



# 2008 Munitions Executive Summit

## An Industry Perspective

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“We can win without food, we cannot win without ammunition”



-- General Walton "Bulldog" Walker, USA

## A Success Story . . .

### ***The US Munitions enterprise has achieved remarkable results in support of the GWOT:***

- Responsive supply – exemplary support to the war-fighters
  - ✓ Soldier safety
  - ✓ Over-match lethality
  - ✓ Product reliability / performance



### ***Maintaining world-class attributes:***

- R&D / Technology
- Manufacturing
- Logistics



# The Future is Now . . .

## . . . Joint , Flexible, Responsive



**Q.**

*How do we ensure a capable and responsive US Munitions Industrial Enterprise – positioned to meet both the current and long term needs of our war-fighters?*

**A.**

- 1. USG – Industry Partnering*
- 2. Enterprise-Level Strategies and Accountabilities*

# Where Do We Start?

## Clarity of a common Mission:

1. War-fighter readiness
2. Long-Term vitality of US Munitions Industrial Base
3. Generate value for all stakeholders



## Understanding the common issues plaguing our enterprise:

1. Managing contract / acquisition risk
2. Stable Requirements / Resourcing Plans
3. “Crash Landing” – Cliff effect, post-conflict



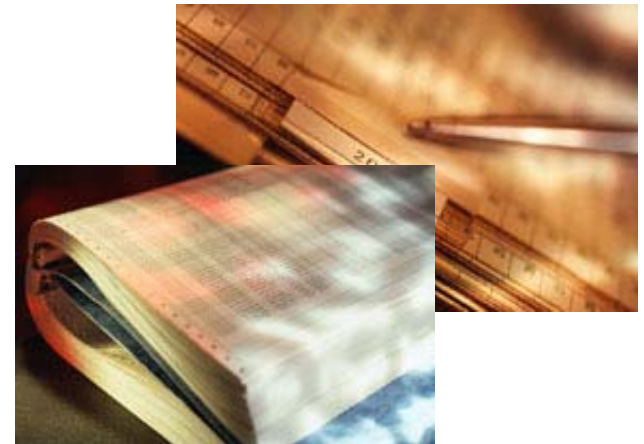
# Overarching Munitions Base Strategy

***Key questions we must confront to the ensure long-term health of US Munitions Enterprise :***

1. What is working in the current state?
2. What needs to be improved?
3. What is not working – impediments to our success?

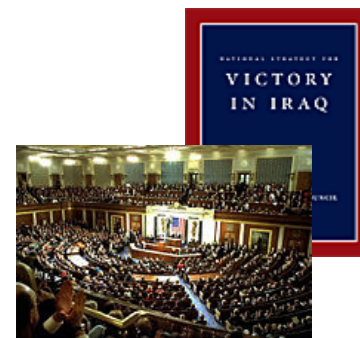
**Our long-term solution must manifest into . . .**

- Executable Industrial Base Policies
- Synchronized Acquisition Strategies
- Focused USG / Contractor investment
- Long-term resource planning / commitments



# On the Horizon – A Perfect Storm Forming

- **Uncertain political landscape**
  - Focus and priority of defense spending?
  - GWOT strategy – funding parameters?
  - Peace Dividend? Severity of draw-down?
- **Growing fiscal pressures**
  - Munitions reside in a challenging trade space
- **Continual shift towards lower volume, precision munitions**
- **Aging and over-sized industrial complex**
- **Rising inventories inducing less demand**



= **Unavoidable Risk**



**“Enterprise-Level” understanding and management of prevailing risk**

# Influences on our Future Success

*Uncertainty of key influences  
on the future munitions  
landscape . . .*



- **Political backdrop** – commitment to defense spending / GWOT
- **Increased end strength** – impact on ammunition demand?
- **Peacetime procurement levels** – sustainable, affordable?
- **Narrowly-Focused War-fighting doctrine** – planning the last war only?
- **USG Industrial Base Policy** – executable, resourced?
- **Training and Operational tempos** – consumption rates?



