

# **Armament Retooling and Manufacturing Support (ARMS) ARMS 101 / Overview 13 Aug 2008**

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★ ***JMC – On the Line***



# ***Current Views - Time for a Paradigm Shift***

The unutilized organic base has no value

What a headache — liability  
What will it cost to dispose of it?

**Army**

The unutilized organic base is valuable

What an opportunity — asset  
How much (\$\$) can I make?

**Private Sector**

**ARMS - Creates Assets and Capitalizes on Their Value**



# Facility Use Contracting

## What Is It?

- ✓ **Contractor markets facilities on behalf of the Army**
- ✓ **Encourages commercial applications by allowing:**
  - **Facility contractor use of facility**
  - **Subcontracting of unused parts of facility**
  - **Quick turnaround of facility use requests**
  - **Providing favorable cost structures**
  - **Ensuring compliance with commercial regulations and laws**
  - **Ensuring Environmental and State Historical Preservation Office (SHPO) compliances**
- ✓ **Facility contractor maintains buildings and equipment used**



# Facility Use Contracting

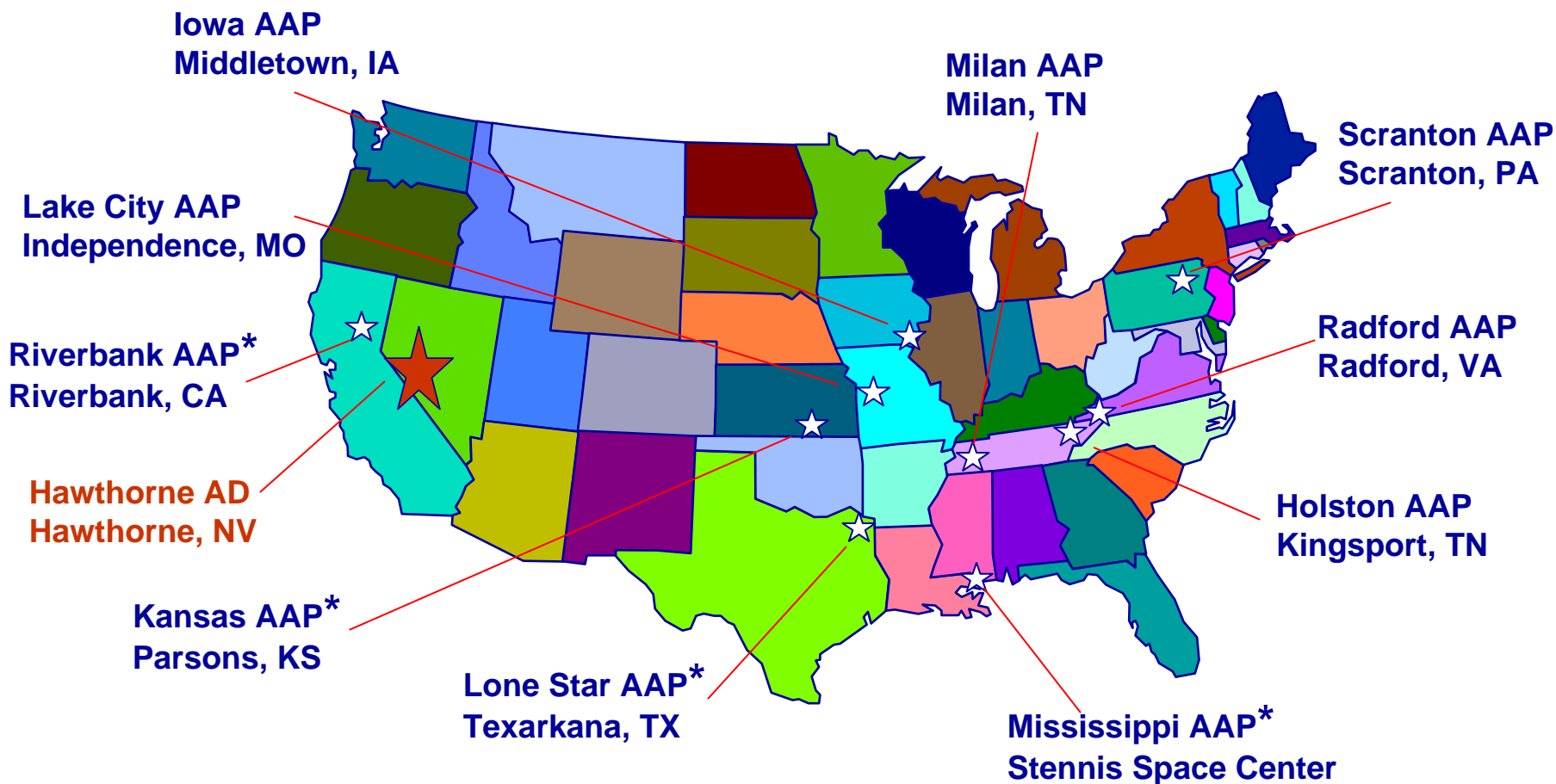
## What Is It?

- ✓ **Army approves proposed facility/equipment use**
- ✓ **Facility contractor and tenants share risk of performance**
- ✓ **These procedures are now operational at 10 Army plants and 1 Army depot**



# Strategic Locations

The ARMS Program is for commercial use of selected Government-owned, Contractor-operated facilities.



\* BRAC'd Sites



# What is the ARMS Initiative?

**Congressionally  
established in 1993**



**Uses Acquisition Reform and 'seed money' to entice commercial industry onto Government-owned, Contractor-operated (GOCO) Ammunition Plants and depot**



**Transforming Army Industrial Installations  
from Liabilities to Assets!**



# What is ARMS?

- ✓ **Armament Retooling & Manufacturing Support Initiative:**
  - **Congressionally established in 1993 (ARMS Act of 1992), codified in 2000 (10 U.S.C. 434) and HWAD became eligible in 2006**
  - **Uses Acquisition Reform and “seed money” to entice commercial industry onto Government-owned, Contractor operated (GOCO) Ammunition Plants**
  - **Offsets Army costs for operations and maintenance and maintains manufacturing capability to sustain National Security requirements for the Armed Services**
  - **Accelerates growth of business and jobs in the private sector**



# What ARMS Is Not

- ✓ **A determination of Army mission-required facilities.**
- ✓ **A giveaway program for the private sector.**
- ✓ **A competitive business advantage.**
- ✓ **A program to provide property to communities.**
- ✓ **A guarantee of facility contractor success.**
- ✓ **An addition to Army scope of work or contract cost.**
- ✓ **ARMS does not purchase equipment.**





# ARMS Act - Purposes

- ✓ **Encourage commercial use of Army Ammo Plants**
- ✓ **Incentivize Army facility reuse by small and disadvantaged businesses**
- ✓ **Reduce the adverse effects of defense draw-downs**
- ✓ **Create jobs and reemployment opportunities**
- ✓ **Foster economic stability**
- ✓ **Maintain readiness and a skilled workforce for Army and National security requirements**
- ✓ **Serve as a model defense conversion program**
- ✓ **Promote free market competition**
- ✓ **Relocate offshore production**



# ARMS Program Goals

- ✓ **Recognize unused Army facilities as assets, not as liabilities**
- ✓ **Allow the marketplace to work in those facilities**
- ✓ **Make Army facilities self-sustaining**
- ✓ **Reduce Army product/operating costs**
- ✓ **Reduce Army ownership costs**
- ✓ **Develop economical exit strategies for the Army**
- ✓ **Serve as an alternative to base closure/BRAC**



