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On

Complex Transformation

**Before the
Committee on Armed Services
Subcommittee on Strategic Forces**

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Honeywell Federal Manufacturing & Technologies (FM&T) appreciates the opportunity to submit written testimony to the Members of the Committee on Armed Services' Subcommittee on Strategic Forces regarding the National Nuclear Security Administration's (NNSA) vision for Complex Transformation.

Background

Honeywell FM&T operates the Kansas City Plant (KCP) on behalf of the NNSA under a Management and Operations (M&O) contract and is a minority partner in the M&O companies that manage the Pantex and Savannah River sites. FM&T has played a key role in past transformational activities including the consolidation of various non-nuclear operations into the KCP from sites in Florida, Colorado and Ohio.

The KCP produces non-nuclear components for the nuclear weapons stockpile and performs national security work for other government agencies. The vast size and breadth of capability in both technology and human capital make the KCP one of the most unique manufacturing facilities in the United States. The KCP is the nation's primary repository of manufacturing and supply chain knowledge related to non-nuclear component product realization. The plant represents 60,000+ years of integrated specialized manufacturing knowledge.

Kansas City Responsive Infrastructure Manufacturing and Sourcing (KCRIMS) Initiative

FM&T is actively supporting the NNSA's Complex Transformation vision through the Kansas City Responsive Infrastructure Manufacturing and Sourcing (KCRIMS) initiative. This initiative will lead to savings of roughly \$100 million per year on an NNSA plant budget of approximately \$400 million per year. Contractor-led budget reductions of this magnitude in a "fee on cost" environment reflect the sense of urgency generated by NNSA leadership to fundamentally change the way we perform our mission.

KCRIMS supports NNSA's vision for Complex Transformation by delivering:

- **A vastly smaller, more modern manufacturing facility** – The proposed new facility will be roughly one third the size of the present facility and will be constructed to optimize energy efficiency and minimize infrastructure-related costs. It is configured for optimum flexibility to meet the Complex's changing manufacturing needs.

- **Streamlined commercial business processes that will reduce overhead costs by 30 percent over the next 4 years** – Business process transformation is moving the KCP to more commercial-like practices by making business processes more efficient, effective and integrated for maximum impact. FM&T has identified transformation improvements using assessments against the Baldrige criteria and other “best in class” performance standards.
- **Effective KCRIMS program execution within budget and on schedule** – FM&T has created an Integrated Project Plan (IPP) to capture interdependencies, assumptions, and risks across the enterprise in order to maintain our performance in cost, schedules, and customer satisfaction during the transition. Major activities include producing build ahead components and assemblies to prevent downtime, implementing workforce transformation plans to ensure that needed skill sets are maintained, shifting certain work to U.S. suppliers, and the application of lean principles throughout the manufacturing process.

The Special Programmatic Environmental Impact Statement (SPEIS)

FM&T supports the NNSA’s Complex Transformation plans described in the SPEIS. The preferred alternative comprehends the importance of retaining vital human capital and attendant experience while addressing an aging infrastructure and ever increasing support costs. That said, FM&T remains on a more aggressive timeline to reduce overhead support costs at the KCP consistent with KCRIMS objectives.

Transformation is correctly focused on reductions in infrastructure and overhead costs but the NNSA is also addressing the need to reduce procurement costs. The Complex has demonstrated through the recently established Supply Chain Management Center (SCMC) that collaborative efforts among all NNSA sites to leverage purchasing power yields savings that can be used to partially fund transformation. Since its inception the SCMC has generated cost savings of \$14 million that will increase to well over \$30 million by year’s end. The SCMC approach gives suppliers the opportunity to participate in Complex Transformation.

Conclusion

Transformation is more than a fiscal imperative. Like other contractors, FM&T is concerned about demographic realities that are changing the face of the Nuclear Weapons Complex. Talented scientists, engineers and manufacturing technologists are retiring at an increasing rate as the Cold War hiring wave plays itself out. The Complex will likely struggle to attract comparable talent in the future if we don’t invest in the transformation of facilities, processes and weapons systems today.

FM&T remains committed to the Transformation vision outlined by Mr. Thomas D’Agostino and will continue to leverage opportunities to team with other production plants and laboratories to meet NNSA goals and objectives for the future – to ensure that America’s nuclear stockpile is safe, secure and reliable.