DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (FY) 2004 BUDGET ESTIMATES
ACTIVITY GROUP CAPITAL INVESTMENT SUMMARY
($ IN MILLIONS)

Line Number	Item Description	FY 2002		FY 2003		FY 2004		FY 2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT (Non ADP/T) $0.1 to $0.499	2	0.3	2	0.3	4	1.0	3	0.4
REP 000	Replacement	2	0.3	2	0.3	4	1.0	3	0.4
PRD 000	Productivity								
NEW 000	New Mission								
	EQUIPMENT (Non ADP/T) $0.5 to $0.999	0	0.0			0	0.0	0	0.0
REP 100	Replacement								
PRD 100	Productivity								
NEW 100	New Mission								
	EQUIPMENT (Non ADP/T) $1.0 and Over	2	2.8	4	6.3	1	3.2	1	3.0
REP 200	Replacement								
PRD 200	Productivity	2	2.8	4	6.3	1	3.2	1	3.0
NEW 200	New Mission								
	TOTAL EQUIPMENT (Non ADP/T)	4	3.0	6	6.6	5	4.2	4	3.4
ADP 000	ADP/T EQUIPMENT $0.1 To $0.499	25	5.7	32	8.3	16	5.5	10	3.4
ADP 100	ADP/T EQUIPMENT $0.5 To $0.999	1	0.8	3	1.6	1	0.5	1	0.5
ADP 200	ADP/T EQUIPMENT $1.0 and Over	1	1.1	3	7.8				
	TOTAL EQUIPMENT (ADP/T)	27	7.6	38	17.6	17	6.0	11	3.9
SWD 000	SOFTWARE DEVELOPMENT $0.1 To $0.499		0.3		3.1		3.8		3.3
SWD 100	SOFTWARE DEVELOPMENT $0.5 To $0.999		3.6						
SWD 200	SOFTWARE DEVELOPMENT $1.0 and Over		114.3		221.1		167.4		73.2
	TOTAL SOFTWARE DEVELOPMENT		118.3		224.2		171.2		76.5
RPM 000	MINOR CONSTRUCTION		30.4		31.3		31.8		28.6
	TOTAL AGENCY CAPITAL INVESTMENTS	31	159.4	44	279.8	22	213.3	15	112.5
	Total Capital Outlays		71.6		269.3		225.5		121.6
	Total Depreciation Expense		33.0		59.8		74.3		97.6

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **FISCAL YEAR (FY) 2004 BUDGET ESTIMATES**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description REP 000 Replacement Equipment $0.1 to $0.499						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total REP 000				2	141	282	2	154.5	309	4	243.8	975

Narrative Justification:

These investments of miscellaneous equipment are required to replace existing items with similar characteristics that have reached or significantly exceeded the useful life established for these categories. Based on guidance contained in various Department of Defense (DoD) governing policies, the Defense Logistics Agency (DLA) has established replacement and life expectancy standards for all categories of investment equipment. The standards are based on life expectancy with consideration given to condition, usage hours, and/or repair costs. DLA establishes age, utilization, and repair standards based on industry information and experience in the absence of DoD acquisition and replacement criteria relative to unusual categories of equipment.

FY 2004 projects include Intrusion Detection System Upgrade ($355) for Defense Supply Center Richmond (DSCR), a Spectrometer ($160) for Defense Supply Center Columbus (DSCC), a mail mobile ($160) and a security control system ($300) for the DLA Headquarters Complex. The discounted payback period ranges from 0.16 - 2.9 years and the Savings to Investment Ratio (SIR) ranges from 3.8 - 52.0

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description PRD 200 Productivity Equipment $1.0 and Over						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Total PRD 200 Fuel Terminal Automation Upgrades (DESC)				1	1,600	1,600	4	1,575	6,300	1	3,200	3,200

Narrative Justification:

This project provides for fuel terminal automation upgrades at sites to be determined. These sites will be responsible for receiving, storing and delivering jet fuel, diesel fuel, and motor gasoline to the Services. This investment is required to install new control systems that will improve facility control and fuel accountability with enhanced safety and security provisions. This includes the installation of automatic tank gauges, flow computers for meters, field interface devices, Program Logic Controllers (PLCs), terminal management systems, tank overfill protection, pipeline metering, valves and pump control and truck rack metering automation. In addition, a leak detection system will be installed to prevent environmental spills and damages.

This investment is required to ensure reliability of the services offered and to provide adequate central control/monitoring of fuel operations to improve efficiency, fuel accountability and safety in handling large quantities of hazardous fuel.

