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ARMS Program (1993–1999)

“In Brief”

August 2000



ARMS Background

- The Armament Retooling and Manufacturing Support (ARMS) Act of 1992 authorized the Army to invest funds to repair, refurbish, and upgrade existing ammunition plants to attract commercial tenants in order to retain key manufacturing capabilities while reducing operating costs. The Act's purpose is to:
 - Create jobs
 - Improve the economic stability in regions where munitions facilities are located
 - Encourage non-defense commercial firms to use DoD Government-owned, contractor-operated facilities
 - Increase opportunities for small businesses (small business Incubators)
 - Encourage small businesses to undertake manufacturing and other industrial processing activities
 - Reduce DoD facility maintenance/ownership costs

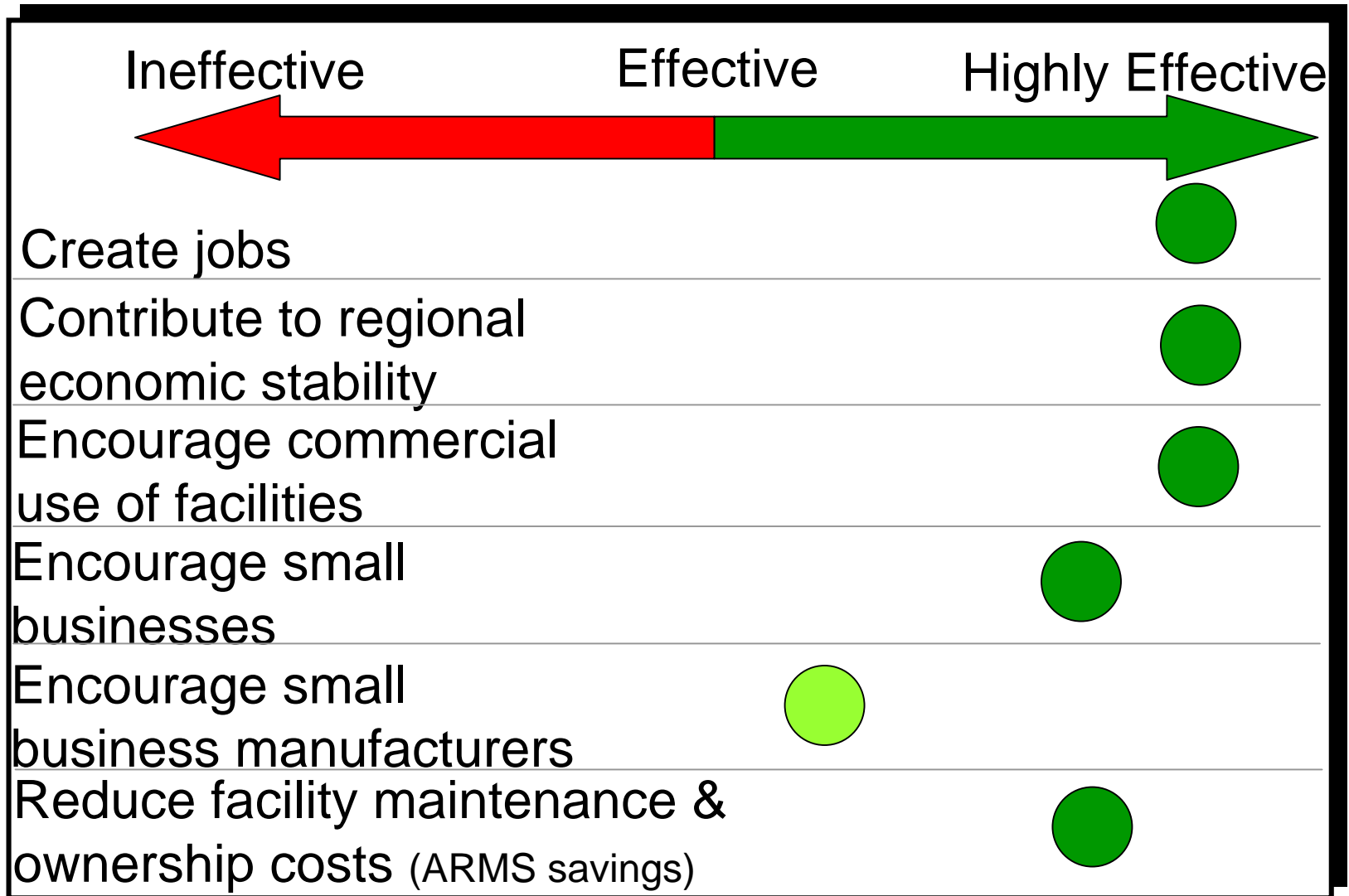
Army invests appropriated funds to repair, refurbish, and upgrade existing facilities in order to rent them to commercial tenants



