

**Submission
to the
2005 Defense Base Closure
And Realignment Commission**

**Materials Regarding
Department of Defense
BRAC 2005 Recommendation for
Riverbank Army Ammunition Plant
Riverbank, CA**

14 July 2005

Westchester High School

Los Angeles, CA

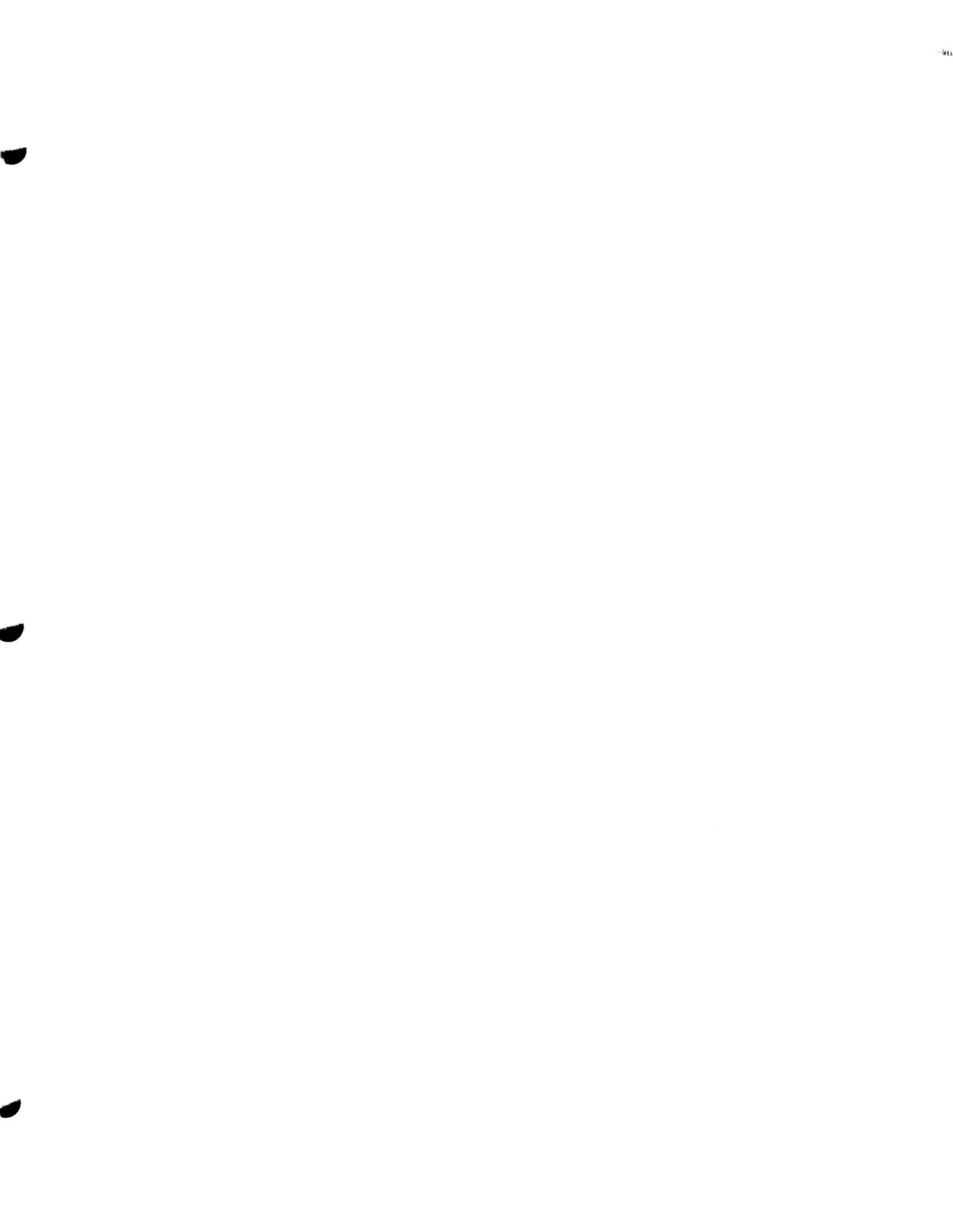
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TAB 1

Testimony by

Chris Crifasi

Mayor

City of Riverbank

**Testimony by
Chris Crifasi,
Mayor
City of Riverbank
on
Recommendation for Closure of Riverbank Army Ammunition Plant
BRAC Commission Regional Hearings
Los Angeles, California
July 14, 2005**

I am grateful for the opportunity to comment to the Honorable Commission members regarding the recommendation for closure of the Riverbank Army Ammunition Plant.

The City of Riverbank acknowledges that every community that experiences a base closure will concomitantly experience a loss of jobs. To a greater or lesser extent, this will also create economic distress to local merchants and suppliers of goods.

The City of Riverbank also recognizes the need for our military to consolidate and streamline operations. It makes little sense to have military bases perform similar functions particularly if they are located near each other. Moreover, some bases have become antiquated or no longer possess the capabilities for modern military strategic response. It was, however, disturbing news to learn that the Department of Defense has recommended that the Riverbank Army Ammunition Plant be on the proposed BRAC list. At first glance, the Defense Department's recommendation seems benign, but when one studies the effects of the base closure, it defies logic and common sense.

NI Industries, Inc. ("NI") has been successfully operating the Riverbank Plant since 1951 and has manufactured numerous high quality munitions including cartridge cases, mortars, projectile bodies, and grenade bodies. Though the facility ceased production for a limited period during the 1990's, the facility was modernized under the Army's auspicious facility revitalization program. Known as the Armament Retooling and Manufacturing Support (ARMS) Program, manufacturing space was leased to thirteen private industry tenants accounting for the employment of over 200 individuals. This program has been highly touted and is considered one model for military and civilian cooperative ventures.

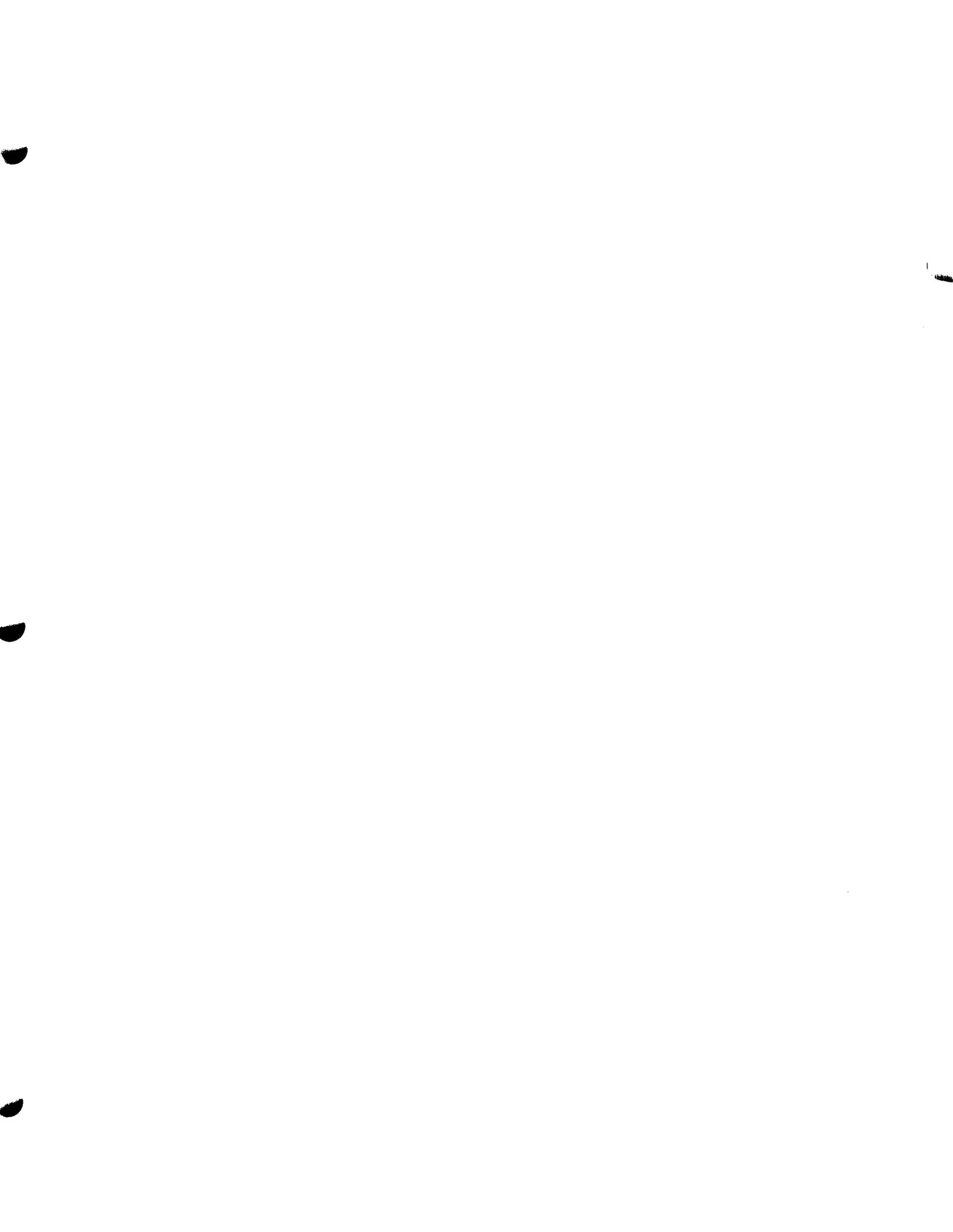
NI returned to producing cartridge cases for the military in 2000. The manufacturing lines at the plant are designed for flexibility to produce cartridge cases in a number of sizes to support all branches of the armed forces. It is our understanding that this base is the only one in the world that produces the largest deep drawn steel cartridge case in the 155 mm caliber size to support Navy next generation fleet. We further understand that NI is also the only plant that manufactures the deep drawn steel cartridge cases for the Army's Future Combat System. Finally, the Riverbank Army Ammunition Plant is the only active government-owned facility to have the technical skill and people to manufacture the cargo grenade bodies.

The City of Riverbank is dumbfounded by the rationale and risks associated with closing this production plant with high military value. Recently, high-ranking Department of Defense officials estimated we may have a military presence in Iraq and Afghanistan for twelve years or more. Any interruption in production of our cartridge cases could have dire consequences for our military to successfully complete their current and future missions.

The City also questions the costs to move the equipment. The plant contains various size presses, heat treating systems, machining centers, and zinc plating systems. When I toured the facility, I was impressed with the cohesive structure and the efficiency of the plant's operations. To dismantle, ship, and reassemble this equipment in Rock Island, Illinois, would be at best an arduous task. Moreover, the base operator has the technical skills and experience to handle a task of this magnitude. The City understands that NI continues to actively engage our military forces in engineering the next generations of cartridge cases. With the necessary equipment on site, as well as NI's unique capabilities, our analysis concludes that the Riverbank Army Ammunition Plant exhibits high military value and should remain a vital entity in our military arsenal.

In closing, I would ask the Commission to reconsider a base closure fraught with risks for our military personnel. We must insure that America's soldiers have access to the finest in military ordnances in which to successfully complete their mission.

Thank you.



TAB 2

City of Riverbank Resolution

City of Riverbank

Resolution No. 2005-100

**A Resolution of the City Council of the City of Riverbank
Opposing the Closure of the Riverbank Army Ammunition Plant.**

Whereas, The Department of Defense (DoD) has recommended that certain military bases be placed on a Base Realignment and Closure (BRAC) list; and

Whereas, This list supposedly targets antiquated facilities to streamline and consolidate operations; and

Whereas, The Riverbank Army Ammunition Plant was included on this list; and

Whereas, The Riverbank Army Ammunition Plant manufactures high quality munition casings that are produced at no other site in the world; and

Whereas, The DoD recommends to dismantle, ship, and reassemble equipment to Rock Island, Illinois; and

Whereas, Such thinking could lead to an interruption in services and appears to be cost prohibitive; and

Whereas, The Riverbank Army Ammunition Plant has experienced staff and modern production lines; and

Whereas, Our military troops could ill-afford an interruption in the production of these armaments.

Now, Therefore, Be It Resolved that the City Council of the City of Riverbank hereby adamantly opposes the closure of the Riverbank Army Ammunition Plant and furthermore believes that this closure would have significant repercussions on our ability to access the necessary ordnances in any military conflict. And furthermore, it is the Council's findings that the decision to place the plant on the BRAC list is based on invalid criteria and faulty information set by the DoD.

