



Force Protection, Inc.
9801 Highway 78, Ladson, SC 29456

(843) 740-7015
www.forceprotection.net

Statement by Gordon McGilton
Chief Executive Officer, Force Protection Industries, Inc.
House of Representatives Defense Subcommittees
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Chairman Taylor, Chairman Abercrombie, members of the House Armed Services Committee: Force Protection Industries appreciates this opportunity to update you with regard to this critical program.

As of the first of November, Force Protection has delivered 1,384 Cougar and Buffalo mine protected vehicles to our warfighters. They are:

- 146 Buffalo route clearance vehicles
- 153 Cougar Iraqi Light Armored Vehicles
- 28 Cougar Hardened Engineer Vehicles
- 216 Cougar Joint EOD Rapid Response Vehicles
- 108 Cougar Mastiffs for the United Kingdom
- 734 Cougar MRAP Category I & II vehicles

In order to put the delivery of those vehicles into some perspective, I will provide a brief synopsis of our history relative to building mine protected vehicles.

Background: Force Protection's sole mission is to manufacture, deliver, and maintain vehicles that feature the best protection available to American and Coalition warfighters facing the threat of Improvised Explosive Devices. MRAP manufacturing is not an additional business line for us. It is our only job. Every action we take, including investments and partnerships, is designed to help us fulfill our mission.

Force Protection Industries was incorporated in early 2005. At that time we employed 200 people and occupied 100,000 square feet of manufacturing space in South Carolina. By the end of 2005, we had expanded to 250,000 square feet of space and 350 employees. Most importantly, we had delivered 60 vehicles. By the end of 2006 we had nearly quintupled the number of vehicles delivered to 296. In 2006, we also had expanded our manufacturing facilities to 450,000 square feet and added 400 employees for a total of 750. Today, Force Protection employs almost 1,300 workers and occupies nearly 1 million square feet of manufacturing space in 4 facilities in South Carolina and North Carolina. These manufacturing operations are supported by a significant Research and Development facility, and a 300-acre blast and ballistics testing facility.

In addition, we have formed a new company, Force Dynamics, through our joint venture with General Dynamics Land Systems. The partnership gives us access to General Dynamic's substantial manufacturing capabilities. As a result, there are now multiple facilities manufacturing Cougars. Our supply chain has been expanded and our ability to rapidly incorporate design improvements is greatly enhanced. Of particular note, we have been able to reduce the price of a Cougar by roughly \$150,000 to under \$490,000. Finally, we have expanded the enterprise to include additional manufacturing by using subcontracting and licensing arrangements.

Interaction with other manufacturers: Because of the potential demand for MRAP vehicles, we have focused on two program goals. The first was to establish enough manufacturing capacity within our joint venture with General Dynamics so that we could deliver roughly 500 vehicles a month. The second goal was to license production to other commercial and military industrial manufacturers to expand or contract our delivery capacity as necessary to meet demands that are likely to change periodically. Additionally, teaming allows us to spread our manufacturing capability to ensure that we are not too reliant upon any one supplier or plant.

The following is a summary to date of Force Protection's interaction with other manufacturers:

-Joint Venture with General Dynamics - increased capacity across all functional areas, including engineering, manufacturing, supply chain management, logistics planning and execution and sustainment. General Dynamics Land Systems produced more than 60 Cougar vehicles in October 2007. By February 2008, they will be manufacturing approximately 200 Cougars per month.

-Spartan Chassis - expanded a robust automotive and final assembly capability. As a consequence, our enterprise can now rely on Spartan to help us deliver several hundred Cougars per month.

-Armor Holdings (formerly Stewart and Stevenson and now BAE) – delivered 200 completed Cougars between February and July 2007. If demand continues to increase, we will look to them for additional manufacturing..

-Marine Corps Logistics Base at Albany, GA - performs Cougar capsule manufacturing. This military depot is a key part of our production team.