# What is Working ?

- Renewed focus and priority on ammunition – JM&L LCMC
- Demonstrating surge capability - GWOT demands
- Robust GWOT supplemental funding for ammunition
- Increased operational discipline – LEAN / Six-Sigma protocols
- Successful deployment of precision guided munitions
- PEO – Ammunition strategic guideposts
  - Industrial Base Strategy: 2015
  - PM-MAS Strategic Roadmaps (SCA, MCA, LCA)
- Multiple-Year “Family Procurements” - maximizing returns

# What Can We Improve?

- **Contracting Practices**
  - Process efficiency – both USG and Contractors
- **Requirements Planning**
  - Accurate forecasts - communications
- **SMCA oversight of non-Army programs**
  - Lack of total commitment diminishes value-added objective
- **Fidelity of TDPs / RFP Requirements**
  - Completeness / accuracy / availability – will save time and \$\$
- **FMS / International Outreach**
  - Lost opportunities – foregoing critical mass infusion into NTIB
- **Communications**
  - Critical “enterprise-level” interaction & communications is essential

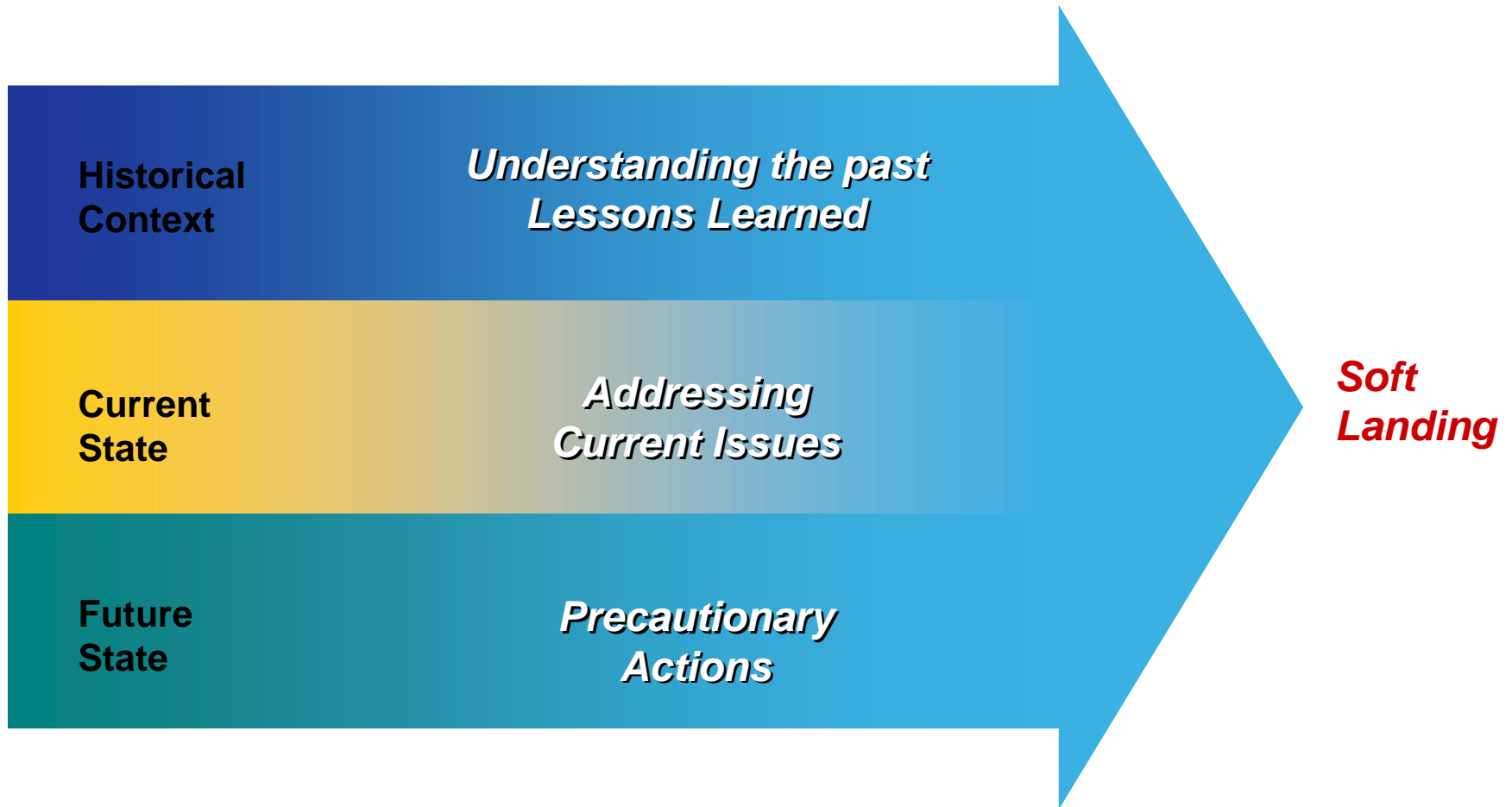
# Impediments to Our Success

- **Managing commodity fluctuations / exposure**
  - “Our problem” – yet contractors solely bearing the burden
  - Extensive financial risk – benchmark other USG/industry practices?
- **Questionable Contracting Methods**
  - FFP development programs – untenable risks
  - Unrealistic – predictable failure managing costs & schedule
- **Narrow Modernization / Sourcing Focus**
  - Commercial Base slighted by singular GOCO focus
  - Forcing a reliance on GOCOs may sub-optimize desired objectives
- **Acquisition Strategies**
  - Competition for the sake of competition
  - “Cherry Pickers” – GWOT opportunists not committed to the long haul

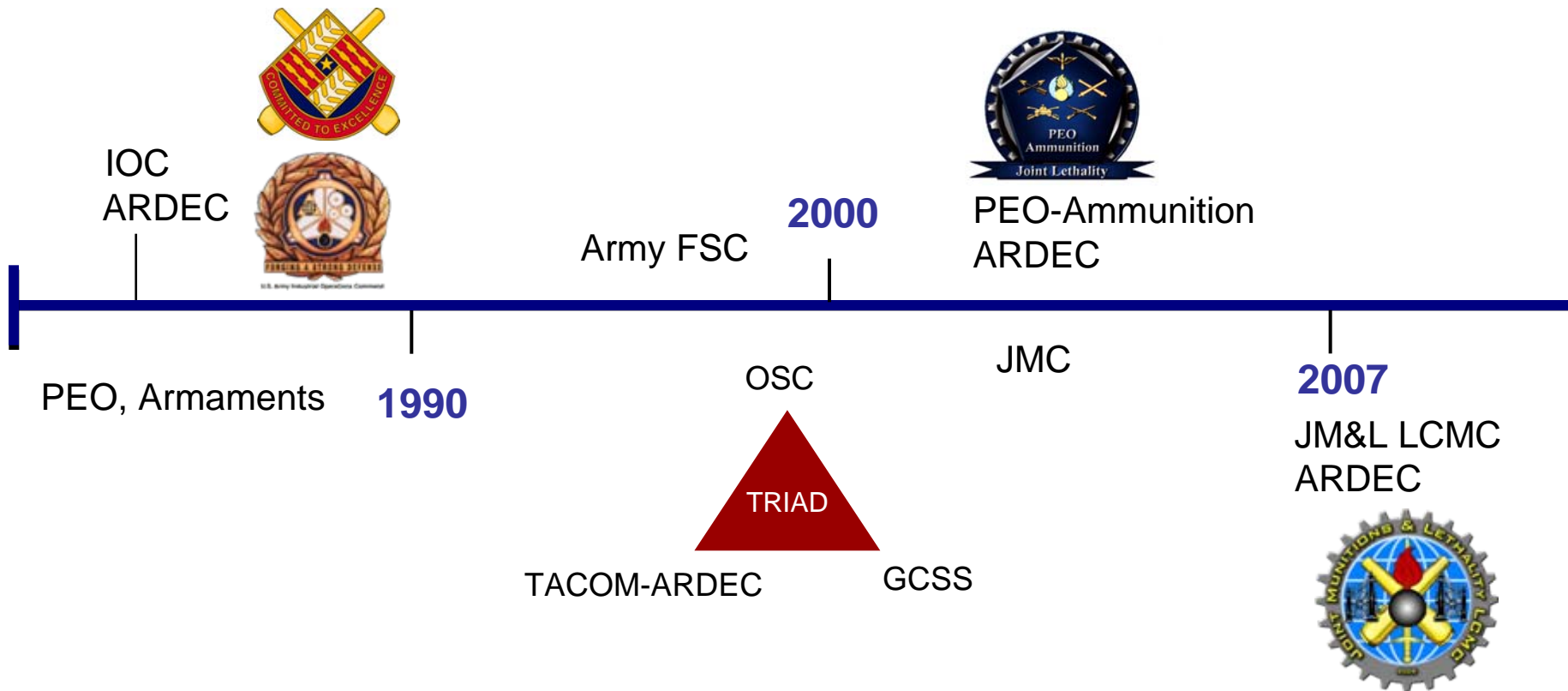
# Complex Dimensions of a “Soft Landing”

