RECORD VERSION

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BEFORE THE

SUBCOMMITTEE ON TACTICAL AIR AND LAND FORCES
AND SUBCOMMITTEE ON READINESS
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

ON MODERNIZATION OF THE ORGANIC INDUSTRIAL BASE

SECOND SESSION, 119TH CONGRESS

FEBRUARY 24, 2026

NOT FOR PUBLICATION UNTIL RELEASED BY THE
COMMITTEE ON ARMED SERVICES

INTRODUCTION

Chairman Wittman, Chairman Bergman, Ranking Member Norcross, Ranking Member Garamendi and distinguished members of the Subcommittees, thank you for this opportunity to discuss the Army's Organic Industrial Base (OIB) and how the Fiscal Year 2026 National Defense Authorization Act is contributing to our efforts. On behalf of the Secretary of the Army, the Honorable Daniel P. Driscoll, and the Chief of Staff of the Army, General Randy A. George, we thank you for the invitation to join you today and look forward to answering your questions.

ORGANIC INDUSTRIAL BASE

The Department relies on a large and complex Defense Industrial Base (DIB) for the materials, products, and services that enable the Department's warfighting capabilities and business operations. The Organic Industrial Base (OIB) is a network of government-owned industrial facilities that produce certain kinds of equipment (mainly conventional ammunition) and conduct repair, maintenance, and overhaul activities for various weapons systems. These may be either government-owned, contractor-operated (GOCO) or Army Working Capital Fund (AWCF) government-owned, government-operated (GOGO) facilities.

The OIB ensures readiness and sustainment of military equipment and ammunition. It sustains platforms, providing surge capacity during contingencies, and manufacturing ammunition and items that are not economically viable for private industry.

GOGO facilities' primary functions include:

1. **Depot-Level Maintenance and Repair:** Restoring and modernizing Army equipment to maintain operational readiness.
2. **Strategic Production:** Producing systems and components where no viable commercial alternatives exist and there are core requirements for the Army.

3. **Munitions Production**: Manufacturing propellants, explosives, and guided munitions to support joint force requirements.
4. **Core Skills and Equipment Sustainment:** Performing annual core tasks to retain critical artisan skills and maintain readiness for national emergencies.
5. **Surge Capacity:** Scaling operations during wartime or national emergencies to meet increased demand.

The Army also is responsible for the GOCO facilities, which mainly comprise the Army's Ammunition Plants. GOCOs are public-private partnerships (PPPs) with industry in which the government owns the facilities and/or land and the industry partner is responsible for the management, operations, and production. The Army has utilized GOCO partnerships since the World War II era as it brings commercial expertise to help the Department maintain strategic capabilities. The GOCO facilities serve a vital role in protecting our Nation's security—keeping them modernized is necessary to support not only the current but also the future Army and Department needs.

Although the Army's modernization efforts to date have resulted in an improved DIB, both commercial and organic, critical infrastructure and manufacturing process upgrades are still required to support the Warfighter's ammunition requirements, address continued facility deterioration, and ensure a safe working environment. Facilities that can meet ammunition production requirements while ensuring workforce safety, especially in inherently dangerous explosive operations, are critical. Recent years have seen a significant amount of modernization funding aimed at recapitalizing the GOCOs. Many buildings and production lines within our GOCO facilities are facing significant challenges. Key parts are experiencing challenges such as obsolescence, not being able to produce improved lethal capabilities, unplanned downtime that is increasing costs and limiting production, and the facilities themselves that have exceeded their lifespan. As a result, maintenance and upgrades are no longer sufficient to address these issues. Therefore, constructing new facilities is essential to ensure the continued production of ammunition. It is anticipated that funding levels required to

maintain the GOCOs are expected to remain at higher levels based on production requirements and the amount of recapitalization necessary to modernize. In addition, applying transformational solutions such as Digital Engineering, advanced manufacturing, automation, modeling and simulation, and intelligent inspection systems, as well as addressing regulatory and Department of War (DoW) safety and environmental requirements will drive higher modernization costs.

