representative Jay Hottinger told *Advocate* reporter Jeff Bell in late March 1995 that "the last thing we want to see happen is the port authority taking control of the base but not having any guarantee of keeping the work on site."<sup>139</sup> Hottinger continued, "Right now, the base is a tremendous asset to the community, but without the Air Force there, it could become a tremendous liability until other businesses are brought in."

In fact, letters written to government officials during this time by Wallace Horton revealed that the local community would not take ownership of NAFB if privatization in place was not the Air Force's option. Horton wrote a letter to Lt Col Stipe in February stating that "if we do not get [privatization in place...we will not accept the base."<sup>140</sup> It was not a foregone conclusion, then, that the local community would take ownership of NAFB.

Consistent with the critical tone of his editorials over the past several months, publisher Mark Richmond featured the following editorial in the 7 April 1995 edition of *The Advocate*:

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<sup>139</sup> Bell, Jeff, "Eyeing Every Option," *The Advocate*, 23 March 1995.

<sup>140</sup> Horton, Wallace, Heath, Letter to Lt Col Paul Stipe, AGMC WTO Program Manager, Hill AFB, 21 February 1995.

The Air Force seems to have a take-it or leave-it attitude in all this. It knows the community is eager to save NAFB's 1,500 civilian jobs and the base's annual \$200 million economic impact in the area. The Air Force seems to be using those jobs and dollars to fashion a one-sided contract for itself.

Its a great deal--from the Air Force perspective. It gets rid of all the real estate and overhead at NAFB but doesn't guarantee the new owner that any military workloads will be there for the long run. The Air Force would retain the option of shifting the work to the private contractors' plants or other military depots.

The bottom line is the financial risk falls on the port authority and the privatization in place contractor. So the Port Authority needs some long-term guarantees from the Air Force. Otherwise, it will be rolling the dice with taxpayers' dollars--federal, state and local. There is no reason why privatization in place can't be worked out to everyone's benefit. But the Air Force must be an equal partner in the process not the dictator.<sup>141</sup>

That editorial was published just days before the Air Force had expected to release the RFP on 11 April. But the Air Force pushed the RFP release date back until 3 May, due in part to, the large amount of responses to the draft RFP from private contractors. Over 300 comments and recommendations were made to the Air Force's draft RFP. Lt Col Stipe told the author during a telephone interview that the Air Force wanted to be as meticulous as possible evaluating the merits of recommendations made by private contractors.<sup>142</sup>

The RFP was important to the Air Force and local community alike since the responses to it would determine whether privatization in place could be done at a "competitive price"--the second criteria established by AFMC for privatization in place.

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<sup>141</sup> "Port Authority Asking Questions," *The Advocate*, 7 April 1995

<sup>142</sup> Stipe, Paul, Lt Col, AGMC WTO Program Manager, Telephone interview with author, 9 August 1996.

And the RFP would take on added importance over the next few months, that is, April through June 1995, as it became part of a political battle waged by Senator John Glenn to defeat the closure of NAFB. The political battle removed the NAFB closure and privatization in place from the confines of Air Force and local decision-making and placed the entire initiative at the forefront of a larger debate over the future of defense logistics and the role of the private sector in national defense.

### **Senator Glenn Fights Closure**

The political battle waged by Senator Glenn had its roots in the General Accounting Office's (GAO's) report in early October 1994 to the Readiness Subcommittee of the House Armed Services Committee. The GAO reported then that the Air Force had doubled NAFB's one-time closure costs. The original BRAC estimate was that NAFB's one-time closure cost was \$31.3 million, with annual savings of \$3.8 million, leading to an 8 year payback period. During the summer of 1994, the Air Force raised that estimate to \$62.2 million, mainly the result of unforeseen costs of a year-long transition period that it considered necessary for a smooth transition of NAFB operations from government to private operations. The GAO also reported that original savings estimates were incorrect. GAO predicted that privatization in place would lead to increased annual costs between \$1-\$4 million--not annual savings of \$3.8 million as originally projected. Following GAO's report, the Readiness subcommittee requested GAO review the NAFB closure and the Air Force's actions for implementing privatization in place.

On 9 December 1994, GAO presented its findings to the Readiness Subcommittee in a report entitled, *Aerospace Guidance and Metrology Center: Cost Growth and Other Factors Affect Closure and Privatization*. In completing its study, GAO officials consulted with Air Force officials responsible for implementing the NAFB closure and privatization in place with Air Force officials at HQ AFMC, HQ USAF, and NAFB. GAO officials also contacted the Defense Contract Management Command, Defense Contract Audit Agency, and AFMC contracting personnel.

To assess the impact of Air Force's cost increase, GAO recomputed the expected payback period using the 1993 Cost of Base Realignment Actions (COBRA) model to recalculate payback period. After using the same statistics and reports used by the Air Force to monitor the closure costs of NAFB, GAO reported the payback period to be over 100 years.<sup>143</sup> That estimate, GAO reported, was based on NAFB's closure yielding annual savings of \$3.8 million (originally projected by the 1993 BRAC). Also, GAO reported that the estimate was calculated using DoD's 1993 COBRA model, used to determine the original closure costs, savings and payback period for NAFB. The 1993 COBRA model used an inflation rate of 2.75 percent.