*A drawdown is inevitable in a post-conflict environment . . .*

*. . . special precautions and proactive planning are essential*

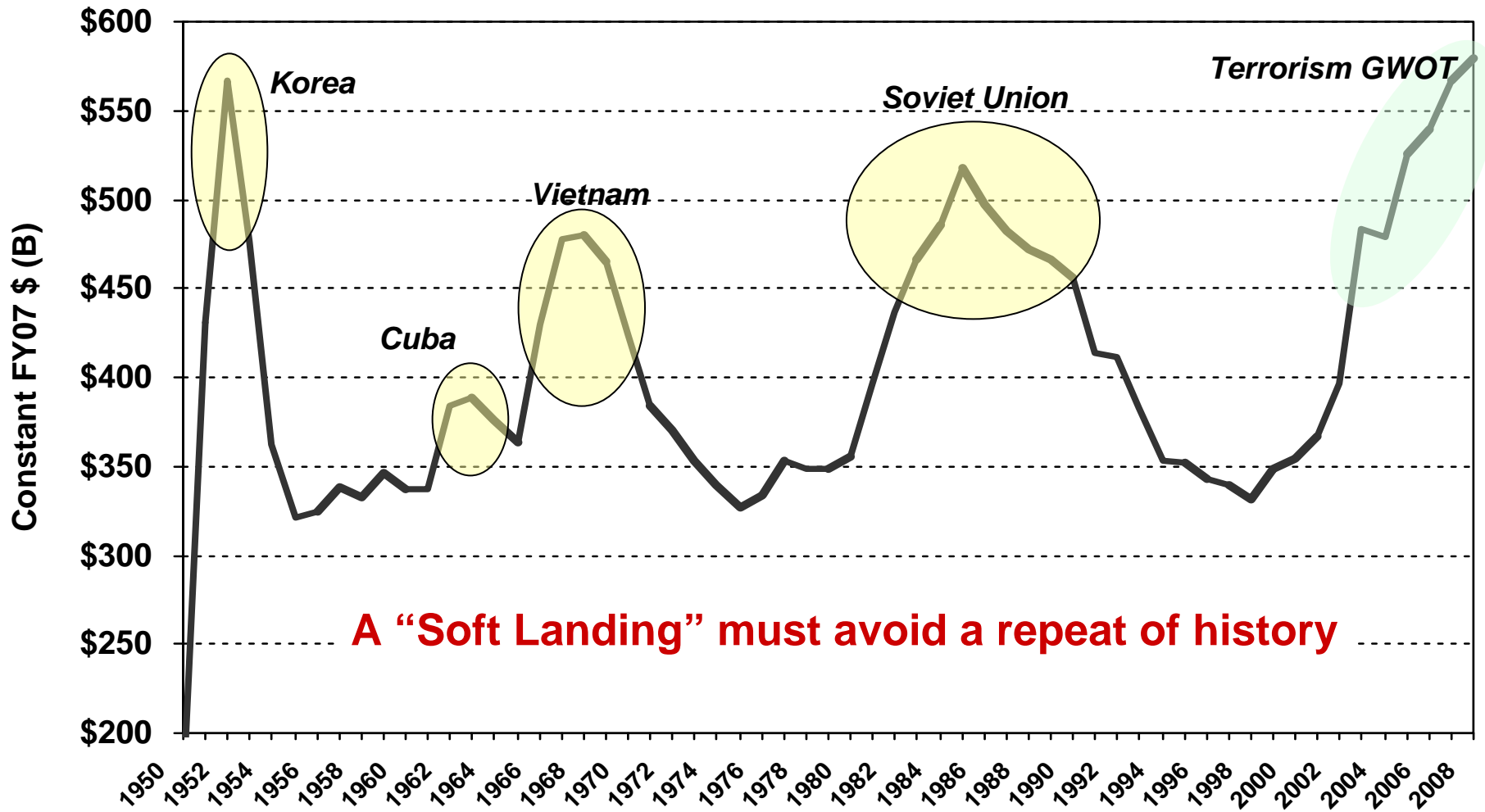


# Historical Underpinnings of the US Munitions Enterprise



*The US Munitions Enterprise has undergone continual evolution since the 1980s . . . continuity of the JM&L LCMC is essential*

