DEPARTMENT OF THE ARMY

FISCAL YEAR (FY) 2005
BUDGET ESTIMATES

FEBRUARY 2004

ARMY WORKING CAPITAL FUND

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ARMY OVERVIEW

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BACKGROUND

The Department of the Army has historically operated a significant number of its organic commercial and industrial facilities under the revolving fund concept. The use of this structure encourages these activities to function in a more efficient and cost-effective manner and to provide the additional flexibility needed to properly manage these facilities under changing workload conditions. The concept supports full cost visibility and full cost recovery while protecting appropriated fund customer accounts from execution-year price changes.

The Army's Supply Management, Depot Maintenance and Ordnance activity groups are structured to provide the required capabilities and capacity to satisfy peacetime and wartime needs including replenishment and reconstitution. These activity groups help the Army maintain constant readiness by providing supplies, equipment, and ordnance necessary to support the projection and sustainment of our forces as and when required by the nation. The support services provided by Army Working Capital Fund (AWCF) activity groups are essential to the readiness and sustainability of our operating forces and are an integral part of the total Defense team. This becomes more apparent as the Army continues to wage war on Global Terrorism.

This budget reflects the increased revenue and expenses from increased operations associated with supporting the war in Iraq for FY 2003 and FY 2004. The FY 2005 numbers reflect a return to peacetime operations; however, all activity groups are capable of surging to meet future requirements.

ARMY WORKING CAPITAL FUND ACTIVITY GROUPS

Currently the Army manages three activity groups within the AWCF.

Supply Management, Army (SMA). This activity group buys and maintains assigned stocks of required materiel for sale to customers, primarily Army operating units. The Army's equipment and operational readiness and its combat capability is directly linked to the availability of this materiel. In FY 2003, under the Single Stock Fund (SSF) initiative, the Army completed the capitalization of assets down to and including the Divisions' Supply Support Activities (SSA). With the SSF and the Logistics Modernization Program (LMP), the Army is moving towards real time management and response to the needs of our soldiers. During FY 2003, five Army Divisions with Army Working Capital Fund (AWCF) owned inventory were deployed in support of Operation Iraqi Freedom (OIF). As a result of this deployment and continued support to the Global War on Terrorism (GWOT), inventory sales were significantly higher than projected. The surge in activity during FY 2003 reflected in this budget is a direct result of the SMA activity group's efforts to satisfy increased customer demands from OIF. FY 2005 projections anticipate a return to normal peacetime operations yet allow for the ability to

surge if necessary. The SMA activity group is committed to meeting the needs of the soldiers by ensuring that supplies and equipment are available when and where needed during peacetime and when at war. Major subordinate commands of the U.S. Army Materiel Command (AMC) manage this activity.

Depot Maintenance. This activity group provides the Army an organic industrial capability to repair, overhaul, and upgrade weapons systems and equipment and provides tenant support to Army and other DoD activities. Depot maintenance activities both compete and partner with private industry to deliver goods and services efficiently and effectively. During FY 2003 and continuing through FY 2004 the Depots have surged to meet war requirements and to support reconstituting the force as rapidly as possible to meet future combatant commander's requirements. There are five depots in this activity group: Anniston, Corpus Christi, Letterkenny, Red River, and Tobyhanna. Major subordinate commands of the U.S. Army Materiel Command (AMC) manage this activity.

Ordnance. This activity group provides the Army an organic industrial capability to produce quality munitions and large caliber weapons, while performing a full range of ammunition maintenance and renovation for U.S. and Allied Forces. Ordnance activities manufacture, renovate, store, and demilitarize materiel. The budget numbers presented herein reflect the increased workload in support of the Global War on Terrorism and increased security required at these facilities since 9/11. There are three arsenals, two ammunition plants, three ammunition storage depots, and three munitions centers. Seven of these activities provide depot operations and tenant support to Army and DoD activities. Major subordinate commands of the U.S. Army Materiel Command (AMC) manage this activity.

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PERSONNEL

The AWCF civilian personnel posture reflects an overall increase from FY 2003 to FY 2004 because of the additional workload from the Global War on Terrorism. FY 2005 levels decrease as the FY 2005 numbers reflect workload at the peacetime level.

Personnel	FY 2003	FY 2004	FY 2005
Supply Management			
Civilian End Strength	2,893	3,013	2,980
Civilian FTEs	2,790	2,941	2,908
Military End Strength	13	13	13
Military Average Strength	13	13	13
Depot Maintenance			
Civilian End Strength	11,429	12,605	11,630
Civilian FTEs	11,014	12,572	11,619
Civilian OT Usage (% DLH)	12.2	17.1	7.0
Productive Yield	1,594	1,617	1,616
Military End Strength	33	21	21
Military Average Strength	33	21	21
Ordnance			
Civilian End Strength	6,280	6,331	5,607
Civilian FTEs	5,993	6,495	5,727
Civilian OT Usage (% DLH)	16.7	20.1	8.6
Productive Yield	1614	1622	1620
Military End Strength	15	15	15
Military Average Strength	15	15	15
Total			
Civilian End Strength	20,602	21,949	20,217
Civilian FTEs	19,797	22,008	20,254
Military End Strength	61	49	49
Military Average Strength	61	53	47

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REVENUE

Revenue is an indicator of the volume of work completed by the Army Working Capital Fund activity groups. Because of operations in Iraq and Afghanistan, revenue was high in FY 2003 and will continue to be high through FY 2004 as the Army continues to fight terrorism and reconstitute the force to sustain the Army's ability to preserve America's freedom. Although FY 2005 reflects a peacetime budget, revenues are projected to remain somewhat elevated as workload placed in prior years is completed. Included in the revenue are the direct appropriations for War Reserve and Industrial Mobilization Capacity (discussed later in this section).

Revenue ($ in millions)	FY 2003	FY 2004	FY 2005
Supply Management	9,369.0	9,097.2	8,006.0
Depot Maintenance	2,119.4	3,136.0	2,190.3
Ordnance	765.8	951.9	743.6
Total	12,254.2	13,185.1	10,939.9

COST OF GOODS AND SERVICES PRODUCED (EXPENSES)

Costs and workload reflect a mixed trend over the three-year period. The Supply activity group's costs diminish over the three-year period as projected sales decrease from a wartime budget to a peacetime budget. Depot Maintenance and Ordnance activity groups show growth from FY 2003 to 2004 based on increased workload resulting from the Global War on Terrorism. Although FY 2005 reflects a peacetime budget, costs are projected to remain somewhat elevated as the activity groups continue to complete workload placed in prior years.

Expenses ($ in millions)	FY 2003	FY 2004	FY 2005
Supply Management	5,629.4	5,445.3	4,695.7
Depot Maintenance	2,023.6	3,120.6	2,208.7
Ordnance	793.8	985.6	814.6
Total	8,446.8	9,551.5	7,719.0

NET AND ACCUMULATED OPERATING RESULTS

Net Operating Results (NOR) represent the difference between costs and revenues in an accounting period. Accumulated Operating Results (AOR) represent the aggregate of all recoverable net earnings, including prior year adjustments, since inception of the activity. The goal of the Defense Working Capital Fund (DWCF) is to break even over time and set revenue rates to achieve positive or negative results in order to bring the Accumulated Operating Results (AOR) to zero over the budget cycle. At times, as in

the case of the Ordnance Activity Group, it is necessary to spread the return of positive AOR over two years in order to avoid excessive rate instability. An activity group's financial performance is measured by comparing actual results to goals for Net Operating Results (NOR) and Accumulated Operating Results (AOR).

NOR/AOR ($ in millions)	FY 2003	FY 2004	FY 2005
Supply Management			
Net Operating Results	282.2	44.5	-98.9
Accumulated Operating Results	54.4	98.9	0
Depot Maintenance			
Net Operating Results	95.6	15.4	-18.5
Accumulated Operating Results	77.8	18.5	0
Ordnance			
Net Operating Results	-31.8	-35.6	-71.1
Accumulated Operating Results	136.1	100.5	29.4

CASH COLLECTIONS, DISBURSEMENTS, AND NET OUTLAYS

The FY 2003 ending cash balance in the Army Working Capital fund of $1.548 billion reflects the results of the increase in consumption of repair parts and production at our industrial facilities associated with the Global War on Terrorism. The current cash balance will be used to pay our suppliers and producers of goods. Material on order from suppliers and repair grew from $2.2B at the end of FY 2002 to currently almost $8B. Inventory is expected to increase by $2.4B in FY 2004 and cash is needed to pay vendors as material is delivered. As the operations in Iraq and Afghanistan wind down and payments, associated with the delivery of replacement stocks and repair of equipment are made, the AWCF cash balance will return to a level closer to our corpus requirement of $382 million at the end of FY 2005. If the sales from inventory remain high through FY 2004 and into FY 2005 the draw down of cash will extend into FY 2006. Included in cash collections are direct appropriations of $249 million, $219.3 million, and $184.1 million for FYs 2003, 2004, and 2005, respectively. Direct appropriations include War Reserve Secondary Items, Industrial Mobilization Capacity, and Inventory Augmentation.