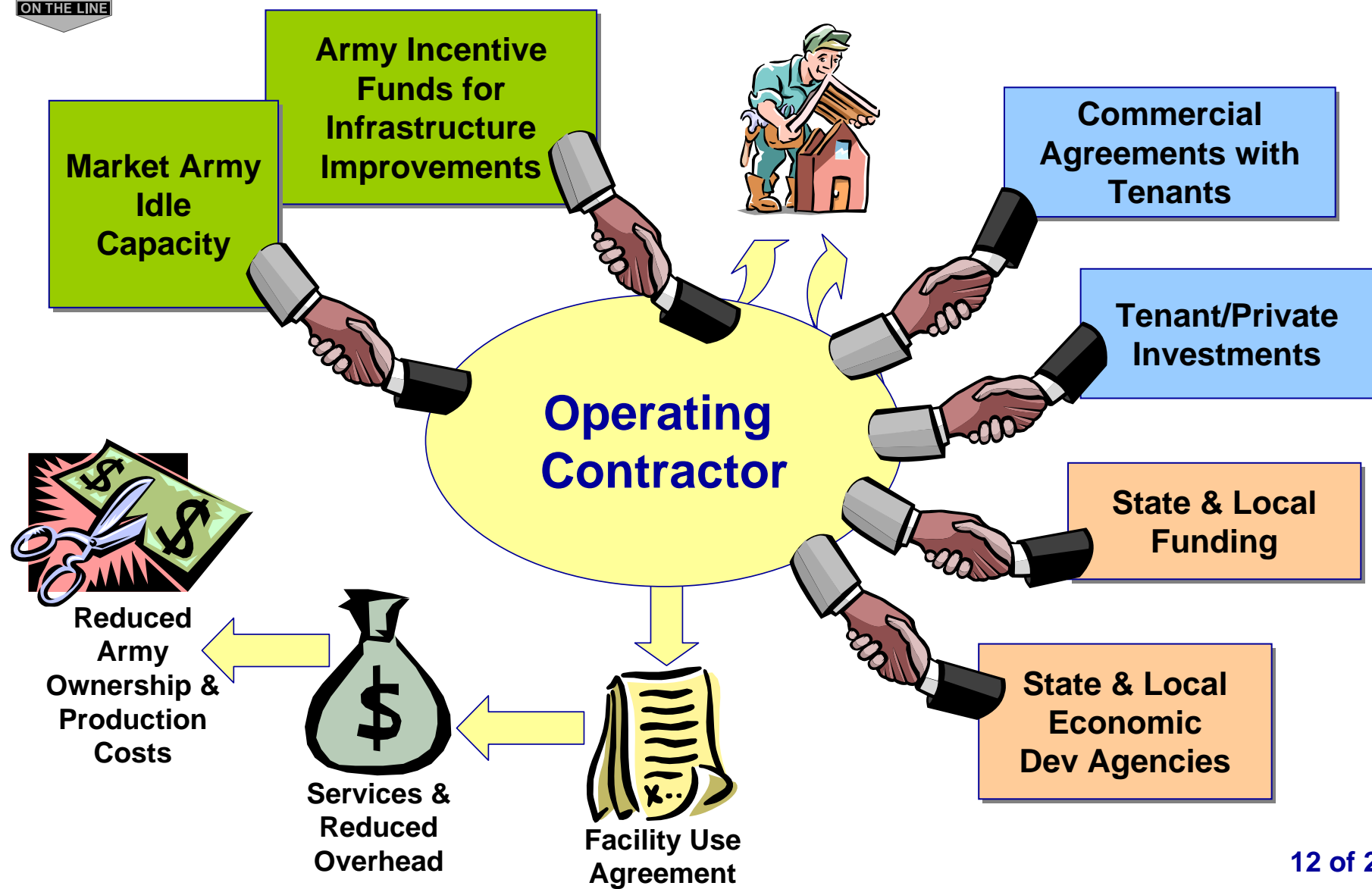
# Diverse Types of Industries

**Administrative Offices**  
**Ammo Demil R3**  
**Business Development Centers**  
**Cardboard Paper Recycling**  
**Clothing Store Products**  
**Coal Receiving & Storage**  
**Commercial Laundry**  
**Computer Applications / Software**  
**Computer Recycling**  
**Explosive Products**  
**Fireworks**  
**Fishing Line**  
**Flares**  
**Flexible Tank**

**Glycol Recycling**  
**Hardwood Products**  
**Hydraulic Systems**  
**Machine Shops**  
**Pallets**  
**Pet Food**  
**Plastic Containers**  
**Plastic Molding**  
**Plastic Recycling**  
**Rail Car Storage & Modifications**  
**Steel Cabinet**  
**Trailer Storage**  
**Weld Testing**  
**Wood Recycling**



# HOW DOES IT WORK?





# **New Tenants Proposal Evaluation Requirements**

- ✓ **Impact upon DoD requirements planning**
- ✓ **Critical skills/capabilities maintained**
- ✓ **Number of jobs created/anticipated**
- ✓ **Anticipated environmental impacts**
- ✓ **Compliance with ARMS Act intent**
- ✓ **Return on investment (ARMS funds)**
- ✓ **Soundness of business decision**



# **Contract Negotiations with Tenants**

- ✓ **Strictly between facility contractors & tenants**
- ✓ **Anticipated business returns & technical proposal requirements**
- ✓ **Cost proposals include:**
  - **Engineering requirements**
  - **Specific site improvements**
- ✓ **Completed proposals submitted to ARMS team**
- ✓ **Army funds are used to fund technical proposals**
- ✓ **Contract improvements are accomplished**
- ✓ **Tenant takes possession of location**



# Contracting Innovation

- ✓ Government has No Privity of Contract with subcontractor / tenants \*\*\*BEING RELOOKED\*\*\*
- ✓ Facility Contractor Negotiates with Tenant
  - Rates
  - Improvements
  - Incentives
  - Terms
- ✓ Facility Contractor Negotiates with ARMS Team
- ✓ Concept Approval – Quick Response
- ✓ ARMS Funding through Facility Contractor





# Rate Development Determinations

- ✓ **Size of ARMS investment**
- ✓ **Commercial value of location**
- ✓ **Charge per price produced**
- ✓ **Overall contract value**
- ✓ **Percentage of sales**
- ✓ **Amount of overhead absorbed**
- ✓ **Utilities consumed**





# Commercial Real Estate Definitions

- ✓ Class A office space- **Newly constructed in state of the art building**
- ✓ Class B office space- **10 to 25 years old and renovated to high standard**
- ✓ Class C office space- **Buildings 25 years old or more requires substantial renovation**
- ✓ Climate Controlled storage space- **Temperature and humidity controlled space**
- ✓ Bulk storage space- **Open space unheated, not cooled**
- ✓ Industrial Property/Buildings- **Property constructed for industrial production, new construction normally steel, cranes possible, thick floors and heavy electrical capability. Capable of supporting large production quantities**
- ✓ Research and Development- **Buildings such as Laboratories or small specialized production areas, higher quality than industrial property**



# Sources of Data

**Sources - Individuals and Organizations contacted:**

??? - Chamber of Commerce

??? - Grow Greater Ammo Depots and Plants

➤ Class A Office Space	\$8.00 to \$9.00
➤ Class B Office Space	\$6.00 to \$7.00
➤ Space (as is)	\$.50 to \$1.00
➤ Climate Controlled Warehouse Space	\$4.00 to \$5.00
➤ Bulk Warehouse space	\$1.50 to \$2.50
➤ Industrial Buildings	\$2.75 to \$3.25
➤ Land in Office Parks	\$40,000 to \$45,000 (purchase price)
➤ Raw Industrial Land	\$25,000

✓ **NAI Global (Hypothetical Site) - Not directly applicable because different market**

➤ Class A	\$13.00 to \$18.50	(\$16.50)
➤ Class B	\$10.50 to \$16.50	(\$14.75)
➤ Industrial	\$2.75 to \$5.00	(\$3.88)
➤ Warehouse Bulk	\$2.00 to \$4.75	(\$3.38)
➤ R&D Space	\$6.00 to \$10.00	(\$9.00)



# Do Tenants have a free ride?

✓ **BLUF – We have not found a situation where tenants do not pay their fair share of costs that they create. We are investigating this issue with each operating contractor this FY: However – to date we have found tenants to:**

- **Pay for all utilities**
  - **Steam**
  - **Electricity**
  - **Telephone**
  - **Water and waste water treatment**
  - **Gas**
- **Pay for services (e.g. maintenance, testing, engineering) they desire**
- **Most tenants are on a triple net lease and – thus pay for all needs outside of the terms of the lease**



# ARMS Incentives

## What Are They?

- ✓ They are not loans
- ✓ They are not negotiated settlements
- ✓ Source of funding for required tenant site improvements
- ✓ Inducements for tenants to locate to Army facilities
- ✓ Inducements for facility contractors to use facilities
- ✓ The Army owns all property improvements
- ✓ ARMS allows for no fees/profit on these incentives



# ARMS Partners with Communities

- ✓ **Business development centers/regional incubators have been established**
- ✓ **Utility and service partnerships – Army assets supporting local needs in:**
  - **Water**
  - **Wastewater**
  - **Electrical**
  - **Gas**
  - **Fire Service**
- ✓ **Leveraging state & regional economic development programs – JOBS**



# ARMS -- Demonstrated Success

## 2007 Validated\* Benefits and Savings (Non Cumulative)

ARMS Program Savings.....	\$23.6 Million
ARMS Investment & Incentives.....	\$1.9 Million
ARMS Program Economic Impact.....	\$564.8 Million
Companies on Board.....	93
Jobs Generated.....	2,758



## Validated\* Benefits & Savings (Cumulative 1993-2007)

ARMS Program Savings.....	\$375.1 Million
ARMS Investment & Incentives .....	\$272.9 Million
ARMS Program Economic Impact.....	\$6.5 Billion
Average Annual Rate of Return .....	9.0%



\* Source: Computer Sciences Corporation Consulting Report, July 2008  
"ARMS Program FY 2007: Savings and Economic Analysis"



# Program Summary

Findings: ARMS Program Savings Analysis, FY 2007

- ✓ **ARMS savings to the Army/Government were \$23.63million (M):**
  - **Rent from ARMS tenants** **\$ 9.70M**
  - **Overhead absorbed** **\$13.13M**
  - **Third-party sales** **\$ .08M**
  - **Services in kind** **\$ 0.72M**
- ✓ **ARMS investments and incentives disbursed were \$1.9M.**
- ✓ **The program's average annual rate of return reached 9 percent in FY 2007.**

Findings: ARMS Program Economic Impact Analysis, FY 2007

- ✓ **ARMS total economic impact was \$564.8M.**
- ✓ **The ARMS Program created or sustained 2,758 jobs, both directly and indirectly.**

