

THE ARMAMENT RETOOLING AND MANUFACTURING SUPPORT PROGRAM (ARMS)

1998 NCPPP Project Award Winner

Project Location: Rock Island Arsenal, Illinois

Public Sector Partner: United States Army Industrial Operations Command (IOC) ARMS Team

Contact Name: Douglas Borgeson, 309.782.4040

Private Sector Partner: ICI Americas, Day & Zimmerman, Mason Technology, Alliant Tech Systems, Olin Corporation and 187 Commercial Tenants

PROJECT SUMMARY

The Army's ammunition industrial base was configured for production rates that are no longer cost effective. As a result, the infrastructure has proven too costly to maintain. The Armament Retooling and Manufacturing Support (ARMS) Program allows the government to retain title to its land while providing a means for private contractors to market its industrial sites as commercial entities. As a result, the Army's costs of ownership are significantly reduced, in some cases, to zero. The key to ARMS is the recognition that defense industrial facilities have value far beyond military uses. In partnership with the private sector, Army sites are being converted into multi-purpose commercial parks while still being maintained as ready defense assets. As a result, ARMS has emerged as the most successful cooperative-use model in the nation. It is being studied by other military services and the Department of Energy for possible applications to their particular conversion needs.

A major innovation of the ARMS Program impacts the issue of rent to the benefit of an effective public-private partnership. In the past, commercial production at Army industrial facilities was discouraged. If the government would approve a request for commercial use of its facilities, rental charges in accordance with the Federal Acquisition Regulation Use and Charges clause would be applied. Under the clause, revenues generated were directly deposited into the National Treasury. There was no incentive to either obtain or perform commercial work.

Under the ARMS Program, the traditional rental fee is not obtained. Rather, contracting officers may accept other consideration in lieu of rent. A facility use contractor no longer provides payments for deposit in the National Treasury. Instead, offsets to production and maintenance costs are accepted by the government in lieu of rent. Completion of needed infrastructure improvements, where government funding is no longer available, is also acceptable under the program. As a result, Army facilities obtaining commercial work receive the benefit of their labor, Army ownership costs are reduced, and the facility contractor can maximize its marketing of a more attractive facility.

Due to the ARMS public-private initiative, two plants (Indiana and Kansas Army Ammunition Plants) now operate at no cost to taxpayers. Operation and maintenance costs at four additional facilities have been substantially reduced. In the near future, these four plants will be cost-free to the Army. In 1997, fixed overhead costs at the plants were cut by \$55 million. Thus far in 1998, costs have been cut by \$61 million.

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