103-06A – A – Community Input
DCN: 7250 **Army** – Kansas, Lone Star, Mississippi, and Riverbank
Army Ammunition Plants
BRAC COMMISSION – FY 2005
COFF:_____ DISPOSITION: Permanent

Day & Zimmermann

Additional Information to Consider in Analysis of Jay Berry Responses to R. Gary Dinsick, Army Team Leader, BRAC Commission

Submitted Friday 12 August 2005

Day & Zimmermann 1655 North Fort Myer Drive Suite 520
Arlington, Virginia 22209 703-527-2147

12 August 2005

Mr. R. Gary Dinsick
Army Team Leader
Base Realignment & Closure Commission
2521 South Clark Street, Suite 600
Arlington, Virginia 22202-3920

Dear Gary,

Subject: Rebuttal to Letter from Mr. Jay Berry, IJCSG (25 July)

Attached please find a rebuttal, humbly submitted for your review, to a letter dated 25 July 2005 from one Mr. Jay Berry, Executive Secretary of the Industrial Joint Cross Service Group.

As you conduct your "due diligence" of all the various data submitted by the Department of Defense, there may occasionally be a need for the record to be "clarified" in the interest of ensuring an accurate and open debate on these vital issues. In this particular case, after having read the referenced letter we felt a need to provide accompanying and clarifying comments to those submitted to you in that letter. We stand ready to discuss with you, if you wish, these answers in more detail. The contact info, if needed, is:

Mr. Ken Elliott, LSAAP: (o) 903-334-1210; cell: 903-277-5891
Mr. Jerry Smith, LSAAP: (o) 903-334-1210; cell: 903-277-8915

Again, many thanks for the challenging work you are performing. Good luck in the weeks and months ahead!

Sincerely,

Jim

James Hickey
VP Government Affairs
Day & Zimmermann

cc: Elizabeth Bieri, George Delgado

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Additional Information to Consider in Analysis of Jay Berry Responses to R. Gary Dinsick, Army Team Leader, BRAC Commission

Additional Comments for Consideration: The following is in reference to answers contained in a memorandum for Mr. R. Gary Dinsick, Army Team Leader, (28 July '05), signed by Mr. Jay Berry, Executive Secretary, Industrial Joint Cross Service Group:

1. **Re: Ownership of Proprietary Processes at GOCOs:** Contract history at the GOCO facilities is a factor that must be considered in answering the question. Prior to 1993 at Kansas AAP and prior to 1998 at Lone Star AAP, all work was performed under a cost-reimbursable basis. Under the cost-reimbursable contract type, all work products, processes, and technical data belonged to the Government. Since Facility Use Contracts were implemented (in 1993 at Kansas and in 1998 at Lone Star), practically all of the work has been performed on a firm-fixed-price basis. Under fixed-price contracts, the only things that belong to the Government are the specified deliverables. Tooling, gauges, operating software, and all processes are owned by the contractor, and are proprietary.

   Neither Lone Star nor Kansas are "Government Owned and Government Operated" (GOCO) facilities as stated in the response, which is a clue to the confusion on this issue. Both plants are "Government Owned and Contractor Operated" (GOCO) facilities. Products are produced to satisfy Government Technical Data Packages (TDP) or Performance Specifications, but these documents do not provide the methods, processes, tooling, procedures, knowledge, or component parts suppliers essential to produce the products. The Government-owned equipment will not produce a product to the TDP without the contractor's proprietary processes documented in company documents and tooling owned by the contractor. The only alternative would be an extensive and costly design and development effort by the receiving facility contractor. In addition, the receiving facility must create and qualify a component parts supplier base. This requires a lengthy time period and first article qualification testing – resulting in a high risk for impact on future delivery requirements. A dependable supplier base and LAP processes are not developed quickly; many years of experience and continuous improvement initiatives of a contractor are required to provide a safe and high yield process to meet today's quality and performance standards. For example, the table starting on the following page defines ownership of the Lone Star equipment, tooling, software, manufacturing work instructions, and inspection plans.