# Industry Perspective – The Past



# We must act now to avoid a repeat of history . . .

- The post-conflict environment *will* yield less focus on munitions
- Core producers will be forced to exit market
- A re-setting of OSD fiscal priorities will put munitions funding at extreme risk
  - Willingness to risk munitions industrial base – “they will come again”
  - Ammunition investment accounts raided as bill payers
- Planning for the last war will impede needed technology growth
- Overall erosion of our munitions enterprise will occur without purposeful “Soft Landing” provisions:
  - Loss of critical skills / infrastructure
  - Un-even demand – episodic production run-outs (peaks and valleys)
  - Product reliability will suffer
  - War Readiness will be at risk . . . again

# Industry Perspective – Current State

- Lacking a unified definition of a “healthy” industrial base
  - Organic Base only?
  - Common metrics?
- No crisis looming – now is the time to plan and act for the future
- Transforming – while Sustaining:
  - Flexible Manufacturing
  - Insensitive Munitions
  - Precision Munitions
- Modernization underway
  - Right-sizing objectives?





# Industry Perspective - Future State

- Ammunition “acquisition programs” – versus “commodity purchases”
- Integrated and synergistic enterprise
  - Complimentary mix of private and government capabilities
- Right-sized and flexible manufacturing operations
  - Balanced capacity: defined Min Sustaining Rate / Surge requirements
- Innovative technology insertion – affordable precision

**“Joint, Flexible, Responsive”**



# ICAP Initiatives

- **Soft Landing mission underway**

*Achieve a broad-based recognition that a capable, competent, and responsive U.S. munitions industrial base is mandatory for national military security in support of our Warfighters. Support the continued sustainment of the “objective” munitions industrial base to include both commercial and government-owned sectors. The structure and size of this base is defined and derived from anticipated future requirements on an ongoing and surge basis. Support programs and resources to sustain the base and provide for required modernization. Support future munitions programs and funding that allow for equilibrium and that mitigate a crash of the base.*

- **Uniform definition of Minimum Sustaining Rates:**

*Minimum Sustaining Rate (MSR) is defined as "the lowest level of utilization necessary to ensure the continued viability and vitality of a given industrial capability. An MSR incorporates elements of both quantity and how production of that quantity is integrated over time within the supply chain. Other elements must also be considered in deriving MSRs to include consideration for the retention of critical skill sets, facility costs, processing technology, supply support/logistics ramifications."*

## *What should industry be doing to ensure the desired end state?*

- Incorporate LEAN / Six-Sigma into operational culture
- Pursue right-sizing and flexible manufacturing operations
- Improve supply chain oversight and awareness of risks
  - Serve as effective stewards of the supply chain
- Product / Process Innovations: quality, reliability, safety, affordability
- Enable technology growth: re-invest (IRAD) into PEO strategies
- Meet delivery schedules with quality product
- Be a good partner – deliver on promises

## ***What can the USG do to ensure the desired end state?***

- Balanced risk sharing: Risk - Reward
- Participate in “our” commodity dilemma
- Long-term contracts that encourage investment / modernization
- Communications: requirements, roadmaps, data access
- Synchronize acquisition and IB strategies
- Resource the modernization goals (GOCO and Commercial)
- Allow industry to be partners

# Way Forward

## *Enterprise Imperatives*

- **Vigorously defend ammunition funding levels**
  - Unified message to Congress/Service leadership
- **Expand and enhance USG – Industry Partnering**
- **Enact holistic approach / outlook**
  - Maximize the enterprise playing field:
    - ICAP, NDIA Munitions Div, USG Industry Days
- **Plan and act now**

