

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
APPROPRIATIONS
COMMERCE
HEALTH, EDUCATION,
LABOR, AND PENSIONS

September 19, 2024

The Honorable Christine Wormuth
Secretary of the Army
Department of the Army
101 Army Pentagon
Washington, DC 20310

The Honorable Doug Bush
Assistant Secretary of the Army
Department of the Army
101 Army Pentagon
Washington, DC 20310

Dear Secretary Wormuth and Assistant Secretary Bush:

I write to you to express concern about production and delivery delays to the Joint Light Tactical Vehicle (JLTV) program following the U.S. Army's contract award to AM General in early 2023. Since that time, AM General has been beset by production challenges and delays, risking the readiness of our Armed Forces and destabilizing suppliers who depend on consistency to train and maintain an effective workforce. I ask you to keep me informed on the timeline for production transition, vehicle deliveries, as well as the overall stability of the program.

Thank you for the detailed response to my June 7, 2023 letter following the JLTV contract decision and subsequent transition of production from Oshkosh Corporation to AM General. Your response included assurances that the transition would be smooth, and both the warfighter and the supply base would experience minimal disruptions. You also assured me that the Department would provide strict oversight of AM General's schedule and performance "to mitigate risks in both ramping down a production line as well as standing up a new production line." The recently announced delay casts doubt on the Army's current acquisition approach, which I fear could lead to a break in production during the transition, resulting in a fielding gap.

Furthermore, your response to my letter indicated that the Army would closely monitor and assess potential risks posed by AM General's poor credit rating outlook and ownership by KPS Capital Partners—a private equity firm. Four years ago, KPS acquired AM General from another private equity firm—MacAndrews and Forbes—after AM General lost a contract with Mercedes-Benz. In my original letter, I pointed out several concerns with AM General's financial position, noting that in 2022, S&P—a credit rating agency—noted AM General's "highly leveraged risk profile," while Moody's Investor Service issued a credit opinion on AM General that said, "the company has limited capacity to absorb unanticipated operating or financial setbacks." The latter report gave AM General a "negative" credit rating outlook, which recommends that its bonds be considered "speculative grade" often referred to as 'junk bonds.' At the time, I expressed concern that AM

General may not be able to effectively invest in significant new production lines while it had “weak liquidity with limited access to [a] revolving credit facility,” as described by Moody’s.

These concerns proved to be well-founded, as on July 22, 2024 the U.S. Army’s Program Executive Office Combat Support and Combat Systems Support (PEO CS&CSS) reported that AM General’s initial delivery of JLTVs would be delayed by six months. Given AM General’s reportedly low bid on the JLTV contract, the general low-margin nature of Tactical Wheeled Vehicle (TWV) production contracts, and fierce competition for manufacturing workers, it should not surprise the Army that the company faces challenges building entirely new facilities and standing up a workforce and supply chain before it can begin production. I am concerned that this uniquely difficult array of issues will likely result in additional manufacturing and delivery delays, undermining Army fielding plans for JLTV. And while these schedule delays are rightfully concerning, I also agree with comments from PEO CS&CSS that the “six-month schedule adjustment to the initial delivery orders will be required to safeguard quality and manufacturing readiness requirements.” Indeed, the JLTV program under the prior contractor was characterized by the highest quality standards and mature production, as well as leading cost efficiency controls, winning numerous DoD acquisition awards. It is regrettable that since the follow-on production award, the JLTV program appears to be straying from this record of excellence.

Furthermore, the decision made on cost alone may pose risk to our Armed Forces as delays persist and endanger the readiness of our formations, risks which compound when private ownership prioritizes profits over service to our Nation. Our service members depend on ready equipment and resilient supply chains. If the Department’s current JLTV acquisition strategy cannot ensure either, I believe senior leadership need to critically review the process and evaluation criteria used to examine the financial viability of companies bidding for Army contracts.

Thank you for your prompt attention to this urgent matter and for your longstanding service. I look forward to our continued collaboration as we work toward the shared goal of fielding capabilities that best enable our warfighters to defend the nation.

Sincerely,

A handwritten signature in blue ink that reads "Tammy Baldwin". The signature is written in a cursive, flowing style.

Tammy Baldwin
United States Senator