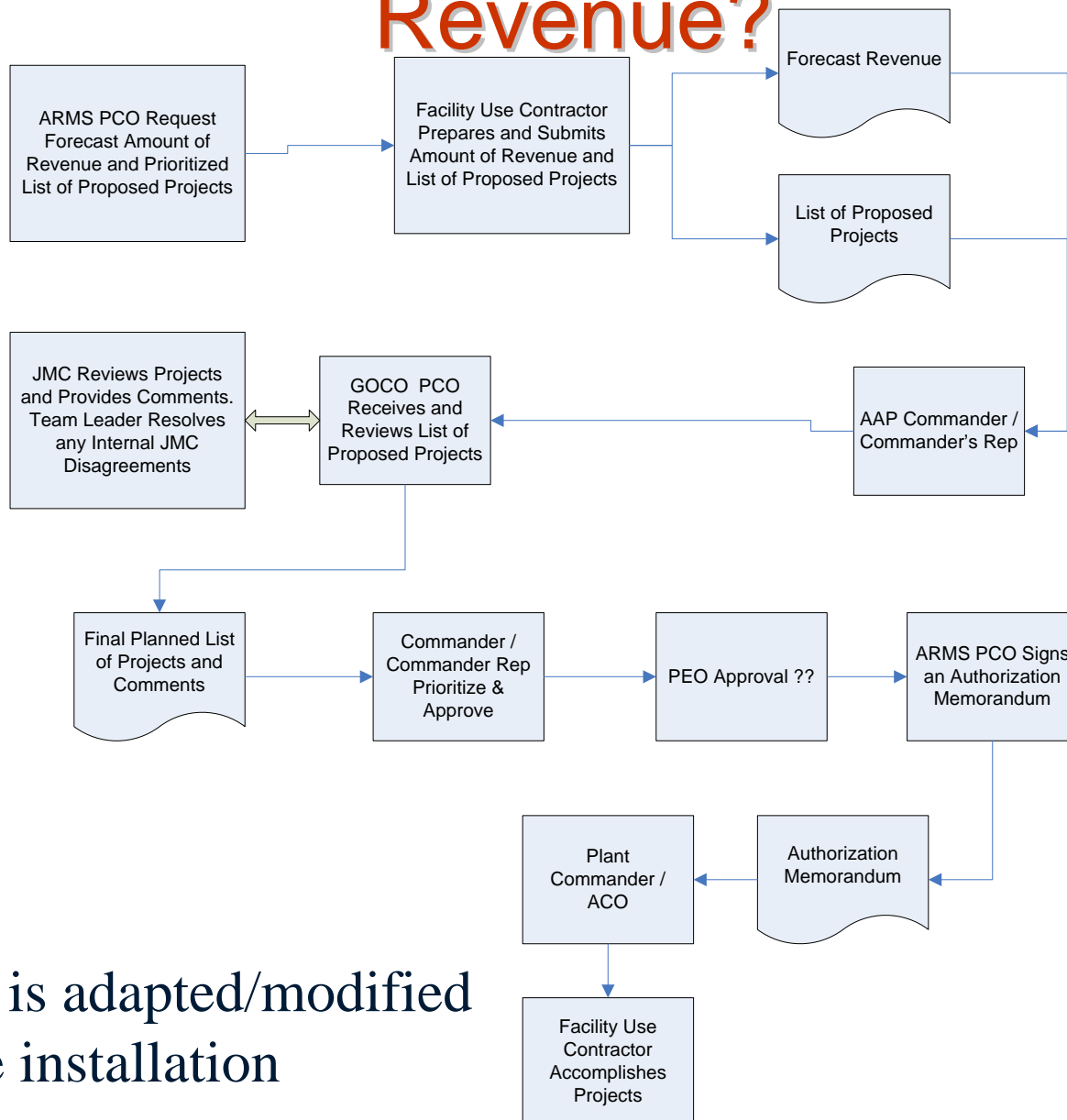
Summary Analysis: FYs 1993–2007

- ✓ **Total savings of \$375.1M have exceeded total investment of \$272.9 by \$102.2M.**
- ✓ **Total economic impact is \$6.5B in output since the program's inception.**

Note: CSC found utilities and service costs resulting by the tenets were paid for directly by the tenants and do not contribute to the contractor's overhead rate structure.



# Who determines how to use ARMS Revenue?



The process is adapted/modified based on the installation





# The ARMS Success Story



**Boeing @ the  
Mississippi facility**



**Grucci @ the  
Radford facility**

**US Navy @ the  
Mississippi facility**





# Because of ARMS .....

Links @ Lake City



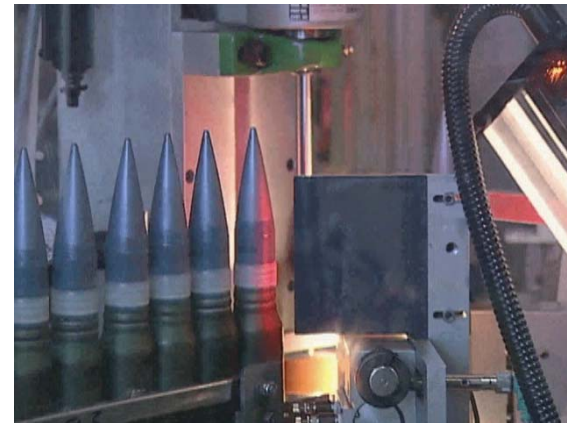
Siemans @ Holston



FRC/Esterline @ Milan



Med Cal @ Radford





# ARMS – A Successful Model

- ✓ **ARMS techniques are used or being considered as models for other Federal Government entities:**
  - **Army Aviation and Missile Command**
  - **Army manufacturing arsenals (ASPI)**
    - **Watervliet**
    - **Rock Island**
    - **Pine Bluff**
  - **Other Government agencies**
    - **NASA**
    - **DOE**



# ARMS Program Goals Summary

- ✓ **Reduce Ownership Costs**
- ✓ **Reduce Product Costs**
- ✓ **Maintain Industrial Skill Base**
- ✓ **Make Facility Self-sustaining**
- ✓ **Develop Economical Exit Strategies**



# Conclusion

- ✓ ARMS uses creative contracting techniques to accomplish the goals of the Army
- ✓ Merges these techniques with a novel incentive program
- ✓ Partners with community
- ✓ Markets a diverse set of assets at multiple locations using innovative methods to deliver value to multiple stakeholders
- ✓ **Commander's support is PARAMOUNT for continued success!!!**

***ARMS - Creating revenue producing assets from idle facilities!***



# BACKUP



# HOLSTON AAP ARMS PROGRAM STATUS

(As of 21 Jul 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>	<u>Proposals/RUF's (FY 08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
American Red Cross	7	Legacy Tenant					
Barrier Weather Proofing	26	1-Dec-2009	Third Party	2	0	2	0
Cornerstone Hydraulics	4	31-Dec-2008	Conceptual	3	3	0	0
Consolidated Pipe	5	15-Jul-2009	Technical	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>
Dyno-Nobel	0	1-Jan-2009					
Eastman Chemical Company	0	1-Apr-2008					
Accurate Energetics	0	1-Aug-2012					
Holston Business Dev. Ctr.	26	31-Dec-2025					
Holston CentCom	1	31-Aug-2023					
JTH Engineering	11	31-Oct-2006					
Appalachian Railcar Services	56	31-Dec-2022					
Mongoose (BAE subsidiary)	0	31-Dec-2025					
Pendulum Management Co.	1	31-Dec-2025					
Sullivan County EMS	18	Legacy Tenant					
TenGasCo (Pipeline)	1	30-Sep-2023					
TenGasCo (Admin)	1	30-Sep-2010					
Transit Mix Concrete Co.	<u>18</u>	14-May-2022					
<b>Total</b>	<b>175</b>		<b>Total</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>0</b>

## Specific Delinquencies:

## Notes:

## ARMS Validated Program

### Investments/Savings

FY 2006 ARMS Investments and Incentives 477,157  
Total Economic Impacts 41,887,612

