

RECORD VERSION

**STATEMENT BY
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BEFORE THE

**SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT
COMMITTEE ON ARMED SERVICES
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**ON THE HEALTH OF THE DEPARTMENT OF DEFENSE INDUSTRIAL BASE AND
ITS CRITICAL ROLE IN PROVIDING AND SUSTAINING READINESS FOR THE
WARFIGHTER**

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Introduction:

Chairman Inhofe, Ranking Member Kaine and distinguished members of the Subcommittee, thank you for the opportunity to testify on the readiness of the Army's Organic Industrial Base. On behalf of our Acting Secretary, the Honorable Robert Speer, and our Chief of Staff, General Mark Milley, thank you for your support and demonstrated commitment to our Soldiers, Army Civilians, Families and Veterans.

Since the War of 1812, our great Nation has reaped the rewards of the unique capabilities resident in our Organic Industrial Base (OIB) to manufacture and repair the equipment and materiel needed to equip and sustain our Armed Forces. Today, 23 ammunition plants, depots and manufacturing arsenals produce combat readiness by manufacturing, repairing and resetting our military's equipment. These depots, plants and arsenals possess specialized core competencies and are operated by a workforce of highly-skilled artisans, some of whom are the 2nd and 3rd generation of a family dedicated to the defense of our nation. These patriots and the facilities in which they work provide a unique set of capabilities that enable readiness and the projection of national power.

The OIB is often referred to as America's National Security Insurance Policy. As with all insurance policies, there must be adequate coverage in advance of a crisis and confidence that the policy will be honored. The OIB represents the very best protection - paying dividends, in the form of readiness now, while providing the capability to regenerate equipment and unit readiness at the outset of the future crises. The OIB directly employs more than 22,000 people in operations that span all 50 states. The annual economic impact of the OIB on local economies is in excess of \$3.696 billion. As an example, McAlester, Radford and Iowa Ammunition Plants, as well as the Anniston Army Depot, collectively introduce \$205.1 million into their communities each year.

The Army's Organic Industrial Base serves to mitigate risk by providing strategic depth and scalable response during times of crisis. Whenever called upon, the OIB delivers equipment to the tactical point of need that is maintainable and affordable within the tactical commander's available resources (Soldiers, Time and Dollars). From small

arms, ammunition and explosives, to trucks, radars, optics and main battle tanks, our manufacturing base has always delivered state-of-the-art technology and equipment to our globally engaged forces.

Challenges

The two greatest challenges we face today with our OIB are budget caps mandated by the Budget Control Act of 2011 and a lack of consistent and predictable funding as evidenced by repeated continuing resolutions. Sequestration's legacy of imposing cuts without consideration of national security requirements must be brought to an end. Our military's readiness is held hostage to it. Also, continuing resolutions have fostered an era of unpredictable funding that adversely affects the OIB. A year-long continuing resolution will preclude the Army from funding Depot Maintenance at the level needed to rebuild 4 Apache helicopters, 2 Black Hawk helicopters, several Patriot Air Defense systems, as well as upgrades to weapon system required to ensure interoperability on the battlefield.

Additionally, the longer the Army operates under the budget caps and in an unpredictable fiscal environment, the more difficult it is to sustain production at levels that maintain workforce skill sets. Exploiting best business practices in our industrial operations requires consistent levels of funding that facilitate long term planning.

Furthermore, parts of our manufacturing and facilities infrastructure are near the end of their life cycles. We need your continued assistance with modernization and replacement. Since fiscal year 2005, more than \$2 billion has been invested in automation and robotics to enhance production and ammunition out-load capabilities, as well as attain energy self-sufficiency. Given the value of the OIB's infrastructure, keeping it in good order offers a good return on investment.

Maintaining Readiness

We recognize and are extremely appreciative of this committee's steadfast support through the past 16 years of war. Without your support, the OIB could not have surged when called upon in support of Operations Iraqi Freedom and Enduring Freedom, to

reset nearly four million items of equipment – a workload three times that of the workload during the Vietnam War. To put this in operational terms, that equates to resetting 105 Brigade Combat Teams.

The capabilities of our adversaries continue to evolve.

General Milley states it most succinctly; “The Army’s number one priority is readiness.” And a foundation of Army readiness is a vibrant and responsive industrial base. We cannot afford to let our warfighting capabilities fall into decay because within the OIB reside one-of-a-kind resources that cannot be easily revived or replicated, and certainly not in time to respond to a national crisis. Now more than ever, we must enhance our readiness through continued investment in our organic capabilities in order to ensure our force can conduct and sustain a combined arms fight in unified operations. In that way we can deter our adversaries and, importantly, win decisively without undue risk to the force.

For example, Nitrocellulose is a key compound used in making explosives. The Radford Army Ammunition Plant is the only known manufacturer of nitrocellulose in North America. McAlester Army Ammunition Plant is so proficient at manufacturing certain munitions that the Navy and the Air Force ask them to produce ordinance to meet both their wartime and training requirements. Watervliet Arsenal is the only manufacturer of large caliber cannon tubes in this hemisphere. Every howitzer at Ft. Sill has a gun tube produced at Watervliet. In fact, in 2013 as the Army was preparing to upgrade the M109A6 self-propelled howitzers to the A7 configuration, corrosion was discovered in the bore evacuators on the cannon barrels. The Army determined that nearly 75 percent of these Paladin howitzers in the inventory were non-mission capable due to bore evacuator corrosion. In nine months’ time, Watervliet repaired 157 of the 171 barrels that were repairable and replaced 73 of the 88 that were not. The skilled and determined workforce, combined with the unique capabilities resident in the arsenal, averted a crisis.

Since 2003, Army equipment reset requirements have generated \$29.5 billion in work for the OIB. Orders from the U.S. Air Force, Navy and Marine Corps have generated

another \$5.7 billion in revenue. In 2015 alone, the Army's Organic Industrial Base provided \$698 million in joint depot work and \$504 million in joint parts, demonstrating its impact on not only Army readiness but the readiness of all our Armed Forces. The output of our depots, plants and arsenals not only provides strategic depth but produces direct economic impact on a supply chain of over 11 thousand vendors – many of which are small businesses.

While we are asking for your support, it is important to note that we are working feverishly to maximize the impact of the resources you have provided. In the past four years, the Army has reduced its inventory of secondary items by 9.2 billion. The OIB has realized \$4.5 billion in financial benefits like cost avoidance through continuous process improvement projects since 2011.

As retrograde and reset operations slow, the Army must find innovative ways to reshape itself and leverage its investments with partners from other parts of DOD, government and the private sector when missions, goals, and requirements align. Preserving the workforce, optimizing processes and aligning workload to unit readiness and sustainment needs must be prioritized as we divest obsolete systems and equipment. Simultaneously, we must continue to develop the capabilities required to meet future requirements.

Closing:

This committee, more than anyone else, knows that the world is more dangerous and unpredictable than it has ever been. While our nation's greatest minds work hard to predict the future we are continually surprised by the unpredictable. In every instance of crisis, the OIB has responded by providing solutions to meet unanticipated demands. If the OIB is to continue to deliver when our nation needs it most, we must invest now. Consistent and predictable funding to preserve, maintain and modernize our critical capabilities provides the last line of defense against the unknown, while we continue to produce readiness that guarantees that we will win wherever and whenever our nation calls.

I would like to thank each distinguished member of the Committee for allowing me to offer this testimony today. Your continued steadfast support enables us to maintain and modernize the OIB, and simultaneously preserve and develop the workforce required to provide value to our nation in the form of future readiness and deterrence.