General Responsibilities:

- Develop and Maintain an Overarching Ammunition Industrial Base Strategic Plan.
- Plan, Program, Budget and Manage the Production Base Support Program to Sustain GOCO Army Ammunition Plants:
  - Industrial Facilities
  - Maintenance of Laid-away Industrial Facilities
  - Layaway of Industrial Facilities
  - Armament Retooling and Manufacturing Support (ARMS)
- Plan, Program, Budget and Manage RDTE PE605806, Munitions Standardization, Effectiveness and Safety-Project 859: Life Cycle Pilot Process.
- Perform Industrial Base Preparedness Planning: 200+ End Items
- Environmental Management & HQDA Heavy Metals Charter Execution
- Execute Public Law 105 -261, Section 806, Procurement of Conventional Ammunition.
Current State

- ~90-95% of SMCA PAA Resources to Commercial Sector
- Gov Owned AAPs Oversized and Underutilized
  - 5 of 11 GOCO AAPs Less Than 15% Utilization
- Sec Army Mar 2003 Direction:
  - No AAP Consolidation or Divestiture Outside BRAC Process
- Production Base Support Investment Down 84% Since 1990
  - GOCO Equipment At or Approaching Useful Life
- Supply Chain State:
  - 300+ Single Point Failures
    - 27 Foreign
    - 175 DODICs w/ Critical SPFs
  - Financial Viability of Several Commercial Suppliers Under Pressure

Transformation

- Implementing an Overarching Strategic Plan
- Integrating Ammo Production & Logistics Industrial Bases

Goals:

- Balance Industrial Base & Acquisition Risk
- Transform to Meet Current and Future Requirements
- Incentivize Industry to Reinvest
- Modernize Capacity
- Operate Effectively and Efficiently
Ammunition Organic Industrial Base

Note: (1) GOCOs (2) GOGOs
FY 05 PEO Ammo PAA, OPA, WTCV Total

Total: $1,610.6M

+ FY05 Supplemental: $533M

Source: FY05 PB

PM Combat Ammunition Systems
- Artillery Ammunition
- Artillery Fuze
- Mortar

PM Maneuver Ammunition Systems
- Large Caliber
- Medium Caliber
- Small Caliber

PM Joint Services
- Industrial Base/Facilities
- Demil
- ARMS

PM Close Combat Systems
- Mines, Countermines & Demolition

PEO Ammo
FY 05 PEO-Ammo RDTE

- PM Combat Ammunition Systems: $76.9 M (22%)
- PM Joint Services: $57.1 M (16%)
- PM Maneuver Ammunition Systems: $28.3 M (8%)
- PM Close Combat Combat Systems: $187.1 M (54%)

Total: $349.4 M

Source: FY05 PB
### Procurement of Ammunition, Army-Activity 2, Production Base Support Funding

#### APE

<table>
<thead>
<tr>
<th>APE</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
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<td>1200 Industrial Facilities</td>
<td>$34.270</td>
<td>32.56</td>
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<td>36.34</td>
<td>37.26</td>
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<td>$151.740</td>
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<td>1500 Maintenance of Inactive Facilities</td>
<td>$4.730</td>
<td>5.00</td>
<td>4.93</td>
<td>4.35</td>
<td>4.55</td>
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<td>2000 Layaway of Industrial Facilities</td>
<td>$2.310</td>
<td>0.35</td>
<td>3.27</td>
<td>3.59</td>
<td>5.46</td>
<td>9.96</td>
<td>10.12</td>
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<td>2500 Armament Retooling &amp; Manuf Supp</td>
<td>$4.743</td>
<td>2.75</td>
<td>2.77</td>
<td>2.94</td>
<td>3.01</td>
<td>3.14</td>
<td>3.18</td>
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<td>Total IF, MIF, LIF and ARMS</td>
<td>$163.523</td>
<td>40.66</td>
<td>43.99</td>
<td>47.22</td>
<td>50.28</td>
<td>51.69</td>
<td>52.87</td>
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Source: BESPOM0611, Jan 05
Ammunition Procurement Projection by Categories

FY02-FY07 PAA Budget

SUPPLEMENTAL FUNDING INCLUDED

Prod Base
Other/Misc
Rockets
Mines
Arty Fuzes
Arty Ammo
Tank
Mortars
Small/Med

$Thousands
$0 $500,000 $1,000,000 $1,500,000 $2,000,000 $2,500,000
FY02 FY03 FY04 FY05 FY06 FY07
Objective:
- Support SMCA Industrial Base Strategic Plan Implementation
  - Science Based Production, Pilot Prototyping, Capture Manufacturing Knowledge
  - Insert Manufacturing Technology into the Production Base
- Address Design for Manufacturability & Rapid Production of Quality Products

<table>
<thead>
<tr>
<th>Objective:</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
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<td>Congressional Plus-Up</td>
<td>14.3</td>
<td>19.75</td>
<td>24.7</td>
<td>3.0</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
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<td>Total</td>
<td>16.0</td>
<td>22.2</td>
<td>26.9</td>
<td>3.0</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
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</table>
### BRAC 05 AAP Recommendations

