

THE

BASE REUSE REPORT

JUNE

Economic Development, Planning and Redevelopment of Military Bases

1995

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Privatization may be 'wave of future'

Mixed results reported in Indiana, Kentucky, Ohio

By George Stuteville

Most leaders in Indianapolis thought they had dodged a devastating economic bullet when the huge Defense Accounting and Finance Center survived the 1993 base closure list.

But that was the year Indianapolis Mayor Stephen Goldsmith really began fretting about the future of the city's other military facility, the Naval Air Warfare Center, which designs and constructs highly-sophisticated avionics systems for ships, fighter bombers and submarines.

The center was born in the darkest days of World War II as the Naval Ordnance Plant. Its purpose was to build the top-secret Norden sighting device that allowed the high altitude bombing of Germany.

After the war, it plodded along constructing fire control assemblies for ships and airplanes. By the mid-60s, at the height of the Vietnam War, the center began creating sophisticated electronic military hardware. Much of its work remains secret.

Goldsmith realized that the land-locked NAWC would be vulnerable to the Defense Department's shut-down recommendations to the 1995 Base Realignment and Closure Commission.

He believed research and development facilities were on the hit list and that the center was geographically disadvantaged without a port or the ability to accommodate aircraft.

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Will budget cuts derail cleanups?

15% slashed from defense environmental restoration

By Randall A. Yim

Are we able to afford the cleanup of toxic contamination at our military bases? Can we afford not to? The President, Congress, and local communities are facing this dilemma during debates on the size of future cleanup budgets for both closing and operating military bases.

In April 1995, Congress and the President cut \$300 million from the \$1.78 billion fiscal year 1995 Defense Environmental Restoration budget, effectively reducing the 1995 cleanup budget for

operating bases by more than 15% (the Defense Supplemental Spending Bill—HR889). Since the spending cut may only be applied to the second half of the federal fiscal year, it most likely will require DoD to postpone, scale back, or eliminate cleanup work at open bases throughout the country.

This latest budget cut is indicative of a congressional trend to significantly reduce cleanup money for both open and

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CASE STUDY

Privatization ...

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The loss of the center would cost 2,750 local jobs that brought in \$150 million annual payroll revenue in the Central Indiana region. Those jobs created another 2,000 private-sector jobs for area businesses that sold \$400 million in materials and services to the center each year.

When Goldsmith finished calculating potential damages, he concluded the loss of NAWC could cause an economic blow approaching \$1 billion—worse than the loss of the defense accounting center at Ft. Benjamin Harrison would have posed.

Moreover, the center's loss could also cause a "brain drain" of highly-skilled engineers, technicians and scientists. It employs the highest concentration of engineers at any one site in Indiana.

"NAWC's closure has been the number one concern about the local economy since the day I started as mayor," said Goldsmith.

But the Republican mayor had a plan: privatization.

Goldsmith, who was elected in 1991 on a platform of promises to transform many city services into the private sector, believed that NAWC could also be saved with such an approach.

The city paid \$55,000 to military and Navy industrial analysts at the Indianapolis-based think tank, Hudson Institute, to design a merger/privatization plan. The plan would:

- Require the city to maintain the center at no cost to the government.
- Allow the Defense Department to lease part of the facility where 1,250 NAWC technicians could perform military contracts.

- Require the city to recruit private sector firms and help establish new companies in occupying the remaining portions of the center with 1,300 NAWC workers.

- Create research and development programs at the center in association with Purdue University.

- Merge with a Southern Indiana Navy installation, the Naval Surface Warfare Center, in its Crane, Ind. and Louisville, Ky. divisions.

The plan could save the Navy \$90 million to \$136 million while still closing a military facility. The task was to sell it to the Navy before the March 1995 closure recommendations.

"I met with every admiral I could find," said Goldsmith, who estimated that he or lobbyists held 26 meetings in the Pentagon including a high-level session with Navy Secretary John Dalton.

But the strategy didn't work. NAWC was on the closure list this spring.

And Indianapolis officials were left even more pessimistic following the April BRAC regional review hearing in Chicago when BRAC Chairman Alan Dixon said he questioned the legal authority to approve the plan.

"It was preposterous," Goldsmith said. "We spent three years with people saying the commission can (recommend) it. Now they're not sure they have the legal authority."

The news was also distressing to officials from Louisville, Ky., which had also developed a privatization plan to save its depot function at the Naval Surface Warfare Center.

Other complications have arisen, too.

NAWC employees have started to pursue their own privatization options because they believe the city's plan is too complicated.