Since DoD approved a change in the inflation rate from 2.75 to 7 percent, GAO adjusted the COBRA model and recalculated another, much less pessimistic estimate for the payback period--17 years. But even this lower payback estimate, GAO reported, was dependent on the Air Force realizing the estimated \$3.8 million in annual savings and no

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<sup>143</sup> GAO, *Aerospace Guidance and Metrology Center: Cost Growth and Other Factors Affect Closure and Privatization*, GAO/NSIAD-95-60, (Washington: GPO, 1994), 7.

further increases in the one-time closure costs, neither of which was reported to be likely “because of significant cost uncertainties.”

GAO cast doubt upon the Air Force’s cost projections to implement privatization in place. GAO reported the projected fiscal year 1997 costs after privatization in place were about 107 percent higher than projected costs under government operation. Also, GAO reported the projected costs of contractor operations for the five-year period between fiscal years 1996 and 2000 were estimated to be over \$456 million more than previously estimated costs of government operations over that period.<sup>144</sup> Some of the other issues about the NAFB closure and privatization in place raised by the GAO included the uncertain effect that it would have on excess depot capacity, and the fact that 100 percent of NAFB workload was identified as depot maintenance core. GAO also noted in the report the difficulties that the local community was having in taking ownership of NAFB, a central concept to privatization in place.

All of these issues and concerns raised in the report cast doubt upon the Air Force’s planning and the viability of privatizing in place the workload at NAFB. GAO concluded its report by making the following unprecedented recommendation:

DoD historically has encountered difficulties in trying to close military bases. This makes us reluctant--absent very compelling reasons--to recommend that DoD revisit prior BRAC decisions. However, believe that the problems being faced in implementing this decision are of such an unusual nature to warrant revisiting the planned closure and privatization of AGMC. Therefore, we recommend that the Secretaries of the Air Force and Defense reevaluate, as part of the ongoing BRAC 1995 process, both DoD’s 1993 recommendation to close Newark AFB/AGMC and the Air

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<sup>144</sup> Ibid., 8.

Force's approach to implementing the closure through privatization in place.<sup>145</sup>

Although it reviews all BRAC decisions, this was the first time the GAO had recommended that DoD revisit a previous base closure decision.

When the GAO report was made public on 16 December 1994, among its disgruntled readers was Ohio's senior senator, John Glenn, the powerful Democrat on the Senate Armed Services Committee. After reading the report, he sent a letter along with a copy of the report to Secretary of the Air Force, Sheila Widnall. In his letter Senator Glenn urged Secretary Widnall to revisit the NAFB closure decision, adding "I agree wholeheartedly with GAO's recommendation."<sup>146</sup>

Secretary Widnall's 7 February 1995 reply to Senator Glenn was that while the Air Force understood the GAO's findings, "we believe that closing Newark AFB and privatizing the workload in place remains the best direction for the Air Force." "At this time," she continued, "there is simply not enough data to conclude otherwise."<sup>147</sup>

Secretary Widnall stated that the Air Force would continue to work towards privatization in place, reducing the operational and implementation risks, until receiving contractor cost proposals in June 1995. "At that time," she wrote, "the Commander of [AFMC]

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<sup>145</sup> Ibid., 11.

<sup>146</sup> Glenn, John, US Senator, Washington, Letter to Sheila Widnall, Secretary of the Air Force, Washington, 16 December 1994.

<sup>147</sup> Sheila Widnall, Secretary of the Air Force, Washington, Letter to Senator John Glenn, Washington, 7 February 1995.

will make a determination of the best direction for the Air Force regarding the disposition of the workload at Newark.”

Not satisfied with Secretary Widnall’s reply, Senator Glenn took the issue to John Deutch, the Deputy Secretary of Defense. On 17 February, Senator Glenn wrote Secretary Deutch a letter urging him “to reverse the decision to close Newark.”<sup>148</sup> Senator Glenn wrote that he believed the Air Force was making a “serious mistake” because the functions at NAFB were “vital to our national security” and that closing the base “will waste taxpayer money.” Senator Glenn hand-scribed the following note at the end of the typewritten letter:

John,

I have discussed this matter with Secretary Widnall. As I understood it, the Air Force attitude can be summarized by saying that “we’re not going to change the original privatization decision, no matter what,” new information and more accurate data showing increased costs notwithstanding.

If the original objective was to get a designated “AF Base” off the roster, then it seems to me we could redesignate Newark as an Auxiliary Facility or whatever, and save money.

There may be occasional errors made in the BRAC process, errors that should be corrected when new information does not substantiate the original decision. I believe this to be such a case.

It is of major note that this is the only time that the GAO has recommended reconsideration of a BRAC decision. I would like to discuss this with you next week.

Sincerely,  
John

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<sup>148</sup> Glenn, John, US Senator, Washington to John Deutch, Deputy Secretary of Defense, Washington, 17 February 1995.

But like Secretary Widnall, Secretary Deutch would not give Senator Glenn the answer he had wanted. Apparently, neither DoD nor the Air Force would redress the NAFB closure decision as recommended by the GAO. It appeared that Senator Glenn alone would have to pursue the issue. In early March, Senator Glenn, along with Ohio's Republican senator and former lieutenant governor, Mike Dewine, wrote another letter to Secretary Widnall, stating that "we intend to pursue the matter further with the Base Closure and Realignment Commission."<sup>149</sup>

In the local press during the following weeks, both Glenn and Dewine voiced strong opposition in the press to NAFB closure. Senator Dewine said he intended "to pursue all avenues in an effort to keep the base open."<sup>150</sup> "I can't for the life of me understand why the Air Force is turning logic on its head," said Senator Glenn, "and insisting on its costly plans to close the base."