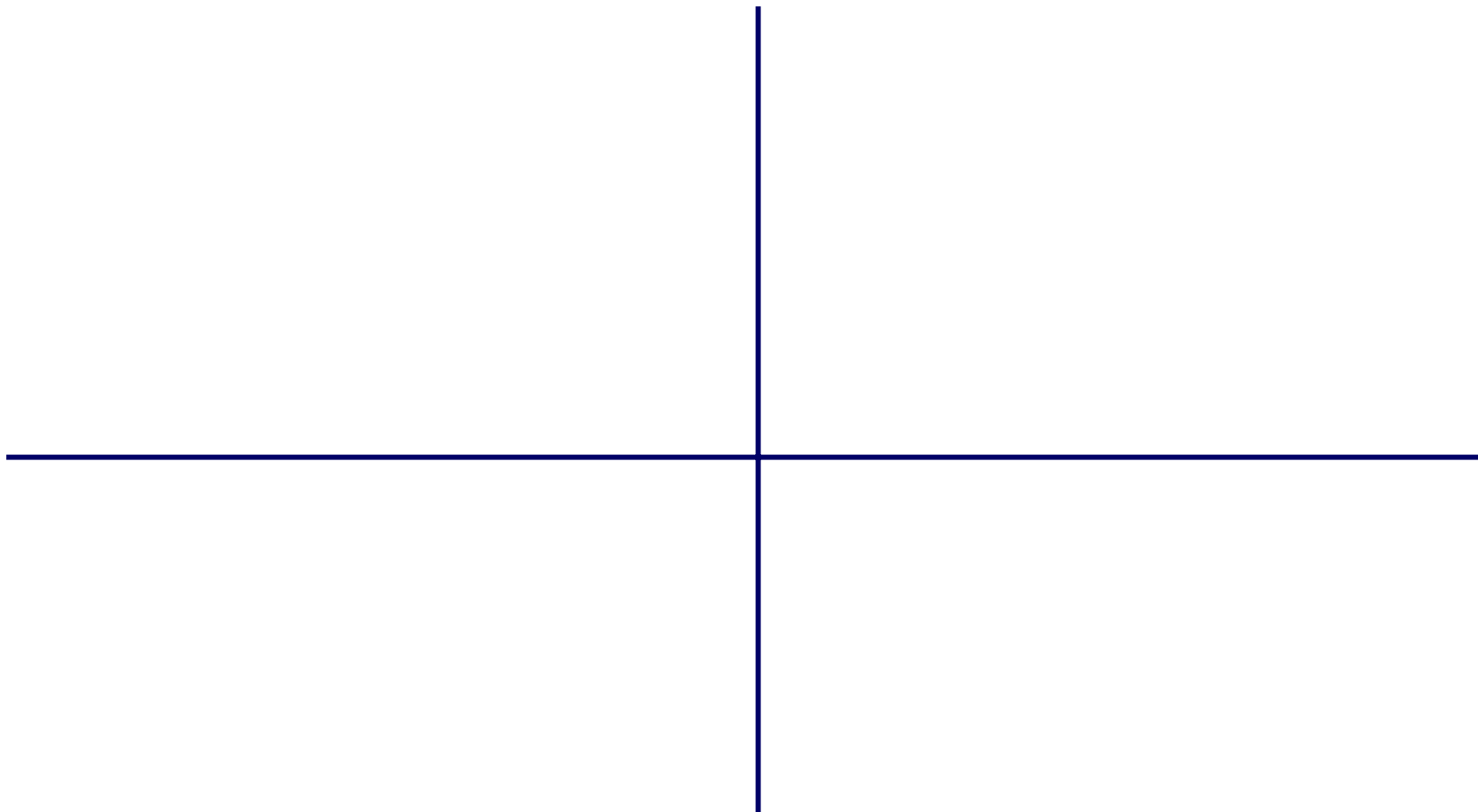
Facility Use Contract Term 31-Dec-2023



# HAWTHORNE AD ARMS PROGRAM STATUS

(As of 13 Aug 2008)

**To be determined**







# IOWA AAP ARMS PROGRAM STATUS

(As of 31 Mar 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>	<u>Proposals/RUF's (FY08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Advanced Environmental Tech	1	23-Oct-2010	Third Party	27	2	25	0
RESCAR Industries	0	31-Dec-2008	Concept	1	0	1	0
East Camden & Highland R/R	7	31-Dec-2008	Technical	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
MKM (USACE Subcontractor)	1	Month to Month					
Corporate Med Svcs of SE Iowa	2	31-Dec-2008					
General Dynamics-OTS	1	Month to Month					
Allworth Contracting	<u>3</u>	31-Jan-2010					
<b>Total</b>	<b>15</b>		<b>Total</b>	<b>30</b>	<b>2</b>	<b>28</b>	<b>0</b>

**Specific Delinquencies:**

## ARMS Validated Program

### Investments/Savings

2006 ARMS Investments and Incentives	190,202
Total Economic Impacts	4,797,952

Facility Use Contract Term	31-Dec-2008
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# KANSAS AAP ARMS PROGRAM STATUS

(As of 31 Mar 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>
Dyno Nobel	0	31-Dec-2008
Lindsey & Osborn Partnership	<u>3</u>	31-Dec-2008
<b>Total</b>	<b>3</b>	

<u>Proposals/RUF's (FY08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Third Party	6	0	6	0
Concept	0	0	0	0
Technical	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>0</b>

Specific Delinquencies: N/A

## ARMS Validated Program Investments/Savings

FY 2006 ARMS Investments and Incentives	0
Total Economic Impacts	433,681

Facility Use Contract Term	30-Sep-2007
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# LAKE CITY AAP ARMS PROGRAM STATUS

(As of 31 Mar 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>
Pride Machinery	4	31-Mar-2010
Lake City Credit Union	3	31-Oct-2008
Mast Technology Bldg 139	117	30-Apr-09
Mast Technology Bldg 142	12	30-Sep-2009
Mast Technology Bldg 64A	4	31-Oct-2008
Patriot/Dahmer Power Train	4	31-Dec-2009
Allied Systems LLC	4	Month to Month
LaFarge North America	4	31-Oct-08
Valentec	124	31-Dec-2010
Mast Technology Bldg 65	3	31-Jul-2008
<b>Total</b>	<b>279</b>	

<u>Proposals/RUF's (FY08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Third Party	0	0	0	0
Concept	1	0	1	0
Technical	1	1	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>0</b>

## Specific Delinquencies:

## ARMS Validated Program Investments/Savings

FY 2006 ARMS Investments and Incentives 33,536  
Total Economic Impacts 143,479,298

Facility Use Contract Term 31-Jan-2025



# LONE STAR AAP ARMS PROGRAM STATUS

(As of 31 Mar 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>
American Dehydrated Foods	52	29-Sep-2008
Lonestar Railcar Storage	6	16-Apr-2008
TEC Linens	38	1-Sep-2006
Munitions Tech Division (MTD)	4	16-Sep-2009
Area Z Recreation	<u>0</u>	25-May-2008
<b>Total</b>	<b>100</b>	

<u>Proposals/RUF's (FY08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Third Party	1	0	0	0
Concept	0	0	0	0
Technical	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Specific Delinquencies:**

## ARMS Validated Program

### Investments/Savings

FY 2006 ARMS Investments and Incentives 0  
Total Economic Impacts 11,213,963

**Facility Use Contract Term** 30-Sep-2006



# MILAN AAP ARMS PROGRAM STATUS

(As of 31 Mar 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>
East Camden & Highland R/R	6	6-May-2009
Accurate Energetics Systems LL	10	Month to Month
Greenway Nursery, Inc.	6	30-Jun-2010
Esterline Defense Group	87	1-Dec-2012 Lines
		31-Jul-2008 Storage
DSE	2	30-Apr-2008
Amtec	<u>2</u>	31-Dec-2008
<b>Total</b>	<b>113</b>	

<u>Proposals/RUF's (FY08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Third Party	10	3	7	1
Concept	4	0	4	0
Technical	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
<b>Total</b>	<b>16</b>	<b>3</b>	<b>13</b>	<b>1</b>

**Specific Delinquencies:**

## ARMS Validated Program Investments/Savings

FY 2006 ARMS Investments and Incentives	132,419
Total Economic Impacts	13,876,402

<b>Facility Use Contract Term</b>	31-Dec-2008
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# MISSISSIPPI AAP ARMS PROGRAM STATUS

(As of 31 Mar 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>	<u>Proposals/RUF's (FY08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Oologah (OTI)	2	31-Dec-2008					
Pratt Whitney	38	30-Jun-2010					
Cingular Wireless	0	30-Apr-2012	Third Party	2	0	2	0
Entech Systems Inc.	0	month to month (negotiation)	Concept	0	0	0	0
Grabel/New Orleans Movers	4	12/31/2008 (Pending)	Technical	4	0	4	0
Department of Energy	4	31-Jul-2009					
JKS International LLC	6	month to month (negotiation)	<b>Total</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>0</b>
Naval Oceanographic Office	156	30-Sep-2008					
Navy Human Resource Svc Cntr	122	30-Sep-2008					
Planning Systems Inc.	28	31-May-2012					
Power Dynamics	44	31-Mar-2009					
Da Kitchen	5	31-Dec-2008					
Navy NAVSCIATTS	0	30-Sep-2008					
Navy SEALs (SBT 22)	0	30-Sep-2008					
Boe-Tel	7	31-Dec-2008					
Computer Science Corporation	0	12/31/2008 (Pending)					
Navy 9300 Area	Classified	30-Sep-2008					
Omni Technologies	14	31-Dec-2008					
AGT Corporate	1	31-Dec-2008					
Jacobs	1	31-Dec-2008 (Pending)					
GPO (Manufacturing Area)	1	18-Oct-2012					
GPO (Caged Area)	0	30-Apr-2008					
Navy PEO Ships	0	31-Dec-2010 (Pending)					
<b>Total</b>	<b>433</b>						

## Specific Delinquencies:

## ARMS Validated Program Investments/Savings

FY 2006 ARMS Investments and Incentives 0  
Total Economic Impacts 84,653,615

**Facility Use Contract Term** 31-Dec-2007



# RADFORD AAP ARMS PROGRAM STATUS

(As of 15 Jul 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>	<u>Proposals/RUF's (FY 08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Alliant Tech Ordnance Group	12	31-Mar-2010	Third Party	5	0	5	0
Alliant Painting	2	31-Mar-2009	Concept	0	0	0	0
York International	4	31-Mar-2009	Technical	0	0	0	0
Virginia Tech	1	31-Mar-2009					
Valley Turf Inc	8	31-Mar-2009					
Belmont Machine	4	31-Mar-2009					
US Cellular	1	2-May-2009					
Crown Castle (CFW Wire)	1	19-Oct-2009					
GDOTS	1	31-Mar-2009					
NRE	224	31-Mar-2010					
Grucci	190	31-Jan-2018					
Alexander Arms	13	31-Mar-2009					
Montgomery County PSA	1	6-Mar-2022					
Commonwealth Explosives LLC	4	31-Mar-2009					
Salem Tools Inc.	3	31-Mar-2009					
<b>Total</b>	<b>469</b>		<b>Total</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>0</b>
			Specific Delinquencies:				
			FY 2006 ARMS Investments and Incentives				
			Total Economic Impacts				
			CY 2008 Estimated Revenues				
			(Applied to the Gap)				
			Facility Use Contract Term				
			30-Jun-2006				
			w/4 - 1 yr options				