Recently, the city has learned that the Navy is attempting to accelerate the relocation of about 300 key NAWC personnel to the Naval Air Warfare Center

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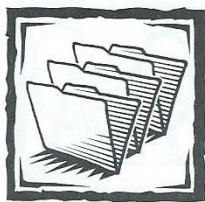
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CASE STUDY

at China Lake, Calif. If so, the "brain drain" feared by Goldsmith may scuttle the privatization plan because it is so dependent on the highly-skilled personnel at the center.

Frustrated as he awaited the commission's final recommendations to the president this month (July 1), Goldsmith says only, "This can't be the way it works."

That's not the way privatization worked at Newark Air Force Base in Newark, Ohio. That facility, though it lacks a runway, has been the home of the Air Force's aerospace guidance and metrology depot.

After it was targeted for closure during the 1993 BRAC round, the Air Force decided that while the facility was too costly, it was essential.

The military then recommended a "privatization-in-place" to BRAC that

would preserve the center and enable the local community to keep the facility and its 700-900 jobs.

Now, instead of preparing to close, proposals are being prepared by corporate bidders to operate the base depot and metrology functions. One of the companies vying for the contract is UNC Aviation Services of Annapolis, Md.

"What UNC has done is form a subsidiary called UNC Newark and teamed up with local government and the work force. We are offering these employees an ownership/equity stake in this," said Marc Jartman, UNC vice president of government affairs.

UNC Chief Operating Officer John H. Moellering described privatization-in-place as an elegant solution.

Moellering said it represents a win for the government because it achieves continued high quality work, lower prices, and savings of investment costs.

"(It's) a win for employees . . . a win for the private industry that ends up doing the work, and finally a (political) win for the congressional representatives interested in maintaining jobs in their districts. Privatization-in-place represents an innovative alternative—development by the government which leverages these advantages to the benefit of not only the service, but taxpayers."

Despite what may appear to be a negative experience in privatization by Indianapolis, many think that it will

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INTERVIEW

BRR Interview:**Stanley Weiss**

BENS founder early proponent of prudent base closures, reuse

By Sigrid Bathen

Stanley A. Weiss is a prominent business executive who, in 1982, founded *Business Executives for National Security*, a national, nonpartisan association of business leaders concerned about national security and defense spending. Designed to "address national security more practically and effectively," the influential organization has been a key player in efforts to close unnecessary military bases and put them to more productive reuse and was instrumental in getting legislation through Congress to establish the Base Closure and Realignment Commission as a nonpartisan entity to oversee military base closures. BENS also addresses nonproliferation and trade issues, and has published numerous reports and studies on national security and base closures.

Weiss is chairman of American Premier, Inc., a private mining, refractories, chemical and mineral processing company with mines and plants throughout the U.S. Among his many awards and professional activities, Weiss was a Fellow at Harvard University's Center for International Affairs and is a member of the American Business Conference, the United Nations Association of the USA, the CATO Institute, the Association for Manufacturing Excellence in the U.S., and the International Institute for Strategic Studies.

BRR: We're hearing a great deal about the 'privatization' of military bases—and some interesting projects in Kentucky, Indiana and Ohio (see *Privatization may be 'wave of future'*, p.1). What is BENS' position on privatization, and how might such efforts be expedited?

Weiss: As BENS has said over and over again, what comes first is the security of our country, so that privatization for its own sake or for commercial reasons we unalterably oppose. On the other hand,

anything that is done to facilitate the closure or realignment of a base that is not needed any longer by the military, I'm in favor of it. The sooner the DoD reduces its fixed costs, overhead and infrastructure, the better it will be positioned to use funds that are necessary for making the country safe.

"In California, they say close every base you want in New Jersey."

BRR: In your view, what is the status of defense readiness, particularly with the threat of terrorism in this country and abroad? Will those fears block further base closures?

Weiss: If we closed more bases, there would be more money available to deal with real problems. Readiness and terrorism don't necessarily go hand in hand. Readiness [means that] we are ready for external threats, the 'conventional' battle such as Iraq or North Korea. Terrorism is a whole other question, which in my view is the greatest threat to our country. I wish we were spending more energy, time, effort and money on seeing how we can best deal with this external and internal threat. And, certainly one way to provide funds for going about it would be to close even more bases.

BRR: In your recent *WASHINGTON POST* commentary, you wrote that 'the fear of losing jobs' has slowed base closures—and that those fears are largely misplaced. Explain.