The economic analysis for the selected sites planned for FY 2004 are under development.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2004-2009 Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 2003

C. Line Number & Item Description
ADP 000 $0.1 to $0.499

D. Activity Identification

Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 000				25	228	5,709	32	257.8	8,250	16	345.4	5,526

Narrative Justification:
FY 2004 projects include:
Headquarters (J-6) LAN Backbone Upgrade ($3,600) - Life cycle replacement of backbone wiring, routers, hubs and switches for the HQ Complex, Ft. Belvoir. This replacement will provide for the continuation of reliable telecommunications interoperability and network connectivity.

Headquarters (J-6) Knowledge Management (KM) ($1,008) – ADP equipment is required to support the KM enterprise solution. While specific configurations and quantities will not be determined until the external service provider has made recommendations, hardware requirements will consist of development servers, as needed, and storage devices, communications upgrades, and related infrastructure.

Defense Supply Center Columbus (DSCC) LAN Upgrade ($350) - Enhancements of mission critical LAN hardware, middleware, switches, and cable are required due to the increased demand for network performance for high bandwidth applications.

Defense Supply Center Richmond (DSCR) Upgrade Bldg 45 ($155) - The rewiring of the telecommunications cables is required as part of the building 45 renovation. Federal standards mandate that telecommunications wiring be a minimum of category 5 therefore the current wiring and cables are not reuseable.

Defense Supply Center Richmond (DSCR) VTC Server ($229) - A bridge is required to support the VTC to desktop initiative. This initiative will provide a unified messaging environment and allow real time event and data exchanges.

Defense Supply Center Richmond (DSCR) Rack Mount File Server ($184) - Due to the increase in electronic storage, a Rack Mount File Server is required. The current electronic filing system has 320GB's that can be used by approximately 2400 DSCR employees. The estimated storage needed is about 5.6 Terabits of RAID for the next 4 years. This system allows DSCR employees to view documents from their PC's and retrieve information that is most likely located in another building. Expanding the centers retrieval server will increase the productivity and create a more efficient and productive work force.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description ADP 100 $0.5 to $0.999						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP 100-01 LAN Growth and CAT 6 Upgrade (DSCR)				1	1138	1138	1	508	508	1	517	517

Narrative Justification:

Procuring the latest Smartswitch technology and continuing to upgrade LAN connections are necessary at Defense Supply Center Richmond (DSCR) to meet current and future telecommunication demands. Due to the expanded use of on-line systems and Electronic Data Interchange, more connections and faster transmission must be added to the LAN. DSCR plans to upgrade LAN wiring to Category 6, which will allow for the reliable, high-speed transmission of data, ensuring that all critical applications run smoothly. Category 6 is expected to double the amount of usable bandwidth. A Smartswitch will provide seamless connectivity. Smartswitch technology is a robust system with one to one ratios, eliminating collision domains, as traffic will no longer have to compete for the same space. Any data received at the Center will move faster over the LAN as the system transports data packets faster and can handle greater volume.

The Return on Investment (ROI) is 1.1 and the estimated payback period is 7 years.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description SWD 000 $0.1 to $0.499						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 000 Supply Software Development Initiatives						326			1,077			1,353

Narrative Justification:

Defense Supply Center Philadelphia (DSCP) Intransit Visibility ($250) – DSCP has successfully expanded the use of electronic data interchange information (EDI) to all medical prime vendors. In order to provide DSCP commodity managers and DSCP customers with detailed information about the medical commodities being shipped, DSCP has developed a web-based system to capture the EDI data from the Defense Automated Addressing System Center (DAASC) and allow users to perform web queries of the data. Using the bill of lading number, users can access the Global Transportation Network (GTN) to obtain intransit visibility (ITV) data. DSCP desires to complete the prototype of the ITV web site, implement it within the information technology architecture of DSCP, and expand the capability to address subsistence commodities. The ITV web site helps DSCP support warfighting readiness by providing visibility of medical, subsistence, and other commodities in conjunction with GTN. All development will be performed externally. The Return on Investment (ROI) is 2.87.

DSCP Translation/Integration Support Development ($112) - DLA uses the COTS product, TSI Mercator, to perform functions required to conduct Electronic Business (EB) Electronic Data Interchange (EDI) between DLA and commercial and government trading partners. Funding will provide for Mercator support that is necessary to expand the scope of EB for the DSCP Commodities to include C&T, G&I, Medical, and Subsistence. This support will enable DSCP to make rapid changes to EC/EDI translation MAPS, vendor Profiles, interfaces to legacy and emerging systems, and transaction sets for the ever changing business model and to accomplish the goal of total eCommerce. All development/integration will be performed externally.

Activity Group Capital Investment Justification (Dollars in Thousands)		A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003	C. Line Number & Item Description SWD 000 $0.1 to $0.499	

FY 2004 projects (continued):

Defense Logistics Information Service (DLIS) Hazardous Materials Information Resource System (HMIRS) ($200) – Requirement is for a Chemical Abstract Services (CAS) System Change Request (SCR). Chemical Abstract Services is the recognized developer and maintainer of CAS numbers. This SCR will allow for the update of the tables and inform the user that a queried CAS number has been deleted and replaced by another. This change will require new tables and changes to the on-line administrator, world wide web and CD ROM. The Return on Investment (ROI) for HMIRS 1.11. Development will be performed internally and externally.

