

**Testimony Before the GAO Commercial Activities Panel**  
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**Prepared Remarks**

**Bill Mason**  
**President Local 1415**  
**American Federation of Government Employees**  
**Crane Division, Naval Surface Warfare Center**  
**Naval Sea Systems Command**

**Strategic Sourcing at Crane**

**Introduction:**

Good Morning. My name is Bill Mason. I am President of American Federation of Government Employees Local 1415 located at the Naval Surface Warfare Center, Crane Division, Crane, IN. Our Local represents approximately two-thirds of the 3200 Navy employees and approximately three-quarters of the 600 employees of Crane's major tenant, the Crane Army Ammunition Activity. For the purpose of this hearing, I will be talking to the local's participation in the Business and Process Reengineering efforts at Crane.

**Background:**

Local 1415 and Crane have a collaborative and partnering labor/management relationship since 1990. As a result of this arrangement, the president of Local 1415 is a full participating member of such bodies as Crane's Board of Directors and Business Development Board. This has allowed me to have a better understanding of the desires and directions of DoD and the Navy and to be a part of addressing those issues at Crane. It became apparent that, as a result of a shrinking defense budget, the Services, to include Navy, had to become more efficient and effective in providing relevant, high quality products and services to the warfighter. BRAC and A-76 were the methods chosen to use. During the early and mid 90s, through observation and discussions with the Local union leaders at both Naval Avionics in Indianapolis and the Naval Ordnance Station Louisville, I saw the devastating and demoralizing effects to their employees caused by the BRAC process.

In early 1997 we were given a list of approximately 84 functions to study at Crane using the A-76 Process. Both Union and Management received formal training on the A-76 process and we started down the path to compete these functions. Very soon, several issues surfaced around the use of the A-76 process. Driven by the dynamic nature of our mission to meet the needs of the Fleet, trying to formulate an approach to perform A-76 studies became very complex. There were also concerns about how to address the inadequacies of the process. For example: (1) When we initiated the Material Management A-76 study, we found it very difficult to define how a fixed statement of work could support and interface with our ever-changing technical and engineering requirements and operations. We also found the secrecy of the A-76 process, especially in the MEO stage, generated fear among employees and was demoralizing. The process is very long with very little employee and union involvement, resulting in the employees feeling that the union was unable to represent and protect them. (2) In conducting an A-76 on Transportation involving our explosive truck drivers, the inadequacies of wage

definitions and comparisons surfaced. The Department of Labor (DoL) schedules for labor comparisons and definitions were required to be used to conduct the Transportation A-76 study. There is no DoL definition for this specialized skill, so we ended up comparing wages of a person that required special training and skills in protecting life and property from an explosive incident to that of a person who might be delivering Pepsi to a vending machine. (3) The clause in the A-76 process, "The Right to First Refusal," gives employees a false sense of security in the event that a contractor won the study. Unfortunately, by the time an employee goes through a Reduction in Force, the employees that are offered to the contractor are not fully qualified, and therefore, the contractor can refuse to take them.

Our A-76 experience showed us that this process was a complex and flawed approach, only trying to address the cost savings part of the effectiveness and efficiency equation. It did not result in a review of the corporate Crane organization and its operations, nor consider the interdependence, required flexibility, and the interrelationships of the organizational components. It did not address fairness issues and concerns of employees such as the ability for employees and the union to fully participate in the process, which would help alleviate the demoralizing effects of the fear of the unknown and loss of union protection. Also it did not allow the employees fair comparison data and gave misguided false hope in the event the work went contract.

#### **New approach:**

In late 1997, our Local was approached by Crane's Command to become full partners in a total Crane redesign and restructuring process that would meet the Navy's overall goals. We had learned many lessons from our A-76 experience. We set goals for our process. Our goals were to look at the entire organization to ensure that our business lines were relevant to our mission and the Fleet; ensure our processes used to support our business lines were as efficient and effective as possible; ensure all levels of employees and the union were fully involved in every stage of the process; and that we would make the process as fair as possible to the employees. With these goals, we thought we could alleviate secrecy, get employee buy-in and ideas, give our customers what they needed at the best price, and create opportunities for our employees. As a result of these discussions, we established up-front agreements and started down the path of what we called Business and Process Reengineering.