# RIVERBANK AAP ARMS PROGRAM STATUS

(As of 29 Feb 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>
Berkeley Forge	1	Month to Month
Ceracon	4	Month to Month
LMC West	65	30-Jun-2013
Personal Care Industries	8	Month to Month
KIVA Energy (Kamps Propane)	14	31-Oct-2010 w/option to 2015
Leisure RV Storage	1	Month to Month
Cingular/T-Mobile Wireless	2	31-Jul-2008 w/option to 2018
Riverbank Oil Transfer	4	Month to Month
Sierra Northern Railway	20	31-Jan-2011 w/option to 2021
Dayton Superior Corporation	34	31-Dec-2007 w/options
Environmental & Lubrication Solutions	6	31-Dec-2008
ECO2 Plastics, Inc.	<u>78</u>	31-May-2009 w/options to 2014
<b>Total</b>	<b>237</b>	

<u>Proposals/RUF's (FY 08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
Third Party	0	0	0	0
Concept	0	0	0	0
Technical	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Specific Delinquencies:

## ARMS Validated Program

### Investments/Savings

FY 2006 ARMS Investments and Incentives	0
Total Economic Impacts	90,739,045

<b>Facility Use Contract Term</b>	30-Sep-2007
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# SCRANTON AAP ARMS PROGRAM STATUS

(As of 31 Mar 2008)

<u>Tenant</u>	<u># Employees</u>	<u>Tenant Contract Term</u>	<u>Proposals/RUF's (FY 08)</u>	<u>Rec'd</u>	<u>Open</u>	<u>Closed</u>	<u>Delinquent</u>
			Third Party	4	0	4	0
			Concept	0	0	0	0
			Technical	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
			<b>Total</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>

**Specific Delinquencies:**

## ARMS Validated Program Investments/Savings

FY 2006 ARMS Investments and Incentives 0  
Total Economic Impacts 5,728,460

**Facility Use Contract Term** 31-Dec-2012



# ARMS Action Log – Goal 1

GOALS	OBJECTIVES	ACTIONS
Goal 1 - <b>Build a public-private partnership that provides a business model that grows the program</b>	Objective 1: <b>Define the partnership</b>	1) Establish roles/responsibilities 2) Define expectations 3) Identify the members
	Objective 2: <b>Streamline policies and procedures</b>	1) Review current policies and procedures 2) Review SOW 3) Identify for revision (prioritize)



# ARMS Action Log – Goal 2

GOALS	OBJECTIVES	ACTIONS
Goal 2 – Develop a streamlined, responsive and effective approval process	Objective 1: Lean the process	1) Map the process 2) Eliminate waste (non-value added) 3) Design “to be” process 4) Rapid Improvement Event (RIE)
	Objective 2: Delegate authority to lowest possible level	1) Determine different categories 2) Recommend level of approval authority 3) Submit for policy change
	Objective 3: Develop and execute an enforcement procedure	1) Develop a matrix reporting tool



# ARMS Action Log – Goal 3

GOALS	OBJECTIVES	ACTIONS
Goal 3 – Further reduce the cost of Army ownership	Objective 1: Investigate the feasibility of making ARMS a self-sustaining program	1) Conduct “as is” analysis 2) Develop “to be” state 3) Conduct a gap analysis 4) Identify alternatives
	Objective 2: Improve the revenue/funding distribution process	1) Take input from Goal 3, Objective 1 and develop near term improvements to process 2) Develop near term improvements to that process
	Objective 3: Pursue alternative funding sources	1) Identify potential sources 2) Revisit prior and existing sources 3) Assess likelihood of success 4) Develop ideas of how to access that funding 5) Produce a new marketing tool



# ARMS Action Log – Goal 4

GOALS	OBJECTIVES	ACTIONS
Goal 4 – Engage active stakeholder support	Objective 1: Establish an ARMS Champion	1) Determine appropriate champions (include Goal 4, Objective 2) 2) Gain champion ownership 3) Determine how to engage
	Objective 2: Repackage the program	1) Understand the current program (pros/cons and VOC, ie stakeholders) 2) Understand where the program is headed 3) Develop an education and marketing package 4) Consider rebranding initiatives
	Objective 3: Develop a new marketing strategy	1) Decide who, what, when, where 2) Need professional help for this 3) Requires analysis from all goals



# Command Assessment

- ✓ **ARMS team members will participate in all future Command Assessments as part of our effort to insure emphasis on the program**
- ✓ **Schedule:**
  - **HSAAP, 4-7 Aug 08**
  - **LCAAP, 11-15 Aug 08**
  - **Blue Grass AD, 8-18 Sep 08**
  - **HWAD, 22 Sep-2 Oct 08**
  - **Tooele AD, 20-30 Oct 08**



# ARMS Litmus Test - How ARMS Benefits are Identified

Potential Benefit

## ARMS Benefit Litmus Test: Direct Cause

Are the benefit/s derived from an ARMS investments?  
Are the benefit/s generated from ARMS marketing personnel?  
Are the benefit/s identified in the Facility Use Contract?  
Did ARMS personnel work/develop the benefit or opportunity?

Passed  
ARMS  
Litmus  
Test

Yes

ARMS Benefit

Validate The Benefit

No

Not an ARMS related  
Benefit

Do not Evaluate

I.E. 2667 Leases,  
Agricultural Leases,  
Timber/minerals



# ARMS Benefits Categories – Sources of Funds and Benefits

Benefits from the program are divided into the four basic categories below. However, for a potential benefit to be counted as a benefit, it must pass the ARMS litmus test.

- ✓ **Tenant Rent Shared with the Government: The revenue can be shared by granting a credit or discount to one of AAP's facility use operating contracts in order to reduce the cost of executing the Maintenance of Inactive Industrial Facilities' (MIIF) performance work statement, or it can be used to perform additional services for the Army. In the latter case, the contractor and the Army would mutually agree on certain necessary projects throughout the year. During contract negotiations, the contractor would offer a discount equivalent to the value of the revenue to be shared or agree to perform certain necessary projects.**
- ✓ **Overhead Absorbed by Tenant and Third-party Activities: Tenant and third-party activities absorb fixed overhead costs. During contract negotiations, the contractor would demonstrate that it was no longer charging the Army for this portion of overhead, and the savings would result in a reduction in the prices of the contractor's products.**
- ✓ **Third-party Revenues Shared with the Government: Revenue obtained from third party work (non-tenant) may be shared with the Government as part of an ARMS agreement.**
- ✓ **Tenant Services Performed in Lieu of Rent: Tenants provide services (previously part of the operating contract). During contract negotiations, the contractor would demonstrate that it was no longer charging the Army for these necessary services. Tenant investments in facilities are also classified as services in lieu of rent.\***
- ✓ **\*Tenant investments can only be quantified as savings if the improvement to the facility benefits the AAP as a whole. Although all tenant investment is free of charge to the Government, only facility improvements that can assist AAP productivity are considered savings. For example, a tenant upgrading its equipment to bolster its own manufacturing capability cannot be considered savings.**





# Cash & non cash ARMS benefits help pay for Operation, Recapitalization

## ✓ Tenant Rent Shared w/Govt

- **Contractors share a portion of tenant rent with Govt**
- **Contributions made to a shared revenue pool**
- **CASH CONSIDERATION**

## ✓ 3rd Party / RUF Revenue Shared with Govt

- **Contractors share portions of 3rd party sales with Govt**
- **Contributions made to a shared revenue pool**
- **CASH CONSIDERATION**

Used for PWS (GAP)  
And  
Infrastructure Projects

## ✓ Overhead Absorption from 3<sup>rd</sup> Party Sales and Tenant Activities

- **Expanded business base increases sales to the facility**
- **A portion of facility fixed overhead is burdened to third party customers**
- **Government product costs are reduced as a result of lower GOCO overhead rates**
- **Overhead absorption must be attributable to ARMS**

