

Creating a Balanced and Responsive Munitions Industrial Base

Presented by:
Mark DeYoung
President, ATK Ammunition Systems Group



*2007 Munitions Executive Summit
6 February 2007*



A New Time – A New Vision



An advanced weapon and space systems company



“The health of the defense industrial base is key to the Army’s ability to continue to provide innovative technology and technologically excellent systems...”

Claude Bolton, ASA for Acquisition, Logistics, and Technology

“America under funds its military. Strategically, our country's industry base is not geared to support Army's requirements...Active engagement with Congress to resource - Congress is open and willing.”

GEN Schoomaker, CSA



Current State of the Munitions Industrial Base



An advanced weapon and space systems company

- **Competitive pressures and past declines in ammunition procurement have shaped a more concentrated base**
 - 90+ Commercial Suppliers
 - 10 GOCOs – underutilized capability, excess capacity, overhead absorption issues
 - 8 Ammunition Logistics/Depot Operations
 - 3 GOGO Army Ammunition Plants
 - 1 Naval Facility – Allegheny Ballistic Lab, Rocket Center, WV
- **Replenishment driving size of base – minimal USG investment initiatives**
- **Minimal incentives for Contractor investment**
 - Cost reduction vs. modernization
 - Lack of long-term production stability due to volatile requirement forecasting
- **Manufacturing capability currently focused on legacy systems**
 - Marginal future munitions capability
 - Aging infrastructure not positioned to support transformation objectives
- **Disjointed industrial base and program acquisition strategies**
 - Must consider critical production capabilities and technologies
- **BRAC 05 will help rationalize but does not modernize the base**
- **Projected out-year USG funding expected to decline**
 - *Will it support a soft landing?*

We must plan the objective state of the munitions industrial base – now!

- **Industrial policy should include modernizing the base to assure:**
 - **Readiness**
 - **Meet ammunition requirements for both conflict and peacetime**
 - **Support short notice contingency requirements**
 - **Stockpile inventory at appropriate levels as buffer to surge requirements**
 - **Sustainment**
 - **Replenish training and war reserve stocks post conflict**
 - **Maintain a technological edge and supports future weapon systems**
 - **Retain critical skills**
 - **Mitigate single point failure risk**
 - **Affordability**
 - **Reduce facility ownership cost – operations, maintenance, compliance**
 - **Reduce product cost – quality, uptime, efficiency, throughput**

Historical lack of investment threatens readiness of munitions industrial base

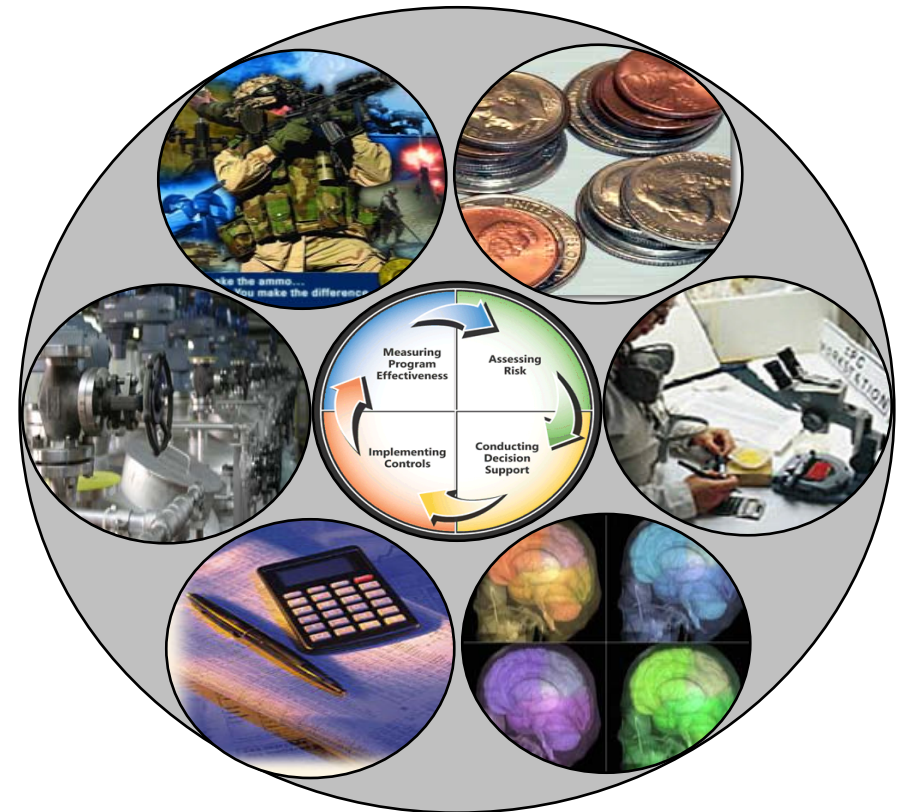
Industrial Base – A Portfolio of Strategic Assets