Passed and adopted by the City Council of the City of Riverbank at a regular meeting held on the 11th day of July 2005, by the following vote:

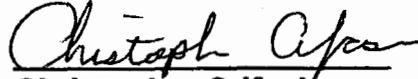
AYES: Councilmember Benitez, McGinnis, Anaya, Madueño, and Mayor Crifasi.
NAYS: None.
ABSENT: None.
ABSTAIN: None.

Attest:



Emily Colborn, CMC
Deputy City Clerk

Approved:



Christopher Crifasi
Mayor

CERTIFICATION

I hereby certify the foregoing is a true and correct copy of the original document on file in the office of the City Clerk of the City of Riverbank.

DATED



7/11/05

DEPUTY CITY CLERK

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
STATE OF CALIFORNIA

Date: July 12, 2005

No. 2005-542

On motion of Supervisor O'Brien Seconded by Supervisor Mayfield

and approved by the following vote,

Ayes: Supervisors: O'Brien, Mayfield, Simon, DeMartini, and Chairman Grover

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

THE FOLLOWING RESOLUTION WAS ADOPTED:

OPPOSING THE CLOSURE OF THE RIVERBANK
ARMY AMMUNITION PLANT

WHEREAS, the Department of Defense has recommended that certain military bases be placed on a Base Realignment and Closure list; and

WHEREAS, this list supposedly targets antiquated facilities to streamline and consolidate operations; and

WHEREAS, the Riverbank Army Ammunition Plant was included on this list; and

WHEREAS, the Riverbank Army Ammunition Plant manufactures high quality munition casings that are produced at no other site in the world; and

WHEREAS, the Department of Defense recommends to dismantle, ship, and reassemble equipment to Rock Island, Illinois; and

WHEREAS, such thinking could lead to an interruption in services and appears to be cost prohibitive; and

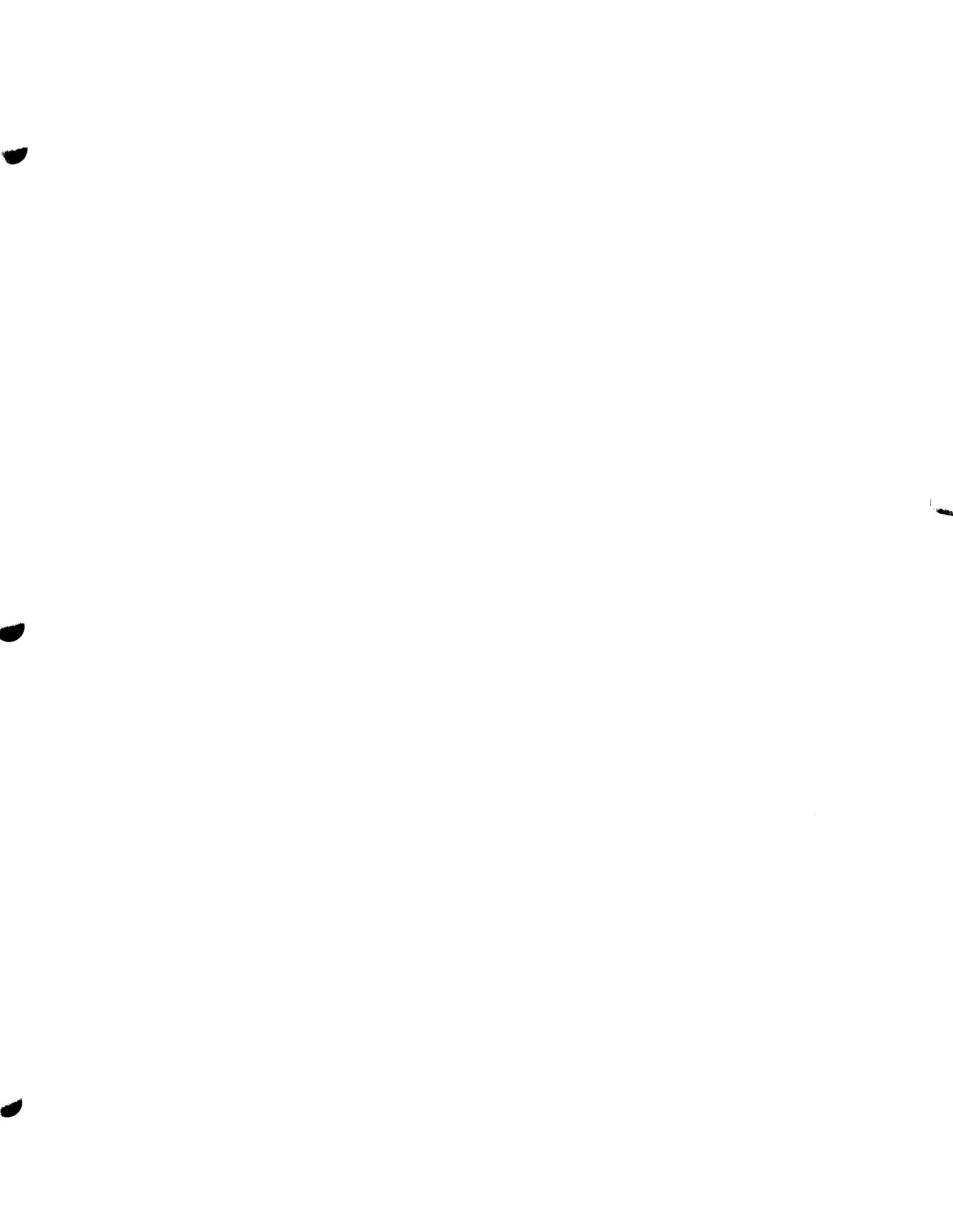
WHEREAS, the Riverbank Army Ammunition Plant has experienced staff and modern production lines; and

WHEREAS, our military troops could ill-afford an interruption in the production of these armaments,

NOW, THEREFORE, BE IT RESOLVED that the Stanislaus County Board of Supervisors does hereby oppose the closure of the Riverbank Army Ammunition Plant, and furthermore believes that this closure would have significant repercussions on our ability to access the necessary ordinances in any military conflict.

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk
Stanislaus County Board of Supervisors,
State of California

Christine Ferraro



TAB 3

Testimony by

John Maniatakis

Executive Vice President

NI Industries, Inc.

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Testimony by

John Maniatakis

Executive Vice President

NI Industries, Inc.

Testimony by John Maniatakis

Good afternoon Mr. Chairman and members of the Commission. My name is John Maniatakis, Executive Vice President of NI Industries, Inc. We greatly appreciate the opportunity to testify regarding the Department of Defense's proposed recommendation to close the Riverbank Army Ammunition Plant and move the cartridge case facility to Rock Island Arsenal.

We will provide an overview of NI and the unique process employed in manufacturing and also our cost concerns. I will be followed by Ms. Winnie Wu, General Manager of our Riverbank operation.

The company was founded by Ken Norris in 1930 and became a public company in 1950. In 1951 Norris Industries, now NI Industries, became the contracting operator and has been the only operating contractor of the Riverbank Army Ammunition Plant, which we converted from an aluminum reduction facility to a cartridge case manufacturing facility.

NI accepted its first military contract in 1938 for 500 1,000 lb bombs. In 1940 NI started to produce cartridge cases, initially in brass, but there was a brass shortage and the military asked if we could convert brass to steel; with our in-house capability to design tools, dies and special machinery, allowed us to achieve unique configurations and with this technology we successfully accomplished the conversion. NI was the recipient of the first Army and Navy "E" award. In fact, we were the only company in this country to be so honored in both initial groups.

Over the years and through the Viet Nam conflict, NI Industries expanded its manufacturing of military products to include projectiles, mortars, bombs, vehicular products, rockets and missile casings, becoming one of the largest producers of ordnance products in the United States.

This technology is utilized on the majority of our military and commercial products.

This process requires large hydraulic and/or mechanical presses and a skill in the designing and engineering of tools.

We are the only source on this continent that has, and is, manufacturing Army 105mm tank type, Navy 5" and 76mm deep drawn steel cartridge cases utilized by the military today. We are also involved in the development of the 105mm Stryker Vehicle Case and the 155mm cartridge case for the Navy's Advanced Gun System.

We further question the cost parameters outlined in the BRAC report associated with the facilitization of a cartridge case line, including equipment acquisition, augmentation, and infrastructure to be approximately \$25.2 million. We believe this cost will be significantly higher and can reach \$57+ million based on responses we have received from vendors.

Winnie Wu will now provide you more detail in her presentation.



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE

**3015 DEFENSE PENTAGON
WASHINGTON, DC 20301-3015**

JUL 11 2006

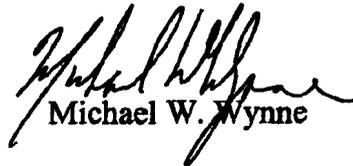
The Honorable George Radanovich
428 Cannon House Office Building
Washington, DC 20515-0519

Dear Representative Radanovich:

Thank you for your recent letter to the Secretary of Defense regarding the recommendation to close Riverbank Army Ammunition Plant. I am responding on his behalf. The decision to recommend Riverbank was difficult, but it was ultimately in the best interests of the Department.

The Riverbank recommendation does not abandon the deep drawn cartridge case capability. It relocates the capability with other metal working capabilities and processes to increase the efficiencies and effectiveness of our organic industrial base. Responses to your specific questions are attached.

Sincerely,



Michael W. Wynne

Enclosure:
As stated



9. Question: The justification cites that closure allows DOD to "generate efficiencies." Please provide specific data on each efficiency generated by closure.

Answer:

- Closure of Mississippi (0% utilization rate) and Riverbank (5% utilization rate) and movement of the function to Rock Island (72% utilization rate), generates substantial monetary efficiencies
- Cost efficiencies generated from shared overhead
- Reduction in sustainment cost (\$5.1 million per year)
- Reduction in facility security and force protection cost
- Reduction in cost of product to the customer

10. Question: The justification cites that closure allows DOD to "nurture partnership with multiple sources in the private sector". Please provide details for each of the private sources DOD has identified for nurturing. Please indicate whether any of these private sources are capable of producing large caliber deep drawn steel cartridge cases.

Answer: There is no current source for large caliber deep drawn steel cartridge cases in the private sector. Identification of a private sector partners will be made through a competitive process.

11. Question: What assumptions were made to handle tenants currently leasing at the Riverbank facility to help the Army offset the facility maintenance costs?

Answer: There are 13 ARMS tenants at Riverbank and their leases will expire within the BRAC window (FY 2006- 2011). Tenants may either relocate or become tenants to the new land owner.

12. Question: Were the costs associated with terminating tenant leases at Riverbank considered? If not, what is the additional cost involved?

Answer: Costs associated with lease termination were considered. Since all leases expire within the BRAC window (FY 2006 -2011), there are no lease terminations or additional cost involved.

13. Question: Large caliber steel deep drawn cases and the grenade metal parts manufacturing requires a highly skilled design, technical, manufacturing, and engineering capabilities. Are these capabilities available at Rock Island? If not, what is DOD plans on acquiring these capabilities?

Answer: Large caliber steel deep drawn cartridge case capability does not exist at Rock Island. Rock Island Arsenal has a greater utilization rate (72% versus 5%), a higher military value, and assets that support the function (heat treat, annealing, metallurgy, etc). This recommendation provides an opportunity to reduce infrastructure, improve processes, and acquire technical and intellectual skills through public private partnering.

14. Question: What are the current cost structure (such as overhead, G&A, materials, and direct and indirect labor) at Rock Island?

Answer: Rock Island's cost structure was not part of the IJCSG analysis and is considered competition sensitive.

15. Question: If Rock Island's cost structure cannot support competitive pricing for cartridge cases, how does DOD plan to meet ammunition requirements in a cost effective manner?

Answer: Rock Island can support competitive pricing.

16. Question: Riverbank is designated as a surge facility for M42 and M46 grenade metal parts and is the only plant known to have produced M77 grenade bodies. How was Riverbank's capacity to produce cargo grenade metal bodies evaluated in determining facility utilization? What is DOD plans to move this capability to Rock Island?

Answer: Based on requirements generated by the Military Departments, the production capacity for Cargo Grenade Metal Parts at Riverbank AAP cannot meet the departments' needs. Riverbank has laid-away capability (for M42/46/77) to produce about 0.9 million cargo grenades per month (on a 1-8-5 basis). Mississippi has laid-away capability (for M42/46) to produce about 4 million per month (on a 1-8-5 basis). Military Department requirements are 2.5-3.0 million per month. DoD's plan is to relocate equipment from both Mississippi and Riverbank to Rock Island and establish one modern cargo grenade facility capable of meeting the requirements of the war-fighter. Cost to move, procure, and install the equipment are included in the Riverbank and Mississippi analysis. There is a technical challenge involved because Cargo Grenades metal parts have not been produced by either Mississippi or Riverbank in many years.

