



News @ ARMS

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Tap Into the Power of P3 - Public Private Partnerships

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Tap into the Power of P3 - Public Private Partnerships

Public-private partnerships also known as P3s are rapidly becoming one of the most innovative and influential forces in our economy – driving the growth of businesses and manufacturers. As the saying goes, there's strength and power in numbers.

So what exactly is a P3? As defined by the National Council of Public-Private Partnerships, a public-private partnership is “a contractual agreement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility”.

Most of us are probably familiar with P3s on a municipal level - today, the average American city works with private partners to perform 23 out of 65 basic municipal services such as trash disposal, transportation and social services. These partnerships can provide a continued or improved level of service, at reduced costs. And equally important, partnerships can also provide the capital needed for construction of major facilities. By developing partnerships with private-sector entities, governments can maintain quality services despite budget limitations. So it is a given that government on all levels is a big fan of P3s. However it might surprise most people to know that one of the pioneering entities in promoting private business growth and development with P3s is none other than the U.S. Army.

The U. S. Army Armament Retooling and Manufacturing Support Initiative (ARMS) is a leader in thinking outside the box when it comes to public-

private partnerships. The most successful P3 to date, the ARMS program, has attracted a diverse range of businesses - from business incubator tenants to rocket engine manufacturers - who benefit tremendously from innovative asset management techniques.

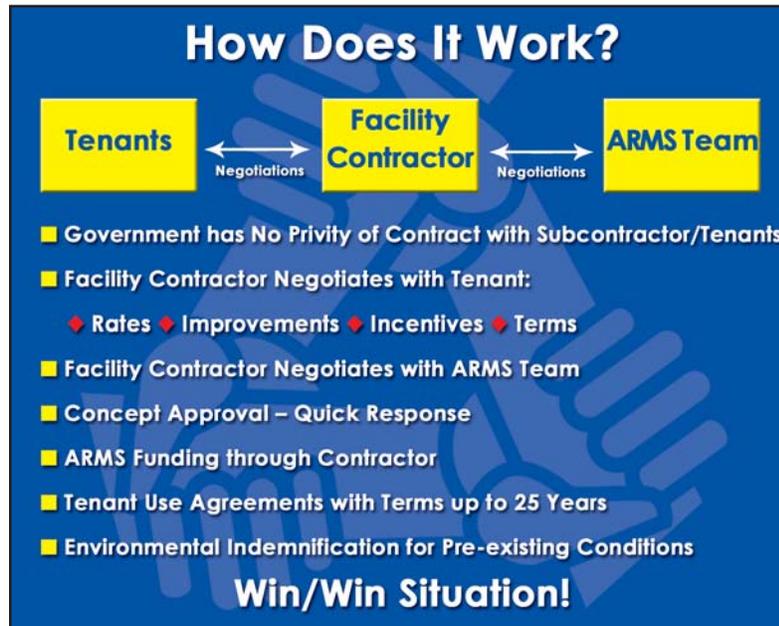
per site, saving time and complications of Army/tenant or lessee multiple agreements. The facility contractor can then negotiate commercial terms and conditions between his organization and multiple tenants. Facility contractors are encouraged and motivated to bring on tenants

because they share in the value created in the form of performance fees on their contracts. The ARMS program also has initiated long term contracting terms and management of environmental risks to encourage capital investments that can be recouped.

“With the ARMS program and Facility Use subcontracts, your tax dollar and mine are hard at work making sure facilities built with government dollars can still provide a return on our investment through commercial leasing, reduce

the carrying cost of these facilities and acknowledge a better state of readiness after being upgraded for commercial use should a major national defense issue make it necessary,” said Jack Figg, Director of Business Development and Community Affairs at the Lake City Business Center located in Independence, Mo. “In the meantime we are growing small businesses that make a contribution to our local economy and our way of life. It is a win/win for both the government as owner and the tenant who might not otherwise be able to afford comparable space in the private sector.”

