MANAGING THE DRAGON; INFLUENCING THE INFLUENCERS

EXECUTIVE LEADERSHIP

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ABSTRACT

In keeping with the Department of Defense (DoD) agenda for realignment, the Marine Corps Air Ground Combat Center Fire Department was faced with several external influences by the Command, the most significant influence being a call to Public Private Venture (PPV) involving the base housing department. Since base housing provides indirect support for fire protection in the amount of 767K, this posed a direct impact to the fire department infrastructure. The problem faced by the organization was a possible reduction in force (RIF) of personnel if housing funds were lost.

This research used historical research to answer the following questions: (a) what are the external influences (what does the dragon want)?, (b) can a RIF action be avoided?, (c) are there risks to a RIF action?, and (d) what are the possible options and costs?

This research used action research to develop a series of tables outlining the options and costs, the proposed and alternative solutions to a RIF action, legal and regulatory requirements along with an organizational structure to clarify the chain of command with respect to the organization.

The principle procedure applied was review of information gathered through legal documents, case studies, reviews and periodicals, and interviews with affected personnel relative to privatization actions. Data collected was formatted into a

series of tables reflective of the external influences and their impact on the organization.

The major findings of this research included (a) contracting fire protection is prohibited by public law, (b) the unacceptable risk is degradation of the standard of care, (c) staffing levels are mandated and already based on an assumption of risk, (d) reducing staffing levels requires a waiver from CMC, (e) that although there were substantial reasons not to privatize they are not show stoppers, and (f) avoiding a RIF action of some type may not be possible.

The recommendations resulting from this research were specific to the research problem and included (a) incorporating the use of the table series to conduct further research on cost and impact assessment and (b) incorporating the use of the table series to construct an internal reorganization.

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INTRODUCTION

The Combat Center Fire Department (CCFD) enjoys a stellar reputation as a progressive and innovative civilian emergency services organization within the Marine Corps Branch of the Department of Defense (DoD). A continual leader and often the pilot base for new Marine Corps and DoD-wide fire programs, CCFD has faced many new challenges and cultural changes within it's chartered history and met them head-on with enthusiasm and a desire to succeed. In June of 1998, this organization was hit point-blank with a data call to Public Private Venture (PPV). Although not the direct target of PPV, the CCFD would realize significant impact since the actual target allocates a portion of their budget for fire protection. The problem faced by the organization was a possible reduction in force (RIF) of personnel if fire protection funds were lost.

The purpose of this research project was to develop a series of tables (table series) which would explore possible alternative options that would satisfy the intent of the PPV without implementing a RIF. Historical and action research methods were used to answer the following questions:

1. What are the external influences (what does the dragon want)?
2. Can a RIF action be avoided?
3. Are there risks to a RIF action?
4. What are the possible options and costs?

BACKGROUND AND SIGNIFICANCE

CCFD is located aboard the Marine Corps Air Ground Combat Center in the rural southeast desert of California. A completely civilian fire department, CCFD provides fire protection, a full hazardous materials response team, a BLS ambulance service, a level II urban search and rescue team, an enhanced 9-1-1 communications center, and a comprehensive fire prevention and code enforcement service to approximately 15,000 military and civilian workforce personnel and 10,000 dependants. In business since 1953, CCFD is no stranger to change, however, changes past have always resulted in a growth of personnel vice a reduction. Even with the dramatic changes occurring to the infrastructure of the Department of Defense (DoD) within the last ten years, CCFD has remained largely untouched by the run-off from the reductions and consolidation of the realignment process. This is largely due to the Public Law outlined in 10 U.S.C 2465. While this law prohibits contracting out of fire protection within the DoD, anything else is fair game, including the base’s housing department, the actual target of the aforementioned PPV. Put more candidly by the Base Deputy Director of Installations and Logistics, "anything not protected by Public Law is subject to contract" (Daniel E. McGrorty, Assistant Fire Chief, personal interview, July 15, 1998). In a meeting held with fire department personnel on 11 Aug 98, the Deputy Director further qualified the need for PPV as "the bottom line - there is no money" and went on to expound that the Military Family Housing

Improvement Initiative of 1996 opened the door for private ventures. Eluding that decision-makers are looking at it as a way of getting a bigger "bang for the buck", he even suggested that the younger firefighters should seek employment elsewhere and the older ones should seek early retirement.

The tie that binds the CCFD and the housing department, is the $767K the housing department pays for fire protection. This equates to one Engine Company and approximately 11 FTE's, or positions.

> The issues created for managing external influence on an organization are outlined on the title page to Unit 5: Developing Influence Skills and Unit 7: Assessing Organizational Culture in the manual for the National Fire Academy's Executive Leadership course as follows (National Fire Academy, 1998):
> The road to influencing others to do what you want begins with your considering what others want (Ritcey, 1998, p. SM 5-1).
>
> The climate or culture of an organization is analogous to mortar in a brick wall. It can be so incredibly strong and supportive to the reason for the wall, or near a state of failure in need of change or repair...the effective leader is one who can assess, shape, and manage this mortar - to be a social architect (Burkell, 1998, p. SM 7-1).

LITERATURE REVIEW

Risk verses Gain

In his article on risk-based response Hunt (1998) lays out a matrix using risk-based criteria to determine location of fire companies. He also points out that this system is primarily fire response driven and only assigns a level of quality to EMS response, e.g. 80% of BLS calls within 6 minutes and 80% of ALS calls within 4 minutes.