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Cash ($ in millions)	FY 2003	FY 2004	FY 2005
Collections	9,714.1	11,275.7	8,696.5
Disbursements	8,416.6	12,332.3	8,793.4
Net Outlays	1,297.5	1,056.6	96.9
Cash Balance	1,548.5	491.9	395.1

CUSTOMER RATES

In the Depot Maintenance and Ordnance activity groups, customer rates are set on a direct labor hour basis and are designed to recover direct and overhead costs. Activity group rates are stabilized so that the customer's buying power is protected from price swings during the year of execution. The Supply Management activity adds a surcharge percent on sales to recoup overhead expenses. The following table shows the direct labor hour/surcharge rates by activity group:

Customer Rate	FY 2003	FY 2004	FY 2005
Supply Management	24.1%	21.7%	18.3%
Depot Maintenance	$133.80	$144.91	$147.07
Ordnance	$69.07	$70.05	$88.32

CUSTOMER RATE CHANGES

In general, activity group rates are set to recover full costs and adjust for accumulated operating results. Rate changes are expressed as a percentage change from the rate charged in the previous year. Positive operating results in the Ordnance activity reduced prices to Ordnance customers in FY 2003 and FY 2004. The rate change in FY 2005 reflects a return to a revenue rate that more closely approximates expenses. In Depot Maintenance, the FY 2003 and FY 2004 rate increase was a result of recouping prior year loses. The FY 2005 rate increase reflects normal inflation offset by a small positive accumulated operating result. The FY 2003 Supply Management surcharge rate increase recouped prior year losses and restored the cash position. The FY 2004 and FY 2005 rate decrease reflects a return to normal operations.

Customer Rate Changes	FY 2003	FY 2004	FY 2005
Supply Management	9.2%	-0.6%	-1.5%
Depot Maintenance	7.4%	8.3%	1.5%
Ordnance	-27.0%	1.4%	26.1%

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CAPITAL BUDGET PROGRAM

The AWCF activities are developing and maintaining operational capabilities through acquisition of production equipment, execution of minor construction projects, and development of software. Equipment is being acquired to replace obsolete and unserviceable equipment, modernize production and maintenance processes, and eliminate environmental hazards. Increased emphasis has been placed on Depot Maintenance and Ordnance activities to ensure production equipment is updated to allow the most cost effective and efficient means of supporting customer requirements. The funding table below depicts Ordnance growth starting in FY 2004 and Depot growth starting in FY 2005. Software requirements in Supply Management are significantly reduced starting in FY 2004 as Single Stock Fund completed deployment in FY 2003. A more in-depth discussion is provided in each activity group's section as well as narrative detail in the Capital Budget section.

($ in millions)	FY 2003	FY 2004	FY 2005
Supply Management	93.6	42.8	35.1
Depot Maintenance	51.0	44.6	93.5
Ordnance	15.7	34.2	33.1
Total	160.3	121.6	161.7

DIRECT APPROPRIATIONS

The following amounts have been received/requested as direct Defense Working Capital Fund appropriations:

($ in millions)	FY 2003	FY 2004	FY 2005
War Reserve Secondary Items	89.0	105.4	84.4
Industrial Mobilization Capacity	60.0	113.9	99.6
Inventory Augmentation	100.0	0	0
Total	249.0	219.3	184.1

War Reserve Secondary Items (WRSI): This funding is used to procure and store a war reserve inventory of secondary items. If cost to procure and maintain wartime requirements are not funded through a direct appropriation, readiness will be impacted as funding for replacement of peacetime inventory will have to be used for war reserve material.

Industrial Mobilization Capacity (IMC): This submission includes a request for direct funds for IMC, formerly known as Unutilized Plant Capacity (UPC). This represents funding necessary to compensate the Ordnance and Depot Maintenance

activity groups for the fixed overhead costs of maintaining plant and equipment required by the Army to meet mobilization and wartime surge capability. These funds are provided to the Army Working Capital Fund (AWCF) in a direct appropriation because they are not directly related to the cost of doing business. Funding ensures peacetime customers receive competitive stabilized rates, AWCF installations remain competitive, and the Army retains a viable industrial base. If IMC is not fully funded, Army Ordnance and Depot Maintenance customers end up paying increased rates to cover the shortfall. In FY 2003, IMC funding moved from the Operation and Maintenance, Army (OMA) appropriation to the Defense Working Capital Fund (DWCF), Army appropriation. In FY 2003, the National Defense Appropriation Act reduced the DWCF appropriation by $148.6 million. As a result, IMC funding was reduced $67 million. The FY 2004 requirement is fully funded and this submission requests full funding of the FY 2005 IMC requirements.

OPERATING BUDGET

Supply Management

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Functional Description

The Supply Management Army (SMA) activity group buys and maintains assigned stocks of materiel for sale to its customers, primarily Army operating units. The Army's equipment and operational readiness and it's combat capability is directly linked to the availability of this materiel. The activity group is managed by the major subordinate commands of the Army Materiel Command.

Activity Group Composition

The SMA entities consist of the following:

Wholesale Division		Materiel Managed
AMCOM	U.S. Army Aviation and Missile Command, Huntsville, AL	Aircraft and ground support items, missile systems items
CECOM	U.S. Army Communications-Electronics Command, Fort Monmouth, NJ	Communication and electronics items
TACOM	U.S. Army Tank-Automotive and Armaments Command, Warren, MI; Rock Island, IL; and Aberdeen Proving Ground, MD	Combat, automotive, and construction items. Weapons, special weapons and fire control systems. Ground support items, and chemical weapons.
Prepositioned War Reserves		**Materiel Managed**
AMC-MOB	Headquarters, U.S. Army Materiel Command, Alexandria, VA	DLA/GSA items: repair parts, clothing, subsistence, medical supplies, industrial supplies; ground forces supplies
NAMI Division		**Manager**
Non Army Managed Items-Central Business Unit		U.S. Army Tank-Automotive and Armaments Command, Rock Island, IL
Type of Materiel Managed:		
DLA and General Services Administration (GSA) items. Includes repair parts, industrial supplies, general supplies, and ground support supplies.		

(U.S. Army Soldier and Biological Chemical Command (SBCCOM) at Aberdeen Proving Ground has been realigned into TACOM)

Overview

The FY 2005 President's Budget for the SMA activity group reflects operations to fully support a peacetime environment consistent with current peacetime models; however, the SMA activity group is capable of expanding to meet contingency requirements. During FY 2003 approximately five Army Divisions were deployed in support of Operation Iraqi Freedom (OIF). This resulted in customer demands that were significantly higher than during normal peacetime operations.

In order to meet this increased demand, Obligation Authority (OA) to purchase, replenish, and repair inventory more than doubled. Wholesale sales were substantially higher than projected in the previous submission and revenue and expenses far exceeded past execution levels. This reflects the Army's ability to surge to support the Global War on Terrorism and its commitment to maintaining readiness through improved spare parts availability. As outlined in the previous submission, the Army has made a significant investment in spare parts to increase its ability to respond to higher demand and readiness requirements. As with any unexpected surge in demand, the supply system has experienced growth in customer backorders. The Supply Management Army (SMA) activity group is working hard to fill customer orders and expects this number to decline through FYs 2004 and 2005 as procurements are delivered. This budget submission anticipates a return to normal peacetime operations during FY 2005, yet it reflects a budget request that robustly supports the Army's plans to maintain and strengthen its warfighting readiness. The Army supply system will continue to provide the soldier the goods and materiel to perform required missions and the SMA activity group has taken steps to ensure capability for expansion to meet any future surge requirements.

Budget Highlights

Personnel:

The SMA personnel posture reflects an overall increase from FY 2003 to FY 2004 as a result of the additional workload from OIF and the Global War on Terrorism. FY 2005 levels decrease to reflect a return to normal peacetime operations.

	FY 2003	FY 2004	FY 2005
Civilian End Strengths	2,893	3,013	2,980
Civilian FTEs	2,790	2,941	2,908
Military End Strength	13	13	13
Military Average Strength	13	13	13

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Sales:

Sales in FY 2003 far exceed what was projected due to the increased activity in support of Operation Iraqi Freedom (OIF). It is anticipated this level of sales will continue through FY 2004 with a return to normal peacetime levels during FY 2005.

Indicator ($Millions)	FY 2003	FY 2004	FY 2005
Net Sales	6,943.0	6,628.7	5,676.8
Cost of Materiel Sold from Inventory	5,629.4	5,445.3	4,695.7
Obligations for Materiel (includes depot-level repair)	7,363.1	4,935.5	4,800.8
Credit for Returns	2,426.0	2,468.5	2,329.2

Operating Results:

The Army Working Capital Fund activity groups operate on a break-even basis over the budget cycle. The Army sets each activity's annual rates to achieve the results (positive or negative) required to bring accumulated operating results (AOR) to zero in the budget cycle. The table below reflects net and accumulated operating results for SMA:

Indicator ($Millions)	FY 2003	FY 2004	FY 2005
Net Operating Results	282.2	44.5	-98.9
Accumulated Operating Results	54.4	98.9	0.0

Cash Collections, Disbursements, and Net Outlays:

Cash collections are high in FY 2003 as a result of the increased sales experienced in support of Operation Iraqi Freedom. Material on order from suppliers and repair grew from $2.2B at the end of FY 2002 to currently almost $8B. Inventory is expected to increase by $2.4B in FY 2004 and cash is needed to pay vendors as material is delivered.