Weiss: It starts with the problem that a person has a job in a place, and you tell that person it's going to be okay, there will be more jobs in six years, and very few people are going to say, okay, fine, I'll leave this job. But the major reason is that the way the law reads, if the DoD decides it doesn't want it [a base], then any other federal agency has first shot at it, and that takes so much time. And then if no other federal agency wants it, then any state and local government has the next call . . . Not only is it a time question, but it makes it very difficult for a community that really wants to get started to [reuse] a base that is closed . . . Very often when communities wanted to reuse a facility, they would have to go through so many departments and [deal with] so much alphabet soup, that they found it very difficult to make it work. We worked with the Office of Economic Adjustment in DoD to try and get a one-stop shop. We thought that since [that office] had done such a terrific job, it should be the center of it.

BRR: Can you cite some success stories of base reuse?

Weiss: Well, Packard Bell, obviously [at the former Sacramento Army Depot], England Air Force Base in Alexandria, La., and there are many others [editor's note: see BENS report 'BASE CLOSURE AND REUSE: 24 CASE STUDIES', by Keith Cunningham, 1993]. Of 100 facilities closed in a 15-year period, there are 14 high schools, 32 vocational schools and junior colleges, 12 four-year colleges, 42 municipal airports, 75 office-industrial parks. The fact is that the payoff was a more stable, prosperous local economy.

BRR: Many experts in base reuse say it takes 20 years to see the results of an exemplary base reuse.

Weiss: I would have to respectfully disagree. I think 20 years is the exception rather than the rule with any community that's really serious about reusing the property.

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INTERVIEW

BRR: *BENS seems to have coined the term 'old bases that never close'. What do you mean?*

Weiss: When we went back to a number of communities where bases supposedly had been closed, we found that in many cases they had not been closed. So we came out with a report, 'Uncovering the Shell Game'. The whole process allowed for either closing or realigning, and if they said a particular base was realigned, we never would have fussed about it. But when they said it was closed, we think closed means not open. In the 26 cases that we found, that simply didn't happen.

BRR: *What about the huge cost of cleanup of contaminated bases?*

Weiss: Unless the Congress bites the bullet and is willing to set up an investment fund that has a payoff time over 10 years, or whatever, it's going to be very difficult, especially when we're talking about enormous cuts everywhere. There are answers to this. It's just a question of will. Perhaps it could be [accomplished] in the private sector, and there would be real returns on that.

BRR: *You say that federal budgeting methods make long-term cleanup—as well as other forms of closure and reuse planning—very difficult. Explain.*

Weiss: So much of the rest of the military is being cut that unless they cut the


infrastructure more than they've done, there's really no way they're going to be able to reduce the defense budget without cutting muscle and not fat. As a business group, we find it absolutely unreal that for a relatively small investment, in a relatively short period of time, the DoD, meaning the taxpayers of America, can recoup the money that is spent [on base closures], and then after that point go on and make a profit... One should ask then why we don't do that, and I think the reason is the way the federal government handles its own budget sheets. They don't make any differentiation between what in business we would have as an investment account, and an operational account. When they make an investment, they simply count that as an expense.

BRR: *What are the prospects for legislation authorizing another round of closures?*

Weiss: The longer we wait, the harder it's going to be. I think it's necessary, and I think [Defense Secretary] Bill Perry decided to slow it down a bit because there was a question about money up front. As with the cleanup question,

money has to be put up front in order to reap the benefits... They're going to have to make choices. Would they rather have bases they don't need, or other things? Any kind of realistic argument would come out in favor of having another round, and I think a lot of people on both sides of the aisle will be put on the spot in order to have that occur. It's very, very tough... It's that whole story about 'don't tax you, don't tax me, tax the guy behind the tree'. In California, they say close every base you want in New Jersey.

BRR: *BENS has been in the forefront of base closure and reuse issues for many years. What is your overall organizational strategy?*

Weiss: We have one great advantage. This is a national, nonpartisan, business organization, and every point of view that we take is not done either because of ideology, or because any of us are going to benefit financially or in any other way from it... We're not a think-tank, we're a do-tank. 

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LEGAL ISSUES

McKinney Act creates reuse complications

By Raymond Takashi Swenson,
Lt Colonel, USAF (Ret.)

Lt. Colonel Swenson is an attorney in the Salt Lake City office of Ballard Spahr Andrews & Ingersoll. He is a former Air Force Regional Counsel for the Western U.S. who practices environmental law and represents communities in base reuse negotiations with the DoD. He helped establish the California Base Closure Environmental Committee and taught courses on base closure in Washington, D.C. San Francisco, Monterey and Irvine, Calif. He belongs to the California and Utah State Bars.