In his commentary on the infamous "white paper" written by the Program Chairs at the National Fire Academy to the Academy’s Board of Visitors, Bruno (May, 1998,) reveals a charge that "reorganizations and budget cuts have produced chaos and placed the federal fire programs in jeopardy" (p. 16).

Fire protection within a community should not be based on run volume, but rather geographic coverage. Fewer fires do not constitute degrading a service to longer response times and less manpower. In his article discussing staffing cuts Smith (1998) touches on city managers willing to risk the odds to balance the books. Introducing Quints or Rapid Intervention Teams (RIT) should be recognized as a safety factor, not a tool for cutting more personnel. Resource allocation is another viable management tool, which could be used to close certain areas and redistribute the resources until such time as the area becomes viable again.

Martin (1997) lists some variables in her comment on privatization. While touring a B-1 Bomber aircraft, her tour guide explained that the ejection seat was awarded to the lowest bidder. How about Morton Thiokol and the defective "O" ring that sent the Challenger into a million pieces? Yet to get someone removed from a public job is substantially more difficult than one in the private sector. Private companies like UPS offer an efficient service, but are prone to strikes.

Cruickshank (1997) provides an ethical look at privatization. True entrepreneurs live and let live as long as it profits them, unlike the public servant whose call it is to look out for others. Whose rules do we play by?

In a recent on-line article by Srisavasdi (1996), Clair Burgener, chairman of the Board of Regents for the State of California states, "How would we privatize a law school that is on campus? And does privatization mean the school would have to pay rent for the buildings?" (p.1). The statement was a response to the recent proposal by Gov. Pete Wilson to privatize management of a University of California law school. Four schools in all, they currently receive most of their funding from the State. While maintaining privatization will benefit the state, the arguments of expensive transition costs and who’s going to pay for it, remain. Certainly, privatization will result in an increase in attendance fees. Bottom line arguments are that the state can no longer handle financial responsibilities for professional schools. Created in response to a task force investigation of statewide government organizations, the Governor's initiatives remain to some regents as suggestions to be considered by the universities.

Privatize Social Security? O'Neill (1996) speaks to several measures pending in Congress that would replace what we now know as Social Security with private savings accounts tied to the stock market. Although periodic adjustments are allowing the Social Security System to meet its obligations "well into the next century", long-term viability concerns have pried the door to privatization open. The AFL-CIO charges Wall Street interests with 'exaggerating' long-term financial problems. Their interests? A share of privately run accounts. The current Social Security system costs are "less than 0.7 percent of annual benefits compared with administrative costs at private insurance companies that are, on average, 40 percent higher" (p. 1).

Carter (1998) suggests a combination fire department as a solution to impacts of privatization. Suggesting the use of career personnel to cover daytime staffing problems, it really boils down to the safety and well being of the people served that should guide decision makers.

Welser (1998) suggests fire departments who are not active in the defining and/or redefining of their organizations run the risk of leaving their future in the hands of decision makers who care little about the work, tradition, or future of the fire service. "In following the law of thermodynamics, every living system deteriorates and eventually decomposes unless energy is continually added to it" (p.9).

"What was once considered sub-standard is now an accepted norm and justified on the grounds that it is 'lean' and 'cost-effective' but is really 'pure baloney'" (Bruno, March, 1998, p. 14). It takes two companies to do what one used to do. In terms of vehicles responding, sometimes a triple response. Since very little fear of negative public reaction exists, fire departments are still viewed as the place to save money (Bruno, March, 1998).

Ludwig (June, 1998) reports that The California Emergency Medical Service Act of 1980 directs regional county EMS agencies to be established. This closes the door to cities and fire districts that want to regulate whether public or private agencies provide EMS transport within their jurisdictions. When San Bernardino and a handful of other cities within San Bernardino County enacted regulations to govern ambulance transport, the county sued. The California Superior Court ruled in favor of the fire service and the cities in 1993. An appeal to an appellate court was also rendered favorable to the fire service and cities in 1995. In response to the rulings, several city departments, including Ventura, started their own programs under the contention of poor service being provided by private concerns. Pruner Health Service provided three ambulances to the city of Ventura, however, it was not unusual for two of the three to be off doing transport elsewhere, leaving only one, on the fringes of the city, to protect it’s 10,000 residents. Pruner filed against the city and lost it’s bid for an injunction in June 1996. The appellate court decision of 1995 was appealed to the California Supreme Court and this time issued a ruling in favor of San Bernardino County, stating in short that "the city may not expand it’s services beyond the types of emergency medical services it provided as of June 1, 1980" (p. 35). Thus, cities who had started their own EMS programs were now forced to dismantle them. This included Ventura despite the fact that residents and city officials testified of measurable proof that the fire department was providing faster, better, and less-expensive emergency medical care. The removal of the ambulance service would leave a $750,000 hole in the budget and it was unlikely the city could foot the $350,000 bill to continue to staff its engines with paramedics as proposed by the county.

Sinclair; Maniscalco (1998) expose the chaos created by the consolidation of the ambulance industry. Citing Laidlaw/American Medical Response (AMR) and Rural Metro as the two big invested-fund companies which are aggressively sucking up EMS services across the country. Prior to being bought out by Laidlaw, AMR battled fire departments and filed lawsuits against them for taking away the market share and waged media blasting campaigns berating the fire service. Rural Metro’s recent alliance with San Diego City Fire Department is in jeopardy due to a lawsuit filed by AMR. Because these moguls have vast amounts of capital, they can swoop into a community and topple the "mom and pop" companies.