Indicator ($Millions)	FY 2003	FY 2004	FY 2005
Collections	7,123.5	7,119.1	5,761.2
Disbursements	5,651.6	8,160.0	5,742.5
Net Outlays	-1,471.9	1,040.9	-18.7

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Workload and Economic Assumptions:

Prices for Army-managed items increased by 9.2% in FY 2003 to adjust for prior year cash losses. Customer prices decrease .6% and 1.5% in FY 2004 and FY 2005 respectively to adjust for operating gains in FY 2003. The following chart shows general workload data for the Wholesale Division:

Indicator	FY 2003	FY 2004	FY 2005
Surcharge Rate (Composite)	24.1%	21.7%	18.3%
Customer Price Change	9.2%	-0.6%	-1.5%
SMA Purchase Inflation	1.0%	1.3%	1.3%

Unit Cost:

Unit cost is used as a managerial control and relates resources consumed to outputs produced. The aim of unit cost is to associate total cost to the work or output. It is measured by dividing gross operating cost, which is the sum of total obligations and credit, by gross sales. The Wholesale Division unit cost is adjusted due to unexpected additional sales for OIF and the Army's decision to invest in needed spares to improve inventory posture for demand satisfaction.

Unit Cost goal	FY 2003	FY 2004	FY 2005
Wholesale	1.12	0.92	1.02

Supply Management and Stock Availability:

Supplying and maintaining the Army's equipment remain key components of readiness. For several years high weapon-systems readiness and supply availability rates were maintained by redistribution of excess inventories from Operations Desert Shield/Desert Storm, subsequent force structure reductions, and local repair of components. In recent years the combination of increased operating tempo, aging weapon systems, and reduced national-level stocks have challenged weapon systems readiness and supply availability. Stock Availability is the measure of requisitions satisfied by the supply system. The target for this measure is 85% demand satisfaction. Stock availability began to decline towards the end of FY 2003 due to the increase in customer demands from OIF. This downward trend will reverse itself in FY 2004 as material is received from vendors and made available to satisfy customers in the supply system. The table below shows stock availability throughout FY 2003:

FY 2003	1Qtr	2Qtr	3Qtr	4Qtr
Stock Availability	84.3%	85.7%	80.9%	72.8%

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The data below represent key categories of interest in Supply Management. The high number of requisitions received in FY 2003 reflects the increased activity resulting from OIF. The number of stock issues and receipts from procurement rise during FY 2004 to indicate deliveries from industry, reducing the level of backorders. FY 2005 numbers reflect a return to normal peacetime operations.

Category (# Thousands)	FY 2003	FY 2004	FY 2005
Items Managed	133	130	130
Requisitions Received	2,369	1,860	1,572
Issues Completed	1,839	2,271	1,718
Procurement Receipts	140	182	157
Contracts Awarded	11	6	6

Capital Budget:

The SMA seeks to maintain and develop capabilities through equipment and software acquisition. The SMA Capital Investment Program (CIP) primarily funds the development of software to improve managerial decision-making quality and timeliness. SMA CIP requirements decline beginning in FY 2004 due to the completed development and the implementation of the Single Stock Fund (SSF) in FY 2003. The development of two major software systems, the Logistics Modernization Program (LMP) and Exchange Pricing (EP), are the main efforts of the Capital Investment Program in FY 2003 through FY 2005. LMP is an effort to re-engineer logistics processes and utilize modern information technology enablers to provide real time visibility of the entire logistics supply chain and support the Revolution in Military Logistics. The implementation of EP will stabilize credit and reduce risk to cash flow and is anticipated to dramatically improve logistics and financial processes. These two programs will enable the Army to produce business process improvements and inventory efficiencies that will significantly improve customer service and the ability to meet demand. Additionally, the SMA CIP provides for local area networks, servers, desktop computers, high-speed printers, and a variety of software products that enhance program integration at the operational sites. The planned capital obligations are:

Category ($Millions)	FY 2003	FY 2004	FY 2005
ADP	1.8	0.9	0
Software	91.8	41.9	35.1
TOTAL	93.6	42.8	35.1

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Direct Appropriations:

War Reserves Secondary Items/Inventory Augmentation:

The Army sets aside Operations and Maintenance funding for war reserve secondary items each fiscal year to improve the Army's ability to meet mission and operational readiness requirements. In FY 2003, the Army invested $100M to procure additional spare parts to reduce backlog and increase spares availability.

($Millions)	FY 2003	FY 2004	FY 2005
War Reserve Secondary Items	89.0	105.4	84.4
Inventory Augmentation	100.0	0	0
TOTAL	189.0	105.4	84.4

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Revenue and Expenses
(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
Revenue			
Total Gross Sales	**9,369.0**	**9,097.2**	**8,006.0**
Credit and Allowances	2,426.0	2,468.5	2,329.2
Net Sales	**6,943.0**	**6,628.7**	**5,676.8**
Other Income	189.0	105.4	84.4
Inventory Augmentation	100.0		
War Reserve-Secondary Items	89.0	105.4	84.4
Total Income:	**7,132.0**	**6,734.1**	**5,761.2**
Expenses			
Total Cost of Material Sold from Inventory	**5,629.4**	**5,445.3**	**4,695.7**
Inventory Losses/Obsolescence	73.8	75.8	108.4
Safety of Use Flight (additional loss factor)	28.4	28.7	0.0
Salaries and Wages:	248.0	245.2	249.8
Military Personnel Compensation & Benefits	0.9	0.9	0.9
Civilian Personnel Compensation & Benefits	247.1	244.3	248.9
Travel & Transportation of Personnel	2.7	3.6	4.2
Materiel & Supplies (For Internal Operations)	0.9	1.2	1.2
Equipment	0.4	1.7	1.6
Other Purchases from Revolving Funds	290.9	348.6	293.5
Transportation of Things	102.3	109.7	109.6
Depreciation - Capital	64.4	67.7	61.2
Printing and Reproduction	0.1	0.1	0.1
Advisory and Assistance Services	27.9	27.8	24.6
Rent, Communication, Utilities & Misc. Charges	0.0	0.0	0.0
Other Purchased Services	191.6	228.8	225.8
Total Expenses:	**6,660.8**	**6,584.2**	**5,775.7**
Operating Result	**471.2**	**149.9**	**(14.5)**
Other Changes Affecting NOR (Price Adjustments):			
Less Inventory Augmentation and War Reserve	(189.0)	(105.4)	(84.4)
Net Operating Result	**282.2**	**44.5**	**(98.9)**
Prior Year AOR	(227.8)	54.4	98.9
Accumulated Operating Result	**54.4**	**98.9**	**0.0**

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Source Of Revenue
($ Millions)

	FY 2003	FY 2004	FY 2005
1.New Orders			
a. Orders from DOD Components:			
Department of Army			
Operation & Maintenance, Army	7,332.7	6,229.0	5,929.6
Operation & Maintenance, ARNG	594.2	532.7	460.5
Operation & Maintenance, AR	32.4	32.3	28.1
Subtotal, O&M:	**7,959.3**	**6,794.0**	**6,418.2**
Procurement Appropriations	354.9	318.6	273.4
RDT&E	18.4	15.7	11.3
All Other Army	227.2	187.2	130.2
Subtotal, Department of the Army:	**8,559.8**	**7,315.5**	**6,833.1**
Department of Navy	129.3	114.3	93.0
Department of Air Force	314.4	289.3	213.2
US Marine Corps	205.3	158.0	123.7
Department of Defense	74.6	76.6	68.2
Subtotal, Other DoD Services:	**723.6**	**638.2**	**498.1**
b. Orders from other Fund Business Areas:			
Depot Maintenance, Army	**505.6**	**419.0**	**385.2**
c. Total DOD	**9,789.0**	**8,372.7**	**7,716.4**
d. Other Orders:			
Other Federal Agencies	7.0	4.7	4.6
FMS	290.3	241.6	224.5
Non Federal Agencies	0.0	0.0	0.0
All Other	1.3	0.6	0.6
Subtotal, Other Federal Agencies:	**298.6**	**246.9**	**229.7**
Total New Orders:	**10,087.6**	**8,619.6**	**7,946.1**

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Source Of Revenue
(continued)
($ Millions)

	FY 2003	FY 2004	FY 2005
2. Carry-In Orders (Back Orders From Prior Years)	1,297.2	2,015.8	1,538.2
3. Total Gross Orders	11,384.8	10,635.4	9,484.3
Less Carry out	(2,015.8)	(1,538.2)	(1,478.3)
4. Gross Sales	**9,369.0**	**9,097.2**	**8,006.0**
5. Less Credit and Allowances	2,426.0	2468.5	2329.2
6. Net Sales	**6,943.0**	**6,628.7**	**5,676.8**

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Summary By Division
(Dollars in Millions)