In April 1995, the U. S. District Court for Northern California issued a Temporary Restraining Order to halt a public sale of 1,271 units of family housing at Mather Air Force Base in Sacramento County.¹ The plaintiffs, "a coalition of

homeless shelter and service providers and developers of low and moderate income housing," claimed that the Air Force and the General Services Administration were violating both the federal law on real property sales and Title V of the McKinney Homeless Assistance Act of 1987.² The McKinney Act requires that federal property that is identified as "surplus" to the needs of all federal agencies must be evaluated for its suitability for use to aid the homeless. Initial failure by federal agencies to follow the Act correctly resulted in a series of federal court injunctions³ forcing federal agencies to strictly obey the law under court supervision. Nevertheless, because of the need for unrestricted public access to facilities used by the homeless, most active military bases were still immune from donating individual buildings.

However, when mass base closures began in 1989, McKinney Act claims by homeless assistance organizations (HAOs) took priority over community efforts at economic redevelopment. The Pryor Amendments⁴ tried to rationalize the process by giving HAOs the first bite of the apple, within a short time frame, and then allowing the local redevelopment authority (LRA) to preempt further McKinney claims. Nevertheless, the injunctions still applied to DoD actions under these modified provisions.

In the current case of Mather Air Force Base, the LRA had declined to take responsibility for the family housing, so the Air Force Base Conversion Agency decided to offer it for public auction. The plaintiffs claim that the Air Force failed to follow the requirement to publicize the availability of surplus federal housing, while the Air Force asserts that it has consistently fulfilled its duties under the

Act since Mather was first announced for closure in 1988. As a result, several buildings were designated for use by HAOs in the community's base reuse plan. The plaintiffs are asking for a preliminary injunction to prevent sale of the housing until the suit is resolved.

Even before this lawsuit, widespread dissatisfaction among LRAs over the McKinney Act had resulted in further changes in the Pryor Amendment "homeless" process.⁵ On October 6, 1994, in a single day, both houses of Congress passed a provision sponsored by Senators Dole and Mitchell which puts the LRA on a more equal footing with the HAOs. At bases closed in 1995, or at bases selected in earlier rounds if the LRA chose to follow the new law (apparently not the case at Mather), HAOs must now submit their applications for property to the LRA, including a financial plan for their use of the property. One of the benefits of the new process for DoD is that the statute explicitly exempts actions under the new law from the McKinney Act, and therefore from the national court injunctions as well.

The LRA must conduct "outreach efforts" to inform HAOs of the property that is available, including consulting with them so as to include their interests in the reuse plan which the LRA submits to DOD. The LRA must also enter into "legally binding agreements" with the HAOs that ensure the organizations will receive "buildings and property, resources, and assistance on or off the installation" if the reuse plan is accepted by the federal government. Note that the agreement may include substitute housing or funds outside the base, such as the City of Denver's agreement to use a \$5 million HUD grant to provide housing in locations dispersed throughout the metropolitan area rather than concentrated on Lowry Air Force Base.

The law adds a new requirement for public comment on the reuse plan, but also requires that it be submitted within

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LEGAL ISSUES

nine months of the LRA's solicitation of applications by HAOs. The reuse plan now must be submitted not only to DOD, for use in an EIS on reuse, but also to the Secretary of Housing and Urban Development (HUD) for approval of the homeless assistance provisions in the plan. The plan must document the LRA's response to each application, its efforts to consult with HAOs, and its rationale for allocating property to homeless and non-homeless uses.

HUD must complete its initial review in 60 days, notifying DOD and the LRA whether it approves or disapproves of the reuse plan. It may kick the plan back to the LRA for revision. If HUD accepts the plan, it will direct DOD to "dispose of the buildings and property" according to the plan, without charge for the use of such properties. If HUD does not accept the revised plan, the statute enables HUD to override the LRA reuse plan and deal directly with the HAOs, with HUD

designating which base properties will be reserved for their use.

Thus, while the HAOs have lost their ability to unilaterally preempt LRA reuse plans, HUD can still, on their behalf, override all other reuse plans and ensure, through the review process or simple preemption, that housing is given top priority at closing bases. In addition, if an LRA for a base selected for closure in 1989, 1991 or 1993 chooses to use the new law, the LRA will have to revise its reuse plan, which will in turn force DOD to decide whether it needs to supplement the environmental impact statement (EIS) done on the original reuse plan. Similarly, a HUD rewrite of the reuse plan could require preparation of a

supplemental EIS. These EIS revisions could generate additional weeks of delay in the land transfer process. Even if DOD decides that a supplemental EIS is not necessary, the decision may reopen the normal 60 day statute of limitations for court challenges to the EIS. The burden of these unintended consequences of the new law may in some cases outweigh much of its benefit. 