	Ownership				
Product Family, Items & General Process Description	**Equip**	**Tooling**	**Machine & Process Control Software**	**Manufacture Instructions (SOPs & Maintenance procedures)**	**Detail Inspection & SPC Plans**
Stab Dets (M55, M59, M76, M98 etc)					
-Azide Processing	Gov	NA	D&Z	D&Z	D&Z
-Primer Mix Manufacture	Gov	NA	D&Z	D&Z	D&Z
-RDX drying & screening	Gov	NA	NA	D&Z	D&Z
-RDX Pellet manufacturing	Gov	D&Z	NA	D&Z	D&Z
-Detonator Assembly	Gov	D&Z	D&Z	D&Z	D&Z
-Explosive Dispensing	D&Z	D&Z	D&Z	D&Z	D&Z
-Detonator gauging	D&Z	D&Z	D&Z	D&Z	D&Z
-Detonator painting	Gov	D&Z	NA	D&Z	D&Z
-Detonator testing	Gov	D&Z	NA	D&Z	D&Z
-Detonator packout	Gov	NA	NA	D&Z	D&Z
Delay M53					
-Prepare Mix for Primer M54	Gov	NA	NA	D&Z	D&Z
-LAP Primer M54	Gov	D&Z	NA	D&Z	D&Z
-Prepare Pyrotechnic Mix for Delay M53	Gov	NA	NA	D&Z	D&Z
-LAP M53 Delay	Gov	D&Z	D&Z	D&Z	D&Z
-Delay Painting	Gov	NA	NA	D&Z	D&Z
-Delay Testing	Gov	D&Z	NA	D&Z	D&Z
M234/M235/M236 Fuze					
-Prepare DXN-1	Gov	NA	D&Z	D&Z	D&Z
-Prepare PETN	Gov	NA	D&Z	D&Z	D&Z
-Prepare CEM	Gov	NA	D&Z	D&Z	D&Z
-Install M55 Det	Gov	D&Z	D&Z	D&Z	D&Z
-Load EED	Gov	D&Z	D&Z	D&Z	D&Z
-Fuze Testing	Gov	NA	D&Z	D&Z	D&Z
M223/M239 Fuze					
-Manufacture Cover	Gov	D&Z	NA	D&Z	D&Z
-Manufacture Housing	Gov	D&Z	NA	D&Z	D&Z
-Thread Weight	Gov	D&Z	NA	D&Z	D&Z
-Install M55 Det into Slide	Gov	D&Z	D&Z	D&Z	D&Z
-Assemble Housing Components	Gov	D&Z	D&Z	D&Z	D&Z
-LAP Fuze	Gov	D&Z	D&Z	D&Z	D&Z
Primers (M28B2, M1B1A2, MK161, M82, etc)					
-Primer Head Loading	Gov	D&Z	D&Z	D&Z	D&Z
-Prime Body Preparation	Gov	NA	NA	D&Z	D&Z
-Black Powder Loading	Gov	D&Z	D&Z	D&Z	D&Z
-Inspection & Packout	Gov	NA	NA	D&Z	D&Z

	Ownership				
Product Family, Items & General Process Description	**Equip**	**Tooling**	**Machine & Process Control Software**	**Manufacture Instructions (SOPs & Maintenance procedures)**	**Detail Inspection & SPC Plans**
Hand Grenade (M67)					
-Melt Pour Explosive	Gov	NA	NA	D&Z	D&Z
-Clean & Inspect	Gov	NA	NA	D&Z	D&Z
-Stencil Grenade	Gov	D&Z	NA	D&Z	D&Z
-Inspect Fuzes	Gov	NA	NA	D&Z	D&Z
-Assemble Fuze & Torque	Gov	D&Z	D&Z	D&Z	D&Z
-Fiber Container Taping & Stencil	Gov	D&Z	D&Z	D&Z	D&Z
-Packout	Gov	NA	D&Z	D&Z	D&Z
-Automated Critical Defect Det Vision Sys	Gov	NA	D&Z	D&Z	D&Z
-Mold for Foam Support	D&Z	D&Z	D&Z	D&Z	D&Z
Bursters (M54A1, etc.)					
-Melt Pour	Gov	NA	NA	D&Z	D&Z
-Explosive Chemical Analysis	Gov	NA	NA	D&Z	D&Z
-Face Charge	Gov	D&Z	NA	D&Z	D&Z
-Assemble Plug	Gov	NA	NA	D&Z	D&Z
-Assemble Disc & Pad	Gov	NA	NA	D&Z	D&Z
-X Ray	Gov	NA	D&Z	D&Z	D&Z
-Packout	Gov	NA	NA	D&Z	D&Z
Pyro Manufacturing (Delay, Igniter, Tracer, Primer, etc.)	Gov	NA	NA	D&Z	D&Z
-Weigh Components	Gov	NA	NA	D&Z	D&Z
-Mix Components	Gov	NA	NA	D&Z	D&Z
-Dry Mix	Gov	NA	NA	D&Z	D&Z
-Granulate Mix	Gov	NA	NA	D&Z	D&Z
-Screen					
MCCM					
-Assemble Ball Matrix, Explosive Sheet	Gov	NA	NA	D&Z	D&Z
-Assemble other Mine components	Gov	NA	NA	D&Z	D&Z
-Pack Mine, Igniter, Shock Tube in Bandoleer	Gov	NA	NA	D&Z	D&Z