ARMY AMMUNITION MODERNIZATION PLAN

The Army's Ammunition Plant (AAP) Modernization Plan focuses on providing a strategy that modernizes facility infrastructure and production capabilities by capitalizing on state-of-the-art manufacturing equipment and technologies while maintaining production continuity. The AAP Modernization Plan provides an investment strategy focused on achieving the following objectives and associated end state:

- Increase manufacturing safety and readiness to meet current and future requirements.
- Isolate energetic mass from people.
- Ensure graceful degradation and resilient operations.
- Improve flexibility, maintainability, and sustainability.
- Reduce cost of operations.
- Secure supply chains.

The AAP Modernization Plan is updated annually and shared with Congress to outline our investment strategy, and continually reassess to address shifting priorities, project cost variances, program funding adjustments, and national defense initiatives. The continued execution of the AAP Modernization Plan will result in improved safety, resiliency, compliance, and operational effectiveness. The AAP Modernization Plan addresses increasing automation to minimize human exposure to hazardous environments and the application of digital manufacturing methods.

Executing this AAP Modernization Plan will result in improved safety, resiliency, environmental compliance, and operational effectiveness. Further implementation of automation and digital engineering and emerging technologies and practices will reduce risk during facility modernization and commissioning, improve production quality, and reduce operational costs.

The Army's organic ammunition production industrial base is currently composed of a network of GOCO and GOGO ammunition industrial sites that have evolved over time. The facilities serve a vital role in protecting our Nation's security—keeping them modernized is necessary for enabling continued ammunition production. Sustaining modernization and maintaining warm ammunition production lines are also necessary when requirements are reduced.

MOVING FORWARD

The last few years, with the support of Congress, have seen the beginning of the modernization process: As an example in 2022, we could only produce 10-12k rounds per month of 155mm and today we are north of 50k rounds per month. The Army's OIB is tasked with being the backstop, providing surge capability, and serving as a national asset. These facilities play a critical role in depot-level maintenance, munitions production, and strategic manufacturing. However, the OIB faces significant interconnected and critical challenges, including a fluctuating and unpredictable workload, comparatively high operating rates, aging infrastructure, workforce skill gaps, and bureaucratic inefficiencies. Fluctuating workload cycles disrupt production schedules, increase costs, and hinder workforce planning. High operating rates, driven by indirect costs, reduces competitiveness. Aging infrastructure limits efficiency and capacity to support advanced technologies. Bureaucratic inefficiencies impede strategic decision-making and modernization efforts while workforce skill gaps and recruitment difficulties exacerbate operational inefficiencies. These challenges collectively undermine the OIB's ability to fulfill its mission of sustaining military readiness and supporting national defense objectives. Risk in the Army OIB will continue to grow at

unacceptable levels given the current planned and projected workload coupled with the amount of infrastructure and overhead it needs to support. To address these interconnected and critical challenges within the OIB, the Army has outlined three main efforts:

- **Increase workload and workload stability:** Increasing the amount of stable and predictable workload is critical to the OIB's health and viability.
- **Reduce indirect and overhead expenses:** Reducing expenses is essential to improving competitiveness.
- **Leverage industry partnerships:** Industry partnerships offer transformative opportunities to earn revenue, create cost efficiencies, optimize workload, and develop future capabilities. The Army can leverage the OIB's existing resources for commercial development, such as office parks, logistics hubs, and advanced manufacturing facilities; data centers and cloud services to provide secure infrastructure for both the DOW and commercial clients while generating revenue through land and cost-sharing agreements; and critical minerals processing to enhance domestic supply chains and support national security priorities.