Status of the ARMS Program

The ARMS Report Card

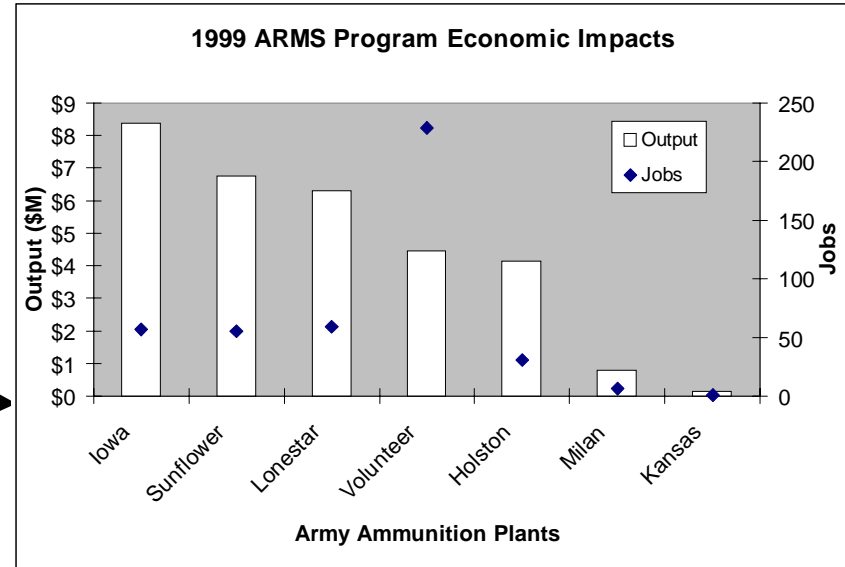
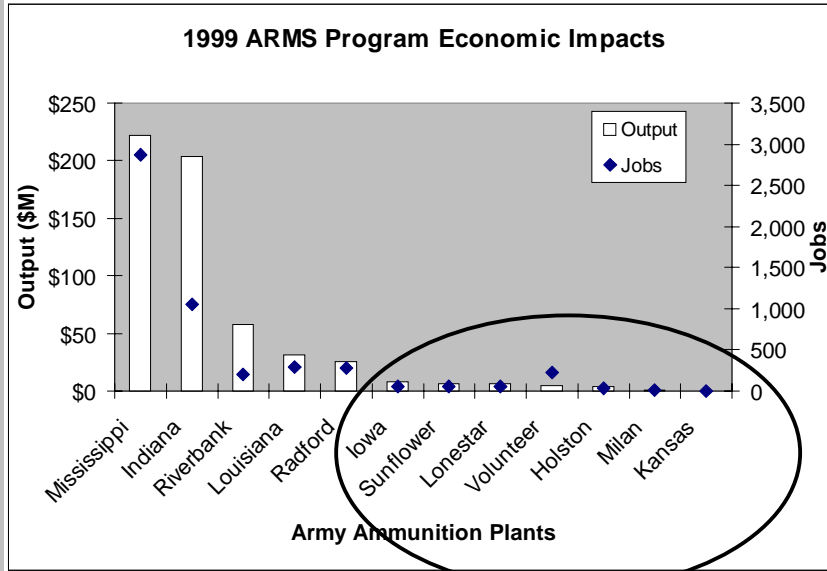
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Regional Economic Impact