Companies can leverage and accelerate growth and expansion by tapping into a wealth of tools and incentives, access to federal research laboratories and personnel, and the ability to use specialized manufacturing equipment and expertise. The government has already made the substantial



Just how innovative and groundbreaking is ARMS? The self-sufficiency success of the ARMS program participants mark the first time in modern U.S. history that any Department of Defense facility has been able to operate effectively at no cost to the federal government. Congress passed the ARMS act in 1992 to enable the Army to develop a prototype defense reuse plan for its ammunition plants. At that time, idle plants were costing the Army between \$3.5 million to \$6 million annually for maintenance and protection. To turn these budget draining plants into profit producing assets, the ARMS program broke from the classic government contracting model to create the innovative Facility Use Contracting Initiative - a streamlined program that is attracting private business and industry to locate on the installations and make use of existing facilities and infrastructures already in place.

Essentially, the Army conducts business with one facility contractor

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P3 at Work: Coal is at Hand for Eastman Chemical

Many of the folks involved with the ARMS program are fond of touting the program as a “win/win” situation. A prime example of this is the new partnership initiative underway at the Holston Army Ammunition Plant managed by BAE Systems/Ordnance Systems Inc.

BAE is working with Eastman Chemical Company to help solve an Eastman need while also helping to solve an Army/BAE need. Eastman Chemical Company is a global company whose products touch the lives of people around the world every day. Headquartered in Kingsport, Tennessee, U.S.A., Eastman manufactures and markets more than 1,200 chemicals, fibers and plastics products.

While Eastman’s products are not household words, they are used in thousands of consumer products. The company is the world’s largest supplier of polyester plastics for packaging; a leading supplier of coatings raw materials, specialty chemicals and plastics; and a major supplier of cellulose acetate fibers and basic chemicals. Eastman is one of the top 10 global suppliers of custom-manufactured fine chemicals for pharmaceuticals, agricultural chemicals and other markets.

To meet their operational demands, Eastman consumes prodigious amounts of coal - at full production, coal usage is 56 carloads or 5,600 tons per day. Eastman is short of storage space for an emergency supply of coal should the supply line be interrupted by inclement weather, transportation issues, labor issues or accidents at the point of origin or along the transportation network. In addition to adequate space, Eastman needs an environmentally proper place to store a supply of coal that could be tapped if the supply line were interrupted for any reason. That’s where the Army and BAE enter the picture. The Army/BAE have 13 hopper cars available which can be used to store/shuttle coal to nearby

Eastman in this type of emergency. The cars were leased to Eastman Chemical; however, the 13 cars represented less than a one day emergency coal supply for Eastman. A long term solution was needed.

Next, the Army granted BAE temporary approval to store an additional amount of coal at the Army owned/BAE operated steam plant at Holston AAP while another 5 acre site is being designed and prepared for storage of Eastman coal. This storage solution was suitable for Eastman but to make this a true “win/win” situation, the Army/BAE also needs to gain a benefit.

The Army/BAE took this opportunity to tackle a growing problem with purchasing stoker coal. Currently utilized at the AAP, stoker coal is a type of coal uniform in particle size and has less fine particles or coal dust than the “run of the mine” coal used by Eastman. Stoker coal is more expensive and is getting more difficult to procure since most mines do not want to add the required labor to produce stoker coal. Switching the

Continued on Page 4

Case Study



Commercial/Industrial Eastman Chemical is just one example of a Commercial application of P3.



Unloading Coal from a railroad car in Holston.

Eastman Cont.

Holston operation from stoker to “run of the mine” coal can yield considerable cost avoidance.

However, burn tests on “run of the mine” coal indicate that some boiler conversions would be beneficial before the switch is made. When fully implemented, the same coal that is procured by Eastman could be stored at Holston and this coal could support both the Eastman emergency supply requirement and also supply the daily coal requirements of the Army/BAE. Using the same type and specification of coal from a common pile procured through volume leveraged buying by Eastman could yield significant savings to BAE/ Eastman and the Army.

“We approached BAE trying to solve our emergency supply problem and they approached us with a goal to solve our problem and gain our help to lower their annual operating cost,” states Keith Goulder, Procurement Manager for Eastman Chemical Company, Kingsport. “I believe that everybody would win under this proposed scenario.”

Tony Hewitt, Commercial Development Director for BAE Systems/Ordnance Systems Inc. adds “the Army/BAE gets a lower cost of operation, Eastman avoids the cost of creating and maintaining a new storage area which is a good deal for all. We believe that leveraging each others (BAE, Army & Eastman) strengths to solve each other’s problems is a perfect application of the P3 vision and all parties win in the end.”