Citations

1. Black and Brown Enterprises, et al. v. The Administrator, General Services Administration, et al, Civil Action No. C-95-1294 SAW.
2. 42 USC §11411 et seq.
3. National Coalition for Homeless v. U.S. Veterans Administration, 695 f. Supp. 1226 (D.D.C. Sept. 1988); Civ. A.N. 88-2503-OG (D.D.C. Dec. 1988); National Law Center on Homelessness and Poverty v. Veterans Administration 765 f. Supp. 1 (D.D.C. 1991), aff'd 964 F.2d 1210 (D.C. Cir. 1992); 819 F. Supp. 69 (D.D.C. 1993).
4. Section 2905 (b) (7).
5. S. 2534, amending §2905 (b) of the Defense Base Closure and Realignment Act of 1990, 10 USC §2687 note.

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Cleanup budget cuts ...

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closing bases and redirect these funds to more traditional defense programs such as weapons procurement. Indeed, the recent cut was part of legislation providing \$3.2 billion of new money for DoD to offset costs related to peacekeeping operations, and to increase funding for defense training and "readiness" programs. Combined with earlier cuts, Congress has reduced almost 25% of the cleanup budget for open bases since fiscal year 1994 (total DoD budget declined only 6% during this same period).

Environmental cleanup and compliance funding for closing bases is also threatened. In 1994, Congress rescinded \$507 million from the Base Realignment and Closure (BRAC) Account. California was assured that this BRAC reduction would not affect environmental work at closing bases; however in practice, work at several bases was scaled back due to this cut. During the past month, the cleanup work at most closing bases

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has been subject to major "peer review" scrutiny to determine what work may be delayed or postponed. The problem is exacerbated by continuously increasing cost estimates for cleanup fueled by discoveries of new contamination and the growing extent and complexity of the necessary remedial work. Just keeping BRAC funds the same is a de facto cut because of increasing costs.

Congress seriously underestimated the cost of cleanup. Dedicated funding for BRAC 1 closures will expire on September 30, 1995. At that time, according to Cal EPA estimates, DoD will have spent only about one-third of the total amount needed to fully clean up BRAC 1 bases. When BRAC 1 funding terminates, these bases will have to compete with BRAC 2 and BRAC 3 bases for available funding. It has been estimated that

California BRAC bases alone could consume all of the funds appropriated nationally for BRAC cleanup.

Environmental cleanup and compliance are funded by two separate budget accounts. The Department of Defense Environmental Restoration Account (DERA) is the key account which funds assessment, planning and cleanup at operating military bases. The most recent DoD information indicates that more than 10,000 potentially contaminated sites await assessment and/or cleanup at more than 776 operating military facilities. In addition, more than 2,800 sites at formerly used military facilities require environmental work.

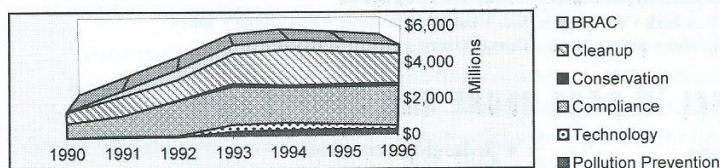
Environmental cleanup at closing military bases is funded through another budget account, the Base Realignment and Closure (BRAC) account. The establishment of BRAC was designed to place cleanup at closing bases on the "fast track" to speed conversion and reuse.

These two accounts overlap. Normally cleanup at closing military bases is funded from BRAC. However, during the first year of closure—before BRAC cleanup funds are available—environmental cleanup at closing bases is funded from DERA. As a result, cleanup at the bases designated for closure or realignment during BRAC 1995 will be impacted by cuts in DERA. The recent Congressional spending cut did include an amendment that requires DoD to insure that BRAC 4 bases are not "disproportionately" affected by the rescission.

Large scale budget cuts clearly will mean that environmental cleanup and compliance programs will be delayed or scaled back. Lower priority cleanups or public safety compliance activities may simply be canceled. The problem is more severe at closing bases. Successful reuse will remain in jeopardy unless the federal government insures that adequate cleanup funding will be available in a timely manner.