Citing again the MCAGCC Deputy Director, entering into a PPV regarding base housing would allow the base to secure upwards of 400 new housing units without the hassle and delays of MIL-CONS. It would also free up FTE’s which could be added to the quest for achieving the MCAGCC Wedge (Deputy Director, MCAGCC Installations Directorate, departmental meeting, August 11, 1998).

Win Some, Lose Some

Seminole County Fire Rescue, Florida, won their battle with Rural Metro and AMR to provide first response and EMS transport because they had the better operational and economic proposal. On the other side of the economic coin, the California Supreme Court ruled against the City of San Bernardino in citing that Counties, not the political subdivisions of cities and fire districts, determine how EMS will be delivered. Because of this ruling, several fire departments have had to defrock their programs and lay-off paramedic/firefighters (Ludwig, January, 1998).

Again, Bruno (January, 1998) in discussing the Phoenix Fire Department approach, suggests customer service that goes beyond the fires and EMS calls may be the answer in salvaging fire-rescue services. Fire departments that have the support of voters make a big impact on otherwise hard-nosed city administrators. Marketing yourself to the "voters" can be as simple as the follow-up after a traumatic call, providing a hand in the recovery of sentimental items, or giving someone a lift after the fire. As Chief Brunicini often says, "no one ever sends him a letter citing the excellent way the fire companies performed vertical ventilation, but they sure do thank him for saving pets and personal belongings, and just plain being nice" (p. 10).

What would happen if you called 9-1-1 and nobody came? Dubbed the safest place to have a heart attack by a *60 Minutes* broadcast, the Seattle and King County Medic One Program was almost voted out of service when voters rejected the 4-cent raise in the tax levy that was used to fund the program. Though officials went back to the planning room and came up with a 3-year tax levy to save the program, the main theme was to move the Medic One program to become a basic government function rather than one subject to voter approval (Ludwig, March, 1998).

According to *Privatization* (1998) the Manitoba Government Employees' Union (MGEU) lists ideological blindness as a reason governments privatize. That somehow the private sector deserves a piece of our pie. Another is a cash fix. Instead of fixing the problem, say maybe a fair tax system, it sells off assets for short-term cash. The winners? Privateers who provide less service for more money. The losers? Government employees who lose their jobs and the public with lost or reduced services. Some tactics include downgrading a service and then saying the private sector could do it better. Of course cutbacks of funding or hours is a common tactic, and finally, efficiency experts and total quality management programs. What can employees do? Find another job, take early retirement, or fight back. Fight back strategy should include marketing the negative impacts on the public.

On a global scale, *Enterprise Reform* (1998) outlines a program sanctioned by the United Nations Conference on Trade and

Development (UNCTAD) Ad Hoc Working Group that seeks to provide assistance to Governments in forming and implementing privatization policy. The article further states that "enterprises are the key factors in the development process, the driving force behind inter-related flows of trade, investment, and technology" (p. 1). The objective? To promulgate understanding of privatization issues in such sectors as public utilities, e.g. private development of utility infrastructure.

Success Stories or Scams

Dennis (1998) lists the Air Force as "vigorously pursuing outsourcing and privatization programs to save resources for investment in vital modernization and quality of life programs" (p. 1). Along with listing several bases where outsourcing aircraft maintenance has occurred and "yielded significant savings", he states that the Air Force’s JUMP START program identifies potential candidates for competition and lists among the exempt the "inherently governmental, military essential, and legislatively protected activities" (p. 1). Among the nonexempt for privatization? Military family housing and utilities. Dennis (1998) further states that the Air Force’s first attempt at public private venture was at San Antonio, Texas. By successfully bidding out the C-5 aircraft periodic depot maintenance (PDM), the Air Force stands to save an estimated $190 million over the next seven years.

In contrast Morris (1998) cites the case of the University of Minnesota who saved $433,000 by sending its laundry to a private firm. Further investigation reveals the savings came from lower wages paid by the private service. Morris (1998) quotes Cindy Richards of the editorial board of the Chicago Sun Times as saying "Privatization is fine if it will save taxpayers by improving service, efficiency, or productivity, but if outside contractors do the job cheaper only because they pay their workers less, they don’t deserve our tax dollars" (p. 1). Everything from prisons to sidewalks is being privatized and the main focus is dollars and cents. What about democracy? Private firms are not subject to the same rules as public ones. Citing the restraining order issued by the Government on the use of lethal force on escaping prisoners after the Ruby Ridge incident, private contractors who guard our prisoners declared themselves immune from the will of the people. Morris (1998) suggests that privateers are "literally reinventing government in their own image" (p. 1). Private governments offer taxes and services like traditional governments, but they do not comply with the one-man, one vote system, but rather one dollar, one vote. He who pays the taxes possesses the vote. In a democracy, citizens who do not elect to increase the gas tax in order to make more roads, means there will be no more roads. In a privocracy, the state contracts it out and we now have a toll road. If commuters are willing to pay $2.50 to save 25 minutes then the road will be a success. The wealthy will decide, not the general voter. Finally, Morris (1998) quotes Princeton Professor Paul Starr "Privatization diminishes the public sphere - the sphere of public information, deliberation, and accountability" (p. 2). The rush to privatize seems to be happening without answering questions about how it will affect our sense of community, our concept of citizenship, or it’s compatibility with a workers right to earn a livable wage.