In recent months, the Army has taken several important steps to further strengthen our current, and future OIB assets. The Army recently released a Commercial Solutions Opening (CSO) that is intended to accelerate our advanced manufacturing initiatives for Red River Army Depot, Texas, and to leverage our OIB to support small Unmanned Aerial Systems (sUAS) efforts, as outlined by Secretary Hegseth's Drone Dominance memo. A CSO is a competitive process leveraging 10 U.S.C. 4022 Other Transaction Authority to obtain commercial solutions or new capabilities that fulfill requirements, close capability gaps, or provide potential technological advances. The Army is encouraging industry to submit innovative proposals for consideration that include GOCOs, Enhanced Use Leases (EULs) and Public-Private Partnership (PPP) options. This initiative targets key areas like sUAS supply chain, propellants, precursor chemicals, and ammunition to reduce supply chain vulnerabilities and meet mission requirements. The CSO is requesting solutions that

include a variety of components such as brushless motors and motor controllers, batteries and power systems, antennas and communications components, flight controllers, printed circuit boards, wiring harnesses and connectors, rotors, blades/propellers, and propulsion hardware, chassis/bodies/frames and structural components, sensors and navigation components. All of these capabilities could support sUAS, but can also support building printed circuit boards or wiring harnesses for every Army weapon system. Critically, the work the Army is doing to expand sUAS supply chain manufacturing seeks to complement and support the growth of sustainable private industry manufacturing. Small drones have extensive defense, commercial, and consumer applications which will result in a robust private drone industrial base which the Army seeks to support and spur, not replace. Improved traditional manufacturing practices can make millions of different critical items we need to keep legacy and modern weapon systems ready and sustained for when the nation needs the Army. The Army's desired outcome is to have the submissions help us with the cost curve, modernize manufacturing, expand capacity, accelerate prototyping, expand diversity with domestic suppliers, and avoid export control issues.

Additionally, the Army recently announced the selection of an industry partnership for an EUL at Pine Bluff Arsenal, Arkansas. Our commercial industry partner plans to utilize approximately 1,065 acres of the installation to produce critical energetic materials, significantly strengthening the U.S. domestic Defense Industrial Base. The initiative aligns with the Army's broader strategy to modernize its OIB and leverage PPPs to ensure readiness for future challenges. The Army is looking forward to continued negotiations to further define the Army's efforts at Pine Bluff and how it can best support the Army's strategic OIB goals.

Complementing the increase in innovative industry partnerships, the Army remains firmly committed to sustained internal investment in the OIB transformation, which included more than $5 billion in modernization the past three fiscal years. These investments are expanding capabilities in advanced manufacturing, robotics, and

automation across multiple OIB sites. Additionally, the newly established OIB Integration Cell is postured to holistically view all modernization efforts and drive better synchronization with the Army acquisition and requirements communities.

CONCLUSION

Due to the current and future security challenges presented by our adversaries, we will continue to work as a Department and with Congress to quickly adapt to the ever-changing landscape. We must remain vigilant in understanding our supply chains and addressing potential weaknesses with a focus on reducing single points of failure and foreign dependencies. As we look ahead, continued optimized investment in the munitions industrial base and modernization efforts at OIB facilities are critical in sustaining national security and supporting the warfighter.

The Army's OIB processes are designed to ensure readiness, compliance with statutory requirements, and strategic alignment with operational objectives. By integrating core processes, analytical tools, reporting mechanisms, and sustainment planning, the OIB maintains critical capabilities while balancing public and private sector contributions. Investment in the DIB and the Army's OIB is an investment in our national security and defense.

The Army remains committed to modernizing our OIB as it is critical to our national security. This includes a 21st century DIB and OIB that maintains pace with Army transformation, equipped with the necessary capacity to support the Army's enduring and future systems and sustained by an agile, expeditionary artisan workforce. In near record time for traditional acquisition speed, we have secured an EUL that will bring a $1.3B energetics facility to Pine Bluff Arsenal. The teams are also currently in source selection for advanced manufacturing at Red River Army Depot. The partnership between the Army commands testifying today has never been stronger and we are fully committed to executing these critical modernization efforts.

Mr. Chairmen and distinguished Members of this Subcommittee, thank you for your steadfast and strong support of our outstanding Soldiers, Civilians, and their Families.