
US Army Installation Restoration Program Performance-Based Contracts

By Mr. Randy Cerar

Before the introduction of environmental laws in the 1970s, Army employees and contractors disposed of contaminants in accordance with the best and safest known engineering practices of the time. Previously acceptable disposal practices, coupled with decades of training and operations on Army property, have resulted in environmental concerns at many Army installations.

Status of the Installation Restoration Program

About three decades ago, the Army began formal studies into the impact of past disposal, training, and operations practices on the environment. Based on the results of those studies, the Army made a commitment to clean up environmental contamination. The Installation Restoration Program (IRP) was initiated for both active and excess installations; the goal was to complete cleanup of 1,080 installations by the end of fiscal year 2014. Cleanup under the



Photo by Jean Skillman, USAEC

Groundwater samples are collected in vials at Fort Leavenworth, Kansas, for laboratory analysis. Volatile organic compounds are analyzed on a regular basis, and the results help determine the effectiveness of the remediation.

IRP, which is now about 90 percent complete, has cost \$4.9 billion. Closeout of the remaining 10 percent of the sites is expected to be challenging, as schedules have slipped, cost-to-complete estimates have increased, and installations have been achieving only 60 to 70 percent of their planned milestones. Many of the remaining sites are the most technically challenging cleanup projects. In many cases, multiple technology demonstrations have been conducted in an effort to clean up the residual contamination.

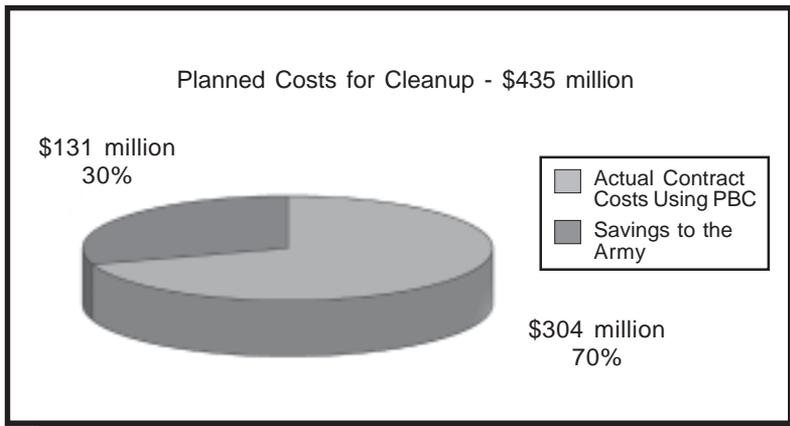
A Change in Army Strategy

Army leaders realized that in order to complete their restoration mission, business practices would need to be changed. Consequently, in 2002, the Army implemented the use of performance-based contracts (PBCs) for environmental cleanup. Performance-based contracting originated from reforms mandated to all federal agencies by "The President's Management Agenda." These reforms emphasize *results* rather than *process*. Using PBCs, the government does not dictate *how* contractors who have been hired to conduct environmental cleanup will achieve project

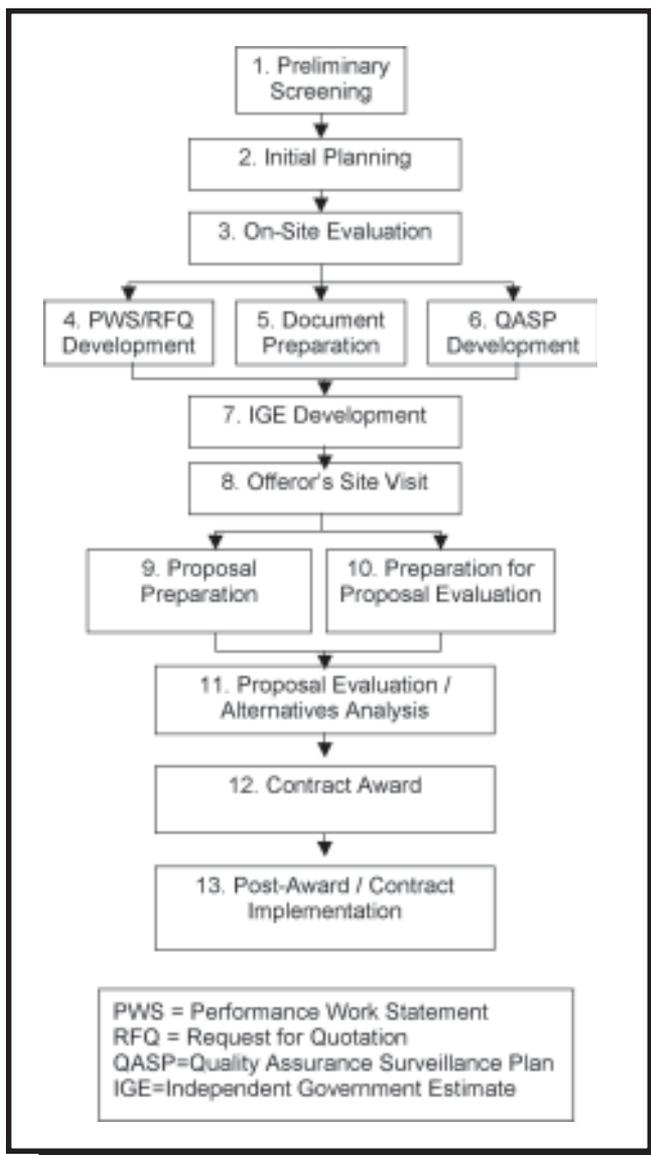


Photo by Jean Skillman, USAEC

An environmental scientist monitors the injection pressure of the in situ remediation at Fort Leavenworth, Kansas.



Performance-Based Contract Savings



Phases in Implementing PBC for Active Army Installations

objectives—only that they *will* achieve those objectives. This approach allows military services to purchase safe and effective environmental cleanup for a fixed price and under a set schedule. Because the Army no longer dictates how private firms will conduct the cleanup, the firms have more flexibility to solve cleanup challenges in a cost-effective way. PBCs can also be used to implement innovative solutions to challenging technical problems and allow for incentives for private industry to take on these more difficult projects.

Performance-based contracting requires the contractor of an environmental cleanup project to achieve specific objectives outlined in a performance work statement—normally for a fixed price. The contractor may be required to buy insurance to offset the risk of additional costs if cleanup expenses exceed the contract price. A PBC for environmental cleanup does not relieve the Army of the ultimate environmental liability for the project. However, it does shift more responsibility and accountability for the cost, schedule, and results of the project covered by the contract from the Army to the contractor.

To date, the Army has awarded 21 PBCs, totaling approximately \$304 million. When the award costs of the PBCs are compared to cost estimates for traditional “cost plus fixed fee” types of environmental contracts, the Army savings are estimated to range between 17 and 30 percent.

Lessons Learned

While reviewing the efforts of other services and agencies in applying this contracting strategy, the Army learned several valuable lessons. Three of the most important were that—

- Specific and clear performance work statements minimize communication problems.
- Early communication with the regulatory agencies ensures that accurate objectives are set forth.
- Consolidation of common documents reduces the workload for reviewing agencies.

For specific examples of how various installations have used performance-based contracting, see the US Army Environmental Center (USAEC) Web site at <http://aec.army.mil/usaec/cleanup/pbc00.html>.

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