	Ownership				
Product Family, Items & General Process Description	**Equip**	**Tooling**	**Machine & Process Control Software**	**Manufacture Instructions (SOPs & Maintenance procedures)**	**Detail Inspection & SPC Plans**
FASCAM (MOPMS, M87A1 Volcano, M88 Trainer, CBU-89 Gator, Gator Trainer)					
-Main Charge Pellet Manufacture	Gov	D&Z	D&Z	D&Z	D&Z
(see note below)	Gov	D&Z	NA	D&Z	D&Z
-Ring Booster Pellet Manufacture	Gov	D&Z	D&Z	D&Z	D&Z
-MCD Lens/S&A Test & Assy	Gov	NA	D&Z	D&Z	D&Z
-AT Mine Assembly	Gov	D&Z	NA	D&Z	D&Z
-Volcano Load & Assembly	Gov	D&Z	D&Z	D&Z	D&Z
-Volcano Leak Test	Gov	NA	NA	D&Z	D&Z
-Pressure Cartridge LAP	Gov	D&Z	NA	D&Z	D&Z
-MOPMS LAP	Gov	NA	D&Z	D&Z	D&Z
-MOPMS Testing	Gov	NA	NA	D&Z	D&Z
-Gator LAP	Gov	D&Z	D&Z	D&Z	D&Z
-Gator Testing	Gov	NA	NA	D&Z	D&Z
Note: Main Charge Pellet Presses (4) were upgraded from 175 Ton to 450 Ton presses at Day& Zimmermann's expense					
Supplementary Charge					
-Screen TNT	Gov	NA	NA	D&Z	D&Z
-Manufacture Pellet	Gov	D&Z	D&Z	D&Z	D&Z
-Assemble Components	Gov	NA	NA	D&Z	D&Z
-Crimp	Gov	D&Z	NA	D&Z	D&Z
-Stencil	Gov	D&Z	NA	D&Z	D&Z
-Tape Handle & Pad	Gov	D&Z	NA	D&Z	D&Z
-Packout	Gov	NA	NA	D&Z	D&Z
M77/M85/M101 Grenades for MLRS					
-Hardness Test/Lead Cup Insertion	Gov	D&Z	D&Z	D&Z	D&Z
-BLA Loading (Comp A5)	Gov	D&Z	D&Z	D&Z	D&Z
-Fuze Assembly & Install Slider Lock	Gov	D&Z	D&Z	D&Z	D&Z
-Tape Loop & Eyelet Assembly	Gov	D&Z	D&Z	D&Z	D&Z
-Mold-Silicone Washer Coating	D&Z	D&Z	D&Z	D&Z	D&Z
MLRS Download & Refuzing Process					
-Pod Download	Gov	NA	NA	D&Z	D&Z
-Pod Inspection	Gov	NA	D&Z	D&Z	D&Z
-Warhead & Motor Separation	Gov	D&Z	NA	D&Z	D&Z
-Warhead Skin Cutting	Gov	D&Z	D&Z	D&Z	D&Z
-Downstack Grenades & Safe	Gov	NA	NA	D&Z	D&Z
-Tape Loop Removal	Gov	D&Z	D&Z	D&Z	D&Z
-Grenade Defuze	Gov	D&Z	D&Z	D&Z	D&Z
-Grenade Refuze	Gov	D&Z	D&Z	D&Z	D&Z
-Tape Loop & Eyelet Assembly	Gov	D&Z	D&Z	D&Z	D&Z