So there you have it – a win/win situation for Eastman Chemical Company, BAE Systems/Ordnance Systems Inc. and the U.S. Army.



A Closer Look at Eastman Chemical Company

Founded in 1920 to supply basic photographic chemicals for Eastman Kodak Company, Eastman Chemical Company became an independent publicly traded company in January 1994. The company has approximately 12,000 employees - 7,000 of which are located at the Kingsport facility. In 2005 the company had sales of US \$7 billion.

Eastman supplies billions of pounds of chemicals, fibers and plastics to customers around the world for use in thousands of consumer products. Eastman products keep paints and coatings from cracking and extend the shelf life of foods. They contribute to the manufacture of safer medical equipment, film for smaller electronics devices and more efficient circuit boards for computers. They retard mold in animal feed and go into plasticizers that enable garden hoses to bend.



Spools of Chromspun acetate yarn.
Photo courtesy of Eastman Chemical Company

Eastman plastics products are used in packaging for beverages, including soft drinks, water, juice, tea, beer, liquor and sport drinks. Other packaging applications for Eastman plastics include foods, electronics, cosmetics, pharmaceuticals and household products.



Highly contoured partial and full body labels won't relax when made of Eastman copolyesters.

Photo courtesy of Eastman Chemical Company

Eastman supplies plastics products for credit and debit cards; electrical connectors, medical devices, vending machines, signs, display cases, carpet fiber; binder fiber for car interiors and upholstery, heavy-duty shipping sacks and pond liners; toothbrushes and tool handles; sports equipment; and photographic, movie and X-ray film.

Hundreds of Eastman’s specialty products are key ingredients in paints and coatings for houses, cars, bicycles, furniture and appliances, as well as inks for printing on potato chip bags, candy wrappers and gift wrappings.

Eastman is a world leader in the efficient, low-cost manufacture of basic chemicals for artificial sweeteners, pain medication, bleach activators in laundry detergent, safety glass, wallpaper, pharmaceuticals, agricultural chemicals, medical devices, vinyl flooring, acrylic paints, plasticizers in disposable gloves and toys, and countless other consumer products.

P3 at Work: Case Study Briefings



Commercial/
Industrial

■ Holston AAP

Executives representing BAE SYSTEMS, Tennessee Valley Authority, Greater Kingsport Area Chamber of Commerce, Hawkins County Industrial Board, Tennessee Small Business Development Center, First Tennessee Development District, Northeast State Technical Community College, American Electric Power, City of Kingsport Tennessee, and Hawkins County Tennessee formed a group whose goal was to establish a “general purpose” small business incubator.

The million dollar public-private project was completed in the summer of 2003 with the financial support of Hawkins County, City of Kingsport, BAE SYSTEMS, U.S. Economic Development Administration, Tennessee Department of Economic and Community Development, and the U.S. Army Armament Retooling and Manufacturing Program.



Government

■ Holston AAP

Sullivan County EMS serves as the sole provider of emergency medical services to the citizens and visitors of a county with a population over 153,000. In 2005, Sullivan County EMS responded to a total of nearly 21,359 calls in the year. The average call volume is 1,780 per month with that number showing a steady increase over the years. When the SCEMS needed a new facility to help handle the volume, the Army and BAE Systems proposed a partnership. In exchange for the land to build on, SCEMS would provide specialized EMS services to BAE and the Holston AAP - including all tenants. This helped lower the cost of operations for the Army, BAE Systems and helped expand SCEMS base of operations to meet the growing demand.



Academia

■ Radford AAP

Founded as a land-grant college in 1872, Blacksburg, VA-based Virginia Polytechnic Institute and State University (Virginia Tech) has grown to encompass a student population of over 25,600 on a main campus of over 2,600 acres with 100 buildings and an airport. The main heating on campus is provided through a network of tunnels that serves over five million square feet of campus buildings with heat through six miles of steam and condensate lines. The energy requirements of Virginia Tech are currently provided through various proven fuel sources such as coal, oil and natural gas. The Army, Alliant Techsystems and Virginia Tech have partnered together to leverage coal buying, maximize storage and utilization of coal for all parties involved.