-BAE's Ground Systems Division - licensing our Cougar design to BAE as the prime contractor, we have jointly delivered more than 350 ILAVs to the Iraqi Army. Force Protection continues to produce and support these vehicles in conjunction with BAE.

-Red River Army Depot - ongoing discussions are aimed at the establishment of an Army MRAP maintenance and training facility. We also are exploring the use of Red River's manufacturing capacity in the development of Cougars.

-Textron- Force Protection has an existing agreement with Textron to manufacture Cougars. Although this agreement has not been executed due to lack of orders, this opportunity is still available to us. Should the demands of the program warrant it, we will quickly add Textron to our team to accelerate deliveries and expand the manufacturing base for Cougar MRAPs.

-Medical University of South Carolina (MUSC) - Force Protection plans to fund the establishment of a research center to improve the medical technology available for diagnosing and treating Traumatic Brain Injury (TBI) resulting from IED attacks. Through this agreement, MUSC will study the physics of blast events using our South Carolina test range. Force Protection hopes to learn more about the physical effects on

soldiers and apply that knowledge to vehicle designs that will decrease the likelihood of injury.

Industrial base capacity: In June 2007 representatives of the Department of the Navy asked Force Protection to determine the maximum production rates we could achieve by Dec. 31, 2008. Our exhaustive review of every production aspect, including availability and training of new employees and access to critical parts for the Cougar, led us to conclude that the Force Protection led team could produce 500 vehicles per month by April 2008 and 1,000 vehicles per month by July 2008, for a total of 12,100 MRAPs by the end of 2008. Our analysis did find two areas of concern: tapered roller bearings (which are used in the manufacture of transfer cases) and axles. The inclusion of the DX DPAS rating has eliminated the roller bearing concern, and we have identified alternative axle suppliers. Our analysis found no show stoppers that would prevent us from being able to achieve production rates of approximately 1,000 vehicles per month (including steel, armored steel, engines, transmissions, glass, tires and wheels).

Coordination with the MRAP Joint Program Office: Force Protection has enjoyed a highly professional relationship with all of our customer program offices.

Throughout three-plus years of providing these vehicles, each and every one of the program offices has undertaken ways to facilitate our ability to deliver more efficiently. I would like to publicly express our appreciation to Brigadier General Brogan and Major General Catto along with Mr. Barry Dillon at Marine Corps Systems Command; Mr. Paul Mann, the current MRAP program director, and his predecessor Marine Colonel Michael Micucci, along with their staffs; Brigadier General John Bartley and his staff at the Army Tank Automotive & Armaments Command; and the Defense Contract Management Agency. The kind of growth we have been able to maintain is replete with challenges, which stem from establishing the requisite capacity, acquiring the necessary facilities, and deploying the needed processes and procedures to manufacture in a reliable, repeatable fashion. Despite these challenges, each and every one of our customer agencies has demonstrated a willingness to focus on the end result, delivery of these life saving vehicles. Today, we have an established, open line of communication with our

Marine Corps, Army, and DOD customers, and work closely with them in forecasting future demand to the maximum extent it is known.

What can the Government do to help?

- Provide more timely details about the long term plans for the program.

- By the second half of this fiscal year, facilitate introduction of friendly foreign customers as a means of further stabilizing the program and allowing industry to achieve maximum utility for the capacity we are creating.

- Provide timely funding that would enable our team to control costs by allowing us to order supplies in bulk and with long lead times.

It has been Force Protection's distinct pleasure and privilege to be able to play a critical role in helping to ensure that Soldiers and Marines on the ground can execute their missions and come home to their loved ones. Both the Cougar and Buffalo vehicles continue to perform extremely well in our active theaters of operation, but Force Protection's most important measure of success is the lives saved because of the protection our vehicles provide. Again, I thank you, Mr. Chairman and members of the Committee, for the opportunity to provide you this update. On behalf of all of the employees of Force Protection, we look forward to continuing to be part of this important program.