**Implementation:** Initiate Within 2 Yrs; Complete by 6 Yrs

<table>
<thead>
<tr>
<th>Relocate To:</th>
<th>Rock Island Arsenal</th>
<th>Iowa</th>
<th>Milan</th>
<th>McAlester</th>
<th>Crane</th>
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<tbody>
<tr>
<td><strong>Riverbank</strong></td>
<td>Artillery Cartridge Case Metal Parts</td>
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<td></td>
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<tr>
<td><strong>Kansas</strong></td>
<td>105MM/155MM HE Artillery</td>
<td>155MM ICM Artillery</td>
<td>SFW Cluster Bomb</td>
<td>Detonators/Relays/ Delays</td>
<td></td>
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<tr>
<td><strong>Mississippi</strong></td>
<td>155MM ICM Artillery Metal Parts</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Lone Star</strong></td>
<td>Mines Detonators/ Relays/ Delays</td>
<td>105MM/155MM Artillery ICM MLRS Artillery Hand Grenades 60MM/81MM Mortar</td>
<td>Storage and Demilitarization Functions</td>
<td>Demolition Charges</td>
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</tr>
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</table>
Armament Retooling & Manufacturing Support (ARMS)

Thrust: Offset Army Cost of Ammo Plant Operations

How Does It Work?

- Market Army Idle Capacity
- Army Incentive Funds for Infrastructure Improvements
- Commercial Agreements with Tenants
- Tenant/Private Investments
- State & Local Funding
- State & Local Economic Dev Agencies
- Facility Agreements
- Services & Reduced Overhead
- Reduced Army Ownership & Production Costs

$290M in Savings to Date

Reduce Ownership Costs
- Make Facility Self-Sustaining
- Recognize Facilities as Assets
- Reduce Product / Operating Costs
- Allow Marketplace to Work
- Reduce Environmental Costs
- Reduce Future Liabilities
- Increase Readiness: Retain Skills; Gain Facility & Infrastructure Upgrades

$30M Annual Revenue

$290M in Savings to Date
Industrial Base Strategic Plan

Strategic Goal #3: Incentivize Industry to Reinvest in Capital Equipment and Processes

3.1 Objectives
a. Increase industry investment in equipment and facilities.

b. Maintain a financially viable industrial base.

c. Increased supply chain readiness.

d. Improved quality.

e. Increased competitiveness and innovation.

3.2 Outcomes
a. Increased supply chain readiness.

b. Improved quality.

c. Increased competitiveness and innovation.

d. Increased operating efficiencies.

e. Increased supply chain readiness.

f. Improved quality at reduced cost.

g. Increased innovation.

h. Reduced acquisition risk.

3.3 Strategies
a. Award incentive production contracts that match government funds for contractor investment in capital equipment and processes.

b. Facilitate use of Science Based Production modeling and process controls.

c. Offer Government owned equipment (currently in layaway status) for supplier use.

d. Initiate a Manufacturing Modernization Loan Program to provide low interest rates to the ammo supply chain.

e. Promote long term relationships/partnerships with Industry to include GOCOs and GOGOs.

f. Establish multi-year contracting strategies by ammo family.

g. Explore and implement indemnification on a selected basis.

h. Selectively promote ARMS initiatives and identify projects for production modernization and transformation.

3.4 Performance Measures
(1) Industry investment applied to modernizing manufacturing processes, equipment and facilities.

(2) Number of suppliers in high risk financial condition.

(3) Financial viability of Suppliers of our Critical Core Capabilities.

20 Production-specific
5 Logistics-specific
34 Strategic Initiatives
Section 806 Summary

Section 806; DFAR 207.1:
- Public Law 105-261, Procurement of Conventional Ammunition
- SMCA Required to Review & Concur on All Ammo Acquisition Plans
- Permits SMCA to Restrict Procurements to Sources within NTIB

FY04 Actual Procurements

41
$1807.6M

27
$379.8M

66
$896.6M

Actual FY04 Section 806s

<p>| | | |</p>
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<tr>
<td>USA</td>
<td>69</td>
<td>$3329.3M</td>
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<tr>
<td>USN</td>
<td>25</td>
<td>$351.2M</td>
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<td>USMC</td>
<td>20</td>
<td>$117.9M</td>
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<td>USAF</td>
<td>1</td>
<td>$1200.0M</td>
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<td>TOTAL</td>
<td>115</td>
<td>$4,998.4M</td>
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</table>

FY05 Planned Procurements

23
$795.2M

27
$755.8M

75
$987.0M

Planned FY05 Section 806s

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<td>USA</td>
<td>62</td>
<td>$1377.5M</td>
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<td>USN</td>
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<td>$469.9M</td>
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<td>USMC</td>
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<td>$35.2M</td>
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<td>USAF</td>
<td>57</td>
<td>$831.0M</td>
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<td>TOTAL</td>
<td>138</td>
<td>$2,713.5M</td>
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PEO Ammo Delegated Section 806 Authority Nov 02

