HOUSE ARMED SERVICES COMMITTEE TACTICAL AIRLAND SUBCOMMITTEE HEARING ON MODERNIZATION OF GOVERNMENT OWNED CONTRACTOR OPERATED FACILITIES

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Introduction

Chairman Norcross, Ranking Member Hartzler, members of the subcommittee, thank you for inviting me here today to discuss the critical issue of modernizing and sustaining the Army's ammunition facilities—which are operated under the Government-owned, Contractor-operated model—also known as a GOCO. You often hear from government witnesses on these topics, but as you know, industry plays a pivotal role, too. I'm grateful for the opportunity to discuss that role today and provide industry perspective on this important mission and the people who support it.

As a quick introduction, BAE Systems is the operator of two GOCO sites: the Radford Army Ammunition Plant located in Radford, Virginia, and the Holston Army Ammunition Plant located in Kingsport, Tennessee. These two sites are essential to the Army's firepower mission across a range of platforms and capabilities, such as combat vehicles, artillery, rockets, all the way down to the small-arms ammunition carried by our soldiers.

We have partnered with the Army for over 22 years at Holston and 10 years at Radford. Both sites have played a key role in every conflict since World War II due to the highly energetic munitions they produce, and provide unique benefits to the U.S. Government unmatched by any other facility in the world.

Radford is capable of producing mass quantities of solvent and solventless propellants to support direct fire, indirect fire and rocket applications. The facility uses a range of ingredients in its propellant-making process, including nitroglycerin and nitrocellulose. Radford is currently the primary supplier of solventless propellants, and the primary manufacturer and supplier of nitrocellulose.

At Holston, we produce Research Department Explosive (RDX), High Melting Explosive (HMX) and Insensitive Munitions (IMX). These products are not only used for ammunition production and development, but also for rocket applications and bomb fills, as well as explosive contents critical to strategic nuclear deterrence.

On the surface, it may appear that GOCO sites have common themes and adjoining elements, but not all GOCO sites in the Organic Industrial Base are created equal. Radford and Holston have common elements such as large acid chemical plants, but they are unlike other GOCO facilities that are primarily mechanical load, assembly and pack facilities, or storage and demilitarization facilities.

The history of Radford and Holston is profound. Both sites were built in under 18 months with the community, workforce, and our country rallying around this crucial capability in the defense of our nation during World War II. We are at another inflection point in history for the modernization of these sites.

Continuing to modernize and transform both the Radford Army Ammunition Plant and the Holston Army Ammunition Plant into state-of-the-art chemical processing facilities should be the highest priority, as our nation's munition supply chains start at these two sites. It is vital for our national security.

People

I would like to talk to you first about our workforce who make everything possible. I have the distinct honor of working alongside our Army customer to lead both of these sites and the dedicated employees that support them.

We lead a team of over 2,100 BAE Systems employees across both sites, as well as a number of subcontractors and on-site US Armament Retooling and Manufacturing Support—or ARMS—tenants. Our hardworking employees partner with the Army to ensure that each site is run as safely and efficiently as possible to meet or exceed the Army's expectations and its warfighting requirements. The sites essentially function like two small cities that work to complete our mission with innovation, modernization, and manufacturing, but also construction, maintenance, transportation, electrical generation and distribution, as well as water filtration and a supporting administration workforce. They are robust and complex operations.

I would be remiss not to mention the dedication and perseverance of our people at Radford and Holston through the COVID-19 pandemic. While many of us who work in offices shifted to working remotely from home, our production employees were asked to show up for work every day under difficult circumstances to continue fulfilling their vital mission on behalf of the Army. It was a tough situation and they confronted it with courage and determination. I am proud to be representing all of them today. They, along with others in the defense industrial base who did the same, deserve our gratitude.

Safety & Environmental Performance

Holston and Radford provide the ingredients crucial to global joint and coalition operations. And that capability comes with some risk. The business of working with sensitive chemicals to produce explosives and propellants is inherently dangerous, and we have faced accidents and incidents in the past that we work hard every day to prevent in the future.

In recent years, we have implemented a range of process safety improvement and OSHA measures. Today, we have an excellent process safety management program that helps reduce risk. However, modernizing these facilities and introducing safer technologies and processes through additional funding would provide the best enhancements to promote a safer environment for our workforce.

BAE Systems' commitment to our workforce does not stop with safety. It extends to the communities in which we operate and live. Substantial progress has been made at both sites in recent years to reduce their environmental impact. We've delivered the most sweeping progress made since the sites went into operation in the 1940s. The historical record clearly demonstrates our success and our commitment to driving further improvements. At Radford, this includes the elimination of our coal-fired powerhouse in 2017 and the reduction by 50% in the amount of "open burn" waste being treated since 2018, through continuous waste reduction and process improvements. At Holston, we eliminated the use of the coal-fired steam plant in 2021, and introduced a natural-gas fired steam plant. While we've made progress and have a strong plan, we still have a long way to go.