17. Question: DOD has also recommended that the M42 and M46 grenade metal parts capability from Mississippi AAP be relocated to Rock Island. It is our understanding that Mississippi AAP does not currently have technical manpower knowledgeable in the manufacture of these grenade bodies, as exists at Riverbank; and that the installation cannot be easily inactivated. What are DOD's plans to establish this unique capability at Rock Island?

Answer: The recommendation includes costs to relocate equipment and install equipment, procure new equipment, and refurbish an existing building at Rock Island. This recommendation provides an opportunity to reduce infrastructure, improve processes, and acquire technical and intellectual skills through public private partnering.

18. Question: The recommendation noted that new construction is planned at Rock Island. Please indicate the purpose of the new construction, the type and the cost involved. Was this cost considered in the one time cost?

Answer: This recommendation does not include new construction at Rock Island. The cost included in the BRAC analysis is for refurbishment of an existing building.

19. *Question: What environmental infrastructure does Rock Island have to treat the discharge from the chemicals utilized in the manufacturing process?*

Answer: Rock Island Arsenal has Industrial Waste Treatment Plant (IWTP) capabilities to treat chemical waste before discharge to the City of Rock Island. This capability includes treatment associated with chrome and zinc plating. In addition, pre-treatment equipment will be moved from Riverbank to Rock Island and augmented with selected new equipment.

20. *Question: Have the additional costs of the operating the new construction as well as the environmental treatment facility been considered in the BRAC evaluation?*

Answer: Yes.

21. *Question: What constitutes the one time cost of \$25.2 million, and what are the assumptions made for each cost element?*

- Answer: The \$25.2 million in one time costs are:
 - \$15,000K to skid, ship and install equipment
 - \$100K to shut off utilities
 - \$1,300K to perform an EIS at Riverbank
 - \$5,000K for new equipment
 - \$2,000K for building refurbishment
 - \$5K for training and TDY
 - \$1,150 for air conformity, new source review, and EIS at Rock Island
 - \$684K for shutdown of 707KSF
- The assumption is to include all costs related to relocation of cartridge case functions from Riverbank to Rock Island Arsenal. Costs include facilitization projects, equipment, training, cost avoidances (planned site improvements), environmental compliance, layaway, ammunition transportation, IT projects, contract termination, movement of non-vehicle mission equipment, and movement of support equipment.

22. *Question: Have the costs of relocating the following equipment considered in the one time cost?*

- *Relocation and installation of 17 presses, 6 machining centers, tempering, annealing, zinc plating facilities, and heat treatment facilities?*
 - Answer: Yes

- *Question: Proper design of the foundation and pits for heavy machinery such as presses and machining centers?*
 - Answer: Yes
- *Question: Metrology, chemical, and metallurgical laboratories?*
 - Answer: Yes

23. *Question: In justifying relocation of the cartridge case metal parts capability to Rock Island, did DOD take into account the following factors:*

- *Over \$13 million would be required to procure two major pieces of equipment: an anneal furnace, although currently utilized in production, the furnace is 50 years old and would not be expected to survive the move; an additional 5,000 ton press – because of limited press technical know-how, Rock Island would not likely be able to take advantage of utilizing the lower tonnage press at Riverbank to produce the 155mm advanced Gun System cases?*
 - Answer: Yes (used our estimate)
- *Additional \$9 million would be needed to replace the zinc plating and thermal treatment facilities which are not likely to survive the move?*
 - Answer: Yes (used our estimate)
- *Were these additional costs in excess of \$20 million considered in the payback calculation?*
 - Answer: No. Used our estimates in the payback calculation

24. *Question: Has the cost of training personnel been accounted for in the one time cost? If not, what is the additional cost?*

Answer: Yes, training costs were considered as part of the analysis.

25. *Question: Has the cost of prove-out been accounted for in the one time cost? If not, what is the additional cost?*

Answer: No. Prove-out cost is not and should not be included in the one time cost.

26. *Question: What is the estimated timetable for closure to removal/replacement to installation, training, and prove-out?*

Answer: All of those actions should be complete by Fiscal Year 2009.

The following questions were based on a review of the Department of Defense Report to the Base Closure and Realignment Commission, Department of the Army Analysis and Recommendations BRAC 2005, Volume III dated May 2005

Note: Volume III represents the Army's analysis of all of its installations. The Army established its portfolio based on 40 different attributes. Responsibility for performing BRAC analysis of Munitions Production, Munitions Storage, Munitions Maintenance, Munitions Demilitarization, and Armaments Manufacturing/Production was assigned to the Industrial Joint Cross Service Group (IJCSG). Recommendations were established from capacity and military value data collected by the IJCSG with collaboration and support from the Army. Although the recommendations came from the IJCSG, questions 1- 6 are directed to the Army.

1. Question: According to the BRAC reports, "the Army did not include 'unique capability' within Military Value of Installations (MVI), but added these capabilities in its Military Value Portfolio determination (MVP) as constraints if the Army had a requirement for the capability". Further, "the MVP analysis was Army centric and did not account for Joint capability available or for unique capabilities from a Joint perspective. These Joint aspects were considered within scenario analysis". How were Riverbank's unique capabilities and joint aspects, including its role in meeting the Navy's requirements, taken into account by the BRAC Senior Review Group (SRG) in the Military Portfolio scenario analysis?

Answer: The Army serves as the Single Manager for Conventional Ammunition as outlined in DoD 5160.65. Since the Army has responsibility for the production, storage, maintenance, and demilitarization of ALL conventional ammunition for ALL services, joint capability was considered in the analysis.

The IJCSG and the Army worked together on the Munitions and Armaments recommendations. Both groups classified the ability to manufacture deep drawn steel cartridge case as a critical capability. The two groups also agreed that the process could be relocated.

2. Question: Please provide an explanation/justification as to how the Army determines that Rock Island Arsenal is a suitable candidate for establishing a cartridge case facility when Rock Island's output score for Munitions Production Capability under Military Attribute #21 is zero. Given this score, it would appear that Rock Island currently does not possess the munitions production capability or the technological know-how to support the manufacture of large caliber deep drawn steel cartridge cases. What considerations has the Army given to Rock Island's deficiencies?

Answer: The Industrial JCSG review of the munitions productions functions determined that Rock Island was capable of establishing a cartridge case facility.

- The major factors for closure of Riverbank Army Ammunition Plant, CA, were:
 - 5% utilization rate at Riverbank Army Ammunition Plant

- Inability to produce the total requirement for Cargo Grenade Metal Parts
- Availability of infrastructure to support the relocation of the deep drawn steel cartridge capability from Riverbank Army Ammunition Plant, CA.
- Assurance that there is time to bring Rock Island on line (4 deep drawn cartridge case commodities are low volume and can be stockpiled)

3. Question: *Please provide details by which the military within SRG or Joint Cross Service Group (JCSG) determined whether or not to retain Riverbank in the portfolio.*

Answer: The Army in coordination with the Industrial Joint Cross Service Group determined that the capabilities at Riverbank Army Ammunition Plant, CA, could be replicated elsewhere at a reasonable risk and cost.

4. Question: *Please identify the two metal part installations under Munitions Production Attributes that were considered as constraints in the MVP evaluation and provide the justification for designating each as a constraint.*

Answer: There was a typographical error in Volume III of the DOD Report to the BRAC Commission, Department of the Army Analysis and Recommendations BRAC 2005. Table 7 in Appendix B, page B-12 states 2 of 5 metal parts installations, but should read 1 of 4 metal parts installations.

These installations were Riverbank Army Ammunition Plant, CA; Mississippi Army Ammunition Plant, MI; Louisiana Army Ammunition Plant (removed from the BRAC process, but process and equipment were considered), and Scranton Army Ammunition Plant, PA.

5. Question: *We would like to know which agencies completed the Installation Capacity Data Call and the Military Value Data Call for Riverbank. Which audit community determined the accuracy of the source and data? When was the data last updated for the final MVI and MVP results?*

Answer: Riverbank Army Ammunition Plant answered both data calls. The Army Audit Agency has the responsibility for oversight and audit of the data calls. The Military Value Index and Military Value Portfolio results were last updated on 12 April 2005

6. Question: *The BRAC report stated that the Army Materiel Command G3 is the Army Senior Military Executive (SME). Please identify the individuals and the services they represent as the SMEs within the Industrial Group for the Metal Parts Manufacturing. Please also provide the Military Supporting Documentation with details of the SME interviews for the metal parts installation for the manufacture of cartridge cases at Riverbank.*

Answer: In the BRAC process, the Army Materiel Command G3 had dual roles. One role was as the Chair of the Industrial Joint Cross Service Group (IJCSG) and the other as an Army Senior SME. Other members chairing Joint Cross Service Groups and responding to dual roles included Senior Executive Service members/Flag/General Officers from the Joint Staff, Navy, Air Force, Marines, and Defense Logistics Agencies.

Munitions storage, demil, maintenance, production and Armaments manufacturing/production are inter-related processes that focus on support to the war-fighter. To make sure DOD sizes the industrial base appropriately, the support to the IJCSG included input from a cadre of 309 individuals. Throughout the entire BRAC process, the IJCSG relied upon the following SMEs: Under Secretary of Defense, the Commanding General of the Army Field Support Command and Joint Munitions Command (AFSC/JMC), Senior Executive Service (SES)(Army, Navy, Air Force, and Marine Corps), Rear Admiral from the Navy, General from the Marine Corp, General from the Air Force, IJCSG team (36 participants from the AFSC, JMC, AMCOM, CECOM, AMC, Navy, Air Force, Marine Corps, DODIG, DLA, OSD, DA and GAO). After development of the recommendations, a final review and approval was made by SMEs from the Secretary of the Military Departments (Army, Navy, and Air Force). The focus of the analysis was an industrial base in support of the total life cycle (except RDT&E) of munitions and armaments processes. The goal of the analysis was to improve the industrial base and increase DOD's ability to support readiness.

SECRETARY OF DEFENSE CORRESPONDENCE ACTION REPORT

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2 JUSTIFICATION

3. REPORTING AGENCY

a. ACTION AGENCY **USA** e. APPROVING AUTHORITY (Service Secretary/Under Secretary/ASD/Military/Executive Assistant Level)

b. NAME OF ACTION OFFICER Signature Date Signed

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d. DATE

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Congressional

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U.S. House of Representatives

Washington, DC 20515-0519

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18TH DISTRICT, CALIFORNIA

June 15, 2005

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FAX: (209) 656-8849

COMMENT LINE
(202) 478-6389

Donald Rumsfeld
Secretary of Defense
1000 Defense Pentagon
Washington D.C. 20301-1000

Dear Mr. Rumsfeld:

One of the Government installations currently recommended for closure by the DOD is the Riverbank Army Ammunition Plant (RBAAP), located in my District. Needless to say, I am very concerned about the recommendation, not only from the impact on our community, but more importantly its impact on national defense preparedness and national security.

In order to understand the justification for seeking to close RBAAP and relocate the large caliber deep drawn steel cartridge case capability to Rock Island Arsenal, I have prepared the attached list of questions. I request your assistance in obtaining answers from DOD as promptly as possible. Since the Commission hearing in Los Angeles is scheduled for July 14, 2005, I would be very appreciative if answers can be secured in sufficient time to prepare for this hearing.

When reading the various BRAC related reports, several points concern me, which I believe were based on deficient information. The BRAC reports appear to overlook the fact that:

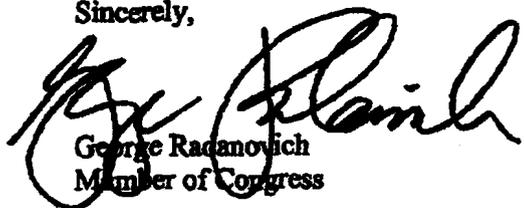
- Riverbank is the only industrial base facility capable of producing large caliber deep drawn steel cartridge cases in support of ammunition for the 105mm Stryker, 5"54, 76mm, Navy gun; and the R&D program for the 155mm Advanced Gun System for the Navy DD(X) program.
- Riverbank's manufacturing capability and technological know-how in the manufacture of these military products supports the Army's Future Combat System and the Navy's Advanced Gun System requirements.
- Riverbank serves our military's joint capacity needs.

Also of serious concern are various BRAC cost calculations that significantly underestimate the relocation of the cartridge case capacity from Riverbank to Rock Island.

OSD 12181-05

I am very appreciative of any assistance and support you could provide in expediting responses to the attached questions. Should you need additional information or have any questions concerning my request, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "George Radanovich". The signature is fluid and cursive, with the first name "George" written in a larger, more prominent script than the last name "Radanovich".