Meanwhile, back in Licking County, Wallace Horton worried about the efforts to save NAFB's military status. Despite the huge financial risks facing the local community, Horton believed by this time that privatization in place was the community's best option. He believed that efforts to keep NAFB open might adversely affect progress towards privatization in place, to which the local community was too close to obtaining to have its lawmakers in Washington work against the very thing that was necessary for privatization in place--that was base closure. He was particularly worried about the effect

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<sup>149</sup> Glenn, John and Mike Dewine, US Senators, Washington, Letter to Sheila Widnall, Secretary of the Air Force, Washington, 7 March 1995.

<sup>150</sup> Bell, Jeff, "Glenn, Dewine Call for Change," *The Advocate*. March 1995.

that any delays that might result from a political battle to save NAFB would have on the base employees. As he wrote in a 6 April letter to Senator Dewine, Horton did not believe that keeping NAFB open was in the local community's best interests. Horton stated to Senator Dewine:

If this should happen, it does not mean that it would not be placed back on the closure list once more. If it were to stay open we would accept this as good news, but my feeling is "closed is closed." I believe our task is to get on with the privatization in place planning at this time to try and assure that many jobs will exist for these employees after base closing. Privatization in place should be our first priority. I say this, even though I believe keeping the base open would be the best option. My concern is that unless we keep pressing on and placing all our effort on assuring privatization in place, we may well end up seeing the base closed and the workloads moved out.<sup>151</sup>

The first steps towards having the 1995 BRAC remove NAFB from the base closure list were taken in mid-April when GAO underscored its recommendation made in December 1994 position by recommending once again that the Pentagon revisit its NAFB closure decision. On 14 April, GAO issued another report condemning the NAFB closure decision, stating that costs for privatization in place, and costs for transferring the workload to other depots "may be much higher than continuing the operation of [NAFB] as a government facility."<sup>152</sup>

This new GAO report, which criticized the Pentagon on several fronts, notably its failure to consider environmental cleanup costs when estimating that the next round of

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<sup>151</sup> Horton, Wallace, Heath, to Dewine, Mike, US Senator, 6 April 1995.

<sup>152</sup> Rizzo, Katherine, "Study Condemns Closing," *The Advocate*, 15 April 1995.

base closings would save \$1.8 billion per year, was part of the procedure that will lead to the BRAC decision on which military bases to add to DoD's base closure list.

### **Request for Proposal**

On 27 April 1995, two weeks after the GAO's new report that criticized the NAFB closure decision, the Air Force held a conference at Hill AFB, Utah to discuss the responses to the draft RFP. Upon reviewing the briefing slides from the conference, hosted by the WTO, one discovers what the local community would consider a positive and negative development for the local community. The negative development was that the Air Force had not changed its positions on 1) accepting proposals for transferring the NAFB workload to contractors' facilities and 2) the privatization in place contract length. The Air Force was still not going to specify where the NAFB workload had to be performed. And the contract length remained one year with four annual renewal options.

The positive development for the local community was that the Air Force changed its position on allowing a private contractor to bring in additional workloads. One of the dozen or more major changes that resulted from the 300 plus comments on the draft RFP was that a contractor awarded a privatization in place contract would be allowed to take on additional commercial workloads at NAFB. According to the briefing slide, the Air Force announced that it "is interested in allowing new work to help lower overhead rates."<sup>153</sup> That new workload would be evaluated for three criteria: 1) non-interference

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<sup>153</sup> Stipe, Paul, Lt Col, AGMC WTO Program Manager, "AGMC Privatization in Place, Industry Conference," Presentation given at Hill AFB, 27 April 1995. The quote was taken from a slide entitled, "Industry Conference-RFP Changes-New Work."

with privatization in place contracts, 2) non-impact to seismic limits of on-going work, and 3) use of government furnished equipment (GFE).

Providing a backdrop to the Air Force's preparation of the first-ever RFP for a depot privatization in place was a national dialogue among top strategists over the role of the private sector in national defense, specifically depot-level maintenance. On the same day as the Industry Conference at Hill AFB, the *New York Times* featured an editorial written by the former chairman of the 1993 BRAC, Jim Courter. Courter's editorial, entitled "Privatize Paperwork, Buy Bombers," implored the Pentagon to privatize those military functions readily available in the private sector as a way to handle the reduced budgets brought about by the end of the Cold War. Supply management and distribution, information processing, accounting and contract auditing, dependent and retiree health care, recreational services and commissary operations--these were functions that Courter espoused as suitable to privatization. But top among the list was the military's maintenance depot system:

Every year, the Pentagon spends \$10 billion to perform weapons repairs in a network of government-owned depots and shipyards. Numerous studies have reported that 25% to 50% of the capacity of these facilities is not needed, and that management standards are far below those seen in the private sector. Why not privatize the facilities so that modern inventory, financial and personnel systems can be introduced to bolster productivity?<sup>154</sup>

Courter's editorial preceded by only a few weeks the report of the Commission on Roles and Missions of the Armed Forces which made similar recommendations.

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<sup>154</sup> Courter, Jim, "Privatize Paperwork, Buy Bombers," *The New York Times*, 27 April 1995.