DIVISION	NET CUST ORDERS	NET SALES	Obligation Targets OPERATING	MOB	TOTAL
NAMI					
FY 2003	1048.5	761.0	1038.3	0.0	1,038.3
FY 2004	965.7	1014.5	968.0	0.0	968.0
FY 2005	983.0	1033.5	986.0	0.0	986.0
WHOLESALE					
TACOM-RI					
FY 2003	615.1	504.8	491.4	7.0	498.4
FY 2004	489.8	480.4	335.5	2.1	337.6
FY 2005	0.0	0.0	0.0	0.0	0.0
AMCOM-Air					
FY 2003	2467.2	2331.6	2684.5	13.0	2,697.5
FY 2004	1839.1	2200.6	1508.8	14.3	1,523.1
FY 2005	1579.3	1732.4	1547.4	20.0	1,567.4
CECOM					
FY 2003	916.9	711.6	1005.4	34.2	1,039.6
FY 2004	769.1	731.8	546.2	3.3	549.5
FY 2005	620.1	605.6	440.0	15.0	455.0
AMCOM-Missiles					
FY 2003	410.7	394.3	302.7	3.0	305.7
FY 2004	344.1	367.3	272.6	4.6	277.2
FY 2005	394.4	364.4	254.6	30.0	284.6
SBCCOM					
FY 2003	314.2	255.0	235.2	12.3	247.5
FY 2004	222.8	261.5	234.9	20.2	255.1
FY 2005	0.0	0.0	0.0	0.0	0.0
TACOM-W					
FY 2003	1830.2	1975.9	1596.8	33.0	1,629.8
FY 2004	1513.9	1566.0	1063.0	10.7	1,073.7
FY 2005	2058.3	1934.4	1566.3	98.0	1,664.3
TOTAL WHOLESALE					
FY 2003	**6554.3**	**6173.2**	**6316.0**	**102.5**	**6418.5**
FY 2004	**5178.8**	**5607.6**	**3961.0**	**55.2**	**4016.2**
FY 2005	**4652.1**	**4636.8**	**3808.3**	**163.0**	**3971.3**

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

Summary By Division
(Dollars in Millions)

DIVISION	NET CUST ORDERS	NET SALES	Obligation Targets OPERATING	MOB	TOTAL
OTHER					
AMC MOBILIZATION					
FY 2003	58.8	8.8	8.8	83.9	92.7
FY 2004	6.5	6.5	6.5	29.2	35.7
FY 2005	6.5	6.5	6.5	32.0	38.5
COST OF OPERATIONS					
FY 2003	0.0	0.0	864.8	0.0	864.8
FY 2004	0.0	0.0	966.7	0.0	966.7
FY 2005	0.0	0.0	910.4	0.0	910.4
COMMITMENTS					
FY 2003	0.0	0.0	534.0	0.0	534.0
FY 2004	0.0	0.0	2083.0	0.0	2,083.0
FY 2005	0.0	0.0	1831.5	0.0	1,831.5
FATIGUE TESTING					
FY 2003	0.0	0.0	5.8	0.0	5.8
FY 2004	0.0	0.0	5.9	0.0	5.9
FY 2005	0.0	0.0	6.0	0.0	6.0
ESI					
FY 2003	0.0	0.0	97.4	0.0	97.4
FY 2004	0.0	0.0	59.2	0.0	59.2
FY 2005	0.0	0.0	60.3	0.0	60.3
TOTAL OA					
FY 2003	**7,661.6**	**6,943.0**	**8,865.1**	**186.4**	**9,051.5**
FY 2004	**6,151.0**	**6,628.6**	**8,050.3**	**84.4**	**8,134.7**
FY 2005	**5,641.6**	**5,676.8**	**7,609.0**	**195.0**	**7,804.0**

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

Summary By Division
(Dollars in Millions)

DIVISION	NET CUST ORDERS	NET SALES	Obligation Targets OPERATING	MOB	TOTAL
BUDGET AUTHORITY					
WAR RESERVE AUTHORITY					
FY 2003	0.0	0.0	0.0	89.0	89.0
FY 2004	0.0	0.0	0.0	105.4	105.4
FY 2005	0.0	0.0	0.0	84.4	84.4
INVENTORY AUGMENTATION					
FY 2003	0.0	0.0	0.0	100.0	100.0
FY 2004	0.0	0.0	0.0	0.0	0.0
FY 2005	0.0	0.0	0.0	0.0	0.0
CAPITAL					
FY 2003	0.0	0.0	93.6	0.0	93.6
FY 2004	0.0	0.0	42.8	0.0	42.8
FY 2005	0.0	0.0	35.1	0.0	35.1
TOTAL BUDGET AUTHORITY					
FY 2003	**0.0**	**0.0**	**93.6**	**189.0**	**282.6**
FY 2004	**0.0**	**0.0**	**42.8**	**105.4**	**148.2**
FY 2005	**0.0**	**0.0**	**35.1**	**84.4**	**119.5**

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

Operating Requirement By Weapon System
(Dollars in Millions)

WEAPON SYSTEM	FY2003	Non-Mission Capable Supply Rate	FY2004	Non-Mission Capable Supply Rate	FY2005	Non-Mission Capable Supply Rate
CHEMICAL DEFENSE EQUIPMENT	124.5	7%	158.1	10%	106.6	10%
OTHER ARMAMENT MUNITIONS & CHEMICAL	177.3	10%	155.6	10%	168.1	10%
AH-64	927.7	25%	446.2	25%	499.7	25%
UH-60	1,049.6	25%	700.6	20%	612.8	20%
OH-58D	122.6	25%	129.5	25%	128.4	25%
CH-47D	562.1	25%	429.7	25%	466.6	25%
T-701C ENGINES	322.6	25%	189.0	25%	221.6	25%
AMC DELIVERY AVIATION/TROOP EQUIPMENT	402.2	10%	263.8	10%	218.5	10%
MSE	54.3	10%	31.8	10%	27.7	10%
NIGHT VISION EQUIPMENT	138.0	10%	100.3	10%	90.7	10%
BATTERIES	297.1	10%	66.6	10%	55.1	10%
OTHER COMMUNICATIONS ELECTRONICS	656.0	10%	376.9	10%	293.5	10%
MLRS	43.9	10%	42.9	10%	36.9	10%
PATRIOT	197.9	10%	156.9	10%	152.3	10%
OTHER MISSILE SYSTEMS	81.4	10%	99.4	10%	92.9	10%
M1 SERIES TANK	962.4	10%	741.4	10%	763.3	10%
M88 SERIES RECOVERY VEHICLE	190.3	10%	179.4	10%	171.3	10%
M109 HOWITZER	56.0	10%	45.5	10%	46.8	10%
M198 HOWITZER	11.4	10%	10.9	10%	14.1	10%
M113 FOV	118.9	10%	73.1	10%	94.3	10%
BRADLEY FIGHTING VEHICLE	240.1	10%	182.7	10%	174.7	10%
HMMWV FOV	150.5	10%	73.6	10%	63.8	10%
TIRES	230.0	10%	47.8	10%	58.6	10%
OTHER TANK & AUTOMOTIVE	246.3	10%	233.6	10%	242.5	10%
TOTAL	**7,363.1**		**4,935.5**		**4,800.7**	

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FY 2003
(Dollars in Millions)

	TOTAL	------PEACETIME------ MOBILIZATION	OPERATING	OTHER
1. INVENTORY BP @ STD	14,981.7	2,396.0	5,630.0	6,955.7
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	0.0	-219.2	1,591.7	-1,372.6
B. PRICE CHANGE AMOUNT (MEMO)	1,451.9	151.6	520.9	779.4
C. ADJ. INVENTORY BP (1+2A+2B)	16,433.6	2,328.4	7,742.6	6,362.5
3. RECEIPTS AT STANDARD	3,296.3	103.4	3,192.9	0.0
4. SALES AT STANDARD	9,369.0	54.6	9,314.4	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	2,081.7	1.6	1,953.8	126.3
B. RETURNS FROM CUSTOMERS (+)	3,775.0	0.0	3,646.9	128.1
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	4,984.5	0.0	58.0	4,926.5
D. RETURNS TO SUPPLIERS (-)	-34.6	0.5	0.0	-35.1
E. TRANSFERS TO DRMO (-)	-565.8	-17.0	0.0	-548.8
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	-377.3	-145.2	-7.6	-224.5
G. OTHER (LIST)	-3,235.3	11.9	-586.1	-2,661.1
H. TOTAL ADJUSTMENTS (5A THRU 5G)	6,628.2	-148.2	5,065.0	1,711.4
6. INVENTORY EP	16,989.0	2,229.0	6,686.1	8,073.9
7. INVENTORY EOP, REVALUED (LAC DISCOUNTED)	10,049.9	1,833.1	3,957.9	4,258.9
A. ECONOMIC RETENTION (MEMO)		0.0	0.0	1,385.5
B. CONTINGENCY RETENTION (MEMO)		0.0	0.0	2,487.1
C. POTENTIAL DOD REUTILIZATION (MEMO)		0.0	0.0	386.3
8. ON ORDER EOP @ COST	5,292.4	116.9	5,175.5	0.0

Differences are due to rounding.