Headquarters (J-6) Safety and Health Information System (SHIRS) ($213) – SHIRS provides record keeping and reporting capabilities required by Executive Order 12196, Occupational Safety and Health Program for Federal Employees, Public Law 91-596, Occupational Safety and Health Act of 1970, and Federal Regulations found at 29th Code of Federal Regulations, Part 1960. It is an Oracle database used to capture data and produce reports on job-related injuries, illnesses, damage to equipment and motor vehicles, and the results of safety inspections and investigations. Rehosting SHIRS to a web-based application is proposed to replace the current client-server application. Cost savings will be achieved through decreased installation/maintenance costs and decreased down time when fixes are required. The Return on Investment (ROI) is 1.19 and the estimated payback period is 3 years. Development will be performed internally.

Defense Supply Center Philadelphia (DSCP) Subsistence Total Order and Receipt Electronic System (STORES) ($578) - STORES provides subsistence customers from all military services with a single order entry point/electronic commerce interface. It is integrated with all services' systems, sends orders direct to Prime Vendors and/or Defense Subsistence Offices, takes receipt data, and sends pre-invoice data electronically to vendor and financial systems. STORES Web is an Internet based version of STORES and is used by smaller customers such as child care facilities, Native American reservations, and Job Corps sites. STORES Web customers will not migrate to STORES Retail. Enhancements to STORES are required to support the Local Access Point (LAP) application, the ability to order non-food items and unitized group rations, automatic receipt processing and changes to communications and administrative processes to ensure STORES meets enhanced security requirements. All development will be performed externally. The Return on Investment (ROI) is 2.9 and the estimated payback period is 1.5 years.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description SWD 100 $0.5 to $0.999						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 100-01 Program Budget Reporting System Modification (PBRS)												750

Narrative Justification:

Program Budget Reporting System (PBRS) is a DLA internal database that provides a means for all DLA activities (HQ and Field Activities) to generate, view, edit, and coordinate all Program and Budget related documents and exhibits. This database does not feed or interface with any other systems.

This investment is for a modification to the current Program Budget Reporting System (PBRS) database, that will significantly expand on the current database capabilities. The current database provides data generation, viewing, editing, and coordination in a limited manner; specifically formulated toward specific budget exhibits. The modification will expand this capability to generate, view, edit and coordinate the data to fully accommodate both the Program Objective Memorandum (POM) and Budget review requirements, since these two processes have now been combined. All development will be performed externally.

The Return on Investment (ROI) for this modification effort is 1.48.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description SWD 200 $1.0 and Over						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 100-02 Cataloging Re-Engineering System (DLIS)						1,750			750			750

Narrative Justification:

The Cataloging Re-engineering System (CRS) provides DoD with a standard cataloging system that fully supports the centralization of all cataloging functions under DLA responsibility. CRS will interface with the Standard Procurement System (SPS), Federal Logistics Information System (FLIS) and all of the Service and DoD Supply systems. It will be fully compliant with the Global Combat Support System (GCSS) and the Defense Information Infrastructure/Common Operating Environment (DII/COE). CRS will increase the productivity of catalogers and reduce the number of errors in cataloging batch transactions. CRS will store all business logic. Systems that encapsulate knowledge, rather than merely store data, will reduce processing time and free operators to work on the smaller number of transactions that pose more intricate problems and require concentrated operator knowledge to solve. The savings for CRS are $11 million over the cost of investment period, FY 1999-2006, plus yearly savings of $12 million over the status quo in every subsequent year. The Return on Investment is 1.4 and the payback period is 7 years. All funding in FY 2004 will be utilized for System Change Requests (SCRs) and implementation of new technology to meet future requirements. All development will be performed externally.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2004-2009 Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 2003

C. Line Number & Item Description
SWD 200 $1.0 and Over

D. Activity Identification

Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 100-03 Apparel Research Network (ARN) Virtual Prime Vendor (VPV)						1,750			1,550			950

Narrative Justification:

The Apparel Research Network (ARN) Virtual Prime Vendor (VPV) initiative is a supply chain integration system based on a balanced inventory flow replenishment concept. This project will allow the Defense Supply Center Philadelphia (DSCP) to assume the ownership of inventory at Marine, Navy and Air Force Recruit Training Centers (RTCs) and retail clothing stores. This project is essential to the success of the DSCP initiative to take ownership of all retail clothing inventory at RTCs, immediately draw down inventory levels, and maintain optimum inventory control with total asset visibility of the recruit clothing supply chain. The ARN -VPV will provide tools to support every aspect of supply chain management:

Integration - ARN Asset Visibility System through the Virtual Item Manager Interface

Wholesale - Balanced Inventory Flow Replenishment System and Quality Logistics Management (QLM) Central

Retail - QLM Local and 3-D Full Body Scanning for Recruit Clothing Issues

Manufacturing – ARN Supply chain Automated Processing

The design of the ARN-VPV system is built on a foundation of Commercial-off-the-Shelf Software (COTS) tools and standard web-based technologies. In FY 2000 development began under the Logistics Research and Development (Log R&D) program with the Army RTC's as the prototype. The prototype successfully achieved an overall inventory reduction of $25 million at the 6 Army RTC's. During FY 2001 the Army RTC rollout was completed with rollout to the Navy RTC at Great Lakes Naval Center and the Air Force RTC at Lackland AFB planned for FY 2002. Upon successful implementation at these locations ARN-VPV will proceed in FY 2003 to include the Navy Exchange Command (NEXCOM) retail stores. During FY 2004 it is anticipated that the ARN focus will shift to the Organizational Clothing and Individual Equipment (OCIE) initiative. The Return on Investment (ROI) is 4.38 with a payback period of 1.29 years. All software development will be performed externally.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2004-2009 Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 2003

C. Line Number & Item Description
SWD 200 $1.0 and Over

D. Activity Identification

Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-01 Federal Logistics Information System (FLIS)						787			760			2,170

Narrative Justification:

The FY04 is investment is broken into two system change areas:

Enterprise Resource Planning (ERP)/Service Support ($1,670). Federal Logistics Information System (FLIS) is identified as the authoritative source system to broadcast the logistics data for numerous processes that support DoD ERP implementations. Current gaps in the SAP system (in use by DLA, Army and Navy) require DLIS handle these processes in FLIS. Additionally, Air Force, currently not using an ERP, is planning modernization that will require FLIS interface. The gaps have not been totally identified therefore a final cost estimate is not known. Each ERP/modernization is in a different stage of development and each is implementing according to its own methodology. This will result in a number of separate system change requests to support these implementations with the goal of standardizing the process and interface with FLIS. The ERP functionality gaps identified to date include new national stock number assignment, the supply support request process, logistics reassignments, standardization, interchangeability and substitutability, the Defense Inactive Item Program, dual channel functionality new user recordation, transactional Commercial and Government Entity interface, use of commercial transaction standards.

Characteristic Data ($500): When DLIS modernized in 1992, applications were developed which provided tools for capturing, storing and retrieving characteristic data within FLIS. The characteristic data was only stored in a coded format due to technical limitations of the DB2 relational database and storage/direct access storage device (DASD) issues. A decode application was developed so that anytime clear text characteristics information was required the coded characteristic information was run through the application, decoded, and presented to the user in clear text format. Nowhere is the decoded characteristic information stored in a clear text format. As a result, when data extracts are provided to customers, only coded characteristics (no text description) is given. With the advent of E-Commerce, in accordance with commercial standards, and increased demand and reliance on clear text characteristic data (DOD, NATO, Private Sector), it is imperative to provide for the storage of that information in a clear text format. Storing de-coding allows more robust search capabilities using new features now supported by current DBMS. Additionally, we have requests to provide the clear text information to customers and private industry via Extensible Markup Language (XML), to simplify their maintenance and business processes. Development will be performed internally and externally.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2004-2009 Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 2003

C. Line Number & Item Description
SWD 200 $1.0 and Over

D. Activity Identification

Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-02 Business Systems Modernization (BSM)						92,964			187,141			99,711

Narrative Justification:

Business Systems Modernization (BSM) allows for the integration of business processes with a new enterprise business system based on Commercial-off-the-Shelf Software (COTS) and best commercial practices. BSM provides an Information Technology foundation which allows for both continuous process and continuous technology insertion. It is the IT foundation which will allow DLA to fully implement electronic business, web-based technologies, and an integrated data environment, as well as other innovations to be compliant with the Joint Technical Architecture and the data exchange standards (e.g. ANS X.12 and XML), necessary for DLA to interoperate with its customers and suppliers. DLA currently provides common logistics support to the Military Services and Combatant Commanders using legacy materiel management systems such as the Standard Automated Materiel Management System (SAMMS) and the Defense Integrated Subsistence Management System (DISMS). These legacy systems are the product of decades of accumulated and divergent business practices, using technology that is obsolete and is no longer supported by the original equipment manufacturers and software providers. Additionally, the system consists of several million lines of code that provides no analytical capability or real-time data access. These shortfalls (age, complexity, and size) lead to its fragility, high maintenance cost, and increasing unreliability. DoD and DLA are striving to align business practices with best commercial practices by re-engineering logistics processes at all echelons. BSM supports the objectives of Joint Vision 2020 (concept of Focused Logistics and Agile Sustainment, the Department of Defense (DoD) Future Logistics Enterprise, and the DLA Strategic Plan. BSM complies with the Global Combat Support System (GCSS) Capstone Requirements Document and the Global Information Grid (GIG) Capstone Requirements Document. BSM received Milestone C approval on July 23, 2002, which approved a limited user deployment. In FY 2003 through FY 2005 DLA will be fully implementing BSM, with Full Operational Capability (FOC) by the Fourth Quarter, FY 2005. Funds in FY 2003 and FY 2004 will be used for Releases 2 and 3, which will deploy BSM to all users, and Release 4, in FY 2005, will address remaining functionality requirements. The funding increase in FY 2003 of $11 million is to explore an alternative procurement solution as a risk mitigation strategy should the current DLA procurement solution, Procurement Desktop-Defense (PD2), not provide the scheduled version/upgrade releases required to fully support DLA requirements. DLA will accelerate development of the SAP's Supplier Relationship Management (SRM) IS-PS product to ensure that the product is capable of accommodating both currently planned and future desired capabilities for critical DLA procurement requirements, to reduce program risk and allow DLA to remain on schedule to fully implement BSM by the end of FY 2005.
Return-on-investment (ROI) has been calculated for each of the four releases, and the ROI for the total program is 2.20, as documented in the April 30, 2002 economic analysis. Cumulative return will surpass the cumulative investment in FY 2010 – a payback period of just over 9 years.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2004-2009 Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 2003

C. Line Number & Item Description
SWD 200 $1.0 and Over

D. Activity Identification

Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-03 Customer Relationship Management (CRM)									8,736			21,842

Narrative Justification:

Customer Relationship Management (CRM) will provide DLA with the information and processes necessary to better know the customers, understand their needs, and effectively build relationships among DLA and its customer base. As a result, DLA will better meet the needs of major customer segments and improve operational effectiveness. CRM will significantly improve customer satisfaction by providing the enhanced capability to anticipate and act on customer demands. This capability is not possible in a diverse corporate environment without a unifying corporate customer data profile, which is a key functional component of CRM. Further, CRM will provide the intelligence that will complement DLA's Business Systems Modernization (BSM) effort in supply chain management/financial management. Additionally, CRM will address the customer relationship management requirements of the entire DLA enterprise. Investment dollars for FY2003-2004 are for the software and integration contractor services. Integration costs will include re-engineering of customer-touch processes, training development, interfaces to the BSM SAP software, and the initial release of the software, and roll-out of the capability. Initial sustainment will be in FY2004, with continuous technology and process insertion. DLA will procure the following CRM licenses: FY2003 – 500 users, FY2004 – 1200 users, FY 2005 – 400 users, for a total of 2100 users. With this number of users, DLA can provide operational/tactical support to the war-fighter and improve operational readiness.

A preliminary cost estimate was developed by consulting with industry experts with regard to the potential operational requirements and incorporating cost estimates and cost estimating relationships discovered through research. This Economic Analysis will be refreshed once Operational Requirements are defined in February 2003. Potential CRM benefits are estimated at $110.1M over the life of the program (FY 2015). The expected Return-on-Investment (ROI) of the program is 2.28 with DLA reaching the investment payback point in FY09. The CRM potential benefits are based on increased productivity. It is expected that the enhanced capability to analyze customer requirements will result in improved responsiveness, increased readiness, and reduced cost to their customers, leading to increased customer satisfaction. Without an IT-solution, the same level of responsiveness, readiness, and cost reductions could not be possible with only additional personnel or Business Process Reengineering (BPR). All development will be performed externally.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description SWD 200 $1.0 and Over						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-04 Product Management Data Initiative (PDMI)												8,141

Narrative Justification:

The primary objective of the Product Data Management Initiative (PDMI) is to implement automated capabilities to manage and use engineering support and product data within DLA. Specific objectives include increased accuracy and accessibility of product data needed to make informed engineering, technical and quality decisions in support of procurement actions; provide easy location and access of product data for authorized users; and, link to the SAP application being developed and implemented, where required, to support ongoing business processes. PDMI builds on the accomplishments of the Engineering Support Automation (ESA) project. It is an enhancement of the capability already resident in the product data management tool (eMatrix) developed for the ESA project. PDMI will leverage the DLA Information Technology (IT) architecture, and COTS hardware put into production by the ESA project.

PDMI processes include new procedures developed and documented by the DLA Technical Support Policy and Procedures Desk book. The initial focus will be on critical safety items with technical data management and quality assurance functions following. PDMI will also incorporate a commercially available interface between the product data manager (eMatrix) and the BSM/SAP Material Master in support of the BSM Technical process. All development will be performed externally.

