

House Armed Services Committee  
Subcommittee on Tactical Air and Land Forces

Opening Remarks By  
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Chairman Norcross, Ranking Member Hartzler and members of the Tactical Air & Land Forces subcommittee, thank you for inviting me to testify before you today on the topic of “Updates on Efforts to Modernize Conventional Ammunition Production.”

It is an honor for me to be with you today. I think I offer to you a unique perspective on this challenging task because I have sat on both sides of this table. My last duty assignment while on Army active duty was the Program Executive Officer (PEO) for Ammunition and the Commanding General of Picatinny Arsenal, the job Brigadier General Boruff now holds and who is here today. More recently, for the past five years I have been the President of American Ordnance (AO), responsible as the operating contractor for both the Milan, Tennessee, and the Iowa Army Ammunition Plants (IAAAP). Both of these facilities are over 19,000 square acres each and were built in 1941. They are old. While the Milan facility is in a state of transition, the Iowa Army Ammunition Plant provides the nation a capability in size, scope, and surge capability unmatched in the National Organic Industrial base. The purpose of the Iowa facility is to Load Assemble and Pack Medium Caliber and Tank munitions, C4 products such as the M112 and Mine Clearing Line Charge, Energetic Products such as Mortar Prop Charges and Modular Artillery Charge Systems, Indirect Fire products such as Artillery and Mortar rounds and unique warhead

capability producing the warheads for Javelin, Stinger, Hellfire, Sidewinder, and additional specialty warheads to include supporting the Department of Energy.

### How Current Modernization Initiatives Improve Production & Safety:

One of the topics you asked me to discuss with you was an explanation of current modernization initiatives in progress and how those initiatives will improve production and safety. For the sake of this discussion, I separate the normal repairs and upkeep for a facility, which is now nearly eighty – one years old such as repairs to roads, roofs, electrical, water and rail, from the major modernization initiatives and in the case of the IAAAP, the new Long Range Precision Artillery Production Facility. We are just completing the 30% design phase of this important facility. We will complete the 90% during the government's Fiscal Year 2023 so that we can enter the construction phase beginning in Fiscal Year 2024.

We were fortunate that early on in the planning process, Dr. Bruce Jette visited the plant when he was the Assistant Secretary of the Army for Acquisition, Logistics and Technology. The visit prompted him to not only draft his vision for the IAAAP, but also draft up a set of planning tenants which subsequently became the planning foundation for future modernization projects across the Army's organic industrial base.

In conjunction with the Army, we are designing the Long Range Precision Artillery Production Facility to support such key Modernization Objectives as:

- Increasing manufacturing safety and readiness to meet current and future requirements.
- Isolating energetic mass from people.

- Ensuring graceful degradation and resilient operations.
- Improving flexibility, maintainability, and sustainability.
- Reducing cost of operations.
- Securing supply chains.

Much of these initiatives will be accomplished through prudent use of bringing automation to the production floor.

### Future modernization initiatives and how Modernization Initiatives are Prioritized in coordination with the Army:

If I use the modernization initiatives outlined in the Army Ammunition Plant Modernization Plan, the next large initiative for the IAAAP is the modern tank line. This initiative will replace the existing tank line which was initially built in 1941. While some of the components and machines have been updated since, it still has aging infrastructure. The Army is close to awarding us a contract to execute up to the 15% design phase, during this phase it will be important to get all stakeholders together to determine the requirements needed to meet future requirements. We must be mindful to not just design a tank line based on today's inventory but design a future production facility with the Army's Modernization Objectives in mind. We should not build a new line based on old production processes but be cognizant to have a facility with the flexibility to adapt to future direct fire munitions. If the Army is going to make this investment once every 40-50 years, we must plan for the future and not get trapped into building a "new" legacy facility.

The prioritization and funding is through the Department's Planning, Programming, Budgeting, and Execution process. Industry can make recommendations, but ultimately projects are prioritized by the Army.