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FY 2004
(Dollars in Millions)

	TOTAL	-------PEACETIME------ MOBILIZATION	OPERATING	OTHER
1. INVENTORY BP	16,989.0	2,229.0	6,686.1	8,073.9
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	0.0	(4.0)	1,592.3	(1,588.3)
B. PRICE CHANGE AMOUNT (MEMO)	(348.8)	(30.8)	(103.3)	(214.7)
C. ADJ. INVENTORY BP (1+2A+2B)	16,640.2	2,194.2	8,175.1	6,270.9
3. RECEIPTS AT STANDARD	6,217.0	153.6	6,063.4	0.0
4. SALES AT STANDARD	9,097.2	0.0	9,097.2	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	105.8	0.6	105.2	0.0
B. RETURNS FROM CUSTOMERS (+)	4,609.9	0.0	3,643.8	966.1
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	2,639.6	1.0	0.0	2,638.6
D. RETURNS TO SUPPLIERS (-)	0.0	0.0	0.0	0.0
E. TRANSFERS TO DRMO (-)	(1,615.2)	0.0	0.0	(1,615.2)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(65.5)	0.0	(1.2)	(64.3)
G. OTHER (LIST)	(84.2)	7.3	(44.6)	(46.9)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	5,590.4	8.9	3,703.2	1,878.3
6. INVENTORY EP	19,350.4	2,356.7	8,844.5	8,149.2
7. INVENTORY EOP, REVALUED (LAC DISCOUNTED)	14,169.9	2,011.3	7,070.0	5,088.5
A. ECONOMIC RETENTION (MEMO)		0.0	0.0	2,906.4
B. CONTINGENCY RETENTION (MEMO)		0.0	0.0	2,034.2
C. POTENTIAL DOD REUTILIZATION (MEMO)		0.0	0.0	147.9
8. ON ORDER EOP @ COST	3,373.9	113.5	3,260.4	0.0

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FY 2005
(Dollars in Millions)

	TOTAL	-------PEACETIME------ MOBILIZATION	OPERATING	OTHER
1. INVENTORY BP	19,350.4	2,356.7	8,844.5	8,149.2
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	0.0	(18.0)	(389.6)	407.6
B. PRICE CHANGE AMOUNT (MEMO)	(587.9)	(50.5)	(283.1)	(254.2)
C. ADJ. INVENTORY BP (1+2A+2B)	18,762.5	2,288.2	8,171.8	8,302.6
3. RECEIPTS AT STANDARD	3,557.6	72.1	3,485.5	0.0
4. SALES AT STANDARD	8,006.0	0.0	8,006.0	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	40.8	(53.8)	99.0	(4.4)
B. RETURNS FROM CUSTOMERS (+)	4,254.0	0.0	3,720.9	533.1
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	2,314.6	1.5	0.0	2,313.1
D. RETURNS TO SUPPLIERS (-)	0.0	0.0	0.0	0.0
E. TRANSFERS TO DRMO (-)	(1,775.9)	0.0	0.0	(1,775.9)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(39.2)	0.0	(1.7)	(37.5)
G. OTHER (LIST)	(76.0)	6.3	(36.2)	(46.1)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	4,718.3	(46.0)	3,782.0	982.3
6. INVENTORY EP	19,032.5	2,314.3	7,433.3	9,284.9
7. INVENTORY EOP, REVALUED (LAC DISCOUNTED)	13,680.3	2,041.3	6,179.6	5,459.4
A. ECONOMIC RETENTION (MEMO)		0.0	0.0	2,856.7
B. CONTINGENCY RETENTION (MEMO)		0.0	0.0	2,561.6
C. POTENTIAL DOD REUTILIZATION (MEMO)		0.0	0.0	41.1
8. ON ORDER EOP @ COST	3,110.9	119.0	2,991.9	0.0

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

WAR RESERVE MATERIAL (WRM) STOCKPILE
FY2003
(Dollars in Millions)

STOCKPILE STATUS	TOTAL	MOB PROTECTED	MOB OTHER
1. INVENTORY BOP	2,395.9	2,395.9	0.0
2. PRICE CHANGE (+ OR -)	141.4	141.4	0.0
3. RECLASSIFICATION (+ OR -)	(94.9)	(94.9)	0.0
4. INVENTORY CHANGES (+ OR -)	(88.9)	(88.9)	0.0
A. RECEIPTS @ STANDARD	58.2	58.2	0.0
(1) PURCHASES	57.2	57.2	0.0
(2) RETURNS FROM CUSTOMERS	1.0	1.0	0.0
B. ISSUES @ STANDARD	52.0	52.0	0.0
(1) SALES (-)	52.0	52.0	0.0
(2) RETURNS FROM CUSTOMERS (+)	0.0	0.0	0.0
(3) DISPOSALS (-)	0.0	0.0	0.0
C. ADJUSTMENTS @ STANDARD	(95.1)	(95.1)	0.0
(1) CAPITALIZATION (+)	(28.8)	(28.8)	0.0
(2) GAINS & LOSSES (+ OR -)	(65.0)	(65.0)	0.0
(3) OTHER (+ OR -)	(1.3)	(1.3)	0.0
5. INVENTORY EOP	2,353.5	2,353.5	0.0
STOCKPILE COSTS			
1. STORAGE	22.2	22.2	0.0
2. MANAGE	0.0	0.0	0.0
3. MAINTENANCE/OTHER	0.0	0.0	0.0
TOTAL COST	**22.2**	**22.2**	**0.0**
WRM BUDGET REQUEST			
1. ADDITIONAL MOB	186.4	186.4	0.0
2. REPLENISHMENT MOB	8.8	8.8	0.0
3. REPAIR MOB	0.0	0.0	0.0
4. ASSEMBLY/DISASSEMBLY	0.0	0.0	0.0
5. OTHER	0.0	0.0	0.0
TOTAL COST (OBLIGATIONS @ COST)	**195.2**	**195.2**	**0.0**

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

WAR RESERVE MATERIAL (WRM) STOCKPILE
FY 2004
(Dollars in Millions)

STOCKPILE STATUS	TOTAL	MOB PROTECTED	MOB OTHER
1. INVENTORY BOP	2,353.5	2,353.5	0.0
2. PRICE CHANGE (+ OR -)	(55.6)	-55.6	0.0
3. RECLASSIFICATION (+ OR -)	(4.0)	-4.0	0.0
4. INVENTORY CHANGES (+ OR -)	205.5	205.5	0.0
A. RECEIPTS @ STANDARD	157.5	157.5	0.0
(1) PURCHASES	156.5	156.5	0.0
(2) RETURNS FROM CUSTOMERS	1.0	1.0	0.0
B. ISSUES @ STANDARD	6.0	6.0	0.0
(1) SALES (-)	6.0	6.0	0.0
(2) RETURNS FROM CUSTOMERS (+)	0.0	0.0	0.0
(3) DISPOSALS (-)	0.0	0.0	0.0
C. ADJUSTMENTS @ STANDARD	54.0	54.0	0.0
(1) CAPITALIZATION (+)	46.7	46.7	0.0
(2) GAINS & LOSSES (+ OR -)	0.0	0.0	0.0
(3) OTHER (+ OR -)	7.3	7.3	0.0
5. INVENTORY EOP	2,499.4	2,499.4	0.0
STOCKPILE COSTS			
1. STORAGE	20.6	20.6	0.0
2. MANAGE	0.0	0.0	0.0
3. MAINTENANCE/OTHER	0.0	0.0	0.0
TOTAL COST	**20.6**	**20.6**	**0.0**
WRM BUDGET REQUEST			
1. ADDITIONAL MOB	77.9	77.9	0.0
2. REPLENISHMENT MOB	6.5	6.5	0.0
3. REPAIR MOB	0.0	0.0	0.0
4. ASSEMBLY/DISASSEMBLY	0.0	0.0	0.0
5. OTHER	0.0	0.0	0.0
TOTAL COST (OBLIGATIONS @ COST)	**84.4**	**84.4**	**0.0**

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Supply Management

WAR RESERVE MATERIAL (WRM) STOCKPILE
FY 2005
(Dollars in Millions)

STOCKPILE STATUS	TOTAL	MOB PROTECTED	MOB OTHER
1. INVENTORY BOP	2,499.4	2,499.4	0.0
2. PRICE CHANGE (+ OR -)	0.1	0.1	0.0
3. RECLASSIFICATION (+ OR -)	(26.5)	-26.5	0.0
4. INVENTORY CHANGES (+ OR -)	17.5	17.5	0.0
A. RECEIPTS @ STANDARD	73.1	73.1	0.0
(1) PURCHASES	71.6	71.6	0.0
(2) RETURNS FROM CUSTOMERS	1.5	1.5	0.0
B. ISSUES @ STANDARD	6.0	6.0	0.0
(1) SALES (-)	6.0	6.0	0.0
(2) RETURNS FROM CUSTOMERS (+)	0.0	0.0	0.0
(3) DISPOSALS (-)	0.0	0.0	0.0
C. ADJUSTMENTS @ STANDARD	(49.6)	-49.6	0.0
(1) CAPITALIZATION (+)	(53.9)	-53.9	0.0
(2) GAINS & LOSSES (+ OR -)	0.0	0.0	0.0
(3) OTHER (+ OR -)	4.3	4.3	0.0
5. INVENTORY EOP	2,490.5	2,490.5	0.0
STOCKPILE COSTS			
1. STORAGE	19.4	19.4	0.0
2. MANAGE	0.0	0.0	0.0
3. MAINTENANCE/OTHER	0.0	0.0	0.0
TOTAL COST	**19.4**	**19.4**	**0.0**
WRM BUDGET REQUEST			
1. ADDITIONAL MOB	188.5	188.5	0.0
2. REPLENISHMENT MOB	6.5	6.5	0.0
3. REPAIR MOB	0.0	0.0	0.0
4. ASSEMBLY/DISASSEMBLY	0.0	0.0	0.0
5. OTHER	0.0	0.0	0.0
TOTAL COST (OBLIGATIONS @ COST)	**195.0**	**195.0**	**0.0**

OPERATING BUDGET

Depot Maintenance

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Functional Description

The Depot Maintenance activity group provides the Army with an organic industrial capability to repair, overhaul, modify, and upgrade weapons systems, component parts, and support equipment. In addition to the maintenance mission, the activity group provides installation base support to Army, DOD, other governmental, and private sector tenants. Depot Maintenance activities both compete and partner with private industry to deliver goods and services efficiently and effectively.