Congress chartered the Commission on Roles and Missions through Section 954 (b) of the National Defense Authorization Act for Fiscal Year 1994 (which also contained the Base Closure Community Assistance Act of 1993). The Commission on Roles and Missions, chaired by John P. White (who would replace John Deutch the following month as Deputy Secretary of Defense), espoused all of Courter's viewpoints--including those on depot privatization. In its report, entitled *Directions for Defense*, the Commission wrote that "With proper oversight, private contractors could provide essentially all of the depot-level maintenance services now conducted in government facilities within the United States."<sup>155</sup> Noting that the private sector typically lowers costs by 20 percent for commercial activity routinely performed by military personnel, the Commission recommended that DoD "establish a time-phased plan to privatize essentially all existing depot-level maintenance."<sup>156</sup>

The Commission on Roles and Missions also endorsed the privatization in place concept, adding that it "recognizes the value of a highly skilled workforce at heavily capitalized military depot facilities as assets in the commercial market place."<sup>157</sup>

"Effective transitions will be difficult," the Commission continued, "but the benefits will be worthwhile."

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<sup>155</sup> Commission on Roles and Missions of the Armed Forces, *Directions for Defense* (Washington: GPO, 1995), 3-7.

<sup>156</sup> *Ibid.*, 3-8.

<sup>157</sup> *Ibid.*, 3-8.

The *benefits* of the NAFB privatization in place, if any, would be forthcoming. But NAFB gave the Pentagon a clear indication of the *difficulty* of privatizing depot operations. Just the magnitude of the Air Force's RFP--over 7,000 pages--was a clear indication of the difficulty. On 3 May 1995, the Air Force released the RFP for the NAFB privatization in place contract--the first-ever depot privatization in the US military. The Air Force allowed contractors until mid-June to prepare their proposals before the Air Force could proceed to source selection--a period for the government's choosing the best cost proposal that could last six months.

### **1995 BRAC**

In the meantime, Senator Glenn continued his fight to save to NAFB's military status. At a hearing in Washington five days after the Air Force released the RFP, the 1995 BRAC discussed which bases, if any, to add to a base closure list given to it in March by Secretary of Defense William Perry. That DoD closure list included recommendations for 146 base closures. BRAC had authority to add bases for closure, realignment, or "redirect." Redirect meant that a base targeted for closure by a previous BRAC decision would be given a chance to restate its case.

BRAC added 35 bases to DoD's closure list--but none were redirects. All were additional closure recommendations that BRAC would vote on the following month, including two Air Force maintenance depots--the massive Air Logistic Centers at McClellan AFB, California and Kelly AFB, Texas. The BRAC failed to consider NAFB for a redirect. And it also added another military base under Senator Glenn's jurisdiction

to the closure list, an Air Reserve Station at Youngstown, Ohio, home of the 910th Airlift Wing.

According to a report in the following day's *Advocate*, BRAC officials called Senator Glenn and Senator Dewine after the hearing and told them that they wanted to hold off a decision on NAFB until 17 June. That was the day that the Air Force would have received all its cost proposals on privatization in place.<sup>158</sup> This BRAC decision left Air Force planners a tight schedule. The BRAC would begin deliberations on final votes on 22 June--that left the Air Force only five days to reach a decision on whether to proceed with the privatization in place. The fate of NAFB would be determined sometime between 17 and 22 June. Meanwhile, back in Licking County, *The Advocate* encouraged local officials to press forward with privatization in place: "There is a great deal of work to be done between now and October 1996 and putting local plans on hold while awaiting a reconsideration would be a mistake."<sup>159</sup>

In the meantime, Senators Glenn and Dewine had one final opportunity to fight for NAFB's military status. On 14 June, BRAC convened hearings for congressmen affected by the 1995 closure round. Voices raised and tempers flared as lawmakers tried to distinguish their "save-my-base pleas" from more than 200 others. There was no question period and no debate--just a five-minute opportunity to summarize each community's arguments for keeping a military base open.

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<sup>158</sup> Bell, Jeff, "NAFB Still on Closing Roster," *The Advocate*, 8 May 1995.

<sup>159</sup> "NAFB Verdict Still Unclear," *The Advocate*, May 1995.

Most of the arguments centered around the economic hardships that base closure would bring to the local communities. Representative Jim Traficant (D-OH) made an emotional appeal to keep the Youngstown Air Reserve Station, which represented over 400 jobs for his district. "We built the helmets, we built the guns," he pleaded, "but now the steel mills have closed. We've fallen on hard times--the only double digit unemployment in the whole state."<sup>160</sup>

Twice the GAO recommended that the NAFB closure decision be revisited, All of NAFB's workload was depot maintenance core, the estimated costs of privatization had skyrocketed--these and other issues clouding the NAFB closure gave Senator Glenn and Senator Dewine more than simply economic arguments against base closure. Testifying before the BRAC, Senator Dewine said the following:

It is our understanding, based on a GAO report, that this proposed privatization would not be cost-effective. The GAO says privatizing Newark in place would actually cost more than closing the base outright. On 17 June, the Air Force expects to receive bids on that privatization project. If indeed--as we are led to expect--this project will be too expensive, Senator Glenn and I recommend that the status quo be maintained at Newark.<sup>161</sup>

Three days after this hearing in Washington was the deadline for the Air Force's RFP. Air Force and Pentagon officials worked all weekend evaluating the cost proposals to determine whether privatization in place could be done at a competitive price. If they determined that privatization in place could be done at a competitive price, source

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<sup>160</sup> "Group Defends NAFB," *The Advocate*, 14 June 1995.

