

**Statement of Mr. John Ricciardelli
President of Honeywell Federal Manufacturing & Technologies**

**House Armed Services Committee
Strategic Forces Subcommittee**

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Kansas City National Security Campus - Delivering Innovation and Cost Savings

Honeywell has a proud history of serving as the prime contractor to the Department of Energy's Kansas City National Security Campus (KCNSC) for nearly 70 years. Today, the KCNSC is a 1.5 million square-foot, state-of-the-art multi-mission engineering and manufacturing campus that supports the Department of Energy's National Nuclear Security Administration's (NNSA) important mission.

About 3,000 Honeywell employees use over 60,000 years of cumulative experience to ensure the safety, security and reliability of the nuclear arsenal by supplying mission-critical mechanical, electrical components and engineered material components. Honeywell delivers approximately 200,000 parts annually in support of the primary mission and provides engineering services and special production to other national security agencies.

As a trusted partner of the NNSA and other government agencies, we have earned a valued reputation for innovation and cost-effective solutions by applying commercial best standards in managing operations, meeting demanding budget requirements, and delivering outstanding mission results.

Year over year, we successfully deliver exceptional operational performance with a 99+ percent on-time delivery and six- sigma quality performance. Our approach is patterned after commercial models to save time, resources, and money while ensuring continuous quality performance. Continuous improvement is at the core of our employee engagement culture— do the right things, in the right way, to satisfy customers and enable productivity. There is a constant drive and incentive to do more with less – while maintaining industry leading safety and security performance.

Today, the KCNSC's primary focus is on modernizing the nation's nuclear stockpile, using the latest technologies to deliver a safe, secure and reliable nuclear deterrent. It is an exciting and challenging time in the nuclear security enterprise with many new and emerging life extension programs being progressed through their development phases. Our facility is witnessing exceptional growth this year – projecting about \$900 million dollars in total scope.

This workload is comparable to levels not witnessed since the Cold War.

Public/Private Partnership Drives Modernization

While it is an exciting time at the KCNSC, we have had our challenges. About 10 years ago, with increasing pressure on defense budgets and growing deferred maintenance costs on Kansas City's aging 70-year old facility, Honeywell was challenged to help the Federal government continue its mission in the most cost-efficient way possible.



The old Bannister Federal Complex facility was constructed in the 1940s, during a time when many conventional building materials were in short supply and infrastructure challenges included inadequate electrical power, water and gas supplies. This made installation of modern manufacturing and laboratory equipment difficult, expensive, and hazardous. Prior to the decision to relocate, Congressional line item funding was being pursued to replace the high voltage electrical switchgear, reconstruct the polymer production facility, replace major HVAC systems, and replace large portions of the roof.

Honeywell developed a responsive infrastructure strategy that transformed an enterprise mostly reliant on the aging infrastructure to a state-of-the-art facility with emerging technologies focused on future threat. The end result is a shining example of how a successful public/private partnership can combine the greatest strengths of government and industry to be cost effective, and sustainable while minimizing our deferred maintenance liabilities and supporting a critical national security mission.



Part of that strategy included a unique lease agreement for the 1.5 million square foot Kansas City National Security Campus. The U.S. General Services Administration, acting as the Federal government's broker, signed the lease agreement with CenterPoint Zimmer, LLC, for the \$687 million campus in June 2010. Construction of the facility was completed late 2012.

The new campus exemplifies NNSA's vision to transform into a more cost-effective, energy-efficient, adaptive and sustainable model while supporting the nuclear deterrent. The development project is a case study for a successful public/private partnership in which NNSA used a 20-year operating lease through the General Services Administration to eliminate \$120 million in annual facility costs plus an additional \$238 million in deferred maintenance and emergency repair costs at the Bannister facility for a \$60 million annual lease payment for the new campus.



This lease commitment enabled developer CenterPoint Zimmer to secure third party financing to build and deliver the facility at a cost and schedule far less than the government could have executed. The project was accomplished with positive cash flow to the federal government, even including the cost of relocation. Since the project began in 2006, the net savings to the taxpayer more than \$500 million while delivering a new flexible infrastructure to meet national security manufacturing needs for the next two decades.

The construction of the Kansas City National Security Campus helped revitalize the construction industry by generating more than 1,000 new construction jobs and boosting the local economy with hundreds of millions of dollars in much needed economic development to the region, including \$1.2 million new tax revenue to the Grandview School District.

Honeywell continues to support NNSA's commitment to ensuring the positive redevelopment of the old Bannister Facility and not leaving blight on the community. By funding the transfer of the Bannister

Facility in Fiscal Year 2017, the government will eliminate most of its future environmental liabilities through third party demolition and remediation and could save approximately \$650 million dollars.

Modern, State-of-the-Art-Campus

The Kansas City National Security Campus is an award-winning, state-of-the-art LEED (Leadership in Energy and Environmental Design) Gold manufacturing and engineering facility with a high-tech look and an environmentally friendly presence. The new smaller, more efficient facility maintains the capability to assure the reliability, safety and security of the nation's defense systems while enabling NNSA to recruit and retain the next generation of scientists and engineers.