George Radanovich
Member of Congress

Cc: The Honorable Jerry Lewis
Cc: The Honorable Duncan Hunter

Riverbank Army Ammunition Plant

The following questions are based on review of the Department of Defense Base Closure and Realignment Report Volume 1 Part 2 of 2: Detailed Recommendations dated May 2005

1. Since Riverbank AAP is the only industrial base facility capable of producing large caliber steel cartridge cases in support of ammunition for the 105mm Stryker, 5"54, 76 mm, Navy Gun; and the R&D program for the 155mm Advanced Gun System for the Navy's DD(X) program, what criteria were used to judge these capabilities as "excess"?
2. The justification indicates there are four sites in the Industrial Base actively producing metal parts. Please identify the sites and their specific capabilities; in producing large caliber deep drawn steel cases.
3. The deep drawn large caliber cases are produced by a very unique process, based on technical know-how developed and perfected over 70 years by a California-based contractor. How does DOD plan to relocate this technical and intellectual property, i.e., know-how to Rock Island Arsenal?
4. Where is the redundancy in the manufacture of deep drawn steel cartridge cases in the Industrial Base?
5. The justification cites the need "to remove excess from the Industrial Base." How did DOD determine "excess" at Riverbank? How was Riverbank's unique capacity to manufacture large caliber deep drawn steel/brass cartridge cases evaluated in determining facility utilization?
6. Please provide studies that were conducted or data collected from Riverbank and the year of this information, which were utilized in the economic analysis model?
7. What studies were conducted or data collected to verify Rock Island's capabilities and know-how to manufacture the large caliber deep drawn cartridge cases? What was the year of these studies or data sources?
8. What steps did DOD take to validate and certify the input data on both Riverbank and Rock Island relative to cartridge case manufacturing?
9. The justification cites that closure allows DOD to "generate efficiencies." Please provide specific data on each efficiency generated by closure.
10. The justification cites that closure allows DOD to "nurture partnership with multiple sources in the private sector." Please provide details for each of the private sources DOD has identified for nurturing. Please indicate whether any of these private sources are capable of producing large caliber deep drawn steel cartridge cases.
11. What assumptions were made to handle tenants currently leasing at the Riverbank facility to help the Army offset the facility maintenance costs?
12. Were the costs associated with terminating tenant leases at Riverbank considered? If not, what is the additional cost involved?
13. Large caliber steel deep drawn cases and the grenade metal parts manufacturing requires a highly skilled design, technical, manufacturing, and engineering capabilities. Are these capabilities available at Rock Island? If not, what are DOD plans on acquiring these capabilities?

14. What are the current cost structure (such as overhead, G&A, materials, and direct and indirect labor) at Rock Island?
15. If Rock Island's cost structure cannot support competitive pricing for cartridge cases, how does DOD plan to meet ammunition requirements in a cost effective manner?
16. Riverbank is designated as a surge facility for M42 and M46 grenade metal parts and is the only plant known to have produced M77 grenade bodies. How was Riverbank's capacity to produce cargo grenade metal bodies evaluated in determining facility utilization? What are DOD plans to move this capability to Rock Island?
17. DOD has also recommended that the M42 and M46 grenade metal parts capability from Mississippi AAP be relocated to Rock Island. It is our understanding that Mississippi AAP does not currently have technical manpower knowledgeable in the manufacture of these grenade bodies, as exists at Riverbank; and that the installation cannot be easily inactivated. What are DOD plans to establish this unique capability at Rock Island?
18. The recommendation noted that new construction is planned at Rock Island. Please indicate the purpose of the new construction, the type and the cost involved. Was this cost considered in the one time cost?
19. What environmental infrastructure does Rock Island have to treat the discharge from the chemicals utilized in the manufacturing process?
20. Have the additional costs of the operating the new construction as well as the environmental treatment facility been considered in the BRAG evaluation?
21. What constitutes the one time cost of \$25.2 million, and what are the assumptions made for each cost element?
22. Have the costs of relocating the following equipment considered in the one time cost?
 - Relocation and installation of 17 presses, 6 machining centers, tempering, annealing, zinc plating facilities, and heat treatment facilities.
 - Proper design of the foundation and pits for heavy machinery such as presses and machining centers.
 - Metrology, chemical, and metallurgical laboratories.
23. In justifying relocation of the cartridge case metal parts capability to Rock Island, did DOD take into account the following factors?
 - Over \$13 million would be required to procure two major pieces of equipment: an anneal furnace, although currently utilized in production, the furnace is 50 years old and would not be expected to survive the move; an additional 5,000 ton press - because of limited press technical know-how, Rock Island would not likely be able to take advantage of utilizing the lower tonnage press at Riverbank to produce the 155mm Advanced Gun System cases.
 - Additional \$9 million would be needed to replace the zinc plating and thermal treatment facilities which are not likely to survive the move.
 - Were these additional costs in excess of \$20 million considered in the payback calculation?
24. Has the cost of training personnel been accounted for in the one time cost? If not, what is the additional cost?
25. Has the cost of prove-out been accounted for in the one time cost? If not, what is the additional cost?
26. What is the estimated timetable from closure to removal/replacement to installation, training, and prove-out?

27. Is the one time cost of \$25.2 million included in the calculation of the net cost of \$10.4 million after certain savings are projected?
28. What are the assumptions made at arriving at a recurring savings of \$6.5 million?
Please provide a breakdown of each area of savings
29. What is the payback year for DOD's investment in closing Riverbank and relocating the cartridge case line at Rock Island and making it fully operational at a cost competitive level? How does this correlate with the 3-year payback period cited in the report?
30. What is the interest rate used in the payback calculations? What is the basis of this rate? What are the sunk costs considered?
31. Please provide a breakdown of the \$2.5 million for environmental compliance activities and specify by the elements of environmental compliance including, for example, permitting, air, water, and sewer monitoring, equipment, etc. What was the source for this data?
32. Since Rock Island is a Title V Stationery Source, did the evaluation include costs for whatever Best Available Control Technology and/or emission offsets may be required? If Rock Island discharges pretreated industrial wastewater to the City of Rock Island, was the impact on the City's POTW evaluated? If additional pretreatment units are required to meet discharge limitation, were these costs included?

The following questions were based on review of the Department of Defense Report to the Base Closure and Realignment Commission, Department of the Army Analysis and Recommendations BRAC 2005, Volume III dated May 2005.

- 1. According to the BRAC reports, "the Army did not include 'unique capability' within Military Value of Installations (MVI), but added these capabilities in its Military Value Portfolio determination (MVP) as constraints if the Army had a requirement for the capability." Further, "the MVP analysis was Army centric and did not account for Joint capacity available or for unique capabilities from a Joint perspective. These Joint aspects were considered within scenario analysis." How were Riverbank's unique capabilities and joint aspects, including its role in meeting the Navy's requirements, taken into account by the BRAC Senior Review Group (SRG) in the Military Portfolio scenario analysis?**
- 2. Please provide an explanation/justification as to how the Army determines that Rock Island Arsenal is a suitable candidate for establishing a cartridge case facility when Rock Island's output score for Munitions Production Capability under Military Attribute #21 is zero. Given this score, it would appear that Rock Island currently does not possess the munitions production capability or the technological know-how to support the manufacture of large caliber deep drawn steel cartridge cases. What considerations has the Army given to Rock Island's deficiencies?**
- 3. Please provide details by which the military within SRG or Joint Cross Service Group (JCSG) determined whether or not to retain Riverbank in the portfolio.**
- 4. Please identify the two metal part installations under Munitions Production Attributes that were considered as constraints in the MVP evaluation and provide the justification for designating each as a constraint.**
- 5. We would like to know which agencies completed the Installations Capacity Data Call and the Military Value Data Call for Riverbank. Which audit community determined the accuracy of the source and data? When was the data last updated for the final MVI and MVP results?**
- 6. The BRAC report stated that the Army Material Command G3 is the Army Senior Military Executive (SME). Please identify the individuals and the services they represent as the SMEs within the Industrial Group for the Metal Parts Manufacturing. Please also provide the Military Supporting Documentation with details of the SME interviews for the metal parts installation for the manufacture of cartridge cases at Riverbank.**

BRAC Commission

Briefing on
Riverbank Army Ammunition Plant
Riverbank, CA

Operated by
NI Industries, Inc.

Presented by John Maniatakis
Executive Vice President - NI Industries, Inc.

14 July 2005

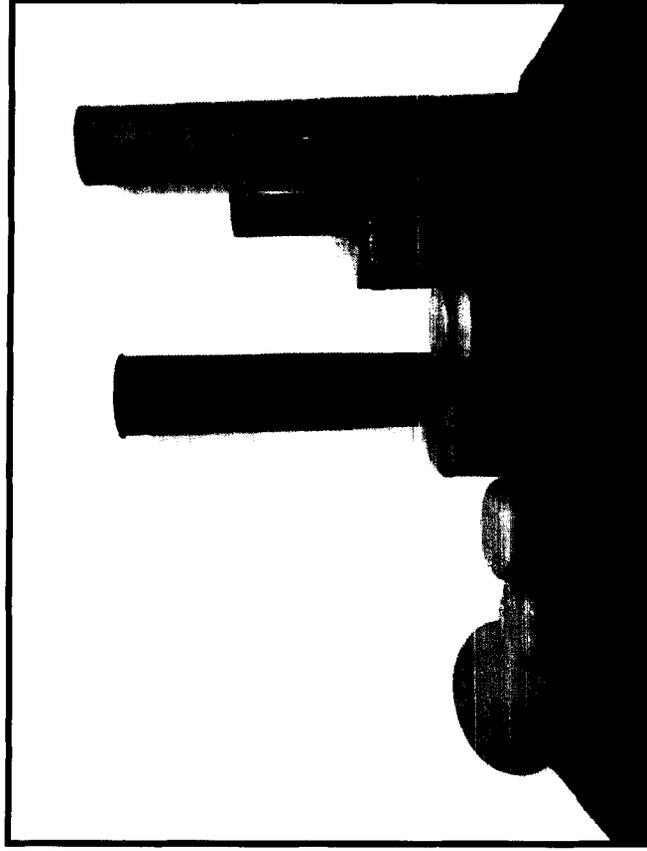


NI Industries, Inc.

- ❖ Established in 1930 with the first military contract in 1938
- ❖ Successfully developed deep drawn steel cartridge case in 1943
- ❖ Operating Contractor for Riverbank AAP since 1951
- ❖ Pioneer in development of steel cartridge cases to replace brass casing during WWII due to copper shortage and developed manufacturing methods and technology for high fragmentation mortar/projectile and grenade bodies
- ❖ Extensive manufacturing experience in deep drawing and extruding alloyed metals for cartridge cases, projectiles, mortars, bombs, grenade bodies, Multiple Launch Rocket System (MLRS) and Light Antitank Weapon (LAW) System
- ❖ Experienced producer of a variety of large caliber cartridge cases for all joint military services
- ❖ ISO 9001 and ISO 14001 certified



Unique Capability For Deep Draw Technology



Largest deep drawn steel
cartridge case (155mm) for
Navy's Advanced Gun System

Deep draw technology

- A complex process
- A series of precise, consecutive press operations
- High quality, one-piece, variable wall case
- Final internal and external configuration
- Meeting the needs of mating components for end items required by the customer



Northrup/AMP

Testimony by

John Maniatakis

Slide 1

Good afternoon, Mr. Chairman and members of the Commission. My name is John Maniatakis, Executive Vice President of NI Industries, Inc. We greatly appreciate the opportunity to testify before you regarding the Department of Defense's proposed recommendation to close the Riverbank Army Ammunition Plant and move the cartridge case facility to Rock Island Arsenal.

I will provide an overview of NI and the unique process employed in the manufacturing process. I will be followed by Ms. Winnie Wu, General Manager of our Riverbank operation.

Slide 2

The company was founded by Ken Norris in 1930 and became a public company in 1950. In 1951 Norris Industries, now NI Industries, became the contracting operator and has been the only contractor of the Riverbank Army Ammunition Plant, which NI converted from an aluminum reduction facility to a cartridge case manufacturing facility.

NI accepted its first military contract in 1938 for 500 1,000 lb bombs. In 1940 NI started to produce cartridge cases, initially in brass, but there was a brass shortage so the military asked if we could convert brass to steel; with our in-house capability to design tools, dies and special machinery allowed us to achieve unique configurations, with the technology we successfully accomplished the conversion. NI was the recipient of the first Army and Navy "E" award. In fact, we were the only company in this country to be so honored in both initial groups.

Over the years and through the Viet Nam conflict, NI Industries expanded its manufacturing of military products to include projectiles, mortars, bombs, vehicular products, rockets and missile casings, becoming one of the largest producers of ordnance products in the United States.