An advanced weapon and space systems company

Keys to Portfolio Management

- **What do we need?**
 - Demand – Requirements
 - Sustainability
 - Predictability
 - Stability
 - Affordability
 - Diversify vs. Divestiture
 - Commercial Utilization
- **How do we utilize the assets?**
 - Production
 - Storage
 - Out-loading
 - Distribution
 - Tenants
- **How do we mitigate deterioration of the assets?**
 - Modernization program
 - Product acquisition strategy
 - Investment – Risk vs. Reward
 - Return on Investment
 - Cash Flow
 - Maintenance
 - Critical skill retention
 - Technology integration

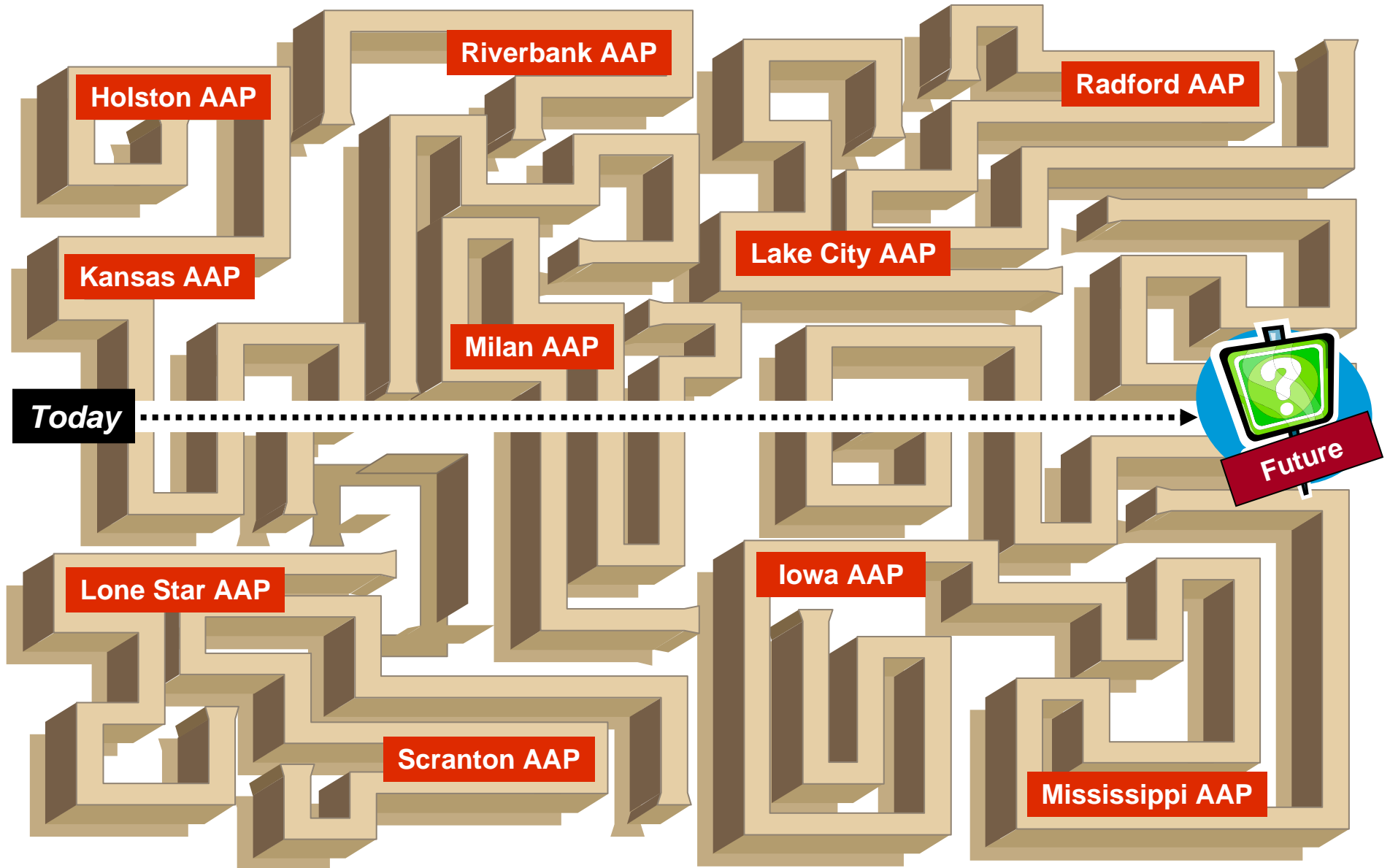


We must value the portfolio in terms of Readiness

GOCO Industrial Base Strategic Planning



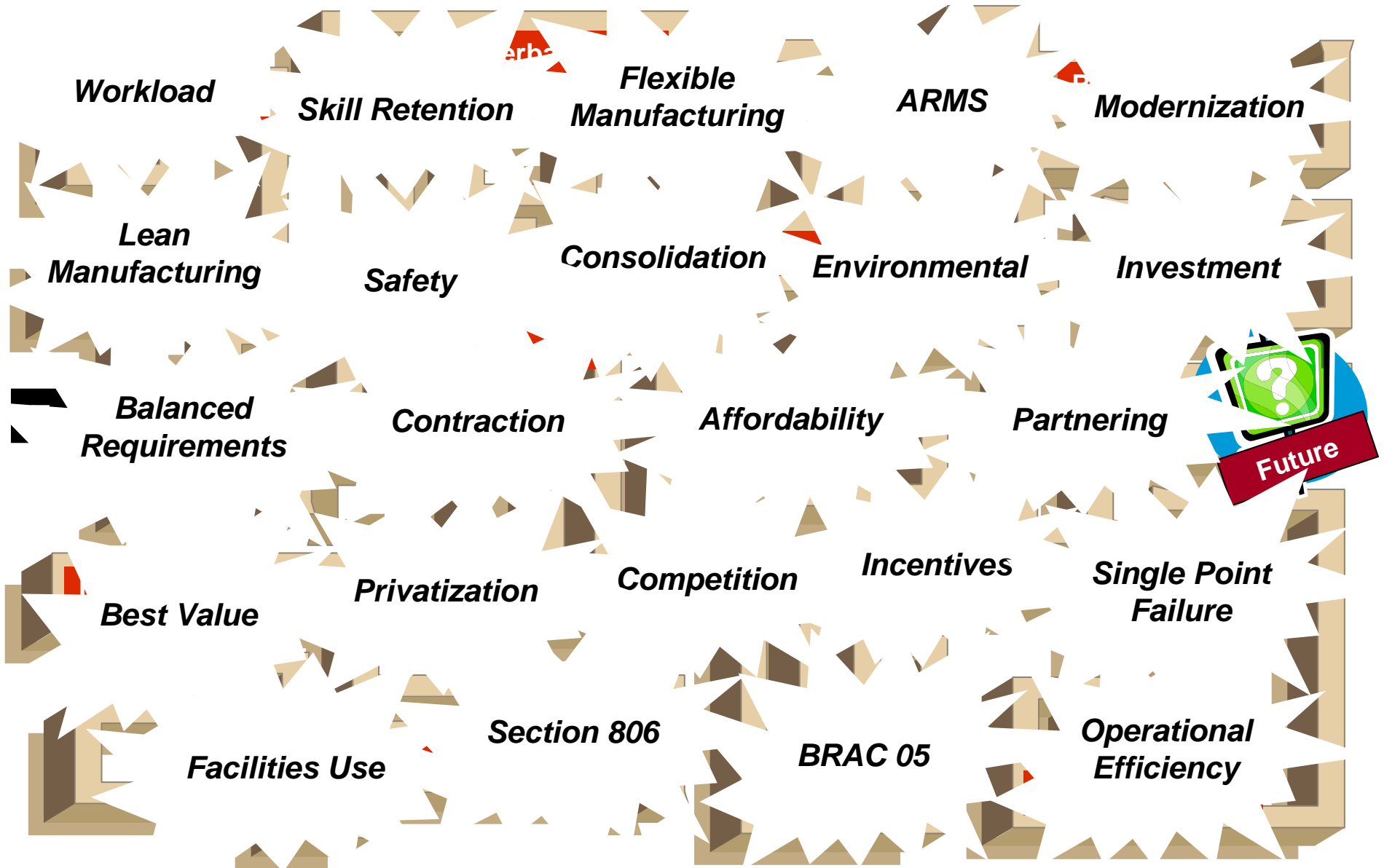
An advanced weapon and space systems company



Strategic Planning Factors



An advanced weapon and space systems company



Industrial Base Partnership – Leadership



An advanced weapon and space systems company



Single Manager for Conventional Ammunition (SMCA)

Industrial Base Strategic Plan: 2015

3 November 2003
(Updated November 2004)

Program Executive Office
Ammunition
SFAE-AMO
Picatinny, NJ 07806-5000



GENERAL DYNAMICS
Ordnance and Tactical Systems



 **Day & Zimmermann**
We do what we say.®

BAE SYSTEMS



Shaping The Base – *The Path Forward*



An advanced weapon and space systems company

- *DoD must determine its long-term product requirements*
 - Provides predictable production base
- *DoD must budget for, and commit to long-term funding*
 - *Re-shape the base*
 - Product
 - Process Technology
 - Modernization – critical [aging] infrastructure to mitigate operational risk
- *DoD must enforce Section 806 authority*
 - Link industrial base needs with program acquisition strategies
 - Production sustainment is not just work loading the GOCOs
 - Offer long-term production contracts
 - Promotes industry investment, efficiency, critical skill retention
- *Industry must determine product minimum sustaining rates*
 - Leads to right sized sustained capacity with surge flexibility
- *Industry must gain Congressional support to sustain GOCO modernization plans*
- *Industry must reduce Total Ownership Cost through efficient operations*



DoD and Industry must partner to harmonize requirements and capacity

Industrial Readiness = Military Readiness



An advanced weapon and space systems company