	Ownership				
Product Family, Items & General Process Description	**Equip**	**Tooling**	**Machine & Process Control Software**	**Manufacture Instructions (SOPs & Maintenance procedures)**	**Detail Inspection & SPC Plans**
M915 DPICM w/M80 Grenade					
-Hardness Test/Lead Cup Insertion	Gov	D&Z	D&Z	D&Z	D&Z
-BLA Loading (Comp A5/PAX 2A)	Gov	D&Z	D&Z	D&Z	D&Z
-SDF Fuze Assembly	Gov	D&Z	D&Z	D&Z	D&Z
-LAP M915 Projectile	Gov	D&Z	D&Z	D&Z	D&Z
M864 Recap Process					
-Base Burner Removal	Gov	D&Z	D&Z	D&Z	D&Z
-Base Burner Cleaning & Inspection	Gov	NA	NA	D&Z	D&Z
-Projectile Cleaning & Inspection	Gov	NA	NA	D&Z	D&Z
-Downstack Grenades & Safe	Gov	NA	D&Z	D&Z	D&Z
-Tape Loop Removal	Gov	D&Z	D&Z	D&Z	D&Z
-Defuze Grenade	Gov	D&Z	D&Z	D&Z	D&Z
-Refuze Grenade	Gov	D&Z	D&Z	D&Z	D&Z
-LAP Projectile	Gov	D&Z	D&Z	D&Z	D&Z
-Automated Critical Defect Det Vision Sys	Gov	NA	D&Z	D&Z	D&Z
-Projectile Marking (Imaje)	Gov	D&Z	D&Z	D&Z	D&Z
Grenade Explosive & Cone Removal	D&Z	D&Z	D&Z	D&Z	D&Z

2. **Re: Moving of GOCO Production Line Equipment to GOGOs:** To further our point, Day & Zimmermann was never contacted for a cost estimate for relocation of any equipment or the sale of any of our proprietary processes. As a contractor, we have successfully bought equipment and technical know-how for products we produce when it was not practical to create the technology on our own. To ensure success, we sent engineers, technicians, craftspeople, and supervisors into the Seller's plant to learn the processes and be trained on the equipment setup, maintenance, and operation while the equipment was in production. We purchased the tooling, quality control plans, work instructions, test equipment, maintenance instructions, controls software and gauges, along with on-site consulting and technical assistance services. The equipment was partially disassembled with all mating piping, control wiring, utilities, and hardware clearly marked for reassembly. Boxing, blocking, and bracing were supervised to ensure safe arrival. Our craftspeople, technicians, and engineers reassembled and reactivated the machinery with the aid of the Seller. We kept the Seller involved until we passed the first article test and later as production problems were encountered. As a contractor, we have sold our munitions LAP processes, our equipment designs, and equipment to foreign clients, and in each case we required a similar commitment by our customer to ensure the success of the technology and equipment sale. The inaccuracies in this response are representative of the inaccuracies consistently provided in support of the DoD BRAC justification, calling into question the subjectivity of this recommendation, rather than factual evaluation.

   Moving equipment without the accompanying tooling, quality control plans, work instructions, test equipment, maintenance instructions, controls software, gauges and

creation of a skill base would be a great risk to fulfilling munitions requirements. The TDP and equipment are only a part of the equation in analyzing the feasibility and cost of relocating an ammunition production assembly process. Ammunition LAP equipment is unique with unique material-handling interfaces that require unique construction to safely house the equipment and meet process explosive limits and remote blast wall personnel protection requirements. This type of decision and move of the complex processes and equipment for LAP of ammunition is extremely difficult, and must be handled appropriately to obtain any benefit.

3. **Re: Installation Workloads and Directives:** First Bullet: As a point of clarification, BRAC directs movement of capability to another facility, it does not direct workload.

   Second, Third, and Fourth Bullets: Major LAP work has been directed to specific GOCOs that has influenced the higher utilization percentages at the two gaining facilities. For many years, LAP of the 120mm Tank Rounds was directed in the systems contract scope of work (SOW) to Iowa AAP and, consequently, they still have the work today. Similarly, the 40mm program was a Small Business set-aside and in the SOW the LAP of the round was directed to Milan AAP and the M55 Detonator was directed to Lone Star AAP. The 120mm Tank Program and the 40mm Program are the major reasons the utilization percentages are high at Iowa and Milan AAP. Ironically, this directed work is now the justification to close the only other competing U.S. LAP GOCO plants without any opportunity for competition or comparisons of safety, quality, or delivery performance comparisons, as is normal in a competitive procurement action. If Lone Star and Kansas are closed, SNC Canada will most likely be the only competing source for LAP of major munitions. *Potentially losing the only U.S. producer cannot be in the best interest of the U.S. Warfighter.*

4. **Re: Proposed Relocation Recommendations:** First Bullet: Do not see the relevance of this response to the question, but a point of clarification – Kansas won the last competition for the 155mm HE.

   Second Bullet: The response states "in the future if there are two sites with the capability to produce the 105/155mm HE, both places will bid on the contract." The BRAC closure of Lone Star and Kansas eliminates the opportunity for other U.S. competition unless Lone Star and Kansas are privatized. Under the current DoD BRAC plan, SNC Canada will most likely be the only other competition.