Slide 3

The technology generally employed is utilized on the majority of our military and commercial products; let me take a few minutes to describe this unique process:

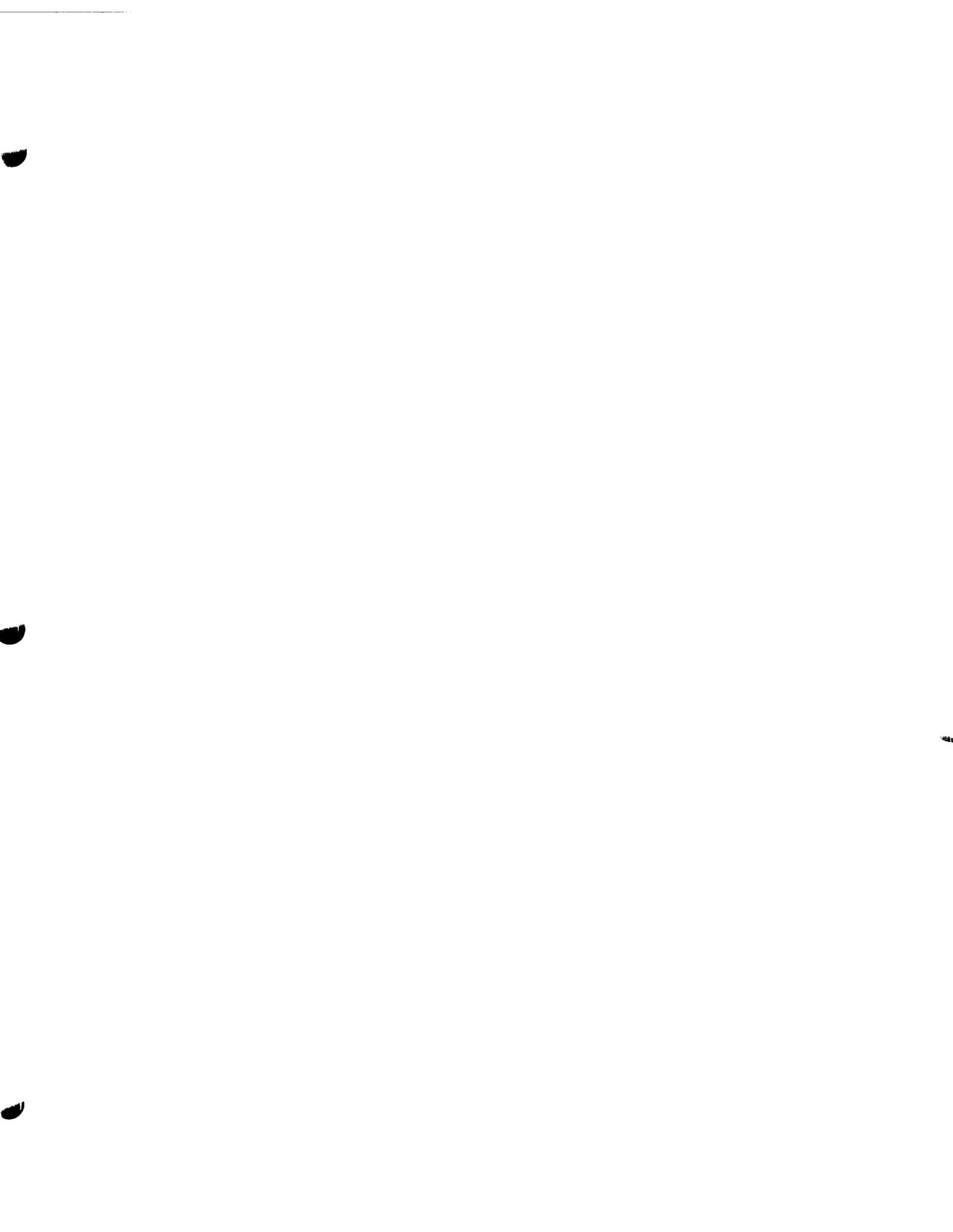
- We purchased a hot rolled steel plates, which we then spheroidize anneal, a 10 day thermo-process which allows the material, when press formed in subsequent operations, to move evenly
- We then blank a round disc from the steel plate
- The disc is formed into a cup
- We start our initial operation by reducing the diameter (we may also reduce the wall somewhat) to obtain the length, the number of reductions, depending on the configuration
- Once we obtain the inside diameter we start to reduce the wall, maintaining the diameter to obtain greater lengths – this is called Ironing operations
- In some cases we interrupt the Ironing process so that we have a thin wall aft of the Iron, and a heavier wall forward of the Ironing process, which we can keep on the outside or invert to the inside of the product, allowing heavier threading surfaces, or for whatever subsequent process is required.
- We can have a series of variable wall thickness, or just one, depending on the needed configuration. We can also upset the steel in the dome once to form a boss or, in the case of cartridge case, a machined primer pocket.

The process requires large hydraulic and/or mechanical presses and a skill in designing and engineering tools.

We are the only source on this continent that has manufactured Army 105mm tank type, and Navy 5", 76mm, and even the largest 155mm deep drawn steel cartridge cases utilized by the military today.

We further question the cost parameters outlined in the BRAC report regarding the cost associated with the facilitization of a cartridge case line, including equipment acquisition, augmentation, and infrastructure to be approximately \$25.2 million. We believe this cost would be significantly higher and could reach \$57+ million.

Winnie Wu will now provide you more detail in her presentation.



TAB 4

Testimony by

Winnie Wu

General Manager

NI Industries, Inc.

Riverbank Army Ammunition Plant

BRAC Commission

Briefing on
Riverbank Army Ammunition Plant
Riverbank, CA

Operated by
NI Industries, Inc.

Presented by Winnie T. Wu,
General Manager - NI Industries, Inc.

winniewu@niindustries.com

Tel: 209.869.7215

14 July 2005



Executive Summary

- ❖ NI offers the following points for consideration to retain Riverbank AAP in the Military Value Portfolio (MVP) as the only active government industrial base facility with unique capabilities to manufacture:
 - Deep drawn, large caliber cartridge cases
105mm Stryker Vehicle, 76mm and 5"54 Navy Guns, and the 155mm Advanced Gun System (AGS) for the Navy's DD(X) Program
 - M42, M46 and M77 cargo grenade bodies
Only facility to have successfully made the M77
 - High fragmentation 60mm/81mm mortars
Developed the process and produced a limited quantity



Executive Summary...cont'd

- ❖ NI is concerned with the DoD recommendation to relocate the cartridge case manufacturing facility from Riverbank AAP to Rock Island Arsenal
 - Limited available stockpile of large caliber cartridge cases
Serious considerations must be given since a move of this magnitude would require a total shut down of production
 - One-time relocation cost estimates
May not be all encompassing and the recurring savings projected optimistic

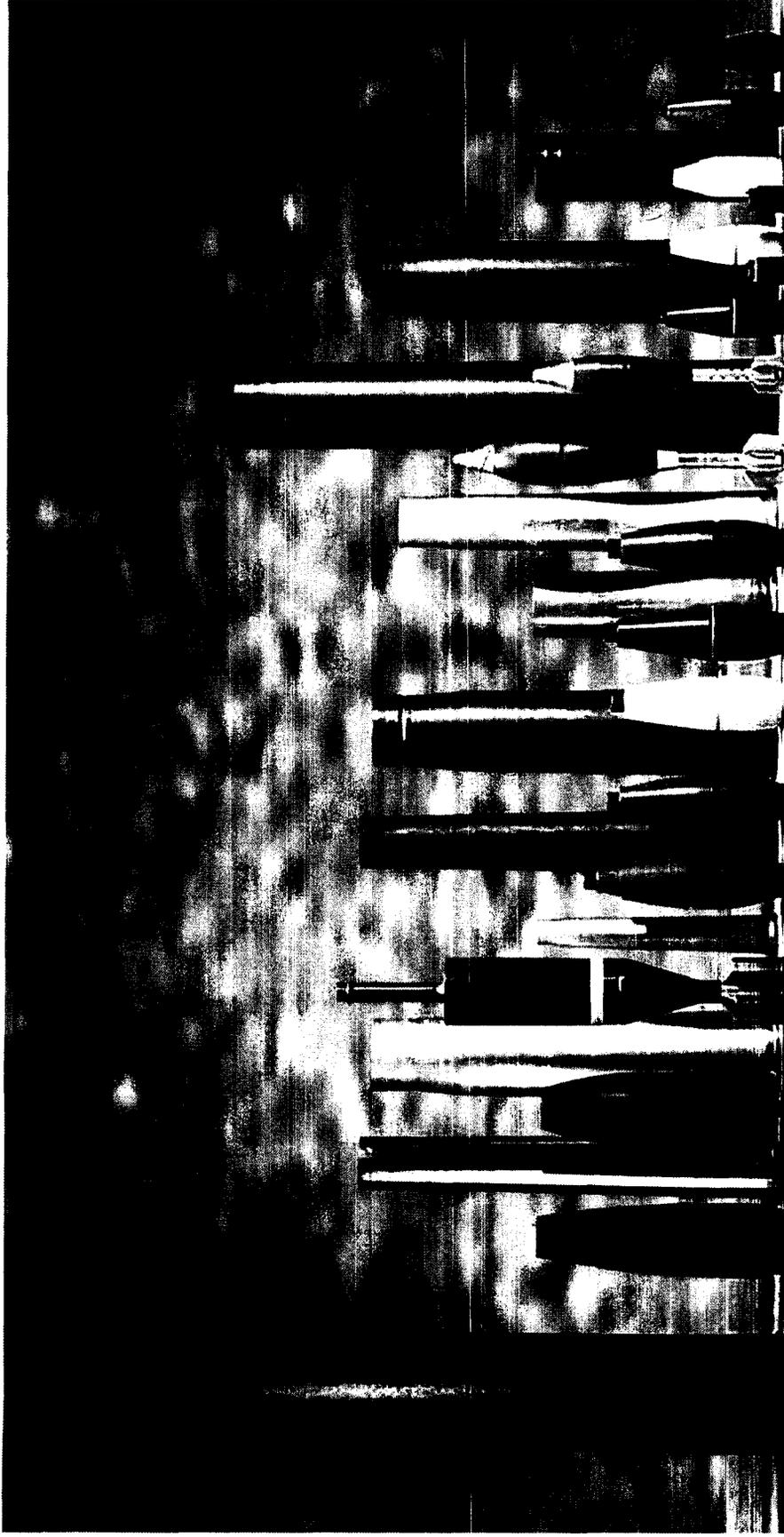


NI Industries, Inc.

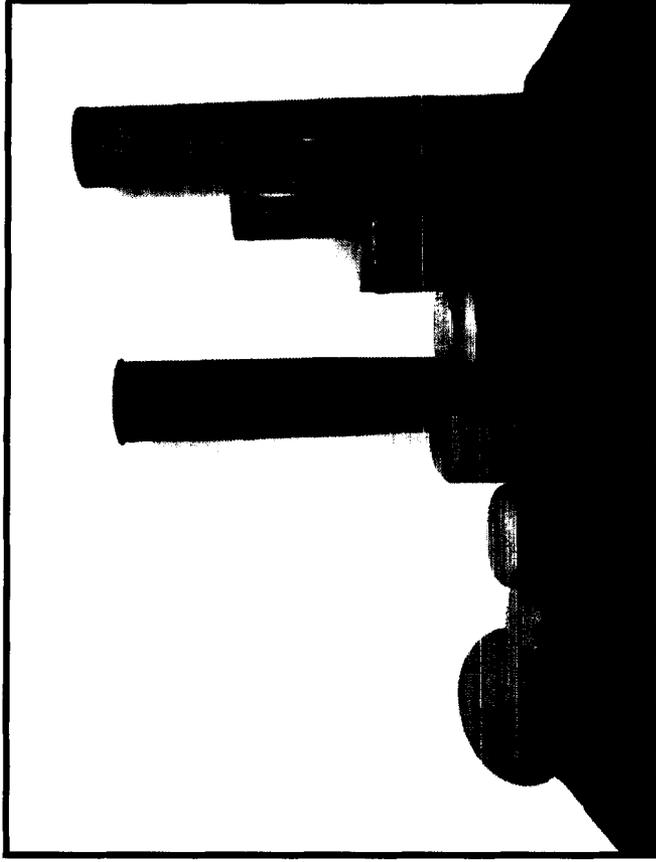
- ❖ Established in 1930 with the first military contract in 1938
- ❖ Successfully developed deep drawn steel cartridge case in 1943
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- ❖ Pioneer in development of steel cartridge cases to replace brass casing during WWII due to copper shortage and developed manufacturing methods and technology for high fragmentation mortar/projectile and grenade bodies
- ❖ Extensive manufacturing experience in deep drawing and extruding alloyed metals for cartridge cases, projectiles, mortars, bombs, grenade bodies, Multiple Launch Rocket System (MLRS) and Light Antitank Weapon (LAW) System
- ❖ Experienced producer of a variety of large caliber cartridge cases for all joint military services
- ❖ ISO 9001 and ISO 14001 certified