Depots are under the direct command and control of Major Subordinate Commands (MSCs) of the U.S. Army Materiel Command (AMC) and are aligned in accordance with the nature of their mission and the items that are repaired. Corpus Christi and Letterkenny report to the Aviation and Missile Command, Redstone Arsenal, AL; Anniston and Red River report to the Tank-automotive and Armaments Command, Warren, MI; and Tobyhanna reports to the Communication-Electronics Command, Fort Monmouth, NJ. The depots have been designated as Centers of Technical Excellence for the performance of core maintenance missions supporting all of DOD and our foreign allies.

Activity Group Composition

The Depot Maintenance activity group is composed of the following depots:

Anniston Army Depot, Anniston, AL (ANAD) - maintains, overhauls, and repairs heavy tracked combat vehicles and artillery, and provides base support to tenants.

Corpus Christi Army Depot, Corpus Christi, TX (CCAD) - maintains, repairs, overhauls, and upgrades rotary wing aircraft, engines, and components. This depot is a tenant on a Navy installation.

Letterkenny Army Depot, Chambersburg, PA (LEAD) - maintains, repairs, and overhauls tactical missile systems, and provides base support to tenants.

Red River Army Depot, Texarkana, TX (RRAD) - maintains and repairs light armored vehicles and select missile systems, and provides base support to tenants.

Tobyhanna Army Depot, Tobyhanna, PA (TYAD) - manufactures, maintains, tests, and fields communications-electronics systems and equipment and missile guidance and control systems and equipment. Provides base support to tenants.

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Overview

The FY 2005 President's Budget for the Depot Maintenance activity group reflects a significant departure from estimates contained in previous budgets, which represented peacetime projections for FY 2003, FY 2004, and FY 2005. The driving force behind this departure is the Global War on Terrorism (GWOT).

This budget reflects the effect of increased operating tempo in Iraq and Afghanistan and the strains on Army equipment deployed to the Middle East. A major workload driver in this budget is the Army's Reset program, which involves reconstituting or bringing equipment back to pre-war standards. The U.S. Army Materiel Command is the lead agency for the Reset effort. The overall repair plan incorporates the use of depots, commercial repair facilities, and maintenance activities at the Army's installations. This budget reflects the depot portion of the Reset workload. The Army's Recapitalization (RECAP) program is another major workload driver. This program includes the rebuild and selected upgrade of currently fielded systems to ensure operational readiness and a near zero time, zero mile condition.

Because of the GWOT, Reset efforts, and the RECAP program, FY 2003 and FY 2004 workload, costs, and revenues substantially exceed levels previously presented to Congress. FY 2005 estimates contained in this budget submission reflect a return to peacetime funding levels; however, the Depot Maintenance activity group is capable of surging to meet increased workload requirements as reflected in FY 2003 and FY 2004, should this prove necessary.

Budget Highlights

Personnel:

Funded workload captured in the Army Workload and Performance System (AWPS) drives civilian manpower. Civilian End Strengths (ES) and Full Time Equivalents (FTEs) have increased from levels reflected in previous budgets to support Operation Iraqi Freedom and the associated workload in FY 2003 and FY 2004. This workload surge will be accomplished with overtime, temporary hires, and by employing additional shifts. Civilian ES and FTEs are budgeted to begin a downward glide path towards normal peacetime levels in FY 2005.

	FY 2003	FY 2004	FY 2005
Civilian End Strength	11,429	12,605	11,630
Civilian FTEs	11,014	12,572	11,619
Military End strength	33	21	21
Military Average Strength	33	21	21

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Revenue, Costs, Operating Results, and Rates:

Revenue:

Actual revenue for FY2003 was $382.3 million higher than the amount reflected in the previous submission. The increase was driven by the supplemental appropriation and associated support for the GWOT. The current revenue estimate for FY 2004 is $1,258.1 million higher than the previous submission. This very sizeable increase reflects the fact that peak workload execution is budgeted to occur in FY 2004, while revenues taper back down in FY 2005. Although FY 2005 reflects a peacetime budget, revenues are projected to remain somewhat elevated as depots continue to complete workload placed in prior years.

Costs:

The actual "Cost of Goods and Services Sold" (COGS) for FY 2003 was $274.0 million higher than the amount reflected in the previous submission, and the current estimate for FY 2004 is $1,305.9 million higher than the previous submission. Workload levels associated with the GWOT drive these cost increases (higher operating tempo and extreme desert environment have taken a toll on equipment returning from the theatre of operations). In addition to the GWOT, the Army is implementing new repair standards associated with the National Maintenance Work Requirement (NMWR) RECAP program; these standards require more component parts. Component prices and material are also increasing. Many of these items are original equipment manufacturer (OEM) parts. Although FY 2005 reflects a peacetime budget, costs are projected to remain somewhat elevated as depots continue to complete workload placed in prior years.

Operating Results and Rates:

The actual FY 2003 Net Operating Results (NOR) of $95.6 million recorded in the financial systems exceeded the previously budgeted NOR by $113.9 million. This increase is attributable to workload in support of the GWOT and to an accounting error associated with overstated revenue discovered after financial records closed for the fiscal year. This error is being addressed by an FY 2004 prior period adjustment to Accumulated Operating Results (AOR) in the amount of -$74.7 million. Even without this overstatement, yearend NOR was positive and $39.2 million better than previously budgeted. In addition to positive FY 2003 results, FY 2004 NOR is projected to be $15.4 million and AOR is projected to be $18.5M. These strong financial results reflect the effect of increased workload levels. The FY 2005 customer revenue rate has been set to bring AOR to zero. This rate reflects a modest increase of 1.5% over the FY

2004 rate. Strong financial results have permitted the establishment of stable rates in this activity group.

	FY 2003	FY 2004	FY 2005
Revenue ($M)	2,119.4	3,136.0	2,190.2
Cost of Goods & Services Sold ($M)	2,023.6	3,120.6	2,208.7
Net Operating Results ($M)	95.6	15.4	-18.5
Accumulated Operating Results ($M)	77.8	18.5	0.0
Customer Revenue Rate per DLH	$133.80	$144.91	$147.07
Percent Change from Prior Year	7.41%	8.30%	1.49%
Unit Costs ($/DLH)	158.46	182.56	176.58
Direct Labor Hours (000)	12,769	17,094	12,508
Percentage of Overtime	12.2%	17.1%	7.0%

Cash Collections, Disbursements and Net Outlays:

FY 2003 collections are lower than revenue, due to advance billings, changes in Accounts Receivable, and the previously mentioned accounting error in revenue. Advance billings of $54 million were made at the end of FY 2002 to improve the cash position. These advance billings were all worked off during FY 2003. FY 2004 and FY 2005 outlays are consistent with NOR for these years. No advance billings are projected in this budget.

($ in millions)	FY 2003	FY 2004	FY 2005
Collections	1,887.2	3,205.2	2,191.0
Disbursements	1,909.4	3,190.9	2,210.3
Net Outlays	22.2	-14.3	19.3

Carryover:

Carryover is the amount of work funded but not yet performed by the end of the fiscal year. The new order carryover ceilings are based on a weighted average of the outlay rates for the customer appropriation that are the source of the orders.

The table below shows the ceilings and amounts of funding that are budgeted for workload carryover for each year. The actual New Order Carryover for FY 2003 exceeded the ceiling by $127.1 million because of an unbudgeted surge in new orders, placed late in the third and fourth quarters of FY 2003. These orders were attributable to combat operations in support of GWOT. This surge carryover will be worked off

during FY 2004 by hiring temporary personnel, increasing overtime, employing second shifts, and contract field teams. The projected carryover levels for FY 2004 and FY 2005 are both under the carryover ceilings.

($ in millions)	FY 2003	FY 2004	FY 2005
New Orders			
(Excl. FMS, Non-DoD, & BRAC)	2,520.3	2,669.5	1,830.1
New Order Carryover Ceiling	854.4	853.7	586.0
Planned New Order Carryover	981.5	770.1	389.8

Performance Indicators:

Performance indicators for Depot Maintenance include: Net and Accumulated Operating Results, Quality (percentage of Quality Deficiency Reports processed), Customer Satisfaction (measured with customer surveys), Capacity Utilization (percentage of total production capacity), and Productive Yield (the average number of productive DLHs worked by each Full Time Equivalent [FTE]). Net Operating Results (NOR) represent the difference between costs and revenues in an accounting period. Accumulated Operating Results (AOR) represent the aggregate of all recoverable net earnings, including prior year adjustments, since inception of the activity. The goal of the Defense Working Capital Fund (DWCF) is to break even over time, so rates are normally set to bring AOR to zero in the budget year. FY 2003 actual results and goals for FY 2004 and FY 2005 are shown below. The actual productive yield in FY 2003 is 1,594, an increase of five from the previous submission. We anticipate meeting all performance goals for both FY 2004 and FY2005.