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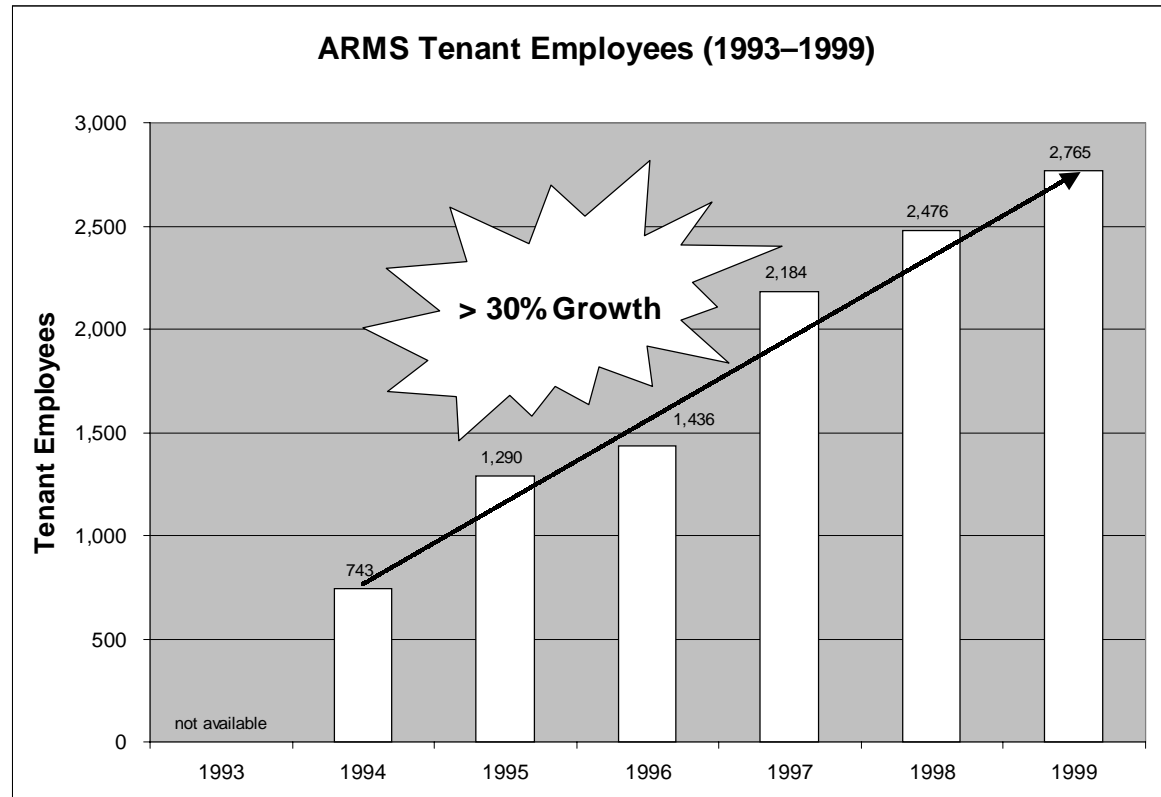
Total regional economic impacts: 5,133 jobs* and \$571M

Note: The 5,133 jobs include both direct and indirect jobs resulting from the ARMS program. The direct jobs include the jobs created by the tenants and employment resulting from facility renovation. The indirect jobs (trickle-down effect) include jobs resulting from business-to-business purchases and consumer spending.



Growth in ARMS Tenant Employees

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Note: This chart shows the direct jobs (employment) resulting from the ARMS tenant employees