## How Safety Challenges Impact Production and Manufacturing Efficiency

We work at facilities that were built, as is the case in Iowa, in 1941. They are old and much of the equipment is old. The infrastructure is old: electrical, water, power, etc. Most of the buildings have no environmental controls. Much of the equipment and processes are labor intensive as opposed to more frequent use of automation. This environment poses unique challenges and when things break, they do impact the manufacturing efficiency. However, as the operating contractor we know this. It is part of our operating environment and we must do our best. Conducting safe operations is paramount.

## Modifications of Law That Could Improve Ammunition Production

There are a couple of modifications of law, regulation, or practices, I would suggest. First is a review of 10 USC 2692. Entitled: "Storage, treatment, and disposal of nondefense toxic and hazardous materials". While granting some exceptions, this law basically states the Secretary of Defense may not permit the use of an installation of the Department of Defense for the storage, treatment, or disposal of any material that is a toxic or hazardous material and that is not owned either by the Department of Defense or by a member of the armed forces (or a dependent of the member) assigned to or provided military housing on the installation. The specific request would be to allow commercial contractors that use explosives, the mining industry for example, to lease areas and become Armament Retooling, and Manufacturing Support (ARMS) tenants at GOCOs. There can be exceptions and if there is a case like this, the contractor can receive a 90 day exception. The difficulty with that section

of Public Law is it inhibits a long term lease by an ARMS tenant. The storage capabilities on a GOCO is a prime space for this and the lease fees can bring in revenue to help reduce the operating contractor's overhead costs due to meeting the government's Performance Work Statement requirements.

Another item would be more wide spread use of FAR Clause 52.216-4 "Economic Price Adjustment – Labor and Material". In today's rapidly changing environment translating into increasing inflation at rates we have not seen in decades, it is becoming more and more difficult to get valid price quotes longer than a month or two. As defense contractors, we must take these short term quotes and respond to government solicitations asking for 5 year, sometimes 10 year, firm fixed pricing. I can understand why the government likes Firm Fixed Price contracts. However, in response to this scenario, I am not sure the Department of Defense really gets the best value for a couple of reasons. First, while the DoD does get a fixed price, it is really as a result of which contractor is willing to take on the biggest risk. This risk is built into the price. Higher the risk, higher the price. If the environment gets worse and the contractor bets wrong, there is a chance of financial ruin or at least severe hardship. This is not really good for anyone. Additionally, in this case, the scenario favors the largest of contractors who can take on larger risks on singular contracts. The second order impact of today's environment is that it puts more pressure on second and third tier suppliers who in many instances are small businesses. While the DoD encourages small business participation and looks to those businesses for innovation, small businesses are the least able to take on the biggest risks.

## Other Considerations for Production & Safety of Conventional Ammunition.

The government must recognize the business constraints they put on the GOCO operators. I believe each GOCO may be treated a little differently and that is ok. One of the challenges confronting GOCO operators is the Army has a set of requirements, written in the form of Performance Work Statements (PWS) that the operating contractor must perform in order to run the government facility. These requirements are above and beyond which a contractor at a commercial facility would incur. In the case of the IAAAP, these requirements fall into six specific areas: Safety, Fire, Security, Environmental, Material Management, and Maintenance and we must find a way to meet the requirements and build the cost of the PWS's into the price of our products. This is a tremendous burden which contractors at commercial facilities do not have. In the case of Iowa, we must compete for our business. When compared to a commercial facility, this is like your competitor running a 100 meter dash when you have to run 120 meters. There should be some type of consideration of that. I want to be very clear. We are not looking for a hand out. We are looking for a level playing field to compete and then it is up to us. Otherwise, if an operating contractor cannot make the system work, they jeopardize not only their business but may have to withdraw earlier than their contract lifetime. This has happened before and does not benefit anyone.

In summary, I want to thank you again for allowing the operating contractors to participate in the discussion today. The Nation's organic industrial base is a crucial component of the overall National Industrial base

and forms the Nation's insurance policy especially when it comes to wartime surge requirements. I appreciate your time and I look forward to your support for these vital facilities, and to any questions you may have. Thank you.