Performance Measure/Goal	FY 2003	FY 2004	FY 2005
1. NOR (Achieve PRES BUD Goal)	95.6	15.4	-18.5
2. AOR (Achieve PRES BUD Goal)	77.8	18.5	0.0
3. Quality (Goal of 95%)	98.5	98.5	98.5
4. Customer Satisfaction (Goal of 90%)	92	94	96
5. Capacity Utilization (Goal of 75%)	83.7	83.9	81.8
6. Productive Yield (Goal of 1615)	1,594	1,617	1,616

Direct Appropriations:

This submission includes a request for direct funds for Industrial Mobilization Capacity (IMC), formerly known as Unutilized Plant Capacity (UPC), in the Defense Working Capital Fund, Army (DWCF, A) appropriation. This funding is critical to cover the cost of

ownership for industrial capacity, which the Depot Maintenance activity group is retaining for mobilization contingencies and not for current production. It includes the mobilization of materials, labor, capital, production facilities, and contributory items and services essential to the industrial program. In FY 2003, the National Defense Appropriation Act reduced the DWCF appropriation by $148.6 million. As a result, Depot Maintenance IMC funding was reduced $1.5 million. The Army received full funding of IMC in FY 2004 and is requesting full funding in FY 2005. This funding is critical to cover the cost of ownership for industrial capacity, which the depots are retaining for mobilization contingencies and not for current production. If full funding is not received, the unfunded costs will be charged to depot customers through higher billing rates in the future.

($ in millions) DWCF, Army	FY 2003	FY 2004	FY 2005
IMC	5.8	19.7	16.5

Capital Budget:

The Capital Budget projections remained relatively constant with the FY 2004 President's Budget estimates for FY 2003 and 04. In FY 2005, the current submission is $25.0M higher than the previous submission. This is due to adding equipment required to support the Congressional acceleration of a Major Construction (MCA) project at Anniston Army Depot (industrial plant equipment for the Powertrain/Flexible Maintenance Center). This project will provide the equipment necessary to repair, rebuild and test reciprocating engines more efficiently, with higher quality and with an improved cycle time.

The Capital Investment Program (CIP) for Depot Maintenance consists of:

Productivity-Enhancing Equipment. Requirements include: Aircraft Corrosion Control Equipment (allows for the painting/treatment of all airframes), Flight Critical Parts Inspection & Treatment Equipment (reduces processing time and operating costs), Large Capacity Spin Blaster (reduces costs) at Anniston Army Depot; and Industrial Plant Equipment for Powertrain/Flexible Maintenance Center (improves reciprocating engine overhaul capabilities).

Replacement Equipment. Requirements include: Items such as the Rotary Blast Machine at Anniston Army Depot (removes corrosion and coatings from large metal components), Upgrades to Bridge Cranes at Anniston Army Depot (replacement of unobtainable parts), the Hydro-Mechanical Test Stands at Anniston Army Depot (allows for enhanced testing capabilities), the Sciaky Resistance Welder at Anniston (used to repair AGT 1500 turbine engines), the Cylindrical Grinder Replacement at Anniston (used to rebuild the AGT-1500 engines), the Abrasive Waterjet Cutting Machine at

Anniston, the Hydraulic Test Console at Letterkenney Army Depot (provides increased reliability when testing PATRIOT systems) and a Metalizing Robot at Anniston Army Depot (used to spray metal coatings).

Environmental Equipment. Requirements include: Items such as Dust Collection System at Letterkenny Army Depot (provides a safer work environment and compliance with EPA air quality regulations) and the Air Pollution Control Equipment at Anniston Army Depot (provides paint booths with compliant pollution controls).

Minor Construction. Requirements include: A Welding Facility at Anniston Army Depot and various Minor Construction projects at all Depots.

Software. Requirements include: The cost of fielding the Army Workload and Performance System (AWPS) to improve management processes; system upgrades and contractor support for the Logistics Modernization Program (LMP) to improve the logistics process; and SDS Data Collection/Shop Floor/AIT common technology used to provide a common technology architecture for the wholesale logistics processes.
A summary of the CIP program follows:

($ in millions)	FY 2003	FY 2004	FY 2005
Equipment	31.2	28.6	64.8
Minor Construction	3.1	7.4	3.3
Software	16.6	8.6	25.5
TOTAL	51.0	44.6	93.5

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Revenue and Expenses
($ in Millions)

	FY 2003	FY 2004	FY 2005
Revenue			
Gross Sales:	2,113.6	3,116.3	2,173.8
Operations	1,989.0	3,083.1	2,139.9
Surcharges	0.3		
Depreciation excluding Major Construction	124.3	33.2	33.9
Major Construction Depreciation			
Other Income (DWCF - IMC)	5.8	19.7	16.5
Refunds/Discounts (-)			
Total Income:	2,119.4	3,136.0	2,190.2
Expenses			
Salaries and Wages:	689.7	792.9	703.6
Military Personnel Compensation & Benefits	2.1	2.2	2.2
Civilian Personnel Compensation & Benefits	687.6	790.6	701.4
Travel & Transportation of Personnel	16.1	16.5	16.7
Materials & Supplies (For Internal Operations)	854.4	1,661.0	994.3
Equipment	15.8	17.2	20.7
Other Purchases from Revolving Funds	80.6	67.6	68.2
Transportation of Things	5.0	4.5	4.4
Depreciation - Capital	124.3	33.2	33.9
Printing and Reproduction	0.6	0.8	0.8
Advisory and Assistance Services	80.9	79.9	68.3
Rent, Communication, Utilities, & Misc. Charges	26.8	58.7	59.1
Other Purchased Services	129.5	388.4	238.7
Total Expenses:	2,023.6	3,120.6	2,208.7
Operating Result	95.8	15.4	(18.5)

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Revenue and Expenses
($ in Millions)

	FY 2003	FY 2004	FY 2005
Less Surcharge Reservations	0.3		
Cash (Current Year)	0.3		
Cash (Carried Over)			
Capital			
Plus Appropriations Affecting NOR/AOR			
Other Changes Affecting NOR:			
Other Inventory Adjustments			
Net Change in Work in Process			
Net Operating Result	95.6	15.4	(18.5)
Prior Year Adjustments	21.3	(74.7)	
Prior Year Recoverable Accumulated Operating Result	(39.0)	77.8	18.5
FY05 Adjustment to AOR			
Non-Recoverable Amounts (Current Year Only)			
Recoverable Accumulated Operating Result	77.8	18.5	0.0
Memo:			
Beginning Work in Process			
Ending Work in Process			
Cost of Goods Sold:	2,023.6	3,120.6	2,208.7

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Source of Revenue
($ in Millions)

	FY 2003	FY 2004	FY 2005
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	982.4	1,189.5	619.2
Operations & Maintenance, ARNG	43.9	3.0	100.2
Operations & Maintenance, AR	25.4	33.6	30.1
Subtotal, O&M:	1,051.7	1,226.1	749.5
Aircraft Procurement	19.5	3.3	6.6
Missile Procurement	37.3	21.9	13.6
Weapons & Tracked Combat Vehicles	38.5	18.7	19.7
Procurement of Ammunition			
Other Procurement	80.2	31.7	27.1
Subtotal, Procurement:	175.4	75.6	66.9
RDTE	10.4	5.2	3.9
BRAC	0.1		
Family Housing	0.5	0.5	0.6
Military Construction			
Chem Agents & Munitions Dest, Army	6.9	8.1	8.8
Other	0.0	0.0	0.0
Subtotal, Department of Army:	1,245.0	1,315.5	829.7
Department of Air Force O&M	126.8	60.7	22.3
Department of Air Force Investment			
Department of Navy O&M	23.5	11.9	10.1
Department of Navy Investment			
US Marines O&M	64.9	0.8	0.6
US Marines Investment			
Department of Defense O&M	0.3		
Department of Defense Investment			
Subtotal, Other DoD Services:	215.4	73.5	33.1
Other DoD Agencies:	28.8	23.7	13.2
Other DoD Agencies	28.8	23.7	13.2
CAWCF			

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Source of Revenue
($ in Millions)

	FY 2003	FY 2004	FY 2005
b. DWCF:			
Depot Maintenance, Army	16.0	1.3	1.0
Information Services, Army			
Ordnance, Army	13.1	19.1	20.2
Supply Management, Army	876.2	920.2	709.9
Supply Management, Air Force	32.9	50.1	69.9
Supply Management, Navy	57.1	85.1	120.3
Supply Management, Marine Corps	0.8	71.6	0.9
DECA	0.1	0.1	0.1
DFAS	0.9	0.9	0.9
DISA	1.4	1.3	1.3
DLA	21.8	15.3	16.4
TRANSCOM			
Other	11.0	14.7	13.2
Subtotal, DWCF:	1,031.2	1,179.6	954.2
c. Total DoD	2,520.4	2,592.3	1,830.1
d. Other Orders:	40.5	39.4	22.9
Other Federal Agencies	0.5	1.4	1.3
Foreign Military Sales	31.0	35.6	19.3
Trust Fund			
Nonappropriated	8.6	0.9	0.8
Non-Federal Agencies	0.4	1.5	1.6
Total New Orders:	2,560.9	2,631.7	1,853.1