A preliminary Economic Analysis (EA) has been completed. The Return on Investment (ROI) is 4.3 and the payback period is 6.5 years.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description SWD 200 $1.0 and Over						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-05 Integrated Data Environment (IDE)						3,600			11,279			12,234

Narrative Justification:
The logistics missions of the Services, Defense Agencies and other DoD Components require improved capabilities to enable enterprise-wide eBusiness processes and enterprise integration and ultimately support the rapid execution of joint logistics planning and operations. The Integrated Data Environment (IDE) will enable critical efficiencies, business operations and facilitate seamless integration within DLA, DoD, and with DoD's commercial trading partners/vendors. The IDE effort is the requisite "first step" in the evolution of a modern and integrated logistics data environment where common business services can be shared and technical capability reused. The IDE will facilitate functional (operational) architecture, business rules changes/use, information services and reference data.

The IDE environment is an incrementally developed (Spirals) electronic business environment where interfaces and bridges for DoD logistics information are managed - enabling interoperability for both legacy and emerging modernization systems. This data environment is an enterprise-wide capability to control and facilitate access to logistics databases/applications on a variety of platforms. Access to information is provided through the Non-Classified Internet Protocol Router Network (NIPRNET). Data will be acquired once and reused as needed. The FY 2004/2005 investment will provide for Enterprise Resource Planning (ERP) integration, to include DLA's Business Systems Modernization (BSM) program and an interconnection with the Air Force Enterprise Data Warehouse (EDW), enable any-to-any data format translation/conversion, and provide metadata integration. The investment will also support repository integration with legacy systems such as Federal Logistics Information System (FLIS), Hazardous Material Information System (HMIS), Central Contract Registry (CCR) and the migration to data standards (XML, EDI/X.12, BOD, IDOC). Without IDE, DoD logistics will remain stovepiped and will not realize the advantages afforded by leveraging DoD-wide logistics information capabilities. IDE, coupled with BSM, forms the core of DLA's commitment to the Combatant Commander, and is DLA's primary contributor to the Global Combat Support System (GCSS). IDE will provide the requisite "reachback" capability for the Combatant Commanders, providing access to centralized information on DLA commodities, including in-transit visibility.

Spiral Development – Useable Segments:
Increment 1.1 (IDE–BSM) FY 2002-2003 / Increment 1.2 (BSM-IDE-AF) FY 2002-2003 / Increment 2.0 (IDE – Balance of DLA) FY 2004 / Increment 3.0 (DoD) FY 2004-2007. Based on the preliminary EA the Return on Investment (ROI) for IDE is 2.64. The EA will be updated following Spiral 1, first quarter FY 2003.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2003 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description SWD 200 $1.0 and Over						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-06 Knowledge Management (KM)						3,413			3,580			4,392

Narrative Justification:

Knowledge Management (KM) is an emerging DLA HQ initiative that treats intellectual capital as a managed asset. The primary tools applied in the practice of KM are organizational dynamics, information-sharing, and web technology. These three elements work in concert to streamline and enhance the capture and flow of an organizations information and knowledge, then deliver it to individuals. The primary goal of KM is to deliver the intellectual capacity of the Agency to individuals who make the day-to-day decisions that, in aggregate, determine the success or failure of an organization. Major activities for FY 2003 include selection of the appropriate software and the integration of the KM capability with an Enterprise Portal. The KM concept will support initiatives such as distributed learning, employee self service, web portal collaboration, and other Business-to-Employee (B2E) services. In FY 2004 and 2005, we will continue the introduction of new capabilities and the integration with the DLA Enterprise Architecture. All development will be performed externally.

The Return on Investment (ROI) is 1.30 and the payback period is 2.92 years.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2004-2009 Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 2003

C. Line Number & Item Description
SWD 200 $1.0 and Over

D. Activity Identification

Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-07 Defense Medical Logistics Standard System Wholesale (DMLSS)						4,947			5,486			5,461

