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The Army's Modular Handgun Procurement

The Army Modular Handgun System (MHS) is a weapon system produced by Sig Sauer that is to replace the Beretta M9/11 pistol, which has been used by the U.S. Army since 1986. The MHS will fire a 9mm bullet and comes in two sizes, full and compact. The Army is also procuring customized ammunition to increase accuracy and reliability over the life of the handgun.

The Army launched its effort to replace the Beretta in 2004, adopted the Capabilities Production Document from the Air Force in 2013, released the Request for Proposal in August 2015, and awarded a contract in January 2017.

The Contract

The MHS contract with Sig Sauer is a 10-year, firm-fixed-price, indefinite delivery, indefinite quantity contract with a cap of $580 million. A firm-fixed-price contract provides a unit price that is not subject to any adjustments based on the contractor's costs in meeting the contract requirements. *Indefinite quantity* means the Army can order as many or as few units as it requires, up to the $580 million contract cap. To date, the Army has obligated approximately $8 million.

Under the terms of the contract, the Army cannot release unit price data. However, the contract sets the price for the handguns, associated ammunition, supporting accessories, training devices, and technical data.

The purchase of one MHS includes spare magazines, instructions, weapon-specific tools, a holster, and ammunition pouches. The separate training device kit allows the use of man marker rounds and blanks during training situations. The ammunition and suppressor kits' prices are fixed and they are available for purchase through the contract.

Planned Quantities

The Army currently plans to buy 238,215 systems. A breakout of the number of full size versus compact versions to be purchased is based on the Army Modified Table of Organization and Equipment per unit. The ammunition quantities are to be comparable to the required amount per Army Standards in Training Commission.

The other military services intend to use the Army's contract to buy weapons. The Air Force announced that it will buy 130,000 compact weapons and the Navy intends to field 70,000 compact versions of the weapon. While the Marine Corps has not officially announced its intentions, the proposed FY2019 budget has allotted funds to buy 35,000 compact systems.

Previous Replacement Effort: A 13-Year Process

The Army started a replacement program for the Beretta in 2004 (then-called the Future Handgun System). Shortly thereafter, the Department of Defense decided to combine this effort with the U.S. Special Operations Command's Combat Pistol program. This combined effort resulted in the Joint Combat Pistol program. The Army eventually removed itself from this program in September 2006 to pursue its own effort.

Criticisms of the Procurement Process

Frustrated with the extended time the procurement of the handgun had required, Army Chief of Staff General Mark Milley reportedly stated in a March 10, 2015, address, "We're not figuring out the next lunar landing. This is a pistol. Two years to test? At $17 million? You give me $17 million on a credit card, and I'll call Cabela's tonight, and I'll outfit every soldier, sailor, airman and Marine with a pistol for $17 million. And I'll get a discount on a bulk buy."

Echoing frustration over how the procurement was being executed, a report from Senator John McCain, *America's Most Wasted: Army's Costly Misfire*, highlighted a number of issues, including length of procurement effort, length of time the Beretta had been in service, lack of clarity within the request for proposal (RFP) regarding weapon caliber, and concerns over having a single vendor for both the weapon and ammunition. Ultimately, the report recommended the suspension or cancellation of the RFP until the caliber issue was resolved. (The RFP was not cancelled.)

The May 2017 Section 809 Panel Interim Report also criticized the Army's handgun procurement for the length of the procurement process from start to finish, number of pages in the request for proposal, and the cost of proposal development which reportedly led some leading weapons manufacturers to decline to compete for the contract.

Counterpoint

In responding to an inquiry by the Congressional Research Service about the various criticisms, the Army discussed the time required and complexity of the MHS process. The Army explained that the entire process was focused on vendor inclusion, flexibility, and presenting the opportunity for industry to present multiple submissions utilizing a wide range of technologies. They emphasized that the intent was always to get the best equipment to the soldiers.

Some observers argue that acquisition statutes and regulations exacerbated the procurement process through

required bureaucratic processes that delay decision-making, and contract clauses that add numerous pages and clauses to the RFP, and add administrative costs.

Price Determination and Extrapolation

While cost data for the Army contract is not publicly available, the cost of similar weapons, accessories, and ammunition can be found at major firearm sellers.

CRS compared the total cost of the current MHS contract to the prior Army contract with Beretta. CRS also compared the MHS contract to a similar purchase at Cabela's, the gun retailer mentioned by General Milley.

The Army's 1985 contract for the Beretta M9 was for 315,930 weapons for approximately $75 million and by 1988 had been increased to 321,260 weapons for approximately $77.3 million. With inflation, this contract in 2018 would be approximately $178.9 million. The contract did not include ammunition.

Cabela's sells the Sig Sauer P320 full-size pistol for $799.99 and a Sig Sauer P320 compact pistol for $649.99. Additional prices researched were for the holster ($49.99) and ammunition ($.26 per round). The P320 closely approximates the Army MHS.

Table 1 reflects an estimated purchase quantity of weapons, rounds of ammunition, and total cost for the services. This analysis is based on the following assumptions.

1. The military services purchase their full requirement, plus an additional 10% for weapons lost/damaged.
2. Ammunition is estimated at 200 rounds per weapon.
3. Weapons purchases are allocated equally over the 10-year contract with corresponding ammunition purchases made annually.

Table 1. Proposed Weapon/Ammunition Annual Procurement Cost

Year	Weapons	Ammunition Rounds	Total Cost
1	52,054	10,410,800	$ 43,074,166.92
2	52,054	20,821,600	$ 45,780,974.92
3	52,054	31,232,400	$ 48,487,782.92
4	52,054	41,643,200	$ 51,194,590.92
5	52,054	52,054,000	$ 53,901,398.92
6	52,054	62,464,800	$ 56,608,206.92
7	52,054	72,875,600	$ 59,315,014.92
8	52,054	83,286,400	$ 62,021,822.92
9	52,054	93,697,200	$ 64,728,630.92
10	52,054	104,108,000	$ 67,435,438.92

Based on these assumptions, the services could spend approximately $38 million annually for handgun systems. The ammunition purchase increases over the 10-year period with year 1 requiring approximately $2.7 million for ammunition and increasing annually with year 10 requiring $27 million for ammunition. This would result in a total of approximately $552 million dollars on weapons and ammunition over the life of the 10-year contract.

The MHS contract with Sig Sauer is capped at $580 million, approximately $28 million (5%) above Cabela's current price. However, this analysis does not account for any commercial price increases over the next ten years. If Cabela's increased its costs by 1% annually just for the handguns, the commercial cost comes to approximately $10 million below the Army's cost cap.

The Army contract also contains items not included in a standard commercial purchase, including training, training equipment, and customized ammunition. In addition, the Army contract includes the purchase of technical data. The technical data allows the services to maintain, modify, potentially upgrade, and extend the service life of the weapons and ammunition.

Was the Army Successful?

From an acquisition perspective, many analysts consider the MHS requirements timeline, bureaucratic burdens, and excessive paperwork a signal example of all that can go wrong with defense acquisition.

Based on the final cost of the weapon program, the Army appears to be procuring the weapon at a competitive cost, particularly if the value of the intellectual property is included.

CRS did not examine the capability of the weapon system or whether it fulfilled Army requirements.

Moshe Schwartz, Specialist in Defense Acquisition
Jason A. Purdy, U.S. Air Force Fellow

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