<sup>161</sup> *Ibid.*

selection would begin. If not, NAFB's closure status would more than likely be redressed by the 1995 BRAC. On 21 June, one day before the BRAC deadline, HQ USAF sent the following message to Senator Glenn:

Upon receipt of the Newark privatization proposals, the Air Force performed an evaluation to determine whether the Air Force needed to request relief from the 1993 Defense Base Closure and Realignment Commission recommendation to close Newark AFB. The Air Force believes that privatization will provide a reasonable cost and operationally effective means to close and then privatize Newark AFB in place. Accordingly, the Air Force will continue to implement the BRAC 93 recommendation.<sup>162</sup>

### **"Rescue" Pleases Local Officials**

Six months later, on 15 December 1995, the Air Force announced the first privatization in place contract in the US military. According to an official DoD news release from the office of the Assistant Secretary of Defense, the Air Force announced separate contracts for the depot repair and metrology workloads.<sup>163</sup> Rockwell International was being awarded a contract estimated at \$264 million to perform the depot-level maintenance and repair workload; Wyle Laboratories, a small California-based company with 800 employees with \$85 million in annual sales in research, development and testing for high technology industries, was being awarded a contract estimated at \$19 million to perform the metrology workload.

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<sup>162</sup> Lezy, Normand G., Major General, HQ USAF Legislative Liaison Director, Washington, Letter to Senator John Glenn, Washington, 21 June 1995.

<sup>163</sup> DoD, Office of the Assistant Secretary of Defense (Public Affairs), "Newark AFB Privatization Contracts Announced," News release (no. 663-95), 15 December 1995.

Colonel Renaud made the announcement official to the local community with an afternoon press conference in the briefing room at NAFB headquarters, where he told local leaders of BRAC base closure recommendation over two and a half years earlier. The story dominated the press during the following days. *The Advocate's* headlines the next day announced "NAFB Gets New Bosses"; a smaller headline read "Rescue Pleases Area Officials."<sup>164</sup>

Local, state and federal officials all hailed the privatization in place contract announcement. Mayor Geller was obviously pleased the Air Force would award the contract to Rockwell, which already operated an axle plant in Heath. "If Rockwell is anything like the existing Rockwell plant in the area," he told reporters from the *Columbus Dispatch*, "we couldn't hope for a better decision."<sup>165</sup> The Air Force's decision was "Christmas news" to Governor Voinovich, pleased that NAFB workers would become employees of Rockwell, which already had close to 7,000 employees across the state.<sup>166</sup> Even Senator Glenn, who fought so hard to save NAFB's military status, was pleased with the announcement, for among other reasons because it would allow the private contractors to bring in new commercial workloads to the base. "I hope

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<sup>164</sup> Bell, Jeff, "NAFB Gets New Bosses," *The Advocate*, 16 December 1995.

<sup>165</sup> Lafferty, Mike, and Roger K. Lowe, "Rockwell Gets Contract to Run Newark Base," *Columbus Dispatch*, 16 December 1995.

<sup>166</sup> Rutledge, Mike, and Tom McKee, "Voinovich Elated by Announcement," *The Advocate*, 16 December 1995.

they exercise that [option],” he said after a briefing by Air Force officials in Washington, “...and hopefully expand the operation there.”<sup>167</sup>

Those most pleased were probably the NAFB workers. According to the official DoD news release that publicized the Air Force’s decision, “the contractors will extend the right of first refusal to federal employees.” Apparently not all of the 1,400 employees remaining at the base would have immediate employment with the private contractors. The Air Force predicted only about 1,000 would be needed for contractor operations; about 800 of these workers would perform the depot repair workload. But Wallace Horton optimistically stated that NAFB’s future was bright, telling one reporter he was convinced that within 5 years NAFB’s workforce would double. “Many people think that the awarding of the contract ends this process,” he said, “In fact, this isn’t the end; it’s the beginning of hard work to increase the use of the base facilities.”<sup>168</sup>

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<sup>167</sup> Stoffer, Harry, “Decision Receiving Bipartisan Support,” *The Advocate*, 16 December 1995.

<sup>168</sup> “Rockwell, Wyle Awarded Contracts,” *Ace News*, December 1995.

#### **4: Summary and Conclusion**

Written so soon after the events had taken place, and before the resolution of a vast number of issues, this story of the local community during the NAFB privatization in place can be considered only an incomplete history. Community officials and military planners alike worked hard during the transition period that lasted between the time that the Air Force announced the privatization in place contracts and now, less than one month before the official closure date.

That notwithstanding, the NAFB privatization in place has received plenty of national attention recently. What happened at NAFB is particularly important to privatization initiatives underway at McClellan AFB and Kelly AFB--two Air Force depots recommended for closure by the 1995 BRAC, decisions affecting nearly 25,000 workers between the two depots. NAFB's diminutive size does not stop top Air Force officials from hoping that NAFB might contain some answers to these and other privatizations. Several months before the Air Force announced the NAFB privatization in place contract awards, General Viccellio, AFMC Commander, underscored the importance of what happened at NAFB in a speech to the Society of Logistics Engineers (SOLE):

Depot closure, whether it's on the scale of a Newark, Ohio operation or a major complex such as Kelly or McClellan is a tough issue. Faced with potential readiness impacts as we consider breaking production and relocating activity, equipment and people, faced with enormous costs to do so, faced with impacts on thousands of Air Force people and their families, the option of privatizing in place seems attractive. The possibility of avoiding the impacts and costs I've just described, while offering our people options they would otherwise not have is attractive

enough that we're along this path at Newark, and committed to the concept as it appropriately applies to our two larger depots.

