

STATEMENT BY
MR. RICHARD G. PALASCHAK
DIRECTOR OF OPERATIONS
MUNITIONS INDUSTRIAL BASE TASK FORCE

BEFORE THE

HOUSE COMMITTEE ON ARMED SERVICES
TACTICAL AIR AND LAND FORCES SUBCOMMITTEE

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MR. RICHARD G. PALASCHAK
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Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you. I am here as the Director of Operations for the Munitions Industrial Base Task Force, a non-profit trade association of 18 companies representing a substantial cross section of our nation's munitions industry. This Task Force was formed in 1993 to pursue a common – and what we believe to be a valid national strategic goal: to advocate the adequate funding and policies required to sustain a responsive, efficient U.S. munitions industrial base capable of developing, producing and providing superior munitions for the U.S. and its allies. While today's hearing is focused on small caliber ammunition and the associated national and technology industrial base, the impacts resulting from the nation's national security strategy, funding, and policy decisions affect all ammunition sectors. Accordingly, many of my comments today will address the common conditions arising in our industry from those decisions and then provide more specific information relative to small caliber ammunition.

Requirements for small caliber ammunition are comprised of two major components – training of individuals and units, and those inventories needed to support our armed forces in war. Those requirements are dictated by force size, the training strategies used to maintain the readiness of that force, and the overall strategy for ensuring our national security. Prior to the end of the cold war our military relied upon large inventories of munitions combined with an orchestrated mobilization of an industrial base comprised of government-owned ammunition manufacturing plants and a group of proven, privately owned companies. These aggregate production capabilities were referred to as the Restricted Specified Base, commonly known as the RSB. Virtually all procurements for ammunition were sourced from that RSB. For example, during

the Vietnam War, small caliber ammunition was manufactured by a combination of two government owned, contractor operated ammunition plants, that satisfied the great majority of our requirements, along with smaller, but still significant, quantities from a U.S. owned arsenal and several privately owned ammunition manufacturing facilities. Underpinning all of these capabilities were numerous privately owned subcontractors that provided necessary material and components.

The end of the cold war triggered a major change in our national security strategy from a global war scenario to one of fighting two major regional conflicts. Concurrently, DOD abandoned its industrial mobilization strategy and replaced it with a strategy of fighting from inventory and replenishing expended stocks within a specified period of time. DOD subsequently eliminated any time limitations for replenishing expenditures. Today, there is no DOD guidance based upon quantitative, analytical measures for the retention of unutilized equipment. The end of the cold war also caused a concomitant reduction in military force structure and, not surprisingly, in ammunition war reserve requirements. For example, the Army's overall munitions war reserve requirements were reduced by nearly 75%. Interestingly, their small caliber ammunition requirements were only reduced by about 35%, which closely mirrored the percent reduction in force structure. In the period following the end of the cold war, several other decisions were made that would limit the ability of our industrial base to surge production. In the constrained budget environment during the '90's, military leaders and resource managers looked for ways to reduce the amount of funds tied up in munitions inventories. For example, the days of supply in the pipeline for training unique ammunition were reduced. Specific to small caliber ammunition, the Army made a conscious decision to only buy about 50% of its war reserves because they concluded that production lines at Lake City Army Ammunition Plant could rapidly respond to any increased demands. DOD munitions procurement budgets underwent draconian reductions as the services relied upon stocks built up during the cold war to support annual training and war

reserve requirements. A major effort was undertaken to drastically reduce funding for Production Base Support in our government owned plants, to dispose of “unnecessary” production equipment and facilities throughout the base, and to reduce the operating footprint at ammo plants and privately owned facilities by consolidating operations. As a consequence of these actions, the overall capacity of the industrial base was drastically diminished, much of the remaining idle equipment and facilities were not adequately maintained, and modernization or upgrading of capabilities was a low priority.

The recent demands for increased small caliber ammunition production resulting from our nation’s ongoing wars in Afghanistan and Iraq, as well as a major change in individual weapon training requirements in the Army, have highlighted the shortcomings in our production base that evolved during this period. When the increased requirements for 5.56mm, 7.62mm and caliber 0.50 cartridges surfaced, all of the DOD’s needs for these rounds, with the exception of some small quantities of specialty rounds, were being produced at Lake City Army Ammunition Plant. Lake City is the sole remaining government owned small caliber ammunition plant. It is the key and essential U.S. national capability for the manufacture of small caliber ammunition in existence today. No other facility in the free world possesses the enormous production capacity still resident at Lake City. In order to put today’s demands for Lake City’s products in some context, I want to recount some historical production figures. During the four years of WWII, Lake City produced over 6 billion rounds, or an average of about 1.5B cartridges per year. During the Korean War it produced about 1.2B cartridges per year. During the Vietnam War the maximum annual production was 2.2B cartridges. Lake City is currently producing at a rate of about 1.2B cartridges per year. As I noted earlier, during the Vietnam War, privately owned companies manufactured significant quantities of small caliber ammunition to supplement the production coming from the government owned facilities. During the defense build up of the 1980’s, private industry was again asked to produce significant quantities of small caliber ammunition in tandem with the ongoing

production at Lake City. An acquisition strategy that engages private industry's capabilities to supplement Lake City's capabilities has both historical precedents and provides insurance against some future change in requirements. It also provides a relief valve as Lake City modernizes its production capabilities and expands both its capacity and its workforce. The commercial production capability available in the national technology and industrial base today cannot meet the maximum annual quantity needed from it, as projected by the Single Manager for Conventional Ammunition. With modest investments that capability could be more than doubled within a year but would still be less than the maximum quantity that might be requested. Therefore, a prudent enhancement of commercial capabilities in addition to the expansion of Lake City's capacity is needed. Private industry has indicated a willingness to invest in the expansion of their production capacity for U.S. military ammunition under the envisioned acquisition approach. However, without some assurance of a return on their investment, even a modest investment would be a difficult decision for private industry when the government's proposed acquisition strategy offers no minimum annual production. Unfortunately, because of the current shortfalls of small caliber ammunition, combined with past DOD decisions that reduced the capacity and responsiveness of the national technology and industrial base for that ammunition, the DOD has utilized existing off-shore production capabilities of a close ally to satisfy a portion of DOD's near term requirements. While Lake City is capable of some additional production above current rates within 6-12 months, it may be necessary to further utilize some off-shore capabilities in the near term to meet DOD's increased requirements for small caliber ammunition. Off-shore production should not be necessary, nor should it be an option, after additional capacity is put in place at Lake City and in the other members of the national technology and industrial base.

While there is a substantial dependency on foreign sources for material and components for much of our nation's munitions, small caliber ammunition has few such dependencies. However, while there is a domestic source for gilding

metal clad steel, which is required for some small caliber bullets, it is only available in sufficient quantities and acceptable quality today from an off-shore source in Germany. I am personally unaware of any other manufactured material needed for the required small caliber rounds that is only available from off-shore sources.

This afternoon, I've presented an assessment of the small caliber ammunition production capabilities available to satisfy this nation's requirements for these cartridges. In doing this I've considered the competing interests of the companies within the national technology and industrial base, the serious shortfalls of small caliber ammunition confronting this industry's government customers, and the strong support that the House Armed Services Committee has provided to our industry over many years. It has been a challenge. I've provided the best available information to the Committee, knowing full well that much of that information does not comport with everyone's interests. While I am here representing our industry, I assure you that my primary focus is to most assuredly meet the needs of our military. It is in that context that I hope and trust that you will consider my testimony today.

Thank you for your attention and the opportunity to address the Subcommittee.