   Third Bullet: The statement – "When the recommendation relocated a function to another site, generally, the site is already producing the item and likely to win the bid" – is a false statement. Ref Question #3 Response, First Bullet, which lists the items for "direct workload" from the losing to the gaining facility. Most of the listed items that have been in production recently at Kansas and Lone Star have not been in production recently at McAlester, Iowa, Milan, or Crane AAPs; for example: Sensor Fuzed Weapon, Detonators, Relays, Delays, MLRS, Hand Grenades, Primers, Mines.

Privatization is the only solution to ensure competition, ensure that the Government gets the best value in the long term, and ensure that ample capability is available when needed. Without privatization, there is a risk that equipment will be relocated but never successfully re-commissioned into production.

5. **Re: "Nurturing of Partnerships in Private Sector"**: This response implies non-competitive selection of contractors to perform the work already won via competition at the losing facilities, by stating the receiving facilities "have an opportunity to take the workload directed to them via the BRAC and go into Public Private Partnering with 'capable' operating contractors and have a 'win,win' situation for both the contractor and the GOGO." There are two problems with this statement:

    1) BRAC does not direct workload, otherwise known as requirements, to a specific facility; it directs capability.

    2) This statement again clearly reflects a posture whereby the DoD BRAC recommendations will be used to limit competition through negotiated assignment of work to specific contractors.

6. **Re: Intent of Closing Installations but Retaining Contractor:** This response again clearly reflects a plan to assign work without competition to the gaining GOGO and GOCO facilities in spite of the last sentence and also indicates that the evaluations did not factor in the proprietary processes at the facility to be closed.

7. **Re: Where Is the Savings from Transfer of Work?**: This response again clearly reflects a plan to assign work without competition to the gaining GOGO and GOCO facilities in spite of the last sentence and also indicates that the evaluations did not factor in the proprietary processes at the facility to be closed.

8. **Re: PEO Ammo Position**: No comment.

9. **Re: Equipment to Be Moved and Cost:** The estimates for moving the equipment are understated. In addition to the physical move, the proprietary processes, tooling, technical support, building modifications/construction, re-installation, "debug", first article test, etc., have not been considered.

10. **Re: Why Use BRAC to Divest Army Property?:** The American Free Enterprise System will accomplish the desired results with the best facility and contractor surviving through "best value" competitive procurement.

11. **Re: 2005 Percentage of Facility Utilization:** Utilization on the basis of current production versus capacity on a 3-8-5 (3 shifts, 8 hours, 5 days) basis is an inadequate measure of the value of an installation. Many products are only produced after lengthy down periods, but these capacities are quite valuable when there is a replenishment requirement.

12. **Re: Updated Certified Data on Personnel**: This response reflects substantially higher staffing for the contractor when compared to the inaccurate original data used for the BRAC analysis. Although the updated numbers are identified as being uncertified, certification can easily be obtained from the on-site Commander's government staff. If these more accurate contractor staffing levels had been used in the initial data calls, one has to wonder how it would have affected the May 13 DoD recommendations.

13. **Re: Advantages & Disadvantages of Privatization:** Privatization is a better solution because it allows the "best value" supplier to survive and also lets the Government continue to benefit from strong competition. Concentrating ammunition capabilities into single sites weakens our capacity and puts us at risk of single point failures and lengthy interruptions of essential capabilities. The "customer pays overhead twice" issue with privatization is debatable, but paying the lowest price through competition is in the best interest of the Warfighter and meets statutory requirements. Further, the risk of not positively ensuring ample proven ammunition LAP capacity and capability based on opinions versus a thoroughly developed plan that addresses all issues should be unacceptable.

    Privatization in place is a better alternative to base closure, and may be approved provided it is the best economic alternative. We have provided data to BRAC analysts showing that it is much more cost effective to privatize in place rather than incur the costs for moving equipment/buying new equipment, installing and debugging the equipment, paying for First Article testing on many items, and doing the required environmental closures. Privatization will achieve the goal of reducing the number of LAP plants. The Government will no longer have either Lone Star or Kansas AAPs. What the Government will have are private industry contractors with very competitive cost structures competing to produce ammunition.

Summary: Mr. Berry's responses lead the reader to believe that future procurements of the transferred items will be competed and that the gaining installations are not assured the work; however, if you notice the distinction he makes between the industrial base and the private sector, you will understand that the workload will be directed to the gaining installations. From a cost practicality standpoint, directing of workload will be essential to ensure any type of positive payback. In his response to Question #3, he states, "In the remaining industrial base, if you have more than one capable producer, the FAR directs competitive awarding of workload." After the transfers, there will not be more than one capable producer in the U.S. industrial base, meaning the work will not be competed. If it is competed, it would be competed beyond the domestic base.