ARMS tenant employee growth* exceeded 30% from 1994 through 1999

Compared to employee growth* of 3% in the states in which the AAPs are located**

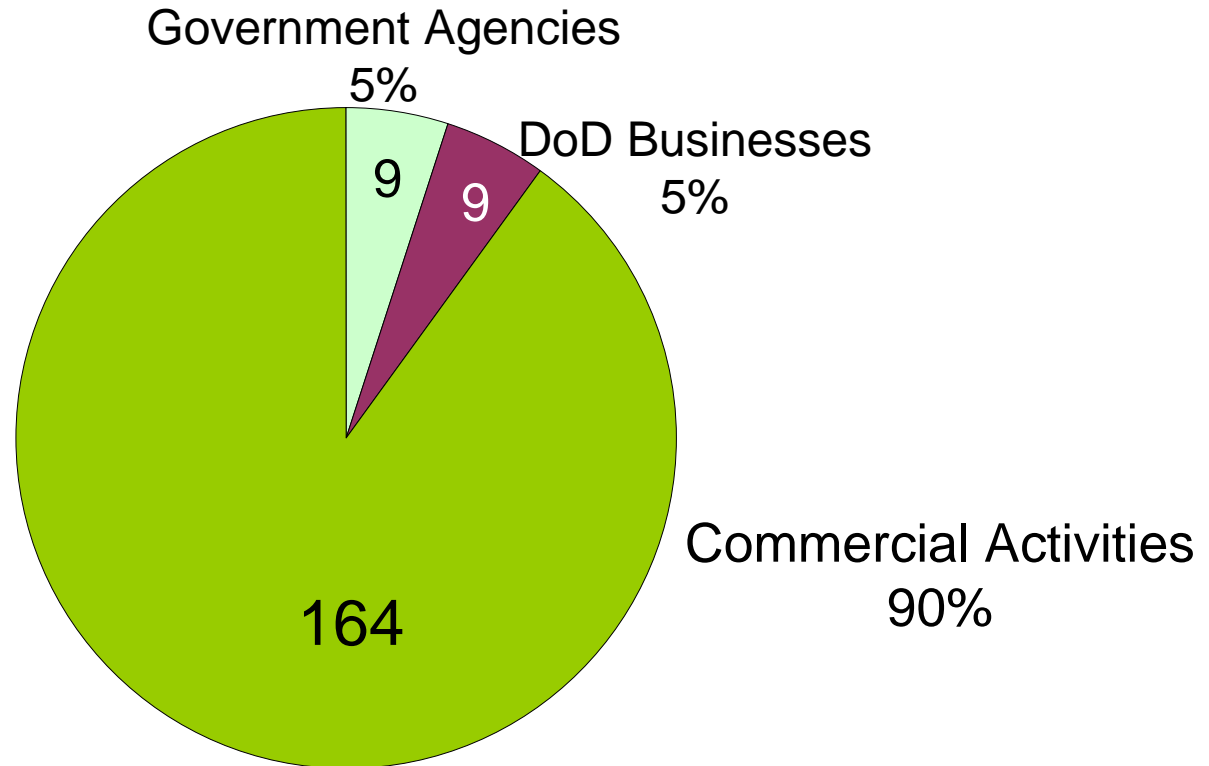
Growth* = Compound Annual Growth Rate

** Source: 1992 & 1997 US Economic Census Data



Composition of the 182 Tenant Businesses

Government Agencies/DoD Businesses/Commercial Activities



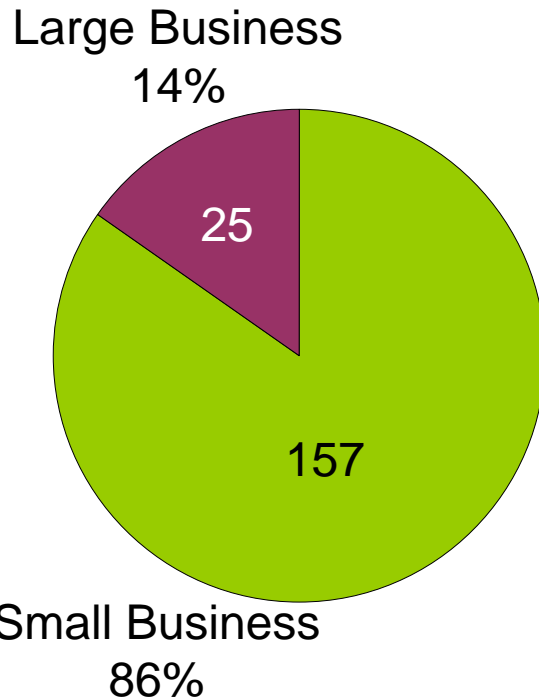
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Commercial activities make up 90% of the ARMS tenants