"One of the first major steps in this process is to identify which workloads lend themselves to privatization," (p. 1), said Gen. Henry Viccellio Jr., Commander of Air Force Materiel Command at Wright-Patterson Air Force Base (Hodge, 1997). In her article discussing Air Force privatization prototypes, Hodge paints a compatible picture of public private venture, stating that the effort "capitalizes on the strengths of both sectors" (p. 1). Further quoting Gen. Henry Viccellio Jr., "for the work force, the upside of privatization is that unlike other BRAC-directed closures, many of or former civil service employees could continue working in the same facilities, performing the same or similar jobs and using the same equipment - but as employees of private contractors" (p. 1).

Legal Links and Other Factors

CMC (May 12, 1992) states, "any intent to reduce the staffing below the specified criteria requires full justification and risk analysis through the chain of command to DASN(E&S)" (p. 1). It further directs activity commanders to contact the office of the Commandant of the Marine Corps for evaluation and appropriate risk analysis.

Grandwrath (Aug 1998) outlines a case of legal consequence involving a civilian employee who works for a contractor on a military installation in California who is facing charges of murder. It seems this employee signed a form releasing a contractor to pick-up a million pounds of scrap metal which contained a live tank round. This round, which had been lying undetected in the mound of metal for over two years, exploded when an inexperienced worker in a junkyard decided to use a blow torch to separate the aluminum from other metal.

OSHA "2in/2out" rule mandates that there will be a rescue team fully protected with turn-outs, SCBA, and minimum 1 ½ line standing by and ready for immediate intervention in the event a rescue is required for firefighters operating inside a burning building (Bruno, February, 1998).

Labeling the "2in/2out" OSHA regulation as a "tool to arouse city fathers to change their attitudes about acceptable levels of human resources at a working fire", Manning (1998, p. 4) states that the reality may be that fire departments will be caught short and face tough decisions in keeping fire ground operations legal.

MCO P11000.11B (1997) establishes a minimum staffing level based on 4 persons per apparatus (emergency vehicle) times the 2.72 position-staffing factor. The number of pumpers, aerials, rescue apparatus assigned is dependent on the calculated fire flow for the facility. The fire flow is based on a risk adjusted fire flow and 750 GPM for fire department pumpers. The assumption of risk is one-third, therefore the number of staffed engine companies is calculated by dividing two-thirds of the established fire flow by 750.

MIL-HDBK 1008C (1997) establishes the accepted fire flow for all DoD components.

The CUPE (1997) suggests that what gets counted as cost depends on the accounting method used, either direct or full cost accounting. Under direct cost accounting only variable costs such as direct labor, materials, and other costs that fluctuate as the goods or services increase or decrease, are counted. Under full cost accounting only fixed costs, such as buildings, administration and equipment that will remain unaffected by the rise and fall of production, are counted. "Privatization usually affects only the variable costs of an operation. In most cases, the whole aim is simply to replace unionized workers with lower paid labour" (p. 1). Conversely, full cost accounting allocates a portion of fixed cost to each operation and adds it to the direct costs. This method is used to calculate the savings by privatizing, usually by arguing that the fixed costs will decline over the long term, thus "showing" a future savings by privatizing. The other side of the coin is that simple organizational changes may reduce overheads without privatization. Any savings claimed as a result of full cost accounting is speculative and should not be sold to the taxpayer as real cash savings. The real test, *The CUPE* (1997) says, should be "the direct impact it has on costs paid by the taxpayer, not hypothetical predictions for future savings" (p. 2). Estimating in-house overheads that will not be affected by privatization results in false cost savings.

Inherently governmental functions (1998), along with listing specific inherent government functions, states that "the government should not contract out its responsibilities to serve the public interest or to exercise its sovereign powers" (p. 1). *Impediments to privatization* (1998) lists items which may impede privatization, including legislative action which prohibits outsourcing of firefighting. It states that DoD's reason for being is "to conduct military operations in defense of our national interests" (p. 1). In doing so command, management, planning, and contracting become inherent functions of the core function. Beyond those and directives from Congress or the President, other services, such as housing, are not essential to conducting inherent functions. These functions then should be privatized and/or divested by allowing the local economy to compete for and provide services directly to the consumer. This personal service which may be considered quality of life and/or retention of employees can then be commercialized along with eliminating the government service and placing the savings in military pay and allowances. *Impediments* also lists DoD's A-76 circular which gives government employees the right to compete for work before outsourcing.

LOI 1-98 (1998) outlines the strategic plan for cost saving measures at the local level, specifically MCAGCC. It outlines initiatives mandated from the national level that military services become cost efficient and lists competitive sourcing, privatization, and private sector "better business practices" as avenues to get there. In February of 1996, the Deputy Secretary of Defense issued a memorandum to the Secretaries of the Military Services which made outsourcing and privatization a priority and required each services plan to be included in the FY98-03 Program Objective Memorandums (POM). The Marine Corps expects to see a $110 million savings by FY00 which is expected to continue annually thereafter. These savings, affectionately called the "wedge" have already been prorated for FY00 and MCAGCC has been assigned its share. Thus, MCAGCC has initiated its cost reduction initiative (CRI) to meet this demand.