High priority reuse projects could be delayed, particularly since cleanups have

Environmental Security Programs



	1990	1991	1992	1993	1994	1995	1996
Pollution prevention				\$274	\$334	\$365	\$322
Technology		\$77	\$70	\$393	\$410	\$284	\$218
Compliance	\$790	\$1,108	\$1,930	\$2,118	\$1,967	\$2,094	\$2,205
Conservation		\$10	\$25	\$133	\$99	\$127	\$145
Cleanup	\$601	\$1,065	\$1,130	\$1,639	\$1,965	\$1,782	\$1,622
BRAC	\$38	\$308	\$551	\$461	\$522	\$518	\$457
Total	\$1,429	\$2,568	\$3,706	\$5,018	\$5,297	\$5,170	\$4,969

Source: Department of Defense

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ENVIRONMENTAL ISSUES

traditionally proceeded with the most contaminated parcels first. These "worst first" parcels are not necessarily those parcels with the greatest economic value to the local communities. Indeed, parcels with the best reuse potential often have relatively minor contamination, and productive reuse could be possible following a relatively quick and inexpensive cleanup. Yet a quick cleanup of a parcel, even if technically feasible, may be impossible because cleanup funds must be budgeted and secured far in advance of expenditure. The lag time between cleanup budgeting and actual cleanup work creates a major problem when contamination is discovered during development of a parcel.

Reuse is also threatened by environmental constraints that cannot be pigeon-holed into traditional "toxic cleanup work." Compliance issues such

as abatement of lead-based paint, asbestos and unexploded ordnance can impose severe restrictions on the ability of the community to reuse parcels.

Many communities have not appreciated the significance of matching their reuse activities with environmental cleanup and compliance. Cleanup standards, the methods for achieving these standards and the time frames for completing cleanup all significantly impact reuse plans. The constraints upon reuse activities caused by environmental considerations must be evaluated early, just as considerations such as topography, soil compaction characteristics, noise

contours and zoning requirements. Too often communities consider environmental considerations as overlays after reuse plans have been developed. This leads to the development of reuse plans which have no realistic chance of implementation, or causes delays which affect marketing and financing strategies.

Environmental groups, communities, local officials and state regulators concerned about cleanup funding cuts must take several steps:

- Debates about the fiscal year 1996 cleanup budgets have just begun. Senators and Representatives should be contacted and asked to oppose cuts in Defense environmental cleanup funding.

In a sharply worded letter to Defense Secretary William Perry, California Gov. Pete Wilson said the cuts will "exacerbate economic suffering in communities

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THE BASE REUSE REPORT



ENVIRONMENTAL ISSUES

Cleanup budget cuts . . .

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that are struggling to redevelop closing bases."

- Community reuse planners must work closely with the military and environmental regulators to prioritize use of cleanup funds for those reuses with most immediate economic impacts, and to explore innovative ways to reduce costs—or consider accepting land use restrictions to expedite cleanup and protect sensitive natural resources or human populations.

- The community must be actively involved in coordinating cleanup and reuse. Communities should do so by actively participating in the preparation and implementation of the BRAC cleanup plan required at each base, during both BRAC Cleanup Team (BCT) and Restoration Advisory Board (RAB) meetings. Communities must pay particular attention to cleanup standards

and alternative methods to achieve these standards. Both issues affect the availability of reuse options, the flexibility to change reuse plans in response to new circumstances, and the time frame in which reuse may be implemented.

- The military, local communities, environmental regulators, and environmental groups must work together to spend cleanup money in smarter ways. We must explore innovative approaches to reduce or eliminate duplicative environmental studies and legal and other administrative costs which do not improve the cleanup remedy. The focus must be on risk reduction. Situations in which legal costs comprise 80% of each cleanup dollar spent (as demonstrated by some Superfund examples) can no longer be tolerated. Funding to find new or more cost-effective methods emphasizing cleanup, source reduction and pollution prevention must be provided as long-term investments in cost reduction.

The need for fiscal responsibility and belt-tightening need not automatically translate into relaxation of environmental protection standards. Smarter use of existing cleanup and compliance money may allow the total amount spent on cleanups to be reduced, while at the same time increasing the net amount spent on actual cleanup. This would reconcile environmental protection and economic development goals, not only at military bases, but in many other urban cleanup and rebuilding contexts. Economic circumstances require a long overdue re-evaluation of how we can be smarter with our cleanup money.

Randall A. Yim of Yim, Okun, & Watson in Sacramento is a contributing Editor of the BASE REUSE REPORT. He can be reached at (916) 368-1591.