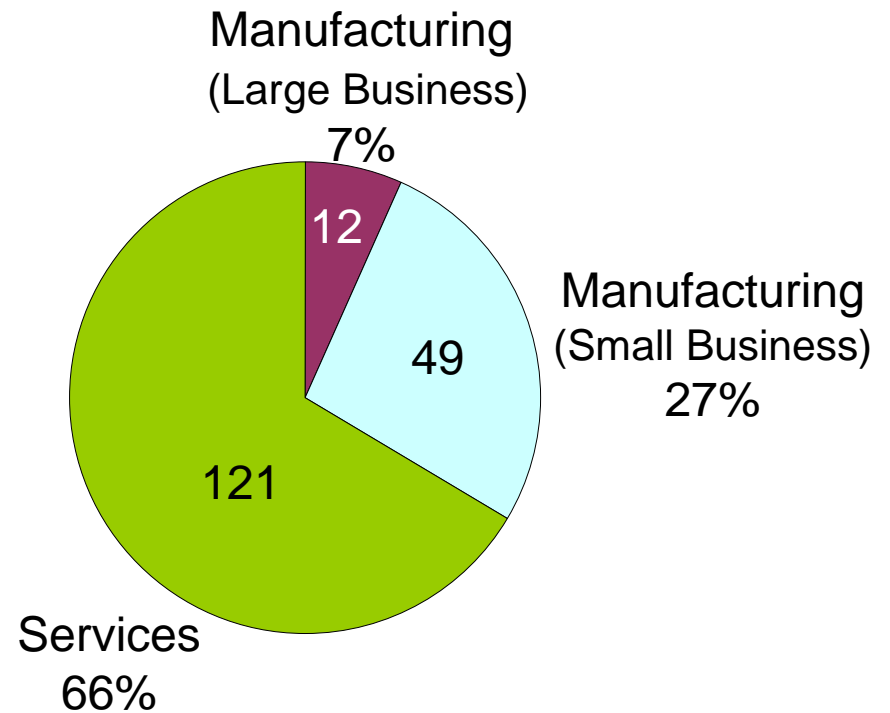


Composition of the 182 Tenant Businesses (Continued)

Small to Large Business



Manufacturing to Services



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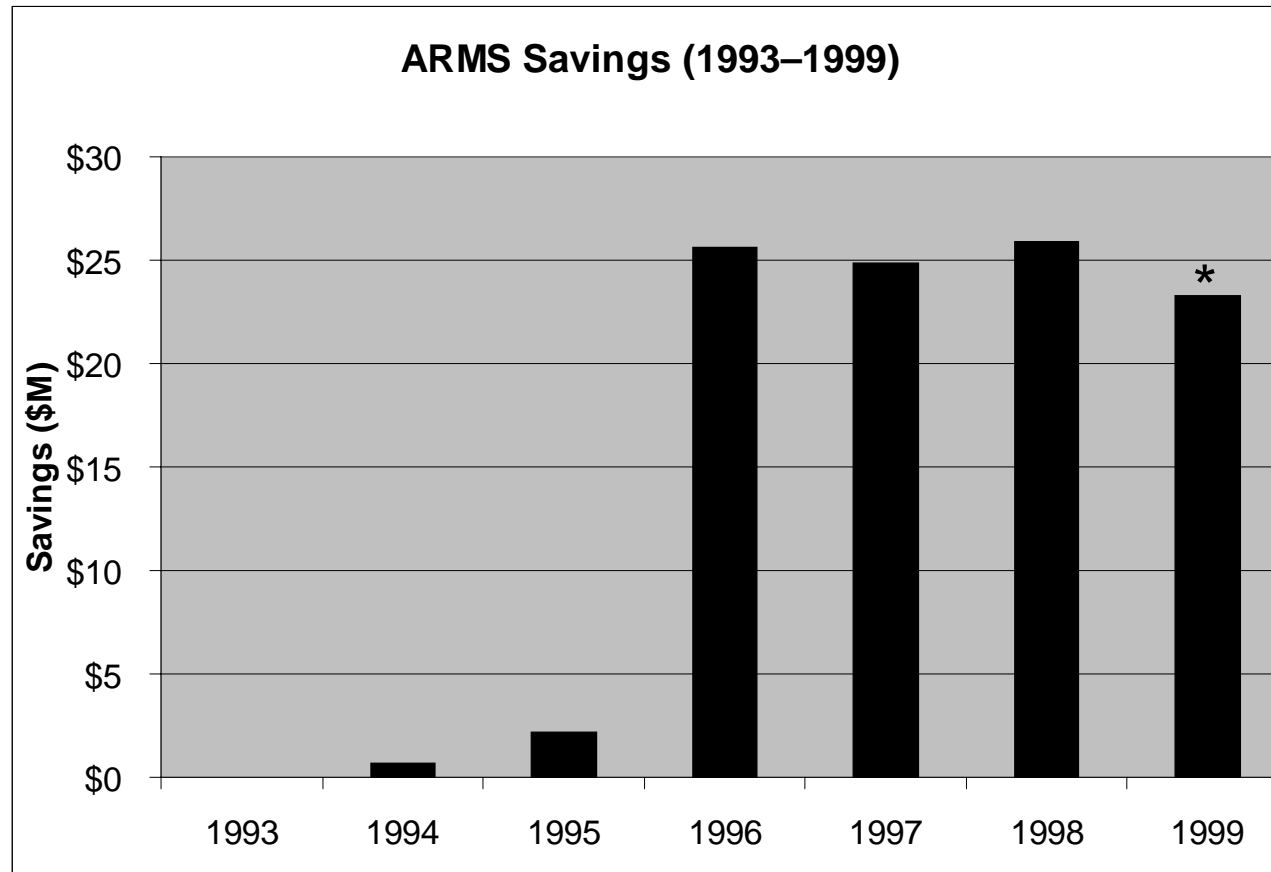
Small businesses make up 86% of all tenants