Among the guiding principles provided by the *LOI 1-98* (1998), MCAGCC has been instructed to develop the most efficient organization (MEO) which follows the concept of the A-76 circular in attempting to make each functional area competitive to outsourcing and privatization. Among the cost-saving measures are better business practices, or benchmarking, which measures in-house and outsource practices against the best private enterprise practices. This would include Activity Based Costing (ABC) and outcome-based contracting. In addition, privatizing non-inherently governmental functions, commercialization, outsourcing, regionalization, and public private venture tools are among the long list of measures to be applied and tried. There are two strategic focal points to be considered and they are to 1) implement best business practices, and 2) reduce infrastructure costs. This is expected to be accomplished in three phases: 1) activity based costing, 2) develop an efficiency status business case analysis and reengineering, and 3) implement the commander's decision.

The *LOI 1-98* (1998) goes on to discuss the development of teams to conduct the analysis, challenging them to "ask the tough questions" (p. 2), i.e., policies, legislation, and redundancies that impede efficiency. The Installations and Logistics Directorate at MCAGCC is charged with leveraging efficiencies using PPV to "replace/revitalize significant portions of family housing.." (p. 3). The execution of the *LOI 1-98* (1998) is outlined in section 3(a) expounding the Commanders intent:

> I want us to achieve this CRI initiative by getting us to an organization that is efficient and competitive in its service and support processes, yet be cost effective and continue to accomplish the MCAGCC mission without any reduction in goods and services or quality of life (p. 3).

The *Competitive Sourcing Bulletin* (1998) reemphasizes the strategy discussed in the *LOI 1-98* and adds utilities to the list of MCAGCC privatization pursuits.

Appendix B (1998) outlines a key accomplishment to strategic focal point #1 as utilizing a business perspective of efficiency and competition. A key accomplishment to strategic focal point #2 is to consider regionalization and consolidation by asking what should we keep, what should we contract, and what should we eliminate. Among the objectives is to privatize housing and utilities. Another key accomplishment is to reduce workforce-related expenses. The metric used here is service and goods cost savings by reducing entitlements, consumption of materials and utilities, and determining the need.

Money, Money, Money

According to the *Table of Organization* (1997) labor dollars for CCFD total approximately $2,448,283, including benefits and the $767,785.00 indirect support from family housing. To break it down by functional area, fire suppression equates to $1,680,237; communications equates to $167,226, fire prevention equates to $259,335, the training division equates to $45,453; and the administrative section equates to $109,335. The average pay based on a total of 21 firefighter’s real wage is $43,975; the average pay based on a total of 6 driver/operator’s real wage is $46,890; the average pay based on a total of 6 lead firefighter’s real wage is $55,757; the average pay based on a total of 4 assistant chief’s real wage is $48,644; the average pay based on a total of 5 communicator’s real wage is $33,445; the average pay based on a total of 4 fire prevention officer’s real wage is $44,247; the average pay based on a total of 1 administrative support’s real wage is $33,083; and the average pay based on a total of 1 fire chief’s real wage is $76,252.

The assumption of the *LOI 1-98* (1998) is that through utilizing a widespread mix of cost-saving measures, MCAGCC will achieve its wedge. To do that, they need to save $5 million.

Section 1.D(3)c of *Notice* (April 6, 1998) establishes that MCB Camp Pendleton will provide fire and police protection under PPV and that the contractor, or Offeror, will reimburse the Base for such services.

Grandwrath (June, 1998) provides a basic assumption that the fire department's existing budget will be reduced by two possible scenarios: 1) loss of $767K and 2) loss of half that, or 383K. He goes on to summarize the need for legal and/or regulatory requirements as they apply to resources, costs, options, contracts, consolidation, and risk assessment.

According to Methvin (June, 1998) any loss of the housing fire protection reimbursable could impact the fire department by the closing of a station, loss of engine company, reduction in service levels, i.e., down grade from a hazmat level "A" response team to hazmat first responder, reduce or eliminate services provided to the Combined Exercise Base and Expeditionary Airfield, and emergency medical transport. He also lists possible privatization of the communications 9-1-1 center.

According to Methvin (October 22, 1998) a feasibility study conducted in 1993, CCFD communications could be effectively contracted to San Bernardino County for approximately $35,000 annually. The current communications department costs approximately $250K to run annually, including labor. He goes on to explain that what must be remembered in consolidation efforts with the ARFF and CAX fire protection units, is that their primary mission is aircraft. Consideration should be given to the level of service currently provided and if it can be maintained through consolidation. Notwithstanding, Methvin is careful to point out the need for Union negotiations on any changes in working conditions.

In a recent newspaper article profiling San Bernardino County Fire in Yucca Valley, California, Miller (1998) discussed the City's cost recovery program. As alternative funding sources dry up, funds are recovered from the culpable sources, in this case the resident whose welding torch torched off the desert. Although departments using a cost recovery system don't always bill the offender (accidents do happen), it is effective. And of course, funds stay within the district where the incident occurred.

San Bernardino County Fire's cost recovery for EMS is based on flat rates of $279.00 for BLS and $565.00 for ALS. They also charge a flat rate of $11.00 per mile and $24.00 for the use of oxygen (Jay Dimoff, Firefighter/Paramedic, personal interview, 24 Oct 98).

Summary

The reviewed literature identifies (a) a universal move to privatize, (b) strong legal support against contracting fire protection, (c) mandates impeding a RIF action, (d) strong support and mandates for PPV, (e) cost effective options available to the organization to minimize RIF, and (f) strong support for reorganization (RIF action of some type may be unavoidable). Review of data collected may provide sufficient information for the development of a table series that represents this project's desired result and output.

PROCEDURES

Definition of Terms

RIF: Reduction in force of personnel due to closing of bases, consolidation of functions, loss of funds, etc. Can be voluntary or involuntary and/or through attrition.