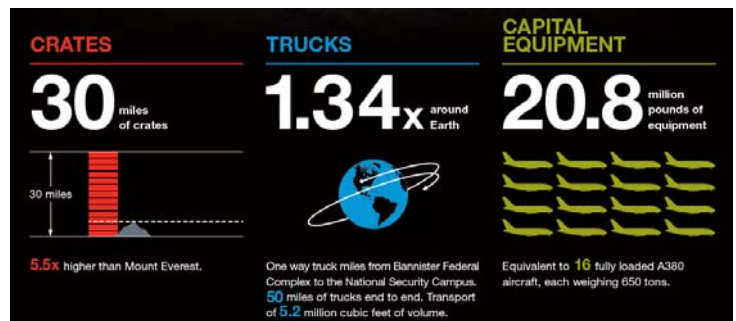
The open layouts, utility grids, and tall ceilings at KCNSC enables a more agile, flexible design to adapt to changing mission requirements. Basic lean manufacturing principles, such as placing similar processes in proximity has also minimized product cycle time and maximized productivity. White space was designed into all production areas to assure space for emerging programs without rearrangement delays. Safety risks and hazards have been greatly reduced at the new facility as well. Our safety performance is 95% better than the industry average and the best within NNSA.

The modern campus showcases innovation and cost savings by reducing our footprint by 50 percent and reducing costs by \$150 million annually. The KCNSC was designed to support ongoing sustainable efforts including: preferred parking spaces for fuel efficient and low emitting vehicles; over 50 percent of the site protected as open green space with native vegetation; and a white roof to help reflect solar heat; and sustainable materials used in construction.

The highly-efficient water management design is saving more than 3.2 million gallons of water a year when compared to code-compliant design practices, which is equivalent to 20 million bottles of water saved every year. Refrigerants with reduced global warming and ozone depletion potentials were used during design and construction.

The Largest Industrial Move in the United States

One of the nation's largest industrial moves began in January 2013. The KCNSC relocation teams safely and securely moved a wide range of equipment including tools weighing as little as 6 ounces to a milling machine weighing 87,000 pounds. By the end of the move, about 3,000 truckloads transported thousands of pieces of equipment and 40,000 crates, which if stacked would be more than 5 times the height of Mount Everest.



In addition, employees built more than 20,000 components in advance to ensure uninterrupted deliveries while production departments were transitioning between sites. The move finished in July 2014, one month ahead of the original schedule and \$18M under budget.

With Honeywell's logistical support, NNSA donated surplus machining equipment from the old facility to the KC Engineering Zone at the University of Missouri, Kansas City. These mills, drills and cutting machines, worth approximately \$300,000, are giving urban Kansas City high school students hands-on experience with manufacturing and STEM careers. In all, 81 truckloads of property have been transferred to other Federal, state or local agencies or donated for reuse.

Demonstrating Excellence and Innovation in the Public Sector

The successful transformation and relocation of the KCNSC was made possible by a unique Governance Model developed by Honeywell and NNSA. Known as the Kansas City Governance Model, the new model for government oversight applies best-in-class commercial standards in managing operations, transforming business functions, and delivering outstanding mission results. It is a mutual operating model that maximizes trust, cooperation, and opportunity and currently yielding hundreds of millions of dollars in annual costs savings compared to prior alternatives.

This unique public/private partnership model is fundamentally reorienting the perception of performance in government and has resulted in direct cost savings of \$35M annually and has enabled more than \$300M in additional savings in strategic sourcing and facility relocation. The transition required significant changes in contract requirements, performance evaluation, systems for management assurance, and operating requirements.

The new oversight model did not diminish the role of the local Federal staff, but simply changed the focus from transactional-based oversight to system-based oversight, resulting in more effective use of resources. While the new oversight model did reduce the number of government directives, its intent was not to diminish compliance.

Sharing Best Practices across the NNSA

Honeywell consistently earns the highest NNSA contractor rating by applying commercial best practices which drives the Kansas City site's performance no different than any other commercial Honeywell site.

Our operating model focuses on our effectiveness and opportunities in three critical areas: Honeywell Strategic planning process, Operations via our Annual Operating Plan, and People through our Management Resource Review. The Honeywell Operating System provides transparency and tiered accountability to optimize order to delivery with processes for safety, quality, delivery, cost and inventory excellence.

To add value to the NNSA's Nuclear Security Enterprise (NSE), Honeywell has initiated collaborative partnerships and shared Honeywell operating processes and applied technologies that drive performance across the NSE. This interchange has led to improved operations across NNSA in the areas of supply chain assurance, risk management, export control, and operations.

Honeywell is proud to support the critical mission of the NNSA, and we stand ready to serve in the current and future missions of the US Government.

Key Essentials for Success

Recognized Performance Ideals - Combining the Greatest Strengths of Both Government and Industry Within a Mutual Operating Model

Market-Proven Contractor Performance Discipline - A Trusted Government Enterprise with World-Class Commercial Performance

Effective Government Oversight - Simplified Assurance of Credible Performance

Essential Outcomes Mutually Recognized - Codified In a Prime Contract

Strong Parent Corporate Presence - Seamlessly Integrated and Operated as though Operator Owned