Manufacturing small businesses make 27% of all tenants



ARMS Savings

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From 1993 through 1999, the Government saved \$103M

* The drop in savings from 1998 to 1999 was due to a reduction in revenues from tenants at excess facilities and in overhead absorption



Issues Affecting the ARMS Program's Future

- The termination of the ARMS program at selected facilities prior to realization of ARMS benefits (as was done at the excessed facilities)
- Local partners attempting to obtain Government facilities at former ARMS program sites
- Added government oversight possible discouraging program participation
- Discontinuation of multiyear, long-term facility use contracts possibly discouraging program participation and contractor investment
- Unclear roles and responsibilities of all stakeholders in the management of the AAPs



Leveraging the ARMS Program

- Leverage the program's success throughout DA/DOD:
 - As a method to lower installation ownership costs
 - As a change agent for Corps of Engineers (COE) in reengineering its industrial and agricultural lease programs
 - As a cost-effective exit strategy for divesting facilities
 - As a source of revenue to assist in paying for environmental remediation
 - As an effective defense conversion/reuse model

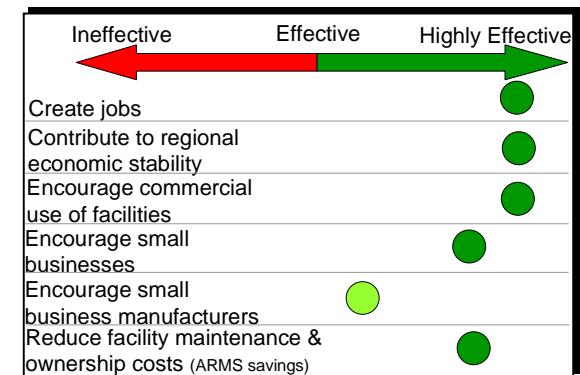
The ARMS Vision: ARMS-type programs spreading throughout DA/DoD installations lowering ownership and product costs and serving as an effective Defense conversion/reuse model



ARMS: The Bottom Line

- ARMS is an effective Defense conversion/reuse model
- ARMS is meeting the Public Law's initiative/intent
- During 1999
 - 5,133 jobs were attributed to the ARMS program
 - ARMS economic impacts exceeded \$571M
 - \$23M in direct savings to the Government were realized
- From 1993–1999
 - \$103M in savings to the Government
 - 30% compound annual growth rate in tenant employees

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PricewaterhouseCoopers and This Analysis

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This independent analysis was conducted by PricewaterhouseCoopers at the request of the Executive Advisory Committee (EAC) of the ARMS Public Private Task Force (PPTF). The Operations Support Command (OSC) commissioned PricewaterhouseCoopers (PwC) to consolidate the information from two previous PwC efforts [ARMS Benefit Analysis (1993–1998) and the ARMS Benefit Analysis (1999)] into one report and briefing.

This briefing summarizes the benefits (savings and economic impacts) from the ARMS program from 1993 through 1999 for active, inactive, and excess Army Ammunition Plants (AAPs) participating in the ARMS program.

The data sources are the OSC contracts, OSC ARMS funding documents, facility contractor financial information; the U.S. Department of Commerce Bureau of Economic Analysis; and the U. S. Census Bureau “County Business Patterns.”

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