Real Wage: Actual pay based on person holding position.

FTE: Full time equivalent, which equates to a full time employee.

MIL-CONS: Military Construction contracts that require a lengthy approval process and cannot be changed once approved.

EMS: Emergency Medical Service.

BLS: Basic Life Support.

ALS: Advanced Life Support.

White Paper: An official policy-type paper.

CMC: Commandant of the Marine Corps.

ARFF: Aircraft Rescue Fire Fighting.

Fire Rigs: Slang terminology for fire engines.

Most Efficient Organization (MEO): Terminology given to strategy that prepares government organizations to become competitively more efficient with private counterparts.

DASN(E&S): Department of the Secretary of the Navy; Engineering and Safety.

Research Methodology

The desired outcome of this research project was to create a table series, which would provide alternative solutions to meet the data call of PPV, thereby avoiding a RIF of personnel. The research was historical research in that a literature review was conducted to gather data associated with privatization, such as risk-based response, impact and liability, and personnel management. The information gathered was based on public law, reviews, case studies, periodicals, and interviews with affected personnel.

The research was action research in that the information gathered through historical research was formulated into four tables and submitted in response to the data call requested by the organizations higher authority.

While submission of such data does not necessarily keep the PPV from being implemented, it is likely to become an effective tool in influencing development of an action plan that will minimize the impacts to the organization and it’s personnel.

Appendix A outlines the options and projected costs, Appendix B lists options, influences, and impacts, Appendix C provides the legal and/or regulatory requirements, and Appendix D is offered to clarify the chain of command applicable to the organization.

Assumptions and Limitations

Since this is among the first recorded accounts of PPV, which has direct impact on a military fire protection organization, the inability to survey other DoD fire departments limited the research.

Since the risk assessments associated with PPV are numerous and far reaching, it is beyond the time frames established for
completion of this paper to obtain all the information that might be used in developing a comprehensive table series.

Other than establishing the total savings goal of $ 5 million and using PPV as a cost-saving measure to meet the MCAGCC wedge, only the dollars associated with fire protection are addressed in the chart.

RESULTS

Answers to Research Questions

Research Question 1.

What are the external influences (what does the dragon want)? Money, money, and money. Affectionately know as the "wedge", it is part of MCAGCC's strategic cost saving plan to meet the nationally mandated directive to become a more cost efficient military. In its quest to become a "most efficient organization", MCAGCC has moved in two areas that have impacted CCFD: 1) Activity Based Costing (ABC) and 2) PPV. While both impacts are significant external influences, PPV is by far the most invasive. To achieve a best business practice approach, MCAGCC has been charged to "replace/revitalize portions of family housing..", (LOI 1-98, 1998), using PPV. In doing so, CCFD may be in line for a direct hit to the tune of 767K. The severity of impact depends on how CCFD answers the data call with regard to legal and/or regulatory requirements, options and costs, service impacts, and risk assessments. It is clear a key accomplishment is to reduce the workforce and related expenses. (*LOI 1-98*, 1998, September; Grandwrath, June 1998; *Appendix B*, 1998).

Research Question 2.

Can a RIF action be avoided? No, and yes. It is clear fire protection cannot be contracted. At least not until the Public Law 10 USC 2465 is legislatively changed. It is also clear that fire suppression staffing is mandated and cannot be arbitrarily reduced (*MCO P11000.11B*, 1997). It can be reduced however, through strong justification and risk analysis conducted through the chain of command to the Commandant of the Marine Corps or equivalent in other branches of service (*CMC*, 1992). Remember the other external influence? ABC? In order to make fixed costs viable (*CUPE*, 1998) they must be costs that go away as a result of privatization. Reduction in personnel is the one big "reengineering" strategy that comes from the *LOI 1-98* (1998) document. "Savings realized in civilian FTE's and military billets, with corresponding funding, will be reported and counted towards MCAGCC's wedge". The primary process is competitive sourcing. Remember too, ideological blindness as discussed by (*Privatization*, 1998) may lead managers to sell off assets for short-term cash.

Buying into the buzz words "lean" and "cost-effective" as Bruno (March, 1998) suggests evokes a false pretense of risk management, in that city and government officials will accept risks based on end-cost management rather than true risk-based response. In other words they will accept the occasional loss of life and property in order to keep the operational costs down, or in this case, RIF.

Research Question 3.

Are there risks to a RIF action? Yes. A RIF may (a) lower the level of quality of EMS responses, (b) cause delays in affecting the 2 In 2 Out Rule mandated by OSHA causing compromise to firefighter safety and saving of life and property, (c) make up the short-falls through contract to the lowest bidder, leaving organizations open to catastrophic and tragic consequences, (d) create an unhealthy environment that allows managers to "risk the odds to balance the books", (e) force reorganization that may jeopardize service programs, i.e., reducing or eliminating hazardous materials response, (f) open the door for private counterparts to strike, (g) create an ethical imbalance in terms of profit over public service, (h) take two fire rigs to do what one used to do, (i) cause a degradation of service as suggested by Carter, Bruno, and Hunt, (j) sacrifice government employees for private ones who provide less service for more money, and finally, (k) result in calling 9-1-1 and hearing "this number is no longer in service".
(Hunt, 1998; Manning, 1998; Bruno, February, 1998; Martin, 1997; Smith, 1998; Bruno, May, 1998; Cruickshank, 1997; Bruno, March, 1998; Carter, 1998; Bruno, January, 1998; *Privatization*, 1998; Methvin, 1998; and Ludwig, 1998).