Thank you for this opportunity to respond and clarify many issues related to the munitions industry in general, and to the LSAAP and KAAP in particular.

DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 SOUTH CLARK STREET
ARLINGTON, VA 22202
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DCN 6382

Chairman: The Honorable Anthony J. Principi
Commissioners: The Honorable James H. Bilbray • The Honorable Philip E. Coyle III • Admiral Harold W. Gehman, Jr., USN (Ret.) • The Honorable James V. Hansen
General James T. Hill, USA (Ret.) • General Lloyd W. Newton, USAF (Ret.) • The Honorable Samuel K. Skinner • Brigadier General Sue Ellen Turner, USAF (Ret.)
Executive Director: Charles Battaglia

July 25, 2005

TO: Clearinghouse@wso.whs.mil

FROM: BRAC Commission

SUBJECT: Kansas (KS), Lone Star (LS), Mississippi (MS), and Riverbank (RB) Army Ammunition Plants

1. There has been mention of proprietary processes at each plant. With a general description of the process and avoiding any proprietary restrictions, list each process at each installation, specifically noting whether the government or the operating contractor owns the process.

2. For each line where the process is owned by the operating contractor, how was it determined that the line could be moved to and incorporated with production at another GOCO facility with a different operating contractor or a GOGO?

3. Will workload from each plant closure be directed to the gaining installation? Is there any DoD, Army, or PEO directive to competitively award workload? If so, what is it? Do these recommendations violate any of those directives? How, or why not?

4. If the workload will not be directed to the gaining installations and the work will be competitively awarded, how can the recommendations be evaluated on the merits of the proposed relocations of capabilities to other Army GOCOs or GOGOs?

5. The justifications for MSAAP and RBAAP reference the DoD ability to "nurture partnership with multiple sources in the private sector". Please define and interpret the intent of this statement.

6. Is the intent to close each installation but retain the same operating contractor at the gaining installation? How will this be implemented with the GOGO or one operating contractor at the GOCO now owning the line operated by a different operating contractor or the government?

7. Is the intent for the new line to be operated by the current operating contractor as a tenant on the gaining installation? How is there a "savings" if we have only changed the location in which it's manufactured, and what have we truly accomplished?

8. What is the PEO Ammunition position on these recommendations?

9. Without responding that this is an implementation determination, specifically what equipment from each installation will move to each of the gaining installations? For each move, what is the estimated cost to move that equipment?

10. If the intent is to divest the Army of excess property, why does this need to be accomplished through BRAC?

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11. Provide the current 2005 percentage of facility utilization for each installation.

12. Provide updated certified data on the personnel levels by military officer, enlisted, civilian and contractor for each installation.

13. Addressing each installation, what are the advantages and disadvantages to privatizing these functions and installations in place? Why is this or is this not a sound business decision?

Regards,

R. Gary Dinsick
Army Team Leader

DCN 6382

INDUSTRIAL JOINT CROSS SERVICE GROUP

July 28, 2005

MEMORANDUM FOR R. GARY DINSICK, ARMY TEAM LEADER

Subject: Kansas (KS), Lone Star (LS), Mississippi (MS), and Riverbank (RB) Army Ammunition Plants, OSD BRAC Clearinghouse Tasker C0682

The following is in response to your e-mail inquiry of July 25, 2005, where you asked the following:

1. *There has been mention of proprietary processes at each plant. With a general description of the process and avoiding any proprietary restrictions, list each process at each installation, specifically noting whether the government or the operating contractor owns the process.*

Response: There are no proprietary processes at these sites. Some operating contractors may state that they have proprietary processes, but this is not true. At Government Owned and Government Operated facilities, the Government owns the land, buildings, requirements, Technical Data Package (TDP) and equipment. The operating contractor produces munitions to meet requirements as stated in the TDP (product requirements and drawings). To produce the requirements identified by the Government, the operating contractor establishes their own processes. The Government may have two contractors producing the same munitions and they may have two different processes. The DoD does not dictate processes. The requirement of the operating contractor is take the TDP provided by the government and develop the processes needed to successfully manufacture the end item.