Our warfighters also deserve the safest products. Our best-in-class Research & Development team has been focused on technological innovations for soldier safety, including the development and delivery of Insensitive Munition Explosives for increased stability and safety over traditional explosives during use and transport, as well as increased resistance to enemy fire or accidents on the battlefield.

Commitment to the Future

As you listen to the witnesses' comments today, I want to share three perspectives I hope will stick with you as you think about the importance and challenges of modernizing facilities like Radford and Holston.

First, the modernization of these sites is a long-term journey. These are capital-intensive sites, and projects of any meaningful size take years to execute. Both sites have undergone limited modernization over the past 20 years. A commitment to a long-term strategy, as well as stable and predictable contracting, is essential to transforming and modernizing Radford and Holston through complex mega-projects that will take place over time. This is a journey that requires a consistent and determined focus over the long run.

More Funding Accelerates Improvements

The commitment to more funding would accelerate improvements for the scale of modernization required. Over the last decade, these sites have seen improvements, including a billion dollar investment in RDX capability expansion at Holston and tens of millions of dollars in investment for a new nitrocellulose facility at Radford. BAE Systems itself has invested more than $100 million at both sites combined.

While this is a substantial amount of funding, I think it is important to understand these investments are for building replacements to maintain the current process. There has not been timely, adequate, and predictable funding at the rate necessary to develop new, modern facilities that meet the needs of a 21st century operation that is safer, more reliable, and environmentally friendly. We need greater focus on long-term operations rather than just managing day-to-day fixes.

It has been encouraging to see additional funding prioritized over the last few years, but things are still moving at a rate that has resulted in critical repairs and upgrades being deprioritized well beyond a reasonable timeframe to ensure the best possible production, safety and environmental standards. Modernizing and maintaining these sites is far more complex than maintaining ordinary buildings or facilities, due to the products they produce—and safety, environment and readiness are all connected. There are several shovel-ready projects we could begin today, with the necessary funding, that would be critical to mission execution and success.

Additionally, in the future, we believe reasonable periods of performance should be a standard for all GOCO contracts. A performance period of no less than 25 years would give contractors the opportunity to invest and realize a return on those investments. This approach would support the Department of Defense's goal to realize modernization and sustainment goals more quickly and efficiently while avoiding disruptions.

Strategy to Execute Modernization and Meet Production Levels

Third, the current modernization strategy does not adequately recognize the challenge of simultaneously executing modernization and meeting production levels, or provide a vision for how to get there. There are real and difficult trades that are made concerning cost, prioritization of schedule, and impact to the rate of production. As an operating contractor of these sites, we deal with the complex variables of cost, production, and future needs every day. In 2019, BAE Systems worked with the Army to build the Radford Army Ammunition Plant Revitalization Plan and we have been actively working with the Army on the implementation of the RDX Expansion Program for Holston—all the while simultaneously delivering quality product on time.

However, we need to find an approach that strikes the right balance between today's production demands and new construction needs. There is not a silver-bullet solution, but I believe together we can find one that works. However, it takes a strong commitment within the GOCO arrangement.

To ensure we are making the right decisions to delicately balance production and new construction, BAE Systems wants to continue to partner with the U.S. Government as modernization decisions are made. Our partnership goes back decades. The mission and production demands have remained steady throughout the post-9/11 era and I believe that will remain the case going forward.

Considerations for the Future

As we move forward with modernization, several aspects are important to remember:

- First, we are working with World War II era facilities that operate 24 hours a day, seven days a week, 365 days a year. That operational tempo brings a significant challenge to managing and maintaining the infrastructure that supports it.
- Second, modernization cannot focus on buildings alone. We must maintain our commitment to the workforce with long-term training on emerging technologies and investment in safer technology. We need a new generation of talent as our current workforce ages, and the introduction of new technologies will support our recruitment efforts.
- Finally, the facilities must remain highly flexible and capable of producing a wide range of products at high volumes to support readiness.

Modernization at this scale is complex. As the industry leader in energetics manufacturing, BAE Systems is committed to assisting and partnering with the U.S. Government on modernization as we move forward together. I believe BAE Systems is best suited to advise and support the U.S. Government on these sites now and for many years to come, and we are fully committed to maintaining safe, secure and environmentally compliant operations.

Conclusion

As I wrap up, let me reiterate that sustained funding for the modernization effort will help deliver the best possible capabilities to the Army. It will also improve safety and allow for the continuous introduction of new, more environmentally friendly technologies.

I would like to thank the subcommittee again for bringing attention to this critical issue and for recognizing industry's role in this important mission. Thank you and I look forward to your questions.

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