Used to reduce  
PWS (GAP)  
fixed costs

## ✓ Services in Lieu of Rent

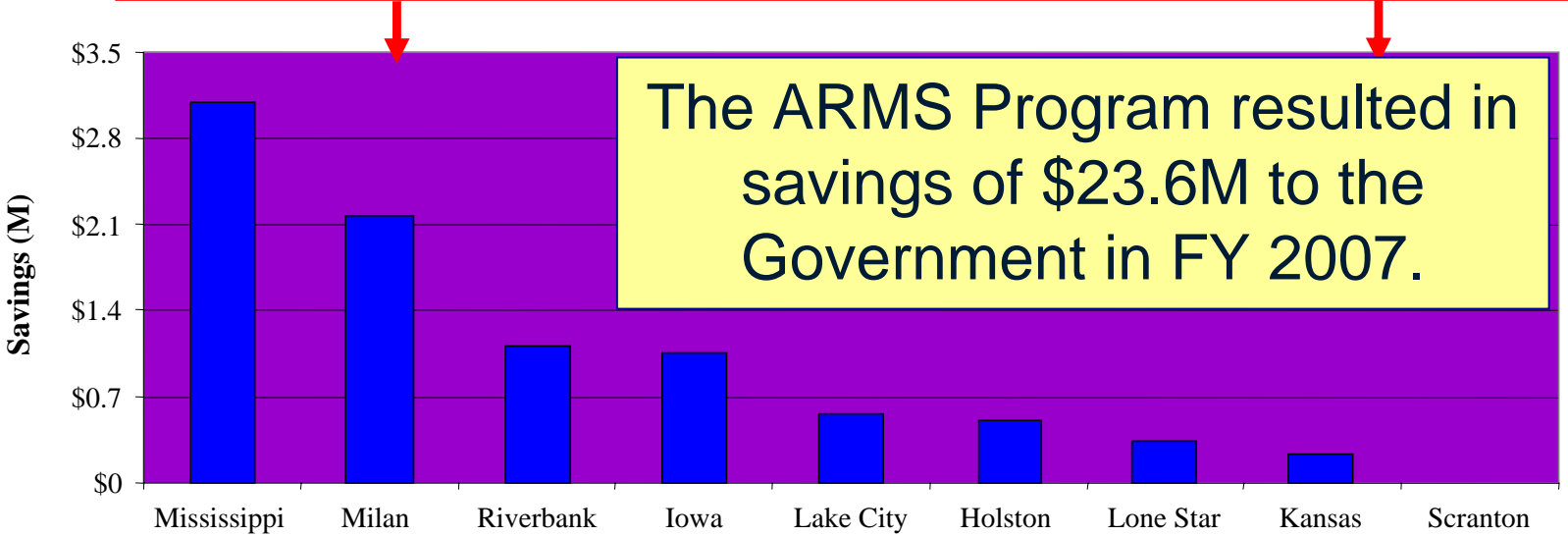
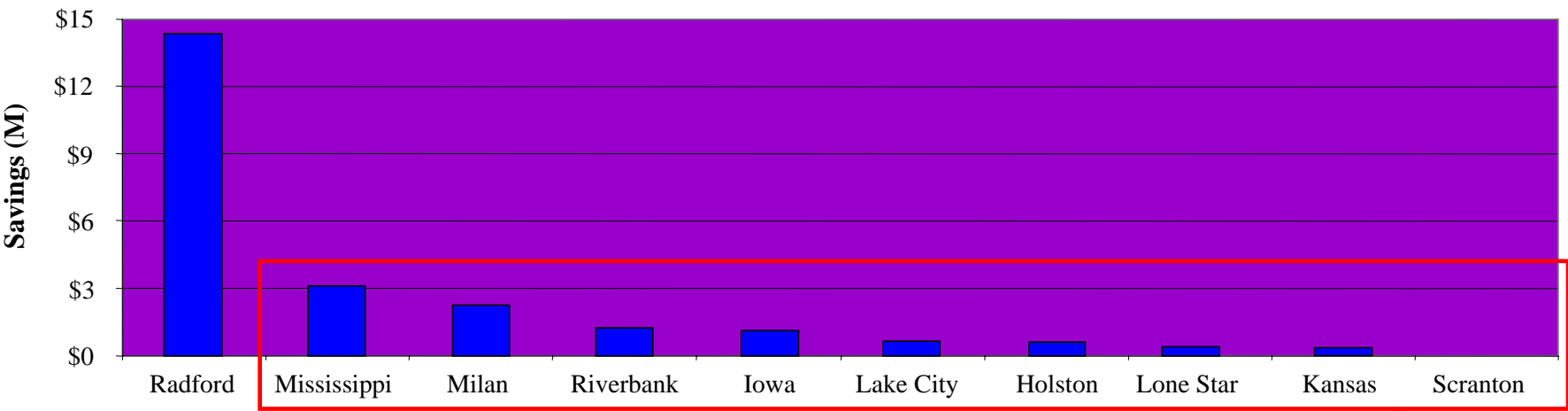
- **Government assets are maintained in a condition above what the FUC requires**
- **Overhead pools may be reduced**
- **Services performed at no cost to the Government (i.e. grass mowing, rail maintenance)**

Used  
to reduce  
PWS (GAP)  
fixed Costs



# FY 2007 Facility Savings Results

## FY 2007 ARMS Program Savings





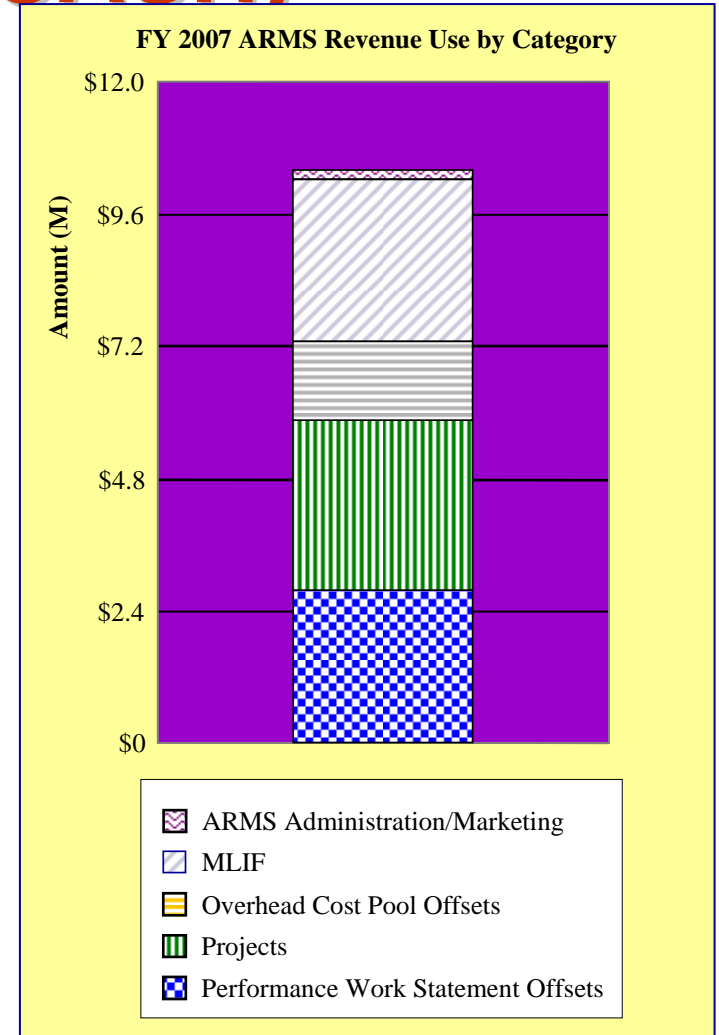
# Summary: FY 07 Use of Funds Generated (CASH)

✓ ARMS revenues generated during FY 2007 were used for the following purposes:

- ARMS Administration/Marketing \$150K
- MLIF \$3.0M
- Overhead Cost Pool Offsets \$1.4M
- Projects \$3.1M
- Performance Work Statement Offsets \$2.8M

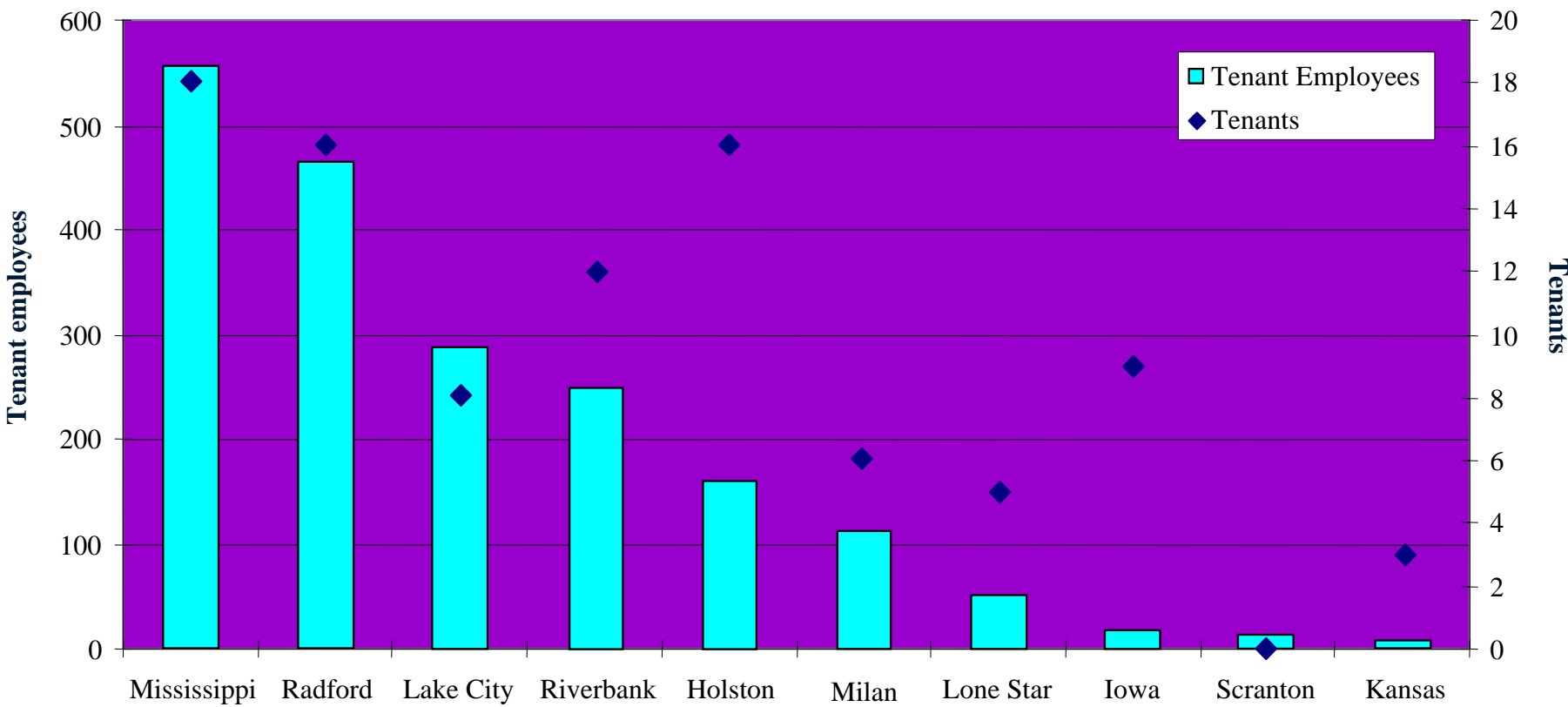
Total Dollars Spent \$10.4M

✓ An additional \$.6M was supplied by the balance left over from the FY 2006 project pool balance.