Carry-Over Calculation	FY 2003	FY 2004	FY 2005
New Orders (excluding FMS, Non-DOD and BRAC)	2,520.3	2,592.3	1,830.1
New Order Carryover Ceiling	854.4	831.9	586.0
Planned Carryover	981.5	770.1	389.8

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Changes in the Costs of Operations
($ in Millions)

		Expenses	
FY 2003	**Actual Cost**		**2,023.6**
FY 2004	**Estimate in President's Budget**		**1,814.7**
Estimated Impact in FY 2004 of Actual FY 2003 Actions			**(2.3)**
	LEAN Savings -- Air-cooled V-Type Diesel (AVDS) 1790 & Advanced Gas Turbine (AGT) 1500 Engine processes	(1.3)	
	LEAN Savings -- Track & Roadwheel programs, Bradley Programs & M984 engines	(2.8)	
	LEAN Savings -- Army-Navy, Airborne Radio Identification and Recognition (AN/APX) Model 72 Transponder	(1.1)	
	LEAN Reinvestments	3.0	
Pricing Adjustments			**48.0**
	FY 2004 Pay Raise	22.5	
	-Civilian Personnel	22.4	
	-Military Personnel	0.0	
	Inflation	25.5	
Program Changes			**1,260.2**
	Personnel Costs (other than A-76)	63.9	
	Travel and Transportation of Personnel	1.0	
	Material and Supplies (Internal Operations)	840.0	
	Equipment	1.4	
	Other Purchases from Revolving Funds	10.5	
	Transportation of Things	0.5	
	Depreciation	(4.0)	
	Printing and Reproduction	(0.3)	
	Advisory and Assistance Services	1.7	
	Rent, Communications, Utilities and Miscellaneous Charges	5.4	
	Other Purchased Services	340.0	
FY 2004	**Current Estimate**		**3,120.6**

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Changes in the Costs of Operations
($ in Millions)

Pricing Adjustments		**48.5**
Annualization of Prior Year Pay Raises	6.8	
FY 2005 Pay Raise	8.5	
-Civilian Personnel	8.4	
-Military Personnel	0.1	
Fund Price Changes		
General Purchase Inflation	33.2	
Productivity Initiatives and Other Efficiencies		**(3.1)**
LEAN Savings -- PATRIOT Launcher components	(0.9)	
LEAN Savings -- AVDS 1790 & AGT 1500 Engines	(1.7)	
LEAN Savings -- UH-60 RECAP Maint Hanger Consolidation	(1.2)	
LEAN Savings -- T700 Engine Assembly	(1.8)	
LEAN Savings -- AN/APX-72 Transponder	(1.1)	
LEAN Savings -- Special Forces Ground Mobility Vehicles (GMVs)	(0.1)	
LEAN Reinvestments -- PATRIOT Engagement Control Station (ECS) initiative	0.0	
LEAN Reinvestments	3.1	
LEAN Reinvestments -- PATRIOT RADAR initiative	0.5	
Program Changes		**(957.3)**
Personnel Costs (other than A-76)	(104.5)	
Travel and Transportation of Personnel	0.1	
Material and Supplies (Internal Operations)	(688.6)	
Equipment	3.2	
Other Purchases from Revolving Funds	(0.3)	
Transportation of Things	(0.2)	
Depreciation	0.7	
Printing and Reproduction	0.0	
Advisory and Assistance Services	(12.6)	
Rent, Communications, Utilities and Miscellaneous Charges	(0.4)	
Other Purchased Services	(154.7)	
FY 2005 Estimated Cost		**2,208.7**

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Industrial Mobilization Capacity
($ and DLH in Millions)

	FY 2003	FY 2004	FY 2005
Anniston Army Depot			
1. Total Capacity Index (DLHs)	3,222.000	3,222.000	3,222.000
2. Utilized Capacity Index (DLHs)	3,315.969	4,947.800	2,856.000
3. Reserve Capacity Index (DLHs)	222.000	293.000	566.000
4. Overhead Costs (as specified)	22.796	23.438	20.543
5. IMC Requirement	1.571	2.131	3.609
6. Funded IMC ($s)	0.801	2.131	3.609
Corpus Christi Army Depot			
1. Total Capacity Index (DLHs)	3,843.000	3,843.000	3,843.000
2. Utilized Capacity Index (DLHs)	3,353.007	3,604.100	3,571.000
3. Reserve Capacity Index (DLHs)	584.000	659.000	537.000
4. Overhead Costs (as specified)	23.993	35.323	35.060
5. IMC Requirement	3.415	5.968	3.614
6. Funded IMC ($s)	1.110	5.968	3.614
Letterkenny Army Depot			
1. Total Capacity Index (DLHs)	1,153.000	1,153.000	1,153.000
2. Utilized Capacity Index (DLHs)	1,032.961	1,457.100	1,047.000
3. Reserve Capacity Index (DLHs)	(24.000)	169.000	148.000
4. Overhead Costs (as specified)	16.764	13.811	13.836
5. IMC Requirement	-	2.024	1.776
6. Funded IMC ($s)	0.570	2.024	1.776
Red River Army Depot			
1. Total Capacity Index (DLHs)	1,849.000	1,849.000	1,849.000
2. Utilized Capacity Index (DLHs)	1,996.989	3,005.800	2,015.000
3. Reserve Capacity Index (DLHs)	(92.000)	190.000	34.000
4. Overhead Costs (as specified)	39.080	35.164	40.359
5. IMC Requirement	-	3.613	0.742
6. Funded IMC ($s)	1.180	3.613	0.742
Tobyhanna Army Depot			
1. Total Capacity Index (DLHs)	3,765.000	3,765.000	3,765.000
2. Utilized Capacity Index (DLHs)	3,070.075	4,079.000	3,020.000
3. Reserve Capacity Index (DLHs)	905.000	850.000	745.000
4. Overhead Costs (as specified)	30.531	26.587	33.906
5. IMC Requirement	7.339	6.002	6.709
6. Funded IMC ($s)	2.165	6.002	6.709
Total IMC Requirement	12.325	19.738	16.450
Total IMC Funding	5.826	19.738	16.450

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Material Inventory Data
($ in Millions)

FY 2003

		------Peacetime------		
	Total	Mobilization	Operating	Other
Material Inventory BOP	102.7	0.0	102.7	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	850.7	0.0	850.7	0.0
B. Purchase of long lead items in advance of customer orders (+)	36.5	0.0	36.5	0.0
C. Other Purchases (list) (+)	0.0	0.0		0.0
D. Total Purchases	887.2	0.0	887.2	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	854.4		854.4	
B. Disposals, theft, losses due to damages (-)	-42.5	0.0	-42.5	0.0
C. Other reductions (list) (-)	-14.2		-14.2	
D. Total inventory adjustments	797.8	0.0	797.8	0.0
Material Inventory EOP	192.2	0.0	192.2	0.0

FY 2004

		------Peacetime------		
	Total	Mobilization	Operating	Other
Material Inventory BOP	192.2	0.0	192.2	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	1,520.3	0.0	1,520.3	0.0
B. Purchase of long lead items in advance of customer orders (+)	36.5	0.0	36.5	0.0
C. Other Purchases (list) (+)	0.0	0.0		0.0
D. Total Purchases	1,556.8	0.0	1,556.8	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,661.0		1,661.0	
B. Disposals, theft, losses due to damages (-)	-43.1	0.0	-43.1	0.0
C. Other reductions (list) (-)	0.0			
D. Total inventory adjustments	1,617.9	0.0	1,617.9	0.0
Material Inventory EOP	131.0	0.0	131.0	0.0

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Depot Maintenance

Material Inventory Data
($ in Millions)

FY 2005

		------Peacetime------		
	Total	Mobilization	Operating	Other
Material Inventory BOP	131.0	0.0	131.0	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	888.5		888.5	
B. Purchase of long lead items in advance of customer orders (+)	36.5		36.5	
C. Other Purchases (list) (+)	0.0			
D. Total Purchases	925.0	0.0	925.0	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	994.3		994.3	
B. Disposals, theft, losses due to damages (-)	-43.7		-43.7	
C. Other reductions (list) (-)	0.0			
D. Total inventory adjustments	950.5	0.0	950.5	0.0
Material Inventory EOP	105.5	0.0	105.5	0.0

OPERATING BUDGET

Ordnance

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Ordnance

Functional Description

The Ordnance activity group produces armaments and munitions; manufactures, renovates, and demilitarizes material; and provides ammunition stockpile management for all Services within the Department of Defense and for foreign military customers. Three activities of the U.S. Army Materiel Command manage the activity group. The Tank-automotive and Armaments Command, located at Warren MI, manages Rock Island Arsenal, Watervliet Arsenal, and Sierra Army Depot. The Chemical Materials Agency, located at Aberdeen Proving Ground, MD, manages Pine Bluff Arsenal. The remaining installations or activities are managed by the Army Field Support Command, located at Rock Island, IL.

The Ordnance activity group provides an organic industrial capability to manufacture and sell quality munitions and large caliber weapons critical to the Army's capability