2. *For each line where the process is owned by the operating contractor, how was it determined that the line could be moved to and incorporated with production at another GOCO facility with a different operating contractor or a GOGO?*

Response: Every operating contractor is given a TDP and develops his own processes, but they do not own the TDP. The TDP, requirements, land, buildings, and equipment belong to the Government. Contracts are awarded through a competitive process. A contractor may get the bid for a contract and remain at a site for 15 or 20 years. This does not give him proprietary right to any of the requirements. If he loses the bid and another contractor wins, the operating contractor leaves and another comes on board. The Government has the authority to close down a site and has no obligations to take that contractor with the workload.

At the time of closure, if there is an open contract between the government and the operating contractor, the government will pay termination cost. The IJCSG reviewed the contract expiration dates and captured contract termination cost in the COBRA run when appropriate.

3. Will workload from each plant closure be directed to the gaining installation? Is there any DoD, Army, or PEO directive to competitively award workload? If so, what is it? Do these recommendations violate any of those directives? How, or why not?

Response:

- The BRAC recommendations do direct workload to specific installations:
  Mississippi:
  - Cargo Grenade Metal Parts to Rock Island

  Kansas:
  - Sensor Fuzed Weapon, Cluster bombs, and Missile Warheads to McAlester
  - Artillery and Mortar to Milan
  - Artillery and Missile Warheads to Iowa
  - Detonators/relays/delays to Crane

  Riverbank:
  - Deep Drawn cartridge Case and Cargo Grenade Metal Parts to Rock Island

  Lone Star:
  - Storage and demilitarization to McAlester
  - Artillery, MLRS, Hand Grenades, Primers and Mortars to Milan
  - Mines, Detonators/relays/delays to Iowa
  - Demolition Charges to Crane

- Contracts do not automatically go to the same or incumbent contractor. Each new requirement, including the facility use contracts that govern use of our GOCOs, must meet the Competition in Contracting Act Requirements, (CICA is a Public Law,10 USC 2304 and 41 USC 253, execution of this PL is defined in the Federal Acquisition Regulation (FAR) Part 6.) whereby the standard is to compete the requirement unless we are able to meet the preordained exceptions to competition. All of these requirements/determinations are met during the acquisition planning phase.

- For GOCOs:
  - The operating contractor does not automatically follow the workload
  - When requirements go away at a site, the contractor goes away
  - In the remaining industrial base, if you have more than one capable producer, the FAR directs competitive awarding of workload
  - The Iowa and Milan recommendations do not violate this FAR directives.

- For GOGOs:
  - Site may get the work performed by:
    - Opting to perform the work themselves OR
    - Perform a portion of the workload and contract out a piece OR
    - Totally contract the workload out OR
    - Join with a contractor through Public Private Partnering
    - There is no violation of any directive with any of these choices
    - The win/win decision for the GOGOs is Public Private Partnering

4. If the workload will not be directed to the gaining installations and the work will be competitively awarded, how can the recommendations be evaluated on the merits of the proposed relocations of capabilities to other Army GOCOs or GOGOs?
Response: BRAC language does relocate workload to a specific site, but how the work is performed becomes the issue.

- Example: When we say that the 105/155MM HE Artillery round is going to Iowa from Kansas, both Iowa and Kansas have the capability and Iowa won the last competition and is currently producing. At the time that we collected certified capacity data: For the 105MM HE, Kansas lines were laid away and Iowa's were active. For the 155MM HE, Kansas' lines were active, but not producing (since then Kansas has been producing the M795) and Iowa's are active and producing.
- In the future ,if there are two sites with the capability to produce the 105/155MM HE, both places will bid on the contract and the next time, the other site may be the producer if they win the bid
- When the recommendation relocated a function to another site, generally, the site is already producing the item and is likely to win the bid. This is why privatization is not a good idea unless you have sufficient workload to support both the government base and the private sector. With these recommendations competition should remain within the government industrial base among the producers with capability.

5. The justifications for MSAAP and RBAAP reference the DoD ability to "nurture partnership with multiple sources in the private sector". Please define and interpret the intent of this statement.

Response:
o The phrase "nurture partnership with multiple sources in the private sector" means that at places like Rock Island and McAlester, the government has an opportunity to do something very smart and leverage the advantages of the public and private sectors.. They have an opportunity to take the workload directed to them via the BRAC and go into Public Private Partnering with "capable" operating contractors and have a "win, win" situation for both the contractor and the GOGO.
o This situation lends itself to increasing future workload and capacity for Rock Island and the contractor that wins the bid.

6. Is the intent to close each installation but retain the same operating contractor at the gaining installation? How will this be implemented with the GOGO or one operating contractor at the GOCO now owning the line operated by a different operating contractor or the government?