Narrative Justification:
The Defense Medical Logistics Standard System Wholesale (DMLSS-W) is an integrated electronic system supporting the medical logistics needs of the Military Services. While the program directly funds the business process improvements and Management Information System (MIS) enhancements at the Defense Supply Center Philadelphia (DSCP) Medical Directorate, the benefits and savings cascade down the entire wholesale DoD logistics network. In FY 2004 the DMLSS-W program will focus on providing and managing the business intelligence necessary to maintain and exploit situational awareness throughout the medical supply chain. This capability is critical to DSCP's need to leverage the medical commercial base to meet DoD's every day and contingency requirements. Achieving situational awareness requires a combination of predictive logistics and asset visibility in both the DoD and commercial sectors. The Medical Supply Chain Manager at DSCP must have the information, management tools, training and credibility necessary to compress the decision and execution cycle time sufficiently to make commercial-based, just-in-time logistics a functioning reality. DMLSS-W will fund the enhancements of the Distribution and Pricing Agreement (DAPA) Management System and Medical Electronic Customer Assistance through the Product of Choice initiative and position the Medical Directorate to establish and maintain one Single Federal Catalog for medical materiel. DMLSS-W will continue its data warehousing, customer relationship management and training efforts under the Medical Logistics Integrated Information Environment program to ensure it provides medical customers the reliable business intelligence they require on a 24/7 basis. DMLSS-W will expand and improve its Readiness Management Application and Customer Demand Management Information Application to improve DSCP's ability to project the Warfighter's medical materiel needs and position materiel to meet those needs. DMLSS-W will also improve its Medical Web Portal (DMMonline) and its Electronic Catalog, thereby ensuring timely ordering and delivery of medical materiel to Warfighters, their families and other federal customers throughout the world. In addition to situational awareness, DMLSS-W must provide the data integrity and electronic connectivity to rapidly collaborate and communicate decisions among trading partners up and down the supply chain from the place of manufacture to the point of consumption. The Return on Investment for the DMLSS Program is 5.89. The life cycle benefits estimate is $3.2 billion over the period FY 2000–FY 2012, with benefits attributed to Release 2.0 of $523 million. All savings are aggregated for the retail and wholesale components because DMLSS is an integrated partnership between these components. All development will be performed externally.

Activity Group Capital Investment Justification
(Dollars in Thousands)

A. Budget Submission
Fiscal Year (FY) 2004-2009 Budget Estimates

B. Component/Activity Group/Date Defense Logistics Agency
Supply Management Activity Group February 2003

C. Line Number & Item Description
SWD 200 $1.0 and Over

D. Activity Identification

Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
SWD 200-08 Subsistence Total Order and Receipt Electronic System (STORES) Retail												13,481

Narrative Justification:
At the January 2001 Food Policy Council meeting, the Council tasked the Defense Supply Center Philadelphia (DSCP) with investigating the feasibility of establishing a single food management system for DoD. The results of the analysis show that it will be more cost beneficial for DoD to move to a single system than to upgrade and maintain the Services' multiple food management systems. The Services' systems, as they currently exist, cannot operate in a web environment because their operating systems are not compatible with the Internet. The costs of moving four different systems from their present Disk Operating System (DOS) environment to a Windows environment will be excessive. The single web-enabled system will utilize commercial software and will satisfy the essential business requirements for all Services, as well as incorporate the current STORES NT applications. STORES Retail will interface with prime vendors, Defense Integrated Subsistence Management System/Business Systems Modernization (DISMS/BSM), military financial and personnel systems and the Defense Subsistence Offices. DSCP will be responsible for the Commercial-off-the-Shelf Software (COTS) acquisition and all software modifications necessary with integrating the COTS with existing systems and accommodating the Service unique requirements. The Services support the STORES Retail initiative and have agreed to participate fully in its design and implementation. The expansion of STORES to include retail functionality, in addition to its current robust wholesale operation, satisfies DLA Balanced Scorecard goal of achieving supply change integration and executive agency for Class I items. The FY 2004 investment will be to develop a prototype that will implement about 25% of the STORES Retail customer sites. The FY 2003 and FY 2004 investment is to develop, test, and implement a prototype at ten to twenty customer sites. All development is being performed externally. The Savings to Investment Ratio (SIR) is 1.43 with a payback period of 1.5 years.

Activity Group Capital Investment Justification (Dollars in Thousands)										A. Budget Submission **Fiscal Year (FY) 2004-2009 Budget Estimates**		
B. Component/Activity Group/Date Defense Logistics Agency Supply Management Activity Group February 2003				C. Line Number & Item Description RPM 000 Minor Construction						D. Activity Identification		
Element of Cost				FY 2002			FY 2003			FY 2004		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction												
Non-Energy						3,583			1,520			4,416
Energy						26,862			29,800			27,400
Total Minor Construction						30,445			31,320			31,816

Narrative Justification:

The minor construction investment for projects (costing between $100,000 and $750,000 each) will construct new, replace existing, or modify current facilities to enhance mission performance. These projects include:

1. Upgrading security facilities (gates, fences, security lighting)
2. Additional paving for road networks and organizational and personnel parking.
3. Renovation of administrative facilities.
4. Upgrading fuel storage, distribution and oil/water separators (Energy only).
5. Construction of fuel laboratories (Energy only).
6. Upgrading storm water management systems (drainage structures, retention basins).
7. Incidental improvements associated with facilities repair projects

The Energy projects are associated with the transfer of funding responsibility for all facilities handling DESC owned fuel. These investments will result in the recapitalization of the facilities necessary for the cost effective performance of the supply mission and the mission to store, distribute and dispense fuels in compliance with all fire, safety and environmental regulations.