Sample of NI Product Portfolio At Riverbank AAP



Unique Capability For Deep Draw Technology



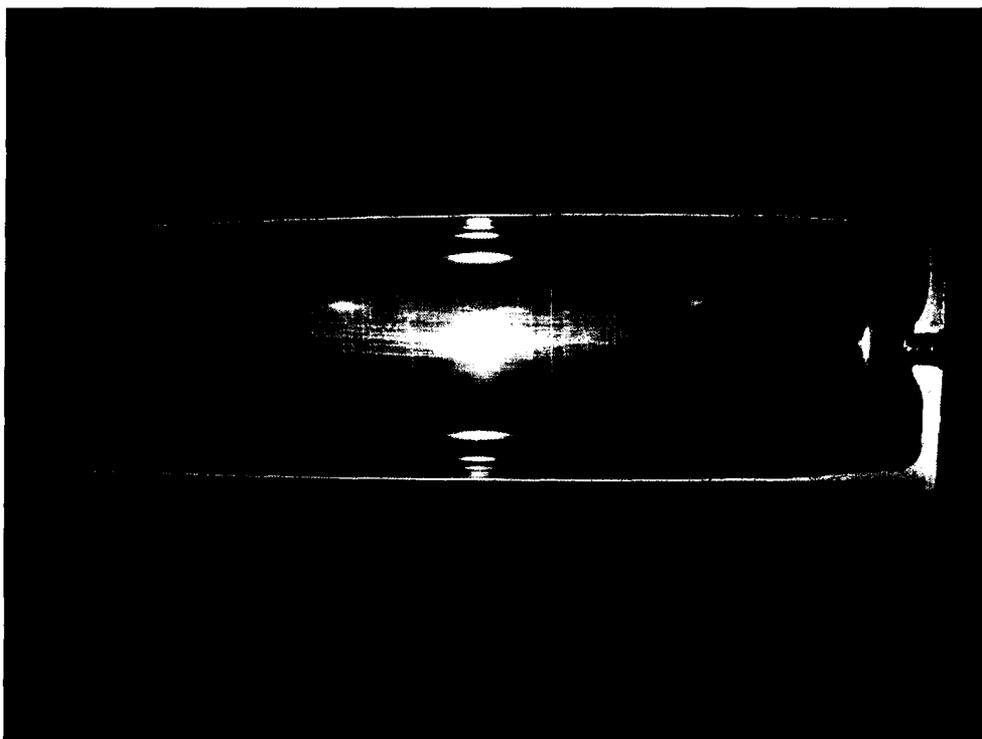
Largest deep drawn steel
cartridge case (155mm) for
Navy's Advanced Gun System

Deep draw technology

- A complex process
- A series of precise, consecutive press operations
- High quality, one-piece, variable wall case
- Final internal and external configuration
- Meeting the needs of mating components for end items required by the customer



Grain Flow



Core Capabilities

Knowledge, Skills, and Abilities

- ❖ Years of proven experience in developing deep draw technology
- ❖ Technical expertise for the manufacture of the cartridge case requires years to develop
 - Combined technical and skilled manufacturing workforce - a vital component
 - Tooling design capability - key to applying the deep draw technology to the manufacture of a press formed cartridge case
 - In-depth knowledge and unparalleled experience in thermal treatments - optimize manufacturability for consistent quality
 - Thorough understanding of machining - achieve the complex final machined configuration and surfaces
 - Application of proper zinc plating surfaces - to meet exacting customer specifications



Summary of Key Concerns with DOD BRAC Recommendation

❖ Military Value/Judgment

❖ Ammunition Supply for Force Structure

❖ COBRA Analysis

- Estimate of one-time costs related to relocating a full-service manufacturing facility
- Projected recurring savings



Unique Capabilities in Deep Draw Technology

- ❖ A sophisticated technology that requires a highly skilled and technologically competent work force
- ❖ To support Navy's DD (X), NI "fast tracked" successful development of the largest deep drawn steel cartridge case with significant reduction in cost and time
 - Used in-house technical capabilities and existing manufacturing processes and computer modeling
 - Expanded the established flexible cartridge case facility to accommodate the 155mm requirements
- ❖ NI also supplies 105mm steel tank cartridge cases for the Stryker Vehicle in support of the Future Combat System
- ❖ Riverbank AAP records demonstrated high quality, timely delivery of cartridge cases to the Joint Armed Services



Ammunition Supply for Force Structure

Potential Interruption of Cartridge Case Supply

DoD proposes to move the equipment from Riverbank and install the equipment at Rock Island by 2011. Timeline concerns include:

- ❖ Need for meticulous attention to PM including engineering and detailed planning to identify critical path to successfully relocate the Riverbank facility and prove out a new cartridge case facility
- ❖ Careful planning to balance the length of the transition period with sufficient stockpile requirements



Cartridge Case Facility Relocation Concerns

Has DoD considered the following move costs?

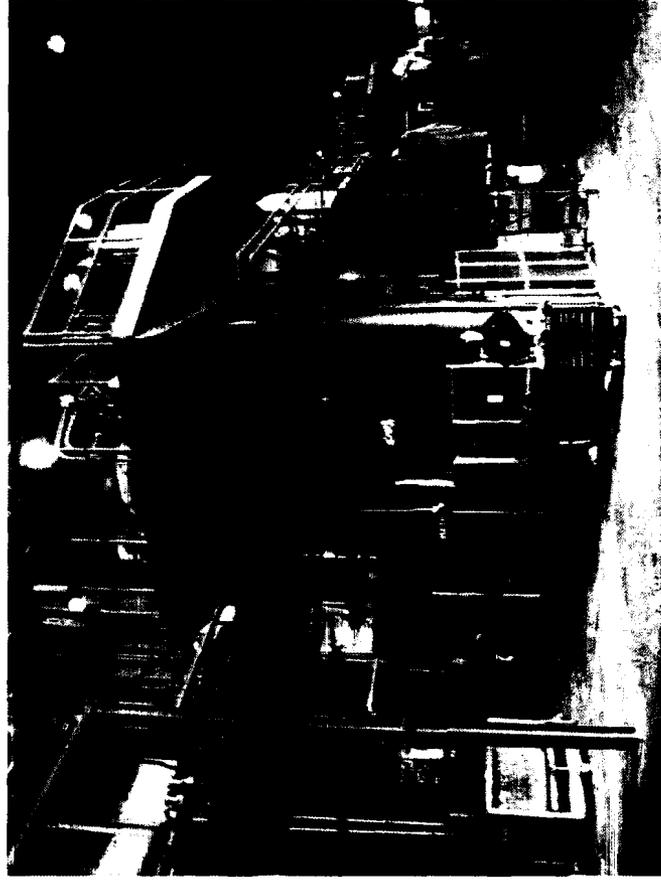
- 17+ presses
- 6+ machining centers
- Zinc plating facility
- Thermal treatment facilities (aged annealing furnace might not survive the move)
- Design and construction of foundations for presses and other heavy machinery
- Metrology, chemical, and metallurgical labs
- Large caliber deep draw tooling and gages
- Industrial waste treatment facility suitable for metal parts manufacturing



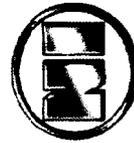
Hydraulic Presses



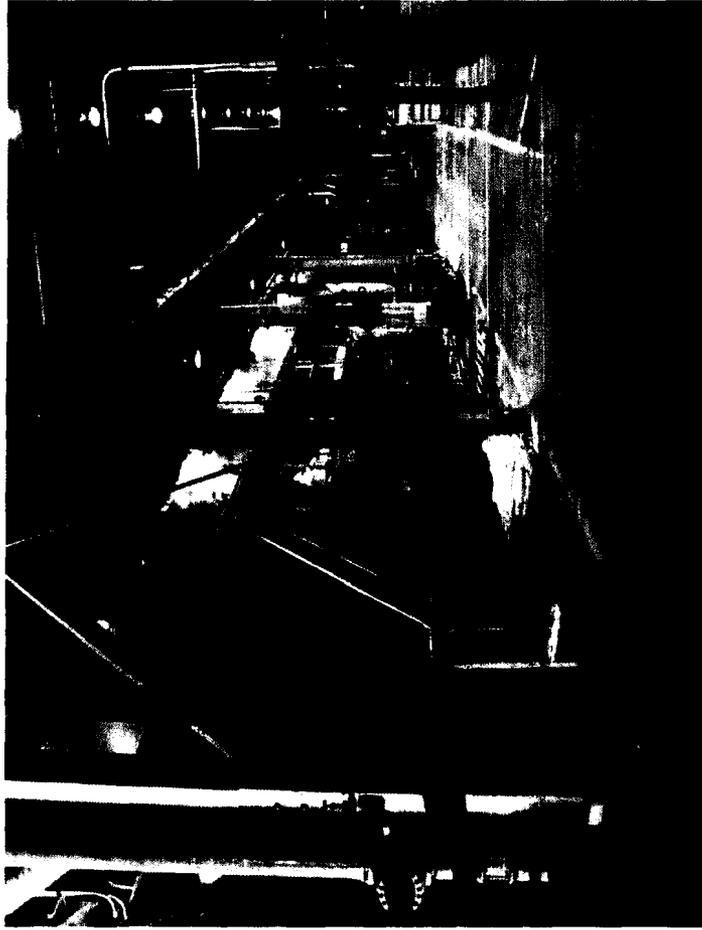
125-300T Presses



4500T Press



Thermal Treatment Equipment



Heat Treat System



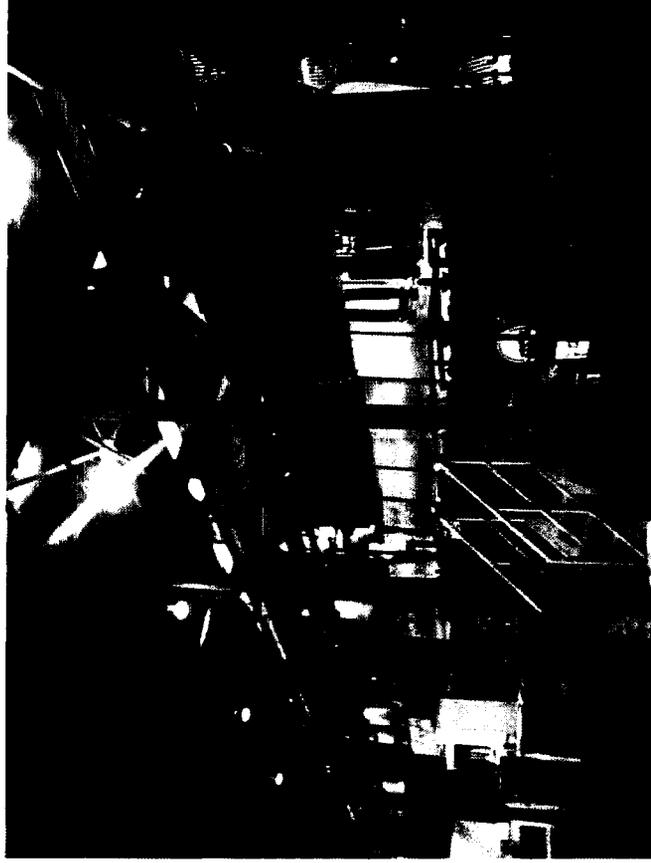
Annealing Furnace



Machining Centers/Zinc Plater



Machining Centers



Zinc Plating System



COBRA Analysis - Costs

Concerns for Cost Estimates in COBRA Model

- ❖ One-time cost of \$25.2M: It is likely that cost can exceed \$57M+ when the project is complete
- ❖ \$5M for acquisition of new equipment: This budget may not be sufficient to cover the acquisition of a thermal treatment system and later a 5000T press needed for the 155mm cartridge case
- ❖ Prove-out cost: It will be necessary to prove out the new line to ensure that the facility is capable of meeting manufacturing and quality requirements
- ❖ \$5,000 for training and travel: may not be adequate to support the move
- ❖ Industrial Waste Treatment Facility: proper permits to handle effluents from the metal parts manufacturing



COBRA Analysis - Savings

Concerns with Savings Stated in the COBRA Model

- ❖ Recapitalization of \$2.6M:
 - A total Plant Replacement Value of \$272M over a “recap rate” of 103 years was assumed for an annual cost avoidance to start in FY2006.
 - It is not likely that this level of revenue can be achieved starting FY2006
- ❖ Overhead savings of \$5.5M:
 - Elimination of the “sustainment cost” assumed at \$4.3M to maintain a 173-acre facility.
 - Avoidance of another \$1.2M recurring cost from Base Operation Support.
- ❖ Payback of three (3) years after 2011:
 - An optimistic conclusion



Summary

- ❖ **Military Value:**
 - Unique technology and extensive experience actively supporting the cartridge case requirements by the Joint Armed Forces, including the 155mm cartridge case for Navy's DD(X) Program and Army's Stryker Vehicle for the Future Combat System
 - Remaining as customer's premier manufacturer for the cartridge case, cargo grenades, and other metal components
- ❖ **Relocation of an Integrated Cartridge Case Facility**
 - Requires careful planning and engineering to ensure that the cartridge case supply will not be adversely interrupted
- ❖ **Investment Payback**
 - Optimistic estimates



Testimony by Winnie Wu

Slide 1

Good Afternoon, Mr. Chairman and members of the Commission, my name is Winnie Wu, General Manager at the Riverbank Army Ammunition Plant. Due to the time constraint, we have modified and condensed the original written document and supplemented it with additional information as provided in this document.