# FY 2007 ARMS Tenants and Employees

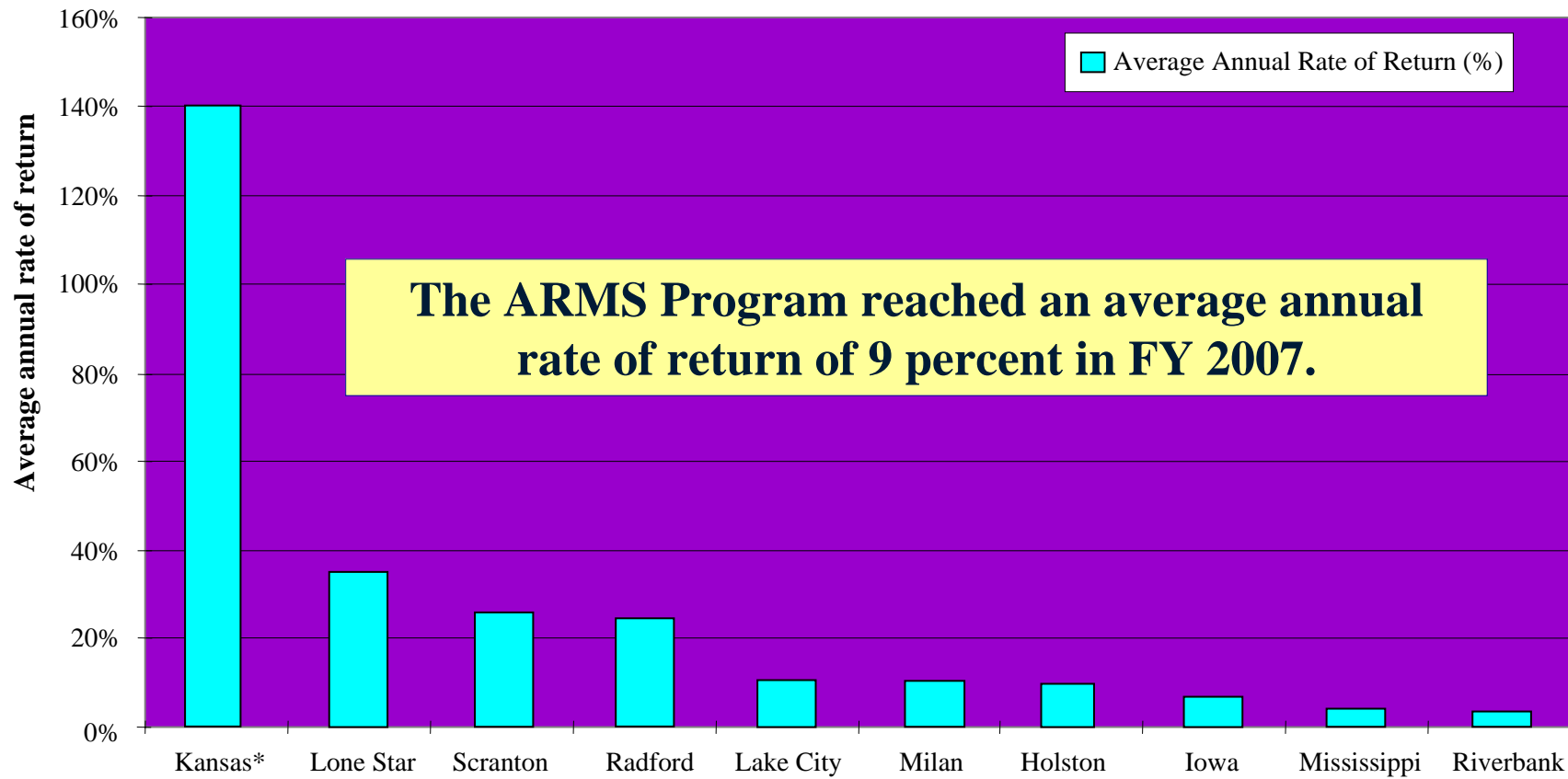


During FY 2007 the ARMS program resulted in 93 tenants who employed 1,906 tenant employees



# Program Summary – ARMS Return on Investment

Average Annual Rate of Return: FYs 1993–2007



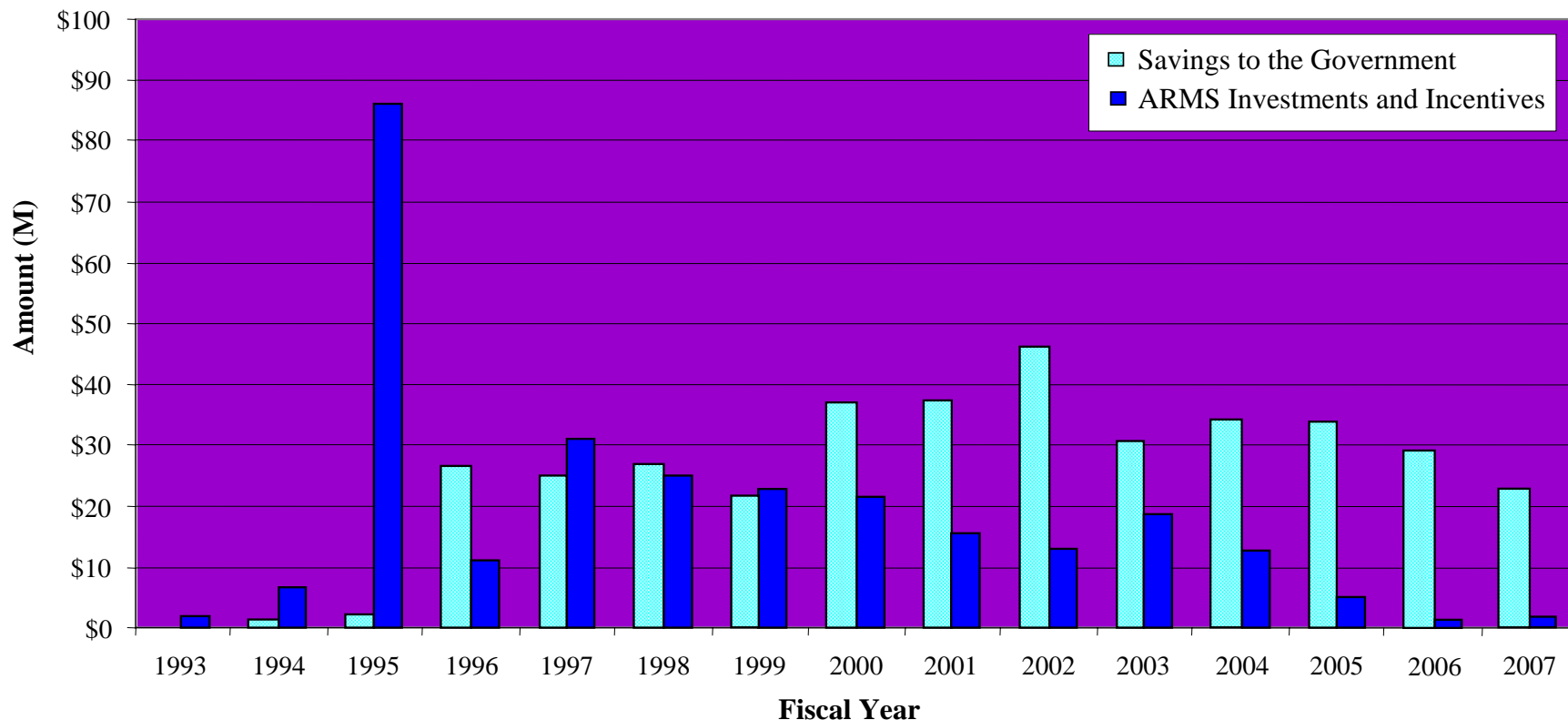
\*Kansas's high rate of return is due to a low amount of investment and a high amount of services in kind benefits.

\*\*Facilities with inactive ARMS Programs were not included in the graph above.