Calendar of Events

June 26-27: National Council on Urban Economic Development, Tax Cuts & Other Business Retention Strategies conference—New York, NY (202) 223-4735

July 13-14: Association of Federal Technology Transfer Executives, Third Annual Summer Meeting, Washington D.C., (304) 243-2535

July 26-29: Annual Sister Cities International Conference—Indianapolis, IN (703) 836-3535

August 18-19: NAID Regional Seminar on Military Base Reuse Grant Proposals—Chicago, IL (703) 836-7973

August 20-22: National Association of Installation Developers (NAID) 1995 Conference, Chicago, IL (703) 836-7973

September 25-28: National Association for County Community and Economic Development (NACCED) Conference, Salt Lake City, UT (202) 429-5118

September 28: NSIA Annual Meeting/Luncheon. (202) 775-1440

October 12-13: Executive Enterprises, Conference on Military Base Reuse—Washington, DC (212) 645-7880

October 19-20: NAID Regional Seminar on Military Base Reuse Grant Proposals — Jacksonville, FL (703) 836-7973

November 13-14: Executive Enterprises, Conference on Military Base Reuse—San Francisco, CA (212) 645-7880

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NEWS BRIEFS

Washington, D.C.

Dixon keeps word: BRAC adds 32 bases to closure list

By Herbert A. Sample

For months, **Alan Dixon**, chairman of the **Defense Base Closure and Realignment Commission**, insisted that his panel would place fewer additional installations on its closure review list than the 1993 commission did.

Last month, Dixon kept his word. The eight-member body voted to consider 32 more bases for realignment or closure beyond the recommendations submitted by the **Pentagon** in early March. The 1993 panel added 52.

Dixon had said the panel's "add-ons" as they are called in base closure parlance, would be "serious" choices—perhaps suggesting that those bases tapped for review in May would have a difficult time escaping the closure list later this month, when the commission votes on its final recommendations.

That may be true for five Air Force repair depots that the panel unanimously decided to review. Commissioners had expressed deep skepticism with the service's plan to retain but shrink all five. No one expects all five to be shuttered, but observers say there is a good chance one or two may be.

The commission also appeared unhappy about the Air Force's closure choice in the undergraduate pilot training and reserve station categories.

Oklahoma

Energy research lab head suggests BRAC-type review

The head of the firm that runs the **U.S. Energy Department's petroleum research lab** in **Bartlesville, Okla.**, told the *Daily Oklahoman* earlier this month that he hopes the lab will remain open if the department is abolished—and he is suggesting establishment of a commission similar to the **Base Closure and Realignment Commission** to review all Energy Department labs

and recommend what should be done with them.

Dr. Lowell Smith, president of **BDM-Oklahoma, Inc.**, which operates the **National Institute for Petroleum and Energy Research (NIPER)** in Bartlesville, said eliminating the lab would have "an adverse effect on national security." The labs are threatened by a House Republican plan to eliminate the Energy Department, turning over some of its functions—including any related to nuclear programs—over to other agencies.

Smith also suggested that the expertise of lab staff might be retained through a **privatization** effort (See *Privatization*, p. 1).

Ohio

OHM-Rust merger spurred by base environmental cleanups

OHM Corp. announced last month that the merger of OHM and the hazardous and nuclear waste remediation services of **Rust International** was approved by OHM shareholders.

"As the trend toward cleanups intensifies," said **James L. Kirk**, chairman of the board, president, and CEO, "we expect to see a greater consolidation among companies providing remediation services and subsequently a market served by larger companies." With combined 1994 annual revenues over \$550 million, OHM will be the largest company focused entirely on on-site remediation, according to *PR Newswire*.

Kirk said environmental cleanup on closed bases is a growth market. "That market is in its formative stages now, but will soon be ramping up for the cleanup of nuclear weapons production facilities that can have as much as 50 years of contamination in them"

San Francisco

First major structural removal to begin at Presidio this fall

The first major structure removal at a California base closure site will begin at the **Presidio of San Francisco** this fall, according to the **Office of Planning and Research** in the office of **Gov. Pete Wilson**. Requests for Proposals for the removal of approximately 165,000 square feet of building space will be issued this month.

The **Master Plan for the Presidio** identifies 840 structures to be removed from the park. Phase 1 will be primarily in two clusters of temporary World War II barracks and buildings in the **Chrissy Field** area near San Francisco Bay.

The vast, 219-year-old Presidio, the "guardian of the golden gate," has been turned over to the budget-strapped **National Park Service**.

Republican budget-cutters last month ran into a stone wall of state and local opposition in proposing that some of the Presidio land be sold.

Fort McClellan, Ala.

Chemical weapons school said 'critical' to national security

Opposition to the closure of **Fort McClellan** in Alabama has focused on the fort's chemical weapons school in the wake of the terrorist attack on the **Oklahoma City** federal building.