This won't be easy. This won't be a short notice in the *Commerce Business Daily* and commercial start-up on Monday. Nothing's further from reality! But our Newark experience has taught us a lot, and we're moving ahead at both Sacramento and San Antonio.<sup>169</sup>

But the jury is still out on privatization in place, and for the whole notion of privatizing depot-level maintenance. Questions about costs, savings, value for the American taxpayer, and importance to national defense--concerns such as these about privatization raised during the NAFB controversy still linger. Right around the time that the Air Force released the RFP for the NAFB privatization, the Commission on Roles and Missions recommended that DoD "establish a time-phased plan to privatize essentially all existing depot-level maintenance." On 12 October 1995, the Chairman of the House of Representatives' National Security Committee requested the General Accounting Office analyze the assumptions the Commission on Roles and Missions used to support its recommendation.

GAO responded with a July 1996 report entitled, *Commission on Roles and Mission's Privatization Assumptions are Questionable*. Mirroring its response to the Air Force privatization plans at NAFB, GAO remains skeptical about depot privatization. "Privatizing essentially all depot maintenance under current conditions," GAO reported, "would not likely achieve expected savings and, according to the military services, would

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<sup>169</sup> Viccellio, Henry Jr., General, AFMC Commander, "A New Era of Acquisition and Sustainment," Remarks to the Society of Logistics Engineers, San Antonio, Texas, 22 August 1995.

result in unacceptable readiness and sustainability risks.”<sup>170</sup> Among the issues where GAO found fault with the Commission on Roles and Missions was the extent to which privatization affects the excess capacity problem in DoD’s depot system.

So critics and supporters alike can and will argue the relative benefits or liabilities associated with depot privatization, including privatization in place. This is not the place to revisit that debate. Rather, the position here is that the NAFB privatization in place, specifically the experience of the local community, raises important issues not so far removed from other base closures. The remainder of this discussion, a summary of sorts, addresses the major concerns that faced the local community during the episode and the Air Force’s response to some of these concerns. Finally, the discussion concludes with mention of what far-reaching lessons of value might have been learned by the local community during the NAFB privatization in place.

When the 1993 BRAC announced that NAFB would close, Licking County officials immediately embraced privatization in place for the future of the base, its employees and the community. While other uses could be found for the base, none except privatization in place would put the base to intended use, or offer the amount of jobs for displaced workers. At stake for Licking County was a \$200 million impact on the local economy; at stake for Newark was job-loss for 600 residents; at stake for Heath was loss of one-fourth of its tax base. The over-riding concern throughout the controversy, naturally, was that privatization in place would not occur.

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<sup>170</sup> GAO, *Commission on Roles and Mission’s Privatization Assumptions are Questionable* (GAO/NSIAD-96-161, Washington: GPO, 1996), 1.

More specifically, there were a number of issues, ranging from Air Force decision-making to local community apprehension, that contributed to this overriding local concern. In one way or another, four major issues contributed to this concern:

1. The Air Force's source selection procedures;
2. The lengthy Air Force decision-making process;
3. The property transfer issue; and
4. The short-term lease that the Air Force was awarding the privatization in place contractor.

The first issue, the Air Force's source selection procedures, concerned local officials the most. Simply put, it was the Air Force's position that it would not mandate that the NAFB workload be kept in place. Rather than mandate privatization in place, the Air Force--in its RFI (April 1993), sources sought synopsis (May 1994), draft RFP (January 1995), and RFP (May 1995)--announced to private industry that it would consider moving the workload elsewhere if it proved to be the most cost-effective option. As Lt Col Stipe pointed out to the author, the RFP was for "privatization" not for "privatization in place" as it did not specify where the workload had to be done.

That worried local officials, who embraced privatization in place soon after the BRAC announcement. The local community believed that the Air Force should mandate privatization in place since 1) it was the most cost-effective option, 2) it supported President Clinton's Five Part Program for Revitalizing Base Closure Communities and 3)

private contractors might make an attempt take the workload from NAFB to their own facilities. In short, the local community wanted a guarantee that privatization in place would occur. Considering the harsh economic ramifications facing the local community from base closure, this is understandable.

But for political, legal, and business reasons, the Air Force did not mandate privatization in place. This was mainly due to the Air Force's belief that it "made good business sense" not to mandate. In fact, it announced in its amendment to the sources sought synopsis that it would allow the workload to be removed from NAFB if that was the more cost-effective option.

Colonel Joseph Renaud probably had the most difficult Air Force position throughout the controversy. As the base commander, he had overall responsible for closing NAFB and, as a result, was the first line of defense for Air Force decision-making. He told the author that the Air Force's decision not to mandate privatization in place was a "stroke of genius."<sup>171</sup> Colonel Renaud said that from the outset he knew privatization in place was the best alternative for both the government and the local community. In fact, he contended that privatization in place *needed* to happen because anything else would have been too costly (to duplicate capability where it did not exist) and too disruptive (to the critical repair lines). He contended that by not mandating privatization in place, the Air Force was removing the possibility for "Monday morning quarterbacking." In other words, he knew privatization in place was the least-expensive

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<sup>171</sup> Renaud, Joseph, Colonel, NAFB Commander, Personal Interview with author, NAFB, 5 September 1996.

option. But the key was to have private contractors come to that realization on their own, not to have the government mandate privatization in place--then later be confronted with the strong likelihood of complaints from private industry. It was only a matter of time, said Colonel Renaud, before private contractors came to the full realization that privatization in place was the most cost-effective option.

