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EDITORS' PICK

With A Surprise Win For The \$8 Billion JLTV Follow-On Contract, AM General Reboots Its Business

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Eyebrows raised across the military vehicle manufacturing sector last week when the U.S. Army announced that Humvee-maker AM General was chosen to build the second half of the full complement of Joint Light Tactical Vehicles (JLTV) the service will buy through the end of the decade.

Oshkosh Defense was awarded the hotly-contested initial contract to build the JLTV in 2015 and has since produced in excess of 19,000 of the armored vehicles. When the initial \$6.7 billion contract was issued, the Army made it clear that a second contract for the balance of the roughly 48,000 JLTVs it planned to procure would be awarded competitively to another round of vendors.

In last week's release announcing the follow-on contract award to AM General, the Army's program executive officer, Combat Support & Combat Service Support (CS & CSS) Brig. Gen. Samuel L. "Luke" Peterson, reminded the media that, "From the start of production, the government procured the data rights to the JLTV Technical Data Package from the original equipment manufacturer... These government-held data rights per-



SERGEI GAPON/AFP VIA GETTY IMAGES

Joint Light Tactical Vehicles are pictured after arrival at the port of Aarhus, Denmark on January 16, 2023. 600 vehicles and containers belonging to the US 2nd Armored Brigade and 1st Cavalry Division will be transported to the eastern posts in Europe in accordance with planned US troop rotations.

mitted the program to compete this follow-on production contract with much better control of the production configuration and cost."

The initial award to Oshkosh for the JLTV came as a surprise to many in the

tactical wheeled vehicle industry which viewed AM General, long established as the Army's light vehicle provider with its renowned Humvee, as the favorite. By 2015, the South Bend, Indiana-based manufacturer had built over 280,000

Humvees for the Army and other U.S. and international military customers.

But Oshkosh's success in quickly designing and building the larger M-ATV five years previously as American soldiers struggled with deadly improvised explosive devices (IEDs) in Afghanistan played an influential role in the Army's JLTV selection. The JLTV award made Oshkosh a major player military vehicle market and that outcome had major ramifications for AM General.

At the height of the wars in Afghanistan and Iraq, the company was producing "an incredible number" of Humvees per day, says CEO, James Cannon. Cannon joined AM General in 2021 after a stint as CEO of FLIR Systems, (FLIR 0.0%) and previous service as an Army infantry and armor officer.

Though AM General still produced (and produces) Humvees by the time Cannon took the reins, it had no major U.S. military vehicle contract, idling along with a combination of foreign military Humvee sales and various concept vehicle demonstrators while it sought to compete for smaller requirements like the Squad Multipurpose Equipment Transport vehicle program (for which it was not selected).

The company had "a lot of infrastructure, a lot of capacity that was under-utilized, a lot of property available," across its manufacturing locations in South Bend and Mishawaka, Indiana, and Franklin, Ohio, Cannon says. It was also in financial distress. In 2020, venture fund, KPS Capital Partners, acquired AM General from an affiliate of MacAndrews & Forbes Incorporated. Pressure to land a major new contract went up a notch.

Three years later, AM General has that contract. The five-year (with another five-year option) deal with the Army to build the A2 version of the JLTV is valued at up to \$8.66 billion. It will see the company crank out up to 20,682 JLTVs and up to 9,883 JLTV Trailers.

Most observers had given incumbent JLTV-maker, Oshkosh, the edge



An aerial view of AM General's Mishawaka Manufacturing Facility near South Bend, Indiana. Its under-used physical plant will soon hum with new construction and a JLTV assembly line.

in securing the follow-on contract over competitive bids from Navistar Defense, AM General and GM Defense. With the Army's award announcement on February 9, that perceived edge was proven wrong.

"Based on the reaction I've gotten in the last week it was a surprise to a lot of folks," Cannon says. "We may have been the underdog in many ways but the quality of the vehicles we build now, and have for decades, and the quality of the people on our shop floor and engineering teams is up to the challenge."

So too, must have been AM General's bid. While the Army did not disclose financial details of the bids it received, it went to lengths to emphasize the cost advantages that re-competing the JLTV production contract has given it.

"Effective competition is the critical element for controlling cost and maximizing buying power for the government," the Army's release asserts. "To ensure the JLTV follow-on production contract was robustly competitive, the government focused on rigorous communication with its industry partners. This consistent communication strategy included prior notifications to the

current contractor that future contracts were intended to be competitive."

If AM General was the low-bidder — or if it merely split the middle between Oshkosh Navistar and GM Defense — its strategy along with its recognized experience and capacity potential arguably saved the company as we know it.