#### **Agreements:**

The important aspect of our first Memorandum of Agreement (MOA) is that it established the union as a full participating partner in every aspect of our B&PR process. It established the Executive Oversight Team comprised of the Commanding Officer, Executive Director, and the Union President as the final decision-making body for the B&PR process. It established our goals of being as efficient and effective as possible. The MOA also addressed a methodology to achieve those goals. This methodology encompassed conducting a high-level assessment of all our services and processes, eliminating non-value added services and processes and reengineering the remaining processes important to our future, our customers, and customer cost. We agreed that we would evaluate whether work should be performed in-house or contracted during the B&PR studies and evaluate existing and future service contracting for best value using all of the following criteria: (1) increase in efficiency and effectiveness, (2) reduction in cost, (3) sustainment of necessary in-house skills or knowledge base, and (4) maintaining financial viability of the Crane Division. We agreed to commit the necessary

personnel, equipment, funding, and facilities to accomplish the B&PR. We made a commitment to maintaining and enhancing the necessary in-house skills and personnel to support and ensure we become the most efficient and effective organization available. We made a commitment to the employees to pursue all efforts such as retraining, reassignment, increase in new work, re-evaluating use of service contractors, and the use of separation incentives to alleviate negative effects to employees affected by the B&PR efforts. We committed to RIF as the last resort. Finally, we agreed to address and reach agreement, at the appropriate juncture of the B&PR process, to establishing any processes required to ensure the B&PR was a success.

Getting employee “buy-in” is a very important part of any successful project. To aid in that objective we developed two further Memorandum of Agreement. The first of these was the “People Movement Process” that established the precepts to ensure fair and equitable treatment of both bargaining and non-bargaining unit employees. This agreement applies to the B&PR and A-76, since A-76 is part of the B&PR process. This agreement established the precepts to define a process based on volunteerism and seniority for the placement of personnel from an existing organization to the redesigned organization. It established a “Personnel Transition Office” (PTO) to facilitate training, placement of personnel, and information flow. It required that each Directorate would be responsible for the gainful employment of affected personnel until redesigns were effected, since we did not want to create a labor pool with employees sitting around waiting for work assignments. Any redesign implementation plans had to be detailed to show every movement of personnel, both bargaining and non-bargaining and approved by the Executive Oversight Team.

The last of the three main agreements was the “Memorandum of Agreement for Personnel Movement Plan, Assignments, Process Steps and Guidelines”. The agreement defined the purpose of the PTO, the PTO membership, the information from the Directorates required, the Placement and Induction Process, and their reporting procedures. The union has a full-time participating member along with a staffing/classification person and a training person. This group was established to insure that the “People” part of the B&PR works as advertised and is a very intricate and important part of the B&PR process. The PTO brings any issues that surface, which were not covered by previous agreements, to the Executive Oversight Team for resolution.

### **Conclusion:**

The B&PR process is working. It analyzes the whole organization, not just pockets. It is accomplishing the stated goals of DoD and the Navy by making our whole organization more effective and efficient. We are obtaining equivalent savings as the A-76 process, but obtaining those savings while ensuring that Crane has the overall and inter-organizational flexibility and capabilities to meet our mission and ever-changing customers’ requirements. We use the A-76 process when our agreed criteria shows that it makes sense to do so. We are retraining and/or re-utilizing our employees in the highly technical skills required to perform our mission and meet present and future customer requirements. We have not yet, nor do I believe we will have to conduct a RIF to achieve our savings goals. Employees have seen change in career paths or type of work they perform, but no employee has lost pay or involuntarily lost grade, and many have been able to enhance their career opportunities as a result of our B&PR. There is no secrecy in the B&PR process because all levels of employees are involved. Once a particular B&PR study is finished, we are able to begin implementation and begin obtaining the saving. This alleviates the demoralizing effects on employees of having to wonder what is going to happen to them and when. The B&PR process has also resulted in a culture change throughout the organization. It is

becoming common place as customer requirements are identified, for our employees to identify the necessary processes involved; get all appropriate players together; and to discuss the most cost/quality effective and efficient means of satisfying those requirements. This is quite a departure from our past thought process and that of most organizations.

If the desire is to obtain true efficiencies, savings, and effectiveness, this is a process that should be considered. If the desire is strictly to get rid of government employees, you need look elsewhere.