That leads to the second major concern--the lengthy Air Force decision-making process. The main issue here was the belief in Licking County that the longer the Air Force took to implement privatization in place, the less likely privatization in place would work. The widespread belief was that as time passed more workers would leave NAFB for other government jobs or jobs in the private sector, thus depleting the skilled and talented work force--one of the major advantages of privatization in place. Local leaders touted the presence of a skilled, experienced workforce as a major advantage of privatization in place. But because there was little in the area to attract the workers, whose average salary was above the local average, and because four-fifths of the NAFB employees had over 10 years employment with the federal government, local leaders expected a large number of the employees to leave the region without privatization in place.

Discussions with Air Force officials indicated that workforce attrition has been a concern, but not presently a major one. The issue will be a concern for up to a year following the actual beginning of the privatization in place as federal employees are still eligible for the "priority placement program," so it is reasonable to conclude some more workers might leave NAFB.

The third and fourth major concerns dealt with the financial risks facing the local community. Central to privatization in place was the transfer of ownership of NAFB from the government to the local community. Local leaders worried about the financial burden owning NAFB would pose. What worried them most were the purchase price of NAFB and the operating and maintenance expenses associated with the base.

Not mentioned in the report was that the local community was able to reach a negotiated settlement with the government over the purchase price of NAFB, well below its fair market value. As pointed out, DoD's changes to its guidelines for implementing Pryor Amendment provisions of the Base Closure Community Assistance Act made it impossible for a while for the local community to know for certain what price it had to pay to purchase NAFB. That, in turn, affected the Air Force planning. Without a guarantee that privatization in place would occur, community officials hedged taking on the enormous financial risks associated with becoming NAFB's new landlord.

Were the local community's concerns about becoming landlord exaggerated? Whether they were or not, the property transfer was called a possible "showstopper" for privatization in place, so it is necessary to understand the challenges facing the local community during a privatization in place. Towards the end of the controversy, Wallace Horton stated in several different letters to government officials that the local community would not accept ownership of NAFB if privatization in place did not occur.

Apparently, local leaders had agreed that Licking County would not accept ownership, even under the terms of an EDC. Following the Air Force's release of the draft RFP, Horton wrote to Major Stipe, WTO Program Manager stating that "if we do not get

[privatization in place]...we will not accept the base.”<sup>172</sup> Two months later, just weeks before the Air Force released the final RFP, Horton wrote a similar message to Senator Mike Dewine. “If we do not obtain [privatization in place] we have stated that we would not buy the base under an EDC or any other type of conveyance.”<sup>173</sup>

In other words, if privatization in place did not prove to be the most cost-effective option, there was the possibility that the community would not accept ownership of NAFB. How serious were these claims? Was Horton “bluffing” on behalf of the local community? What would the Air Force have done if privatization in place was not implemented and if it had to maintain ownership of NAFB? Would the local community have actually passed up the opportunity to buy an entire military base which it could have put to use to create jobs? Fortunately for both Licking County and DoD, these questions did not have to be answered.

The local community’s fourth major concern, also a fiscal one, was the short-term length of the Air Force contract. A one-year contract with four annual renewal options was considered too short a time for the local community’s leaders who worried that more time was needed to allow the private contractors to build up additional workloads so that the community could break its “dependence” on military workloads. On 11 September 1995 Horton wrote the following in a letter to Governor George Voinovich:

As we proceed in this very important program we may need, at some point in time, an even greater level of funding support from the state, on the off-

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<sup>172</sup> Horton, Wallace, Heath, Letter to Lt Col Paul Stipe, Hill AFB, 21 February 1995.

<sup>173</sup> Horton, Wallace, Heath, Letter to Senator Mike Dewine, 6 April 1995.

As we proceed in this very important program we may need, at some point in time, an even greater level of funding support from the state, on the off-chance that the Air Force withdraws their [privatization in place] contract at an earlier than expected date. If we should lose this large [privatization in place] lease at a point prior to our planned build-up of additional workloads, we may be faced with a temporary need to be subsidized for a period of time. We hope that if this should arise we can enlist your support. The long-range success of this program is very important to the economy of this community and, in turn, to the state of Ohio.<sup>174</sup>

It appears now that the Port Authority is in a race against time. It will try to attract as much commercial interest in NAFB as possible, before the privatization in place contract is terminated--which could be as early as one year from the time that the Port Authority takes over on 1 October 1996. Only time will tell whether the private contractors will remain at NAFB.

What might have exacerbated local community's concerns was the perception that the Air Force was not considering its interests in the decision-making process. Local officials believed that since the local community would become landlord for NAFB that it should have been more involved in decision-making. The overriding intent of President Clinton's Five Part Program was to make base closure communities partners in, not on-lookers of, the base closure process. On 9 September 1993, a little more than two months after President Clinton announced the Five Part Program, the Deputy Secretary of Defense issued a memo to the military departments stressing the importance of including the base closure community in decision-making.