Response:
o There is no assumption that the operating contractor of the closing site will automatically go to the gaining installation.
o For GOGOs:
  - Site may get the work performed by:
  - Opting to perform the work themselves OR
  - Perform a portion of the workload and contract out a piece OR

- Totally contract the workload out OR
- Join with a contractor through Public Private Partnering

o For GOCOs:
- The operating contractor does not automatically follow the workload
- When requirements go away at a site, the contractor goes away
- An example of what will happen following BRAC: 105/155MM HE Artillery workload at Kansas relocates to Iowa. The contractor at Iowa is in charge of producing 105/155MM HE Artillery. The contractor at Kansas is no longer involved in the process.
- This example does not forgo the fact that this is still a competitive process and Iowa would have to win the competition.)

7. Is the intent for the new line to be operated by the current operating contractor as a tenant on the gaining installation? How is there a "savings" if we have only changed the location in which it's manufactured, and what have we truly accomplished?

o GOCO: The contractor at the gaining site is responsible for the workload. The contractor at the losing site is no longer involved. The current contractor will not always follow the workloads. The DoD "saves" by closing a site.

o GOGO:
- Site may get the work performed by:
  - Opting to perform the work themselves OR
  - Perform a portion of the workload and contract out a piece OR
  - Totally contract the workload out OR
  - Join with a contractor through Public Private Partnering
  - The DoD "saves" by closing a site.

8. What is the PEO Ammunition position on these recommendations?

Response: The Department of the Army concurred with these recommendations

9. Without responding that this is an implementation determination, specifically what equipment from each installation will move to each of the gaining installations? For each move, what is the estimated cost to move that equipment?

o Mississippi: $14.5M
- Grenade Metal Parts equipment

o Riverbank: $15M
- Drawing Presses
- Heat treat
- Plating equipment

o Kansas: $7.9M
- Sub-munitions explosive warhead presses
- Assembly equipment
- Test fixtures
- Load, Assemble, and Pack equipment
- ICM equipment

- Lone Star: $4.6M
  - Detonator loading machines
  - Primer support equipment
  - ICM equipment
  - MLRS equipment
  - Grenade equipment

10. If the intent is to divest the Army of excess property, why does this need to be accomplished through BRAC?
Response: These four recommendations involve the disestablishment, relocation, and start-up of functions. The only way to accomplish this is through the BRAC process.

11. Provide the current 2005 percentage of facility utilization for each installation.

Response:
- Lone Star: 5%
- Mississippi: 0%
- Kansas: 5%
- Riverbank: 5%

12. Provide updated certified data on the personnel levels by military officer, enlisted, civilian and contractor for each installation.
- Kansas:
  - Certified data: Officers: 0; Enlisted: 0; Civilians: 8; Contractors: 159
    - Updated uncertified data: Officers: 0; Enlisted: 0; Civilians: 8; Contractors: 279
- Lone Star:
  - Certified data: Officers: 2; Enlisted: 0; Civilians: 18; Contractors: 129
    - Updated uncertified data: Officers: 2; Enlisted: 0; Civilians: 18; Contractors: 382
- Mississippi:
  - Certified data: Officers: 0; Enlisted: 0; Civilians: 3; Contractors: 50
    - Updated uncertified data: Officers: 0; Enlisted: 0; Civilians: 3; Contractors: 45
- Riverbank:
  - Certified data: Officers: 0; Enlisted: 0; Civilians: 4; Contractors: 85
    - Updated uncertified data: Officers: 0: Enlisted: 0; Civilians: 4; Contractors: 75

13. Addressing each installation, what are the advantages and disadvantages to privatizing these functions and installations in place? Why is this or is this not a sound business decision?
- When the IJCSG began its analysis, the industrial base had 14 sites responsible for munitions production. The highest production utilization rate at any one of the 14 was 50% and the lowest was 0%. This indicates there is insufficient workload to support the

industrial base and the customer loses buying power because much of what they need to buy bullets for the war-fighter is paying overhead.

o Privatization does not fix this problem. It allows the industrial base to remain the same size, while doing nothing more than transferring ownership. If we privatize and competition remains in both the industrial base and in the private sector, the customer will pay overhead twice. One time to maintain the industrial base that we retained and another time to private industry. There is no advantage to privatization of any of the functions being relocated from Lone Star, Kansas, Riverbank, or Mississippi

Should additional information be required, feel free to contact me at 703-560-4317 or e-mail jberry@gallows.vacoxmail.com

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