Research Question 4.

What are the possible options and costs? There are many suggested by the research and the most significant were extracted
and put into a table series and are provided as Appendix A through D.

Table Series Rationale

The procedures used for this research resulted in substantial information to create a "quick glance" reference table series. The first table, Appendix A, identifies what the command wants in terms of dollar savings, listed as the "MCAGCC WEDGE". Next, it identifies the two possible areas of cost reduction faced by the fire organization, listed as the "FIRE DEPARTMENT WEDGE #1: $767K" and "FIRE DEPARTMENT WEDGE #2: $383K". It then goes on to list the options available and the projected costs associated with those options.

The second table, Appendix B, also identifies the dollar savings and then goes on to list out the options, influences, and impacts. Next, it provides the top contenders for risk and gain for the command.

The third table, Appendix C, provides the legal and/or regulatory requirements surrounding CCFD's organization.

The fourth table, Appendix D, is provided to clarify the chain of command as it relates to CCFD.

The table series are designed to give the reader a brief start-to-finish look at expectations and outcomes.

The major findings of this research can best be summarized as (a) contracting fire protection is prohibited by public law, (b) the unacceptable risk is degradation of the standard of care, (c) staffing levels are mandated and already based on an
assumption of risk, (d) reducing staffing levels requires a waiver from CMC, (e) although there is substantial information to support reasons why not to privatize, they are not show stoppers, and (f) avoiding a RIF of some type may not be possible.

The most compelling legal and/or regulatory findings were the public law prohibiting contracting of fire protection and the *CMC* (1992) letter requiring a waiver for staffing level drops. Another interesting find was the fact that the number of staffed vehicles is already based on an assumption of risk.

Ludwig (1998) provides perhaps the most surprise finding to this research in his report on Seattle and King County's Medic One Program. In an era that clamors for privatization, officials are looking to place the Medic One Program into the basic government infrastructure rather than continuing with a tax-base or private one. Go-figure.

(Bruno, May, 1998; Hunt, 1998; Martin, 1997; Cruickshank, 1997; Smith, 1998; Srisavasdi, 1996); *Privatization*, 1998; Morris, 1998; Dennis, 1998; *MCO P11000.11B*, 1997; *CMC*, 1992; and Public Law 10 USC 2465).

DISCUSSION

Ideological blindness pushes the envelope of reason when it comes to money. No stranger here, the common thread that links each piece of literature reviewed: money. From Rural Metro's inexhaustible cache of funds that topple "mom and pops" to the axe-bearing long arm of the government - it's all about money. If you have enough you can get what you want, and if you cut enough you can get what you want. In between are those that succumb and those that survive. Those that succumb struggle with the reality of change and those that survive, embrace it. Certainly there are those cases that slip through the fingers of reason (Ventura City) or fool the wisdom of experience (University of Minnesota), but the Phoenix, Seminole, and Seattle-King County Fire Department's of the world live to fight another day.

There are three risks to PPV: a) reduction of personnel, b) degradation of standard of care, and c) false savings verses real savings. The question is, are they acceptable risks? Certainly real savings can be realized by the money saved through loss of the 767K for fire protection and the FTE’s currently tied to those funds and/or the FTE’s tied to the housing department. But if overhead (FTE) is still required to keep the ball rolling, how many FTE’s are real savings? According to Methvin (1998) it is feasible to consider contracting the communications center. This is a viable and cost effective option and one that results in a real savings (desired) and reduction in force (not desired). If

loss of funds results in closure of a station or forfeiture of an engine company it also results in a real savings (desired) and a reduction in force (not desired). The tiebreaker would be to determine which scenario degrades the standard of care. This then would be the unacceptable risk: degradation of the standard
of care. Consideration should be given to the age-old tradition of selling to the lowest bidder. Certainly the bid that included the defective "O" ring that traumatized space history could be considered a breech in the standard of care expected from the
space folks. Caution must prevail to avoid the pitfalls of ideological blindness that sells the sole of government to the lowest bidder or the privateers who invent government to bend to the dollar and not the person. A final caution would be to ask the questions about sense of community, citizenship, and the right to work for a livable wage.

It must be realized that the military fire protection’s mission is aircraft, not structure, medical, or hazmat. The same could be said of fire protection that may be provided by the military units visiting for combined arm exercises (CAX). It must also be pointed out that the OSHA mandate of "2 In 2 Out" applies across the board and must be satisfied to be in compliance. Risk-based response as described by Hunt (1998) must be considered. Any reduction of care would be unacceptable in terms of what is morally right and could open the door to liability. It boils down to the safety and well being of those served (Carter, 1998).

Though not show stopping, consideration should be given to the chaos, usually resistance to change, that budget cuts and reorganization have on an organization (Bruno, May, 1998).

In light of all the risks, ethical proclamations, regulatory requirements, the push to "balance the books" at any cost, reduction of personnel, questions of who pays who for what, entrepreneurs and privateers, or the realization of "real savings", what the Base wants, and has been directed to do, is a PPV with base housing. In doing so, it will cut 767K in fire protection funds. To remain status quo, the organization must convince the Base to absorb the 767K. It is an option, but unlikely. The argument voiced by Bruno (March, 1998) that fire departments are viewed as the place to save money would not apply here. In all of CCFD history, this is the first time they have actually been punched for money.