# Program Summary – Savings and Investments

## ARMS Savings and Investments, by Fiscal Year



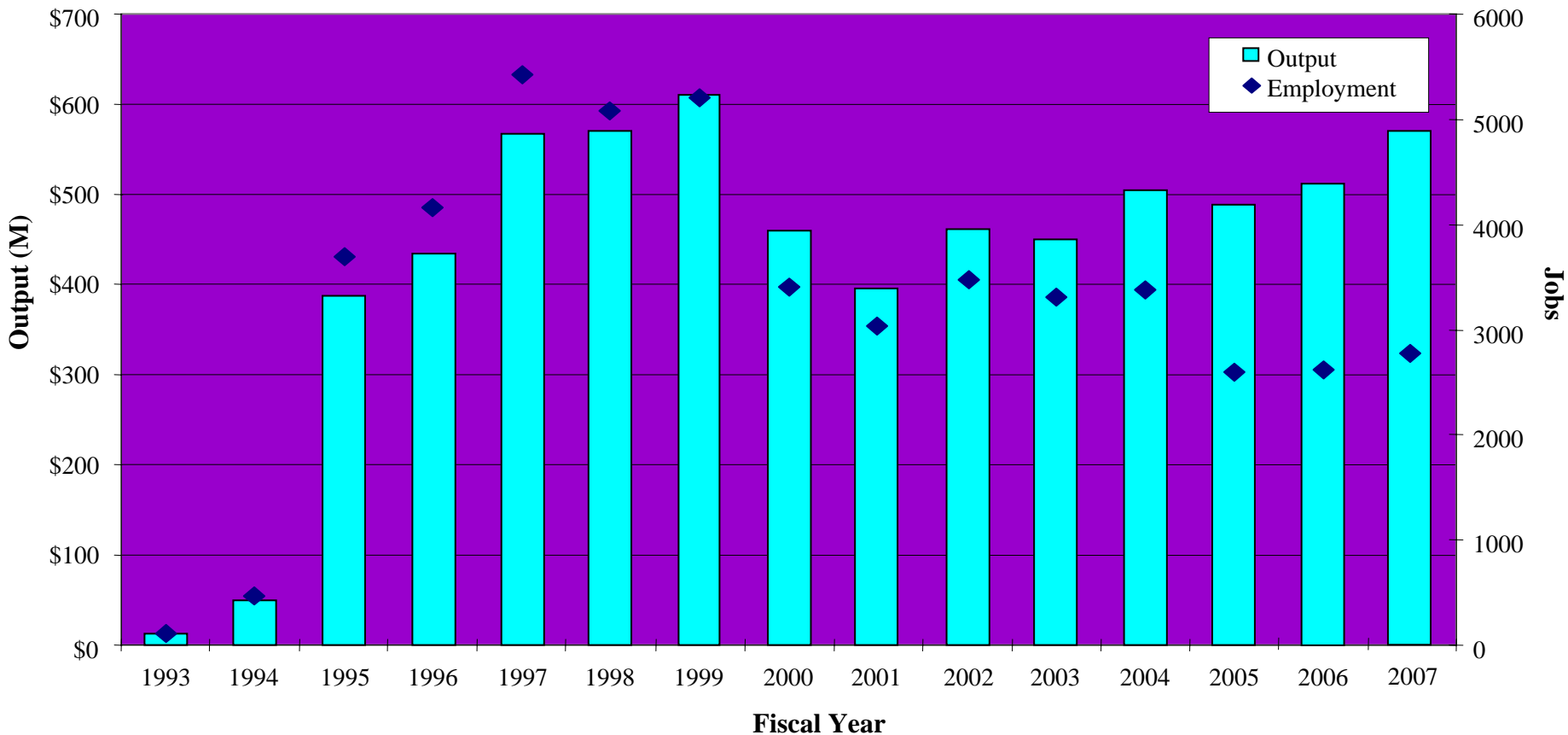
The ARMS Program has saved the Government \$375.1M since its inception and exceeded its investments of \$272.9M by \$102.4M



# Program Summary

## Economic Impact

### ARMS Economic Impact, by Fiscal Year

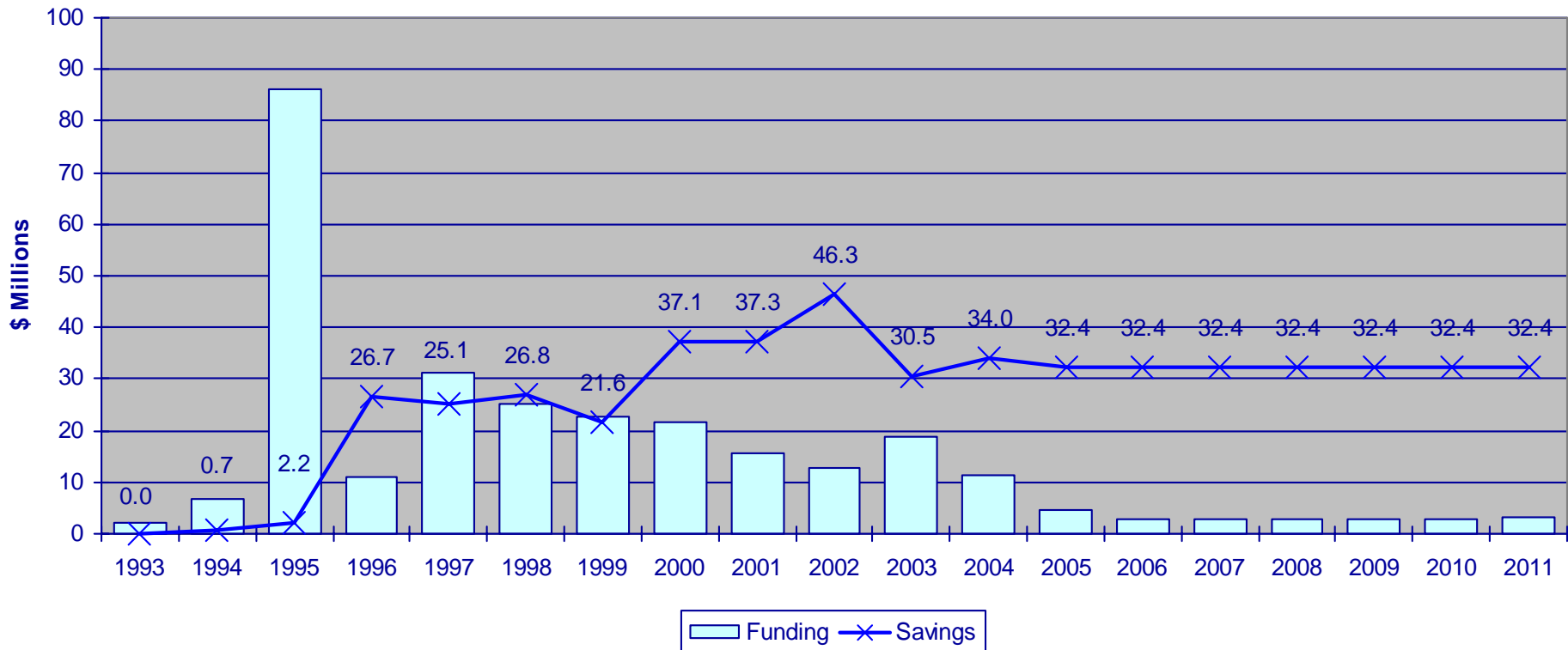


From its inception, the ARMS Program has created \$6.5 billion in economic output.



# ARMS Program Funding and Associated Savings

Appropriated Funds by Fiscal Year



Savings Validated through FY 2004

Source: PriceWaterhouseCoopers (PWC) Consulting Report, ARMS Program FY 2004: Savings and Economic Analysis





# ARMS NATIONAL MARKETING

**Goal:** Promote ARMS Program to prospective customers/tenants and highlight assets and resources of six ammunition plants available for commercial use with ultimate goal to reduce cost of operations at ammunition plants.

## ***2008 Objectives and Achievements:***

- Develop, publish and distribute Defense Solutions magazine highlighting program, plants and achievements of ARMS plants and benefit to Warfighter
  - Status: at printer; 10,000 copies to be distributed with Business Xpansion magazine during July 08
- Develop 3 newsletters promoting success of ARMS at ammunition plants
  - Status: Spring - complete; summer – in process; fall - being developed
- Develop 2 brochures – (1) on ARMS program; (1) on ARMS plants
  - Status: Complete
- Develop ARMS ads
  - Status: one complete and published in Business Xpansion magazine; 2<sup>nd</sup> ad scheduled for Dec. in Expansion Solutions magazine
- Produce/coordinate two promotional releases
  - Status: One complete; 2<sup>nd</sup> scheduled for last half of '08
- Maintain Openterprise.com website
  - Status: website update in process
- Identify/assist/prepare award submissions to showcase ARMS Program
  - Status: Five award nominations have been submitted



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# ARMS – Award Winning Performance

- ✓ The ARMS Program has received a number of awards for its achievements:
  - The National Council for Public-Private Partnerships -1998 award for developing and implementing an innovative program for reusing National Defense facilities.
  - David Packard 2003 Award for Excellence in Acquisition - Demonstrated superior accomplishments significantly contributing to Defense acquisition reform initiatives and acquisition programs.
  - National Association of Installation Developers (NAID) - 1998 and 2003 award for creative promotion of business attraction to their facilities
  - CoreNet 2003 Global Innovators Award - Recognizes new entrants in the corporate real estate industry that develop and apply innovative ideas and practices and make good use of leading edge technologies and processes.