Side 2

Thank you for this opportunity to express our concerns with DoD's recommendation regarding Riverbank Army Ammunition Plant. I'd like to point out that the unique capabilities offered by NI Industries and the utilization of the Riverbank Plant to support our current and future military missions should be retained by DoD in the Military Value Portfolio.

Riverbank is the only active government industrial base facility currently manufacturing the deep drawn, large caliber steel cartridge cases. We just completed the production of the 105mm steel tank cartridge case for Army's Future Combat System. We are currently producing Navy's 76mm cartridge case and soon will be followed by Navy's 5" case. These cartridge cases are being deployed to the fields and not stockpiled to satisfy the Just-in-Time needs of the military.

At this location, we can also manufacture the M42/M46 and M77 cargo grenade bodies and the high fragmentation 60mm/81mm mortars. Riverbank is the only facility to have successfully made the M77 cargo grenade body in the past and also developed the process and produced a quantity of the high fragmentation 60mm/81mm mortars. The grenade facility and mortar facility at Riverbank have been laid away and can be reactivated to support future requirements. Surge requirements can be accommodated by additional shifts and adding a few pieces of equipment.

Slide 3

DoD's recommendation presents concerns in that a) there is currently limited available stockpile of large caliber cartridge cases and b) the cost estimate projected for the move may not be all encompassing and the recurring savings forecasted seem overly optimistic.

The effort of this magnitude will require a total shut down of production at one location and a timely start up at the new location to minimize the gap in the supply chain. This aggressive schedule to commence in 2007 and complete by 2011 may not provide adequate time for detailed planning to mitigate risks of potential shortfall in the stockpile of large caliber cartridge cases. Unanticipated delays could adversely impact DoD's projected savings of \$53.3 million in net present value over a 20-year period for Riverbank.

Slide 4

NI currently holds the certification for ISO 9001 and 14001, and we have not received a single Quality Deficiency Report since we started back up in production in 2000. The following two photos represent our product portfolio.

Slide 5

You may notice that the Navy's 155mm cartridge case at the left of the photo represents the largest deep drawn steel cartridge case ever manufactured.

Slide 6

Here is a sampling of the range of products manufactured by NI – from projectiles to cartridge cases to rocket and missile casings, demonstrating NI's manufacturing capability in the lineup.

Slide 7

Now let me describe briefly our unique deep draw process. For example, we started out the 155mm cartridge case with a 50-lb blank and finished at 35 pounds and 42 inches in length. We do this by reducing the diameter to obtain the length, and then reduce the wall thickness to obtain greater lengths while maintaining the diameter through a series of operations to achieve the final configuration.

Slide 8

Please note in the left photo that one of the advantages of the deep draw technology is that we can also upset the dome area to form a boss, or in this case, a primer pocket as shown in this slide. The right photo shows the continuous grain flow of the material in this "as formed" configuration at the base of the cartridge case to yield the necessary material strength required for ejection from the gun barrel after each firing.

Slide 9

One of NI's success factors lies in the core capabilities of our people. All the technology, machines, and processes are virtually worthless without qualified people behind them to move and shape the metal to achieve the precise configuration. At NI, our people are our greatest asset. To carry on the technology, we actively maintain a training program to impart this knowledge to our young graduate engineers. For example, we used the latest computer modeling techniques to complete the 155mm cartridge case development in a record nine-month period. Our knowledge in the metallurgy and thermal treatment technology are essential in our process optimization. We are experienced in producing complex final machined configuration and surfaces to meet exacting customer specifications and in applying a zinc coating to provide the necessary corrosive protection.

Slide 10

Our concerns with DoD's recommendation are:

- a) Military judgment associated with Riverbank and its utilization to support the current and future missions
- b) Potential interruption of ammunition supply to our Joint Armed Forces
- c) Cost estimate and financial benefits projected in DoD's COBRA model as well as impacts on the future cartridge case cost structure

Slide 11

Riverbank's current utilization includes an active production line to support the current military requirements for the large steel cartridge cases. Of the available space for leasing under Army's ARMS (Armament Retooling and Manufacturing Support) Program, which constitutes approximately 40% of the facility, over 80% of this space is currently occupied by commercial and industrial tenants. Some of these tenants have multiple options to extend their leases beyond 2011.

Slide 12

The timeline in DoD's proposal presents concerns in that a) detailed engineering and planning is absolutely essential in executing a project of this magnitude and b) the need to balance the length of the transition period with sufficient stockpile requirements must not be neglected.

Slide 13

To illustrate the complexity of this relocation undertaking, here's a sample listing of the equipment involved: 17+ presses, 6+ machining centers, zinc plating facility, thermal treatment facility which by the way consists of an aged annealing furnace that might not survive the move, metrology, chemical, and metallurgical labs, and an industrial waste treatment facility suitable for metal parts manufacturing. The following photos further illustrate the massiveness of the equipment to be considered for the move:

Slide 14

As you can see, men are dwarfed here standing next to a colossal 4500-ton press. Some of these presses have pits that are multi-story deep. The effort to dismantle, label, crate, and ship the presses is extensive, not to mention the subsequent set up and retooling for successful operation at the new location.

Slide 15

Our thermal treatment equipment is also massive with multiple process tanks, bricked furnaces, roller conveyors, programmable hoists, etc. The electrical and mechanical disconnect and re-hook up to the necessary infrastructure also represent a monumental task.

Slide 16

Again, as you can see, our machining centers and the zinc plating system are very much integrated with the existing infrastructure and the adjacent material handling system.

Slide 17

Regarding the COBRA analysis, we are concerned with the cost estimates applied. We believe the one-time cost of \$25.2 million used in the COBRA run is low. NI estimated the cost to execute a project of this magnitude is likely to exceed \$57+ million when the project is complete. A rough order of magnitude estimate with limited vendor quotations was recently submitted to the BRAC Commission Staff for their use to fine tune the COBRA analysis. Due to the uncertainty in the infrastructure at Rock Island Arsenal, it is difficult at this time to estimate all the retrofitting necessary to accommodate a new cartridge case production facility at Rock Island. As we reviewed the COBRA inputs, we noticed DoD's estimate for new equipment at \$5 million. This may not be sufficient to cover the acquisition of a thermal treatment system and later a 5000T press for the 155mm production run. In addition, there was no provision made for proving out the line after relocation to Rock Island to ensure that the new facility after set-up is capable of meeting manufacturing and quality requirements. An estimate of \$5,000 for training and travel assumed in the COBRA input is definitely inadequate to support a project of this size. Proper environmental permits must be obtained to handle effluents from the metal parts manufacturing. It should also be noted that the COBRA analysis assumed the base population at Rock Island Arsenal prior to and after this BRAC action to remain unchanged at 5,298 while the net population change at Riverbank is a combined 275 employees consisting of four civilian employees, 70 NI employees, and tenant population of about 200 on the facility. We are uncertain of the technological base and skill sets that Rock Island Arsenal has to support the manufacture of cartridge case. We also believe that DoD needs to provide the information about the cost structure at Rock Island for the cartridge case manufacture as a result of this realignment and the basis for the assumed efficiency and utilization gains.

Slide 18

As we move to examine the savings side of the COBRA analysis, our concerns with the savings stated by DoD are:

- a) Recapitalization of \$2.5 million per year: The analysis used a total plant replacement value of \$272 million for a facility with 173 acres. The model further estimated an annual cost avoidance of \$2.6 million commencing at 2006. It is not likely to achieve this level of recapitalization, starting as early as 2006.

- b) Overhead savings of \$5.5 million per year: This consists of DoD's assumption of the elimination of the "sustainment cost" at \$4.3 million to maintain the facility and an additional overhead savings of \$1.2 million from the Base Operation Support. ARMS tenant revenue is also used to offset the facility maintenance cost. We are uncertain about the basis of these savings projected by DoD.
- c) 3-year payback: As a result of the above cost and savings inputs, the COBRA analysis rendered an overly optimistic conclusion of a 3-year payback after 2011 with this BRAC action.

Slide 19

In summary, we would like to reiterate that the significant military value of Riverbank Army Ammunition Plant and its current utilization to support our Joint Armed Services should be recognized by DoD. NI is committed to supporting the current and future inter-service requirements for the deep drawn large steel cartridge cases.

We strongly urge the Commission to carefully examine the current level of the cartridge case stockpile for our Joint Armed Services to ensure that the supply will not be adversely interrupted by this recommended BRAC action and review the information associated with utilization rate at Riverbank as well as the costs and savings projected in the COBRA run.

Finally, we recognize the complexity in your challenges and trust that the Commission will look upon NI's technological sustainability and Riverbank's utilization to support the military's just-in-time requirements for the deep drawn large steel large cartridge cases and consider them in the long-term prospects for our nation's military preparedness.

Thank you.

Testimony by Winnie Wu

Slide 1

Good Afternoon, Mr. Chairman and members of the Commission, my name is Winnie Wu, General Manager at the Riverbank Army Ammunition Plant.

Side 2

We recognize the arduous task that DoD is endeavored to transform our current force structure to one that is more agile and more effective to meet the challenges envisioned in the next 20 years. However, we are extremely concerned with DoD's proposed action regarding Riverbank Army Ammunition Plant.

I'd like to take this opportunity to share with you that the unique capabilities offered by Riverbank Army Ammunition Plant and NI Industries warrant military value considerations and should to be included in the Military Value Portfolio.

Over the last 60 years, NI has successfully refined and applied the deep draw technology to the manufacture of a variety of metal parts such as cartridge cases, projectiles, mortars, cargo grenade bodies, bombs, Multiple Launch Rocket System, Light Antitank Weapon Systems, Sparrow, Stinger, and Sidewinder, just to mention a few. Riverbank is the only active government industrial base facility with unique capabilities to manufacture the following products: a) deep drawn, large caliber steel cartridge cases; b) M42/M46 and M77 cargo grenade bodies, and c) high fragmentation 60mm/81mm mortars. (As a note, presently, there is an active commercial source for these mortars.)

Riverbank recently completed the 105mm steel tank cartridge case production in support of Army's Stryker Vehicle for the Future Combat System. In addition, we successfully developed the largest 155mm deep drawn steel cartridge case for Navy's Advanced Gun System associated with the DD(X) Program. We are currently producing Navy's 76mm cartridge case and soon will be followed by Navy's 5" cartridge case. These cases are being deployed to the fields and not stockpiled to satisfy the Just-in-Time needs of the military.

Riverbank is the only facility to have successfully made the M77 cargo grenade body in the past and also developed the process and produced a

quantity of the high fragmentation 60mm/81mm mortars. The grenade facility at Riverbank has been laid away and can be reactivated to support future cargo grenade requirements. Surge requirements can be accommodated by additional shifts and adding a few pieces of equipment.

With these unique manufacturing capabilities to provide the munitions to support DoD's current and future mission, we firmly believe that Riverbank Army Ammunition Plant embodies significant military value that should be retained and recognized in the Military Value Portfolio.

Slide 3

DoD's recommendation to relocate the cartridge case facility gives us concerns in that a) there is currently limited available stockpile of large caliber cartridge cases and b) the cost estimate projected for the move may not be all encompassing and the recurring savings forecasted seem optimistic.