- Competition Limited to the NTIB
- Full and Open
- Sole Source
- Small Business Set Aside
## Critical Risk

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<tr>
<th>Critical Risk</th>
<th>At-Risk</th>
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<tbody>
<tr>
<td>Batteries, Liquid Reserve</td>
<td>Bomb Bodies</td>
</tr>
<tr>
<td>Batteries, Thermal</td>
<td>Cartridge Cases, Metal-Medium Caliber</td>
</tr>
<tr>
<td>Black Powder</td>
<td>Dyes, Specialty</td>
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<tr>
<td>Cartridge Cases, Combustible</td>
<td>Explosively Loaded Components (E.g., Detonators, Primers, Bursters)</td>
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<tr>
<td>Fusing</td>
<td>Metal Parts, Medium Caliber</td>
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<tr>
<td>Explosives</td>
<td>Sabot, Composite</td>
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<td>Illuminating Candles</td>
<td>White Phoshporous</td>
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<tr>
<td>Infrared Flares</td>
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<td>Load, Assemble and Pack (LAP) for Explosively Filled Ammunition</td>
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<td>Magnesium, Atomized/Ground</td>
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<td>Metal Parts, Large Caliber</td>
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<td>Nitrocellulose</td>
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<td>Penetrators, DU &amp; Tungsten</td>
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<td>Propellants</td>
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Critical Single Point Failures Snapshot:
~50% of SPFs Mitigation Strategies Defined

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<th>PM-MAS</th>
<th>PM-CAS</th>
<th>PM-CCS</th>
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<td>Atomized Mag (AM)</td>
<td>Small &amp; Med Cal Propellants</td>
<td>Laminac Adhesive</td>
<td>CM Flare</td>
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<td>Black Powder (BP)</td>
<td>Small Cal Ammo</td>
<td>Batteries</td>
<td>C70 Det</td>
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<td>VAAR</td>
<td>Links</td>
<td>Mortar Smoke</td>
<td>Laminac Adhesive</td>
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<td>Polysulfide</td>
<td>Cotton Linters</td>
<td>TFE Lubricant</td>
<td>HHS Seals</td>
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<td>TNT</td>
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<td>Electronics &amp; LCDs</td>
<td>M18 Smoke Dyes</td>
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<td>Lead Azide</td>
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<td>Fuzing</td>
<td>Grenade Fuzing</td>
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<td>C4 Tag Agent</td>
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<td>Chemicals</td>
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<td>RDX</td>
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<td>Projectile Bodies</td>
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<td>NC</td>
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<td>Grenade Bodies</td>
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<td>Cotton Linters</td>
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<td>Combustible Mortar Cases</td>
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<td>-3- TNC</td>
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<td>Propellant M30</td>
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<td></td>
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<td>Burster Tubes</td>
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Mitigation Status
• In Planning
• Funded & In Mitigation
• Risk Mitigated

-300+ Single Point Failures
-80 Critical SPFs
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<tr>
<th>Data Source</th>
<th>Data Type</th>
<th>Frequency</th>
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<tr>
<td>APMRS (Acquisition Post Award Management Reporting System)</td>
<td>Contract Schedules</td>
<td>Monthly</td>
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<td>ICAPP (Integrated Conv Ammo Procurement Plan)</td>
<td>POM Qtys, Costs</td>
<td>Real-Time</td>
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<tr>
<td>PRODSTAT (Production Status System)</td>
<td>Planned Production, Deliveries</td>
<td>Real-Time</td>
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<td>WARS (World Wide Report System)</td>
<td>Inventory Information</td>
<td>Daily</td>
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<td>QWARRM (Quantitative War Reserve Reqmts for Munitions)</td>
<td>War Reserve Requirements</td>
<td>Annual</td>
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<td>Stockpile Report</td>
<td>Inventory Qty And Condition</td>
<td>Quarterly</td>
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<td>Substitutability Report</td>
<td>Substitute Items</td>
<td>Periodic</td>
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Decision Support System
1. CTG 60MM ILLUM IR M767 W/FZ MTSQ M776
2. CTG MORTAR 60MM ILLUM M721
3. CTG 81MM M816 INFRARED
4. CTG MORTAR 81MM SMOKE RP M819
5. CTG MORTAR 81MM VISUAL LIGHT (VL) ILLUM M853A1
6. CTG MORTAR 120MM INFRARED (IR) ILLUM M983
7. CTG MORTAR 120MM VISUAL LIGHT ILLUM M930 W/MTSQ FZ

What Other Items Share Production Capacity?
Summary: Item has 8 main components, 8 producers operating in 6 states and 1 foreign country.

Family: Mortars

Base Capability Constraints:
- Current fuze producer is a foreign source.
Summary

Cost Effective & Executable

- Ammo:
  - Reliable
  - Accurate
  - Lethal

- Industrial Base
  - Responsive
  - Adaptable

- Ind Base Management:
  - Ind Base Office
  - Section 806
  - Strategic Plans
  - Integrated Supply Chain Management
  - Integrated Data Environments
  - Manufacturing Tech Insertion
  - Single Pt Failures