Academia

■ Lake City Business Center

Fort Osage R-1 School District Lake City Alternative School. The Fort Osage School District needed the proper facilities to provide a structured learning environment dedicated to providing educational growth and positive behavior strategies that will give students the skills needed to be successful in future challenges and life-long endeavors. The Lake City School is one of only a handful of schools across the nation that has adequate facilities to help these at-risk children succeed and return to public school.

P3 - Cont.

investment, companies and manufacturers can reap the benefits by participating in a P3.

A hallmark of the ARMS program and P3s is that they attract innovative thinkers and leaders. By being proactive instead of reactive, many opportunities have arisen that allow for creative solutions that benefit all parties involved – such as the Commercial case study highlighting Holston AAP, BAE Systems/ Ordnance Systems Inc. and Eastman Chemical Company.

Far from the mountain of red tape and the redundancy of bureaucracy that many businesses associate with the government, the ARMS program is noted for acting swiftly on proposals. To date, the ARMS program has used \$250 million in government seed money to finance the development of master plans, user directed improvements, marketing and program implementation at the 10 participating Army ammunition plants. Private investments at Army facilities are now in excess of \$250 million from a total of 140 business tenants. In just six years, ARMS was able to recoup all expenditures and become the model for all defense conversion programs.

The impact of the ARMS program has been substantial in fostering business growth and creating stable, job opportunities for local economies. The most recent PricewaterhouseCoopers review of the program (2004) illustrates this fact. Since 1993, the overall savings to the government has been \$288.4 million and the total economic impact in output is \$4.9 billion.

Public-private partnerships are a proven way to maximize a business' bottom-line and in the process help maintain vital services to federal, state and local governments. There's strength in numbers – so tap into the power of P3 and you'll also be likely to experience progressive, positive performance.



AGT Named as New Contractor for MSAAP

The beginning of the new year marked the dawning of a new era for the Mississippi Army Ammunition Plant (MSAAP) located at John C. Stennis Space Center. Applied Geo Technologies, Inc. (AGT) was recently named as the new facility management contractor for MSAAP with primary responsibilities of the 4,200 acre facility to include tenant leasing, environmental regulations, facility maintenance (preventive and corrective), safety and security.

The facility offers companies ranging from small start-ups to large manufacturers the opportunity to locate and operate their business in a first-class advanced manufacturing/business complex. MSAAP also boasts competitive tenant amenities, some of which include competitive leasing, favorable insurance rates, security, Foreign Trade Zone Status, and close proximity to other government agencies located within the John C. Stennis Space Center.

“This facility has the potential to be a catalyst for economic development and jobs creation within the region,” said Allen Hines, president of AGT, “we are proud of this partnership with the U.S. Army and we look forward to the promotion of this facility as an opportunity for businesses and communities to thrive in south Mississippi.”



AGT team members working with 98% Hydrogen Peroxide Rocket Fuel in the Gas Material & Analysis Laboratory.

AGT is the premier, tribally-owned provider of aerospace and defense services. AGT is owned by Chahta Enterprise, one of the largest tribally-owned manufacturing firms in the United States, and is backed by the strength and leadership of the Mississippi Band of Choctaw Indians (MBCI).

The Mississippi Band of Choctaw Indians is a federally recognized American Indian tribe of 9,500 enrolled members. Today, the Tribe is the third largest private employer in the State of Mississippi with existing manufacturing facilities in six separate industrial parks in the United States and Mexico, and businesses that range from manufacturing to high technology.



AGT is a tribally chartered corporation of the Mississippi Band of Choctaw Indians (MBCI) with its corporate office located on reservation lands in Choctaw, Mississippi. Additionally, AGT has offices at NASA's John C. Stennis Space Center and the Lockheed Martin operated Kelly Aviation Center in San Antonio, Texas.

Both offices support the calibration and repair of customer's equipment. In addition, the Stennis office supports NASA with a variety of activities including laboratory support of the Space Shuttle's Main Engine Testing and environmental monitoring of water quality.

Please visit www.appliedgeotech.com to learn more about AGT.



AGT provides NASA laboratory support of the Space Shuttle's Main Engine Testing. Photo courtesy of NASA.