The effort of this magnitude will require the most detailed planning to ensure seamless coordination between a total shut down of production at one location and timely start up at the new location to minimize the gap in the supply chain. DoD's analysis recommended the move to commence in 2007 and complete by 2011, and we are concerned that such an aggressive schedule may not provide adequate time for detailed planning to mitigate risks of potential shortfall in the stockpile of large caliber cartridge cases. Unanticipated delays in the project execution could impact DoD's projection of \$53.3 million in net present value savings over a 20-year period for Riverbank Army Ammunition Plant.

Slide 4

Quality is the cornerstone of our success. NI currently holds the certification for ISO 9001 and 14001. The following two photos represent the product portfolio at Riverbank and the company as a whole.

Slide 5

You may notice that the 155mm cartridge case at the left of the photo represents the largest deep drawn steel cartridge case ever manufactured.

Slide 6

Here is a look at a sampling of the range of products manufactured by NI – from projectiles to cartridge cases to rocket and missile casings to vehicular wheels, demonstrating NI's manufacturing capability in the lineup.

Slide 7

We started out the 155mm cartridge case with a 50-lb blank and through a series of operations finished at 35 pounds and 42 inches in length – quite an example of another successful application of the deep draw technology to yield the largest steel cartridge case ever manufactured.

Slide 8

Our unique technology at NI is further demonstrated in this photo showing the continuous grain flow of the material at the base of the cartridge case to yield the necessary material strength required for ejection from the gun barrel after each firing.

Slide 9

One of the success factors in this company's 60-year history lies in the core capabilities of our people. The technical expertise for the cartridge case manufacture using the deep draw technology requires years to develop. All the technology, machines, and processes are virtually worthless without qualified people behind them to move and shape specific alloys to achieve the precise configuration required by our customers. At NI, our people are our greatest asset and a vital component in our success factors. To carry on the technology, we actively maintain a training program to impart this knowledge to our young graduate engineers. For example, our tooling design capability using the latest computer modeling techniques enabled us to complete the 155mm cartridge case development from receipt of contract to delivery in nine (9) months. Our in-depth knowledge in the metallurgy and thermal treatment technology are essential in process optimization to achieve the consistent quality required by our customers. We are proud of the experience we have accumulated in delivering complex final machined configuration and surfaces to meet exacting customer specifications. Our product would not be complete without the application of a surface zinc coating to provide the necessary protection against the corrosive environment that the cases will be subjected to.

Slide 10

Our concerns with DoD's recommendation are the following:

- a) Military value and judgment associated with Riverbank
- b) Potential interruption of ammunition supply to our Joint Forces
Cost estimate and financial benefits projected in DoD's COBRA analysis model.

Slide 11

The deep draw technology we employ is a sophisticated technology requiring engineering expertise and competent work force that cannot be overlooked. Our experienced engineers successfully "fast tracked" the development of the largest steel deep drawn cartridge case for the Navy's 155mm Advanced Gun System with significant reduction in time and cost. Our innovative technical and maintenance crew also made it possible to deliver the R&D quantities of Navy's 155mm cases with temporary modifications to the existing equipment on the flexible cartridge case manufacturing line. As previously mentioned, Riverbank Army Ammunition Plant is also the supplier of the 105mm steel tank cartridge case in support of the Stryker Vehicle for the Future Combat System. Our delivery records to date at Riverbank for the cartridge cases manufactured on the modernized flexible line have been exemplary without a Quality Deficiency Report. Our long history of being a premier manufacturer of metal parts with unique capabilities in deep draw technology is a testimony to this truly remarkable military value that cannot be easily replicated.

Slide 12

DoD's proposal to start moving the equipment from Riverbank in 2007 and install the equipment in Rock Island Arsenal by 2011 presents certain timeline concerns in two-fold: a) detailed engineering and planning is absolutely essential in executing a project of this magnitude and b) the need to balance the length of the transition period with sufficient stockpile requirements must not be neglected.

Slide 13

To illustrate the complexity of this relocation undertaking, here's an example listing of the equipment involved such as: 17+ presses, 6+ machining centers, zinc plating facility, thermal treatment facility which by the way consists of an aged annealing furnace that might not survive the move, pits and foundations for presses and other heavy machinery, metrology, chemical, and metallurgical labs, and establishment of an industrial waste treatment facility suitable for metal parts manufacturing. Production personnel from Rock Island

Arsenal in a recent visit to Riverbank would agree that relocating a cartridge case manufacturing facility to Rock Island Arsenal represents a highly complex project. The following photos further illustrate the massiveness of the equipment to be considered for the move:

Slide 14

Shown here are some of the presses on our cartridge case line. As you can see, men are dwarfed here next to the colossal 4500-ton press. Some of these presses have pits that are multi-story deep. The effort involving dismantling, labeling, crating, and shipping of the equipment as massive as a press along with the set up and retooling for successful operation after the move could be a nightmare if not properly and carefully executed.

Slide 15

Our thermal treatment equipment is also massive with multiple process tanks, bricked furnaces, roller conveyors, programmable hoists, etc. The electrical and mechanical disconnect and re-hook up to the necessary infrastructure also represent a monumental task.

Slide 16

Our machining centers and the zinc plating system support our downstream operation. Again, as you can see, they are quite integrated into the infrastructure and the adjacent material handling system.

Slide 17

Regarding the COBRA analysis, we are concerned with the cost estimates applied. We believe the one-time cost of \$25.2 million used in the COBRA run is low. NI estimated the cost to execute a project of this magnitude is likely to exceed \$57+ million when the project is complete. A rough order of magnitude estimate was recently submitted to the BRAC Commission Staff for their use to fine tune the COBRA analysis. Due to the uncertainty in the infrastructure at Rock Island Arsenal, it is difficult at this time to be inclusive of the retrofitting estimates necessary to accommodate a new cartridge case production facility there. As we reviewed the COBRA inputs, we noticed that DoD's estimate for new equipment acquisition of \$5 million may not be sufficient to cover the acquisition of a thermal treatment system and later a 5000T press for the 155mm production run. There was no provision made for proving out the line after relocation to Rock Island to ensure that the new facility after set-up is capable of meeting exacting manufacturing and quality requirements. An estimate of

\$5,000 for training and travel assumed in the COBRA input is inadequate to support a project of this size. One must also be aware that proper environmental permits must be obtained to handle effluents from the metal parts manufacturing, and this permitting process could be exhaustive. It should also be noted that the COBRA analysis assumed the base population at Rock Island Arsenal prior to and after this BRAC action to remain unchanged at 5,298 while the net base population change at Riverbank is only four (4) civilians. This does not include impact on NI's population of approximately 70 employees and tenant population of about 200 on the facility. We are uncertain of the technological base and skill sets that Rock Island Arsenal has to support the manufacture of cartridge case.

Slide 18

As we move to examine the savings side of the COBRA analysis, our concerns with the savings stated by DoD are a) recapitalization of \$2.5 million; b) overhead savings of \$5.5 million; and c) a payback of three (3) years after 2011.

- a) Recapitalization of \$2.5 million per year: The analysis used a total replacement value of \$272 million for a 173-acre facility at Riverbank Army Ammunition Plant. The model further used a "recap rate" of 103 years to estimate an annual cost avoidance of \$2.6 million per year, starting in FY 2006. It is not likely that this level of recapitalization be achieved, nor would it commence as early as FY2006.
- b) Overhead savings of \$5.5 million per year: DoD's assumption of the elimination of the "sustainment cost" to maintain the 173-acre facility at \$4.3 million represents somewhat a duplication of the miscellaneous cost of \$2.6 million that counters the recapitalization savings. COBRA model further projects an additional savings of \$1.2 million in the overhead from the Base Operation Support.
- c) 3-year payback: As a result of the above inputs of cost and savings, the COBRA analysis rendered an optimistic conclusion of a 3-year payback after 2011 with this BRAC action.

Slide 19

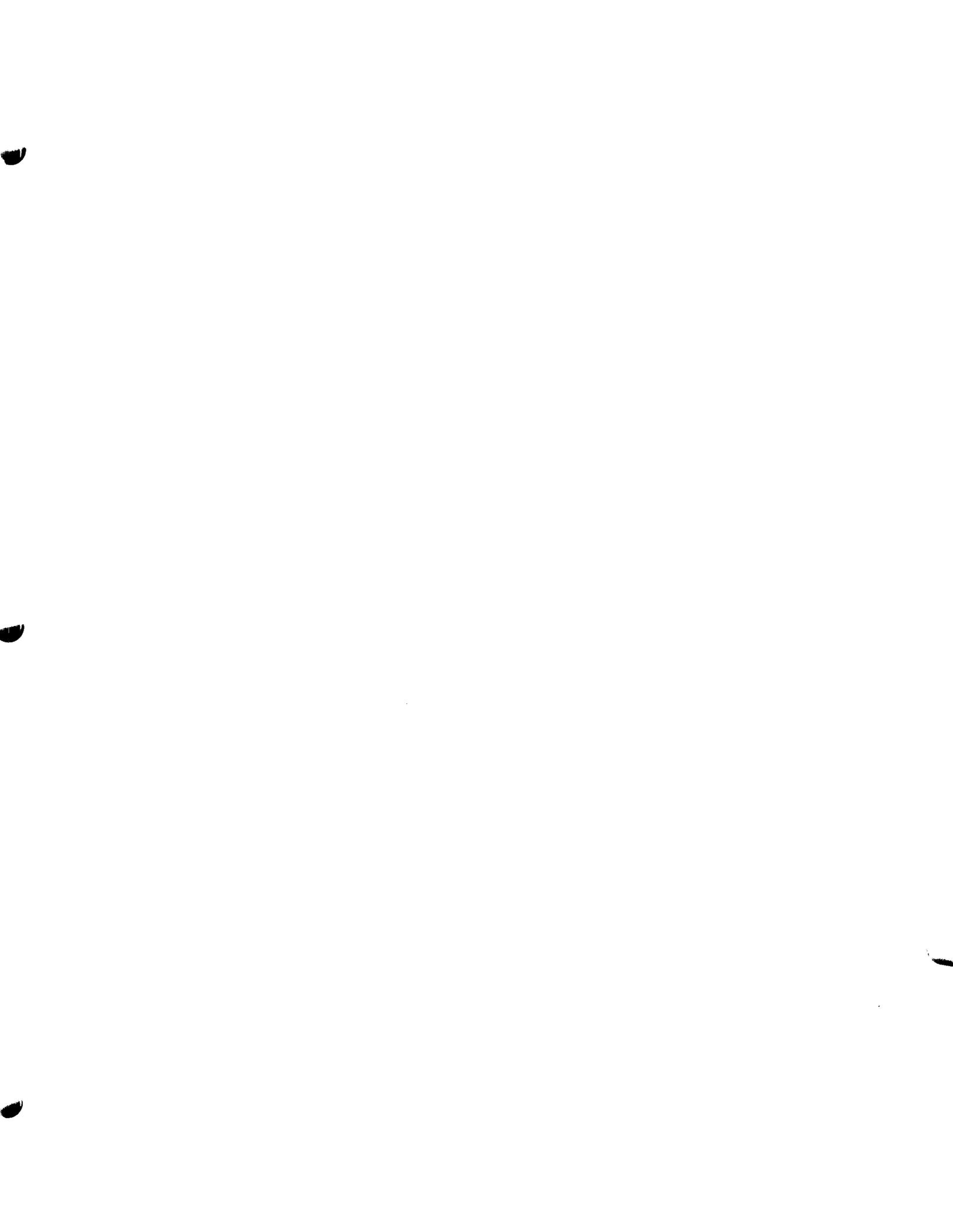
In summary, we would like to reiterate that the significant military value of Riverbank Army Ammunition Plant should be recognized by DoD. NI is committed to using its unique deep draw technology and extensive experience to

support the current and future inter-service requirements of the cartridge case including Navy's 5", 76mm, and the 155mm cartridge case for the DD(X) Program as well as Army's 105mm steel tank cartridge case for the Stryker Vehicle in support of the Future Combat System. We are dedicated to remaining as our customer's premier manufacturer for the cartridge case, cargo grenades, and other metal components.

We strongly urge DoD to carefully examine the current level of the cartridge case stockpile for our Joint Services to ensure that the supply will not be adversely interrupted by this recommended BRAC action and to prudently review the information associated with Riverbank utilization and the costs and savings projected in the COBRA run.

Finally, on behalf of NI Industries and the Riverbank communities, I would like to express our sincere appreciation for this opportunity to express our concerns with DoD's initial recommended action to close Riverbank Army Ammunition Plant. We recognize the complexity in your challenges and trust that the Commission will look upon the technological sustainability represented by Riverbank Army Ammunition Plant and NI Industries to be a significant military value that should be considered in the long-term prospects for our nation's military preparedness.

Thank you.



TAB 5

NI Product Brochure