Closure opponents say military and civilian agencies would lose a "unique training facility" which has trained specialists in the U.S. and other countries. **Michael Kaiser**, a consultant to cities for the **U.S. Conference of Mayors and Sister Cities International**, said the facility should not be closed "at a critical time in our nations' and cities' security."

The Army wants to move chemical and military police schools from Fort McClellan to **Fort Leonard Wood in Missouri**.

Written and compiled by Sigrid Bathen and Christopher Hart.



CASE STUDY

Privatization ...

continued from page 3

become the best strategy for local governments facing future closings.

But it only appears feasible for communities with military depots or facilities where specialized maintenance work is performed, said Paul Dempsey, Director of the Pentagon's Office of Economic Adjustment.

And privatization is only an option if the function of the facility is not likely to be deemed as excess capacity by the military in the future, said Paul Taibl, a defense analyst for Business Executives for National Security, a nonpartisan member-supported research organization based in Washington (*see BRR Interview p. 4*).

"My feeling is that if you privatize a facility, it is essentially like operating on a government contract. If that contract contributes to over-capacity at any time, then I would think the likely outcome would be to cut it, and you have the same problem as closure," said Taibl.

Taibl said communities should resist privatization as a good short term strategy to preserve the status quo. He also suggested that the best way to achieve privatization is by bringing a commercial concern into the initial planning.

In retrospect, Indianapolis officials think that the Navy has balked at the public-private partnership aspects of its privatization plan, not at the fundamental concept.

"I think the military will eventually embrace privatization. They are recognizing there are a lot of things that can be done by commercial suppliers. In general privatization is the wave of the future," said Taibl.

But it appears to be a gentle wave. ☐

Contacts:

Paul Taibl, *Business Executives for National Security* (202) 296-2125

Larry Gigerich, *City of Indianapolis* (317) 327-3637

Legislation would expand privatization of repair facilities

By Herbert A. Sample

As the military base closing commission goes about its business of targeting excess installations, some of which maintain military equipment, a number of efforts are under way in Washington that could threaten the future of those repair facilities that survive.

Pentagon leaders, a military task force and two influential congressmen are all pushing to privatize much of the repair work now performed at government-owned facilities such as the Air Force's aircraft maintenance depots, the Navy's shipyards and aviation depots, and the Army's repair centers.

The efforts face tremendous obstacles, not the least of which is a well-organized band of congressmen who, acting under the rubric of the Congressional Depot Caucus, are primed to block any changes to the status quo.

But the efforts also appear to be the beginning of a burgeoning consensus that the way tanks, missiles, warplanes, combat vessels and other military hardware are maintained and modernized is in need of significant alterations.

"Dozens of military depots have become a hindrance to efficiently downsizing the defense industrial base," said U.S. Sen. William Roth, R-Del., who introduced legislation in March that would bar the armed services from performing maintenance at military depots unless industry is unwilling to perform the work or national security concerns dictate otherwise.

"Existing repair depots must be either privatized or shut down," Roth added.

Rep. John Kasich, R-Ohio, chairman of the House Budget Committee, introduced a companion bill to Roth's in the House. Both measures deal mainly with military acquisition reform, but they also contain a provision that would eliminate the current law that requires each military service to spend at least 60 percent of its maintenance budget at government-owned facilities—a requirement that bars private firms from capturing more than 40 percent of repair work. The bills would also abolish a law that requires the pentagon to competitively bid repair contracts of \$3 million or more between private firms and military depots.

Meanwhile, similar steps were recommended by the Commission on the Roles and Missions of the Armed Services, a Pentagon panel that was created to analyze and suggest changes to the structure and responsibilities of the military. Secretary of Defense William Perry voiced support for the concept of eliminating the 60/40 law in recent congressional testimony. And the Clinton Administration's 1996 defense authorization bill includes language similar to the Kasich and Roth measures.

The depot caucus, which boasts three dozen active members and a dozen more who support the group's aims, has already met once to map strategy against the efforts of Kasich, Roth, and Perry.

"All of these measures strike directly at the heart of the Department of Defense depot maintenance system," stated a letter to caucus members from the group's co-chairs—Rep. James Hansen, a Utah Republican whose district includes Hill Air Force Base, where ICBMs are maintained, and Rep. Glen Browder, D-Ala., whose district contains Anniston Army Depot, which repairs tanks and other armored vehicles. ☐

Herbert A. Sample is a reporter in the Washington Bureau of the SACRAMENTO BEE.