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (YR) 2004 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
FEBRUARY 2003
(DOLLARS IN MILLIONS)

PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
2002	Equipment except ADPE & TELCOM:	3.0	6.0	3.0	3.0	
	Replacement < $0.499	0.0	0.3	0.3	0.0	
	Productivity < $0.499	0.2	0.2	0.0	0.2	
	DSCR Centralized Surveillance Cameras	(0.3)	0.9	1.2	(0.3)	
	Fuel Terminal Automation-Pensacola	3.0	4.6	1.6	3.0	
2002	Equipment - ADPE & TELCOM:	0.1	7.8	7.7	0.1	
	Base Level Sustainment (BLS)	(0.6)	5.8	6.4	(0.6)	
	DSCR LAN Replacement	(0.3)	0.9	1.1	(0.3)	
	DAASC Automated Equip Replacement Program	1.0	1.2	0.2	1.0	
2002	Software Development:	1.8	120.1	118.3	1.8	
	Softward Development < $0.499	1.0	1.1	0.2	1.0	
	Third Party Logistics (3PL) (Prime Vendor Portal)	(0.3)	0.5	0.8	(0.3)	
	DAASC Automated Equip Replacement Program	(1.0)	0.9	1.9	(1.0)	
	Systems Translator	(0.3)	1.0	1.3	(0.3)	
	Federal Logistics Information System (FLIS)	0.1	0.9	0.8	0.1	
	Other Supply Initiatives - HMIS only	1.1	2.5	1.4	1.1	
	Defense Supply Expert System (DESEX)	0.0	1.5	1.5	0.0	
	Defense Medical Logistics Standard Sys (DMLSS)	0.0	4.9	4.9	0.0	
	Business Systems Modernization (BSM)	(0.1)	92.8	93.0	(0.1)	
	Cataloging Reengineering System (CRS)	0.0	1.8	1.8	0.0	
	Subsistence Total Order & Receipt Electronic System	0.0	1.0	1.0	0.0	
	Logistics Data Gateway	0.5	1.5	1.0	0.5	
	Integrated Data Environment (IDE)	0.0	3.6	3.6	0.0	
	Knowledge Management	0.9	4.3	3.4	0.9	
	Apparel Research Network (ARN) VPV	0.0	1.8	1.7	0.0	
2002	Minor Construction:	0.6	31.1	30.4	0.6	Emergent Projects.
	Total FY 2002	**5.5**	**165.0**	**159.4**	**5.5**	

DEFENSE LOGISTICS AGENCY
DEFENSE-WIDE WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
FISCAL YEAR (YR) 2004 BUDGET ESTIMATES
CAPITAL BUDGET EXECUTION
FEBRUARY 2003
(DOLLARS IN MILLIONS)

PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET

FY	Approved Project	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ (Deficiency)	Explanation
2003	Equipment except ADPE & TELCOM:	0.0	6.6	6.6	0.0	
	Replacement < $0.499	0.0	0.3	0.3	0.0	
	Productivity < $0.499	0.0	0.0	0.0	0.0	
	Fuel Terminal Automation	0.0	6.3	6.3	0.0	
2003	Equipment - ADPE & TELCOM:	0.0	17.6	17.6	0.0	
	Base Level Sustainment (BLS)	0.0	8.3	8.3	0.0	
	LAN Replacement (DSCR)	0.0	0.5	0.5	0.0	
	LAN Upgrade (DLIS)	0.0	1.5	1.5	0.0	
	DARP II	0.0	1.1	1.1	0.0	
	Communications Upgrade	0.0	1.0	1.0	0.0	
	Telephone Switch Upgrade	0.0	5.3	5.3	0.0	
2003	Software Development:	(11.0)	213.2	224.2	(11.0)	
	Softward Development < $0.499	0.0	1.1	1.1	0.0	
	Federal Logistics Information System (FLIS)	0.0	0.8	0.8	0.0	
	DARP II	0.0	1.1	1.1	0.0	
	Logistics Data Gateway	0.0	1.3	1.3	0.0	
	Defense Medical Logistics Standard Sys (DMLSS)	0.0	5.5	5.5	0.0	
	Business Systems Modernization (BSM)	(11.0)	176.1	187.1	(11.0)	**Emergent requirement.**
	Cataloging Reengineering System (CRS)	0.0	0.8	0.8	0.0	
	Customer Relationship Management (CRM)	0.0	8.7	8.7	0.0	
	Subsistence Total Order & Receipt Electronic Sys (STORE	0.0	0.5	0.5	0.0	
	STORES Retail	0.0	1.0	1.0	0.0	
	Integrated Data Environment (IDE)	0.0	11.3	11.3	0.0	
	Knowledge Management	0.0	3.6	3.6	0.0	
	Apparel Research Network (ARN) VPV	0.0	1.6	1.6	0.0	
2003	Minor Construction:	0.0	31.3	31.3	0.0	
	Total FY 2001	**(11.0)**	**268.8**	**279.8**	**(11.0)**	