

RECORD VERSION

STATEMENT BY

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**ON INVESTING IN AN ORGANIC INDUSTRIAL BASE TO SUPPORT SERVICE
MODERNIZATION PLANS**

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Introduction

Chairman Garamendi, Ranking Member Lamborn, and distinguished members of the Subcommittee, thank you for the opportunity to testify today on the modernization and readiness of our Army's Organic Industrial Base (OIB). As you all know, the OIB is critical to the Army's ability to maintain readiness, posture for Large Scale Combat Operations, and support the Joint Force.

On behalf of Acting Secretary Whitley and General McConville, I would like to express our gratitude for your support of our Army. The OIB is a decisive piece of strategic readiness, and your support of sustainment, readiness, and other Army initiatives is critical to our success. As described in my last briefing to this subcommittee, we have stayed on track with all our initiatives despite the impact of COVID-19.

Today, our OIB is faced with numerous challenges, and it is rising to meet them all simultaneously. As we continue to operate in the COVID-19 environment, the safety of our workforce has been our immediate priority. We immediately implemented the Center for Disease Control guidelines in all of our facilities, maximized the use of personal protective equipment, and placed high-risk personnel on administrative leave. These actions enabled us to keep our workforce safe while continuing to operate—at no time during the pandemic have any of our facilities shut down. This continuity has allowed our OIB to continue executing critical work for current readiness requirements while simultaneously modernizing our weapons systems and our OIB's facilities and infrastructure.

Workload

In FY21, the OIB plans to execute over \$8 billion of work to sustain or modernize weapons systems, perform work for other Services, and support foreign military sales.

The combination of work meets Army requirements and fulfills our foundational responsibilities as part of the Joint Force. We are executing our most critical requirements, but our critical requirements don't always fulfill our core workload requirements. Our core workload requirements define the organic depot-level maintenance and repair capability required to support the mission-essential weapons systems and military equipment needed to support combatant command operations and to enable the Army to execute the strategic, contingency and emergency plans prepared by the Department of Defense. Simply stated, our core workload ensures our Army is ready for crisis and conflict. We are implementing initiatives like our Repair Cycle Float program to ensure our depot artisans maintain their skills and our depots retain the capacity required for crisis and conflict. We appreciate the strong congressional support that enables our organic industrial base, and we will continue to propose in the budget the consistent and adequate levels of funding necessary to resource our core workload requirements.

The OIB's contributions to current readiness are made through the Army's depot maintenance account in the Operations and Maintenance budget. Within our depot maintenance budget, a long list of priorities competes for funding. We have certain "must fund" obligations like safety and legal requirements, missile certification, and software updates; approximately 75% of our depot maintenance funding in FY21 went to these "must fund" priorities. Only after we fund those required obligations can we begin to prioritize readiness. We develop our depot maintenance readiness requirements by analyzing historical fleet readiness rates, operational tempo, and sustainment costs. In order to be good stewards of tax-payer dollars, part of our process is shaping a requirement we know we can execute that factors in the endless demands on the Army's budget. We achieve this by analyzing capacity and historic execution, and prioritizing our requirements accordingly.

It would be unimaginable to fund and execute 100% of the Army's depot maintenance requirements in a single fiscal year. We strategically defer some of our

maintenance, which helps us shape the future workload we need to keep our OIB skill sets and infrastructure in tact during prolonged periods of peacetime-level requirements. We also manage an appropriate level of carryover, which is work that is funded but not fully executed by the end of a fiscal year.

The Army has made great strides in managing our working capital fund carryover, and we have worked diligently with the Office of the Secretary of Defense (OSD) and our other Service partners to develop a carryover calculation and metric that provides the same actionable data for all Services. Because of our Army's Enterprise Resource Planning systems and our adherence to generally accepted accounting principles, the Army's carryover metric has included the value of materiel, artificially inflating our carryover compared to the other Service's reporting metrics. The Army's carryover calculation pilot program, pending final approval from OSD, will give us the opportunity to exclude materiel from our calculation and provide comparable, transparent data to help us better shape our behavior.

Using the Army's recommended calculation methodology, we have approximately six months-worth of carryover, which matches the Government Accountability Office recommendation. This workload will allow us to keep the OIB operating during continuing resolutions, preserving readiness and OIB posture in times of fiscal turbulence.

Facilities & Infrastructure

Modernization of weapons systems doesn't happen in a vacuum. As Army Futures Command and the Army's Office of Acquisition, Logistics, and Technology work together to deliver capabilities and modernize our Army, our OIB facilities and infrastructure must make the same strides. As I have testified to this committee before, many of our World War II-era facilities are outdated for today's requirements, let alone the needs of the future force. A modernized OIB must include emerging technology,

like robotics and artificial intelligence, and visionary plant and process layouts and machine programming. The OIB Strategic Plan provides a framework to approach modernization across the OIB, and we are putting that plan into action as we finalize our long-term way ahead.

While we are focused on our strategic plan for the future we have been executing facilities and infrastructure upgrades across the OIB, spending more than \$3 billion since 2009 to upgrade facilities, infrastructure, and operational equipment, including building a new nitrocellulose facility at Radford Army Ammunition Plant and a new nitric acid facility at Holston Army Ammunition plant.

As we plan and execute these projects we are prioritizing based on modernization requirements and emerging systems. Identifying future needs has led us to begin executing projects like cannon manufacturing improvements at Watervliet Arsenal and the new aircraft powertrain facility at Corpus Christi Army Depot. These projects are important steps in the right direction. The OIB has a long road to becoming a fully modernized industrial base able to win in the information age, but we are actively working toward that end-state.

Workforce

The nearly 22,000 skilled employees operating our depots, arsenals, and ammo plants are the backbone of our OIB. As noted before, the Army's OIB has operated through the duration of the COVID-19 pandemic—a testament to the dedication of our workforce and their commitment to our Army.

As we modernize our weapons systems, equipment, and facilities, we also need to ensure our OIB workforce is highly trained on cutting edge technology and innovation. Key pieces of our workforce modernization plan are our partnerships with private corporations, universities, and technical colleges to provide training for new and

emerging technologies and to connect with a talent pool from which to recruit the workforce of the future.

Imperative to our recruiting efforts is Direct Hiring Authority, which has been an essential effort from Congress that has yielded dividends for our efforts to hire talent. The ability to streamline the hiring process and the flexibility to transition temporary or term employees with critical skill sets into permanent positions has enabled us to maintain outstanding employees and develop a succession plan for much of our retirement-eligible workforce. The success of our modernized OIB will be dependent upon its workforce, so it is important that we do everything in our power today to attract the best and brightest.

Closing

I would like to thank each distinguished member of the Committee for holding this hearing. As our Army continues to execute workload, improve our infrastructure and facilities, and develop and employ a highly-talented workforce, we will seek your continued support and partnership in each of these areas to achieve the modernized OIB our future Army will require.