"Suffice it to say we're pretty excited," Cannon acknowledges. "Yesterday [Tuesday] we had our all-hands meeting and the team is really energized. This marks a new chapter in our company's history. We made wagons during the Civil War, Jeeps in WWII, Korea and Vietnam, and we've been producing the Humvee for decades."

Cannon adds that AM General attacked the competition with the "intent to win" and with "a workforce behind us that was hungry for a win."

That workforce will expand to fulfill the JLTV order. The company is already hiring specialized personnel and will accelerate hiring manufacturing workers as it ramps up to production — a timeline required to be 18 months by the Army but one that AM General hopes to accelerate. Thanks to previously idle capacity, the company won't need to acquire new

real estate but will build a new assembly line facility with new tooling on its 96-acre Mishawaka campus.

While would-be JLTV manufacturers had access to the technical data package (essentially the vehicle's engineering DNA) which the Army bought from Oshkosh, they did not have insight into the Wisconsin company's production scheme and details.

GM Defense and AM General leased JLTVs from the Army for thorough tear-downs to gain technical insights, including data for production engineering. Given the JLTV production know-how void outside Oshkosh, it's likely that AM's previous large-scale tactical vehicle production experience played a role in its selection.

"We'll take our own [production] approach," Cannon says. He points out that AM is the only defense prime with an IATF certification (International Automotive Task Force, an ISO-standard for automotive quality management systems), a competency it achieved building hundreds of thousands of Humvees. "We've challenged our engineers to think outside the [production] box."

That included challenging them to build a "digital twin" factory, allowing the company to practice assembly line balancing, Takt time (production unit pacing) and rehearse other production techniques using VR goggles before the first JLTV components reach the physical production line.

The JLTVs that AM General will build are referred to as the "A2" variant, an updated version of the vehicle that remains mostly unchanged but incorporates a new engine (a new Banks Power V8 turbo-

diesel) and alternator, reconfigured rear cargo space and a revised electrical architecture. That architecture now includes lithium-ion batteries that will allow it to run communication equipment, its HVAC system, and to export electrical power silently without the need to idle its turbodiesel as it does so.

A smart-power distribution system will reportedly be capable of identifying when the battery level drops below a certain threshold and then turn on the engine to re-charge the batteries. The integrated batteries will not be used to supply motive power, meaning the A2 is not a hybrid. The new tech aside, a high degree of commonality and parts interchangeability will remain, meaning the A1 and A2 can support each other in the field.

AM General plans to onboard many of the existing Oshkosh JLTV suppliers as well as adding its own (Humvee) component and subsystem vendors. Obviously, the lithium battery supplier will be new but the company did not comment on which vendor it will select — a sensitive subject in view of Ford Motor (F 0.0%) Company's recent controversial partnership with Chinese battery company, CATL.

The first low-rate initial production batch will number about two-dozen JLTV A2s and JLTV trailers, planned for delivery in mid-to-late 2024. "We have to finish the facility build-out and get all the long-lead items like production tooling to make that happen," Cannon says. "Meanwhile, we'll be doing the practical program work and vendor selection awards. We are still building Humvees and the current Humvee production line

won't be impacted."

The company is also teaming with Italian tactical vehicle maker, Iveco Defense Vehicles (IDV) to bid for the Army's Common Tactical Truck (CTT) program and pursuing Army and Marine Corps interest in the soft-recoil technology it has integrated into its Humvee-based prototypes.

The tech could allow smaller vehicles like the Humvee to effectively employ heavier caliber weapons like 105 mm and 155 mm Howitzers in field. If the services find it attractive, the JLTV A2 would logically be another candidate for integration. Interest in soft-recoil technology has grown with lessons drawn from the war in Ukraine Cannon affirms including the lower vulnerability of self-propelled artillery compared to towed-artillery seen in eastern Ukraine.

Beyond assuring its future for at least a decade, the JLTV win represents fuel for the once-struggling legacy company (AM traces its lineage to 1861) to diversify its offerings and more effectively compete for future defense business. Cannon says that's in line with the remit KPS Capital Partners gave him when he joined AM General.

"We don't want AM General to only be defined as 'the Humvee company.' We want to pursue and win other programs. We see ourselves as an important part of America's arsenal when it comes to producing tactical wheeled vehicles."

AM General already has other vehicles, including one positioned between JLTV and Humvee, in the pipeline. Surprising though it may be, the JLTV win puts the company back on the roll many thought it had permanently stalled from.