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<sup>174</sup> Horton, Wallace, Heath, Letter to Governor George Voinovich, Columbus, 11 September 1995.

Military Departments and Defense Agencies should integrate their base closure planning and mission drawdown planning with local community planning. Discussions with affected communities should begin as soon as possible after the expiration of the time afforded the Congress to enact a joint resolution of disapproval of the President's 1993 closure and realignment recommendations.<sup>175</sup>

In repeated interviews, Wallace Horton told the author that he was disappointed that the Air Force did not include the local community in much of the decision-making. On 4 February 1994 Horton wrote a letter to Major Dave Cook, NAFB Transition Coordinator, stating that the Reuse Commission believed "it should have one representative on any future Air Force discussion of privatization in place, if only to provide answers as to how the community intends to operate the base in a 'landlord' status, and to better understand the time-phasing of future events."<sup>176</sup> But several months later, Horton wrote another letter, this time to the WTO at Hill AFB, indicating that he believed the local community's interests were not fully being considered. "To date," he wrote, "we feel somewhat isolated from your operations, even though we believe we all have the same end objectives."<sup>177</sup>

AFMC's Deputy Director of Plans and Programs, Colonel William Kohler, heavily involved in the privatization efforts taking place at Kelly AFB, Texas and

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<sup>175</sup> DoD. "Closing Bases Right," Memorandum for the Secretaries of the Military Departments from the Deputy Secretary of Defense. Washington 9 September 1993.

<sup>176</sup> Horton Wallace, Heath, Letter to Major Dave Cook, NAFB Transition Coordinator, NAFB, 4 February 1994.

<sup>177</sup> Horton, Wallace, Heath, Letter to Lt Col Paul Stipe, AGMC WTO Program Manager, HAFB, Utah, 11 July 1994.

McClellan AFB, California, said during an interview that perhaps the Air Force could have involved the local community more in its decision-making. When the author commented to Colonel Kohler that the local community felt that it could have participated more in the planning for the privatization in place, Colonel Kohler replied:

Well, that's an indictment, and it's correct. I mean, we decided how we were going to do things, and what we were going to do, and then told [Mr. Horton] about it. O.K. But that's something that we learned from this. We said to ourselves, "the next time we do this, we need to do it smarter." ....So you know, on the one hand, Newark is a good model on many things; we did a lot of things right--but we also did a lot of things wrong. But we're learning from it. And only time will tell if this becomes a success story or a failure.<sup>178</sup>

But all the Air Force officials interviewed about this issue, in one form or another, made comments similar to those made by Colonel Renaud in an interview he granted the author on 5 September 1996. Colonel Renaud stated that before the local community could become involved in the decision-making, the Air Force had to resolve the issues that it confronted. The Air Force, he said, were stewards of the American taxpayer. As such, its actions had to be in the best interests of national defense, not just to the local community. The local community reached the conclusion that privatization in place was in its best interests immediately following the 1993 BRAC announcement; the Air Force had not reached that conclusion, and would not reach that conclusion until much later. This was a major source of consternation. The Air Force needed time to address a vast array of issues, while the local community was already convinced that privatization in

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<sup>178</sup> Interview with Colonel Kohler, HQ AFMC, WPAFB, OH. 15 May 1996.

place was the best alternative. The Air Force had to be concerned with what was best for the American taxpayers and national defense, not just what was critical to the local community. The Air Force, Colonel Renaud stated, needed to proceed unencumbered with its exploration of the best alternatives for NAFB, in search of what best suited the needs of national defense.

In the end, the government's needs were met. However, different than many past base closures, the government met its needs while simultaneously meeting the needs of the local community. Licking County, an important contributor to the US's winning the Cold War, was not left out in the cold.

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## Vita

Captain Paul D. Pidgeon is from a family of twelve children from Jermyn, Pennsylvania. After graduating from Lakeland High School in 1988, he entered the US Air Force Academy, in Colorado Springs, Colorado. In 1992, he graduated from the Academy with a Bachelor of Science in American History. After receiving his commission into the US Air Force, he was assigned to Hanscom AFB, Massachusetts, where he was the base's Vehicle Operations Officer from July 1992 to January 1994. After that, he was assigned to Griffiss AFB, New York, also as Vehicle Operations Officer. In May 1995, he came to the Air Force Institute of Technology (AFIT).

His has a wife, Laureen, and two sons, Christopher and Timothy.

Permanent Address: 208 Gibson Street  
Jermyn, PA 18433

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This thesis studies the experience of the local community during the privatization in place of Newark Air Force Base (NAFB), Ohio. Licking County faced the loss of its largest employer after the 1993 Base Realignment and Closure Commission (BRACC), a five-year commission established by President George Bush as a measure to cut national defense spending after the Cold War's end, recommended closing the Air Force repair facility. Licking County leaders sought help from elected officials to have the Air Force implement a plan that would keep the NAFB workload in place under the auspices of private industry--privatization in place.

At stake for Licking County were jobs for over 1,500 base employees and a \$200 million economic impact. Licking County leaders cited a new federal initiative announced by President Clinton--the Five Part Program for Revitalizing Base Closure Communities--as justification for privatization in place. Licking County leaders also sought help from the man who founded the base over thirty years earlier to lead a push for privatization in place. An in-depth historical analysis identifies the critical issues as seen through the eyes of the local community and places them in an economic and political context.

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