Let’s face it, the Air Force has "JUMP STARTED" into it and the United Nations sanctions it (Dennis, 1998; Enterprise reform, March 20, 1996). CCFD managers must be realistic. Contracting and privatization are occurring DoD-wide and MCAGCC is not an exception. The question is, will CCFD be a victim of the process or a survivor? (Bruno, May, 1998; Hunt, 1998; Martin, 1997; Cruickshank, 1997; Smith, 1998; Srisavasdi, 1996); *Privatization*, 1998; Morris, 1998; Dennis, 1998; *MCO P11000.11B*, 1997; *CMC*, 1992; and Public Law 10 USC 2465).

RECOMMENDATIONS

Although reorganization creates chaos, (Bruno, May, 1998), and may result in a RIF action of some type, in light of the alternative which is an all out RIF and degradation of the standard of care, it is clearly the better choice and is recommended to the organization. Under reorganization, CCFD can explore viable options such as cost recovery and realignment of positions within the organization. Using the table series developed by this research, CCFD can effectively conduct further research on cost and impacts, and construct a "most efficient" organizational structure which is desired by the *LOI 1-98* (1998).

Welser (1998) sums it up best when he states, "In following the law of thermodynamics, every living system deteriorates and eventually decomposes unless energy is continually added to it". Dragon beware!

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APPENDIX A

OPTION AND COST TABLE

MCAGCC WEDGE: **$5 Million**

FIRE DEPARTMENT WEDGE #1: **$767K**	FIRE DEPARTMENT WEDGE #2: **$383K**

OPTIONS	COSTS
Status Quo	767K to Base Public Law 10 USC 2465
Contract 767K from Offeror	767K to Offeror or Contractor No risk to Command
Contract Communications	383K from D6 Cost Center Moderate risk to Command Reduction in force
Close One Fire Station or reduce one Engine Company Consolidate to ARFF	821K in FTE's Considerable risk to Command in terms of *standard of care and meeting OSHA 2 In 2 Out Rule *ARFF mission is Aircraft
Reduce by Two Inspectors	89K in FTE's Moderate risk to Command Degradation to fire prevention services
Cost recovery for EMS transport	125K for BLS 229K for ALS Cost based on San Bernardino County Fire transport cost of $279 for BLS and $565 for ALS, plus a flat fee of $11.00 per mile and $24.00 for Oxygen. Average calls per year are 360. Minimal risk to Command.
County Assessment Recovery $220.00 per housing unit	392K based on current housing units, including trailers. Minimal risk
Reorganize fire department infrastructure	98K Eliminate two Asst Chief FTE's 33K Eliminate one Admin Support FTE 383K Contract Communications 89K Eliminate two Prevention FTE's Total: 603K Moderate risk to command in terms of degradation of Fire Prevention Program and local communications (security). One or all of these may be combined with other options to achieve a Most Efficient Organization (MEO).

APPENDIX B

INFLUENCE TABLE

MCAGCC WEDGE: **$5 Million**

FIRE DEPARTMENT WEDGE #1: **$767K**	FIRE DEPARTMENT WEDGE #2: **$383K**

OPTIONS	INFLUENCERS	IMPACT
*Status Quo	*Public Law 10 USC 2465 *OSHA 2 In 2 Out Rule *MCO P11000.11B	*No Change
*Loss of 767K	*PPV of Housing	*Reduction in Force
*Contract 767K from Offeror	*PPV of Housing	*Status Quo
*Loss of 383K	*PPV of Housing	*Reduction in Force
*Contract 383K from Offeror	*PPV of Housing	*Reduction in Force via reorganization
*Close One Fire Station or reduce one Engine Company *Consolidate to ARFF	*Loss of 767K	*Violate Public Law 10 USC 2465 *Violate MCO P11000.11B *Degradation of Standard of Care *No services for CAX & EAF *Reduction in Force *Delay in 2 In 2 Out Rule
*Reduce by Two Inspectors & 5 Communicators	*Loss of 767K	*Violate MCO P11000.11B *Degradation of fire prevention services
*Cost recovery for EMS transport	*Optional funding avenues	*No reduction in force
*Reimbursables from Hospital	*Optional funding avenues	*No reduction in force
County Assessment Recovery $220.00 per housing unit	*Optional funding avenues	**No reduction in force
*Contract Communications	*Loss of 383K	*Security Issues *Reduction in force
*Reorganize fire department infrastructure	*Realign positions to recover lost funding	*Organizational change *Union Involvement *Some reduction in force

RISK/GAIN OF PPV TO COMMAND TABLE

RISK OF PPV	GAIN OF PPV
Reduction of personnel (RIF)	767K towards MCAGCC Wedge
Degrade Standard of Care (services)	Additional housing units
False savings verses real savings	FTE savings in terms of labor dollars

APPENDIX C

LEGAL AND REGULATORY REQUIREMENTS

10 USC 2465

Public Law prohibits contracting fire protection

MCO P11000.11B

Marine Corps Order requires minimum staffing of engines as 4.

Establishes number of engines based on fire flow.

Establishes rapid response criteria of a max 9 minutes to housing areas.

Staffing credit given for HazMat Response Team.

Establishes fire prevention staffing based on base square footage (except housing).

29 CFR 1910.134

OSHA Respiratory Protection requires a two-man rescue team for every two-man entry team.
2 In 2 Out Rule

MIL HDBK 1008B

Establishes fire flow.

DODI 6055.6

Establishes minimum staffing levels for personnel and appartus.

Establishes fire prevention staffing based on base square footage (except housing).

APPENDIX D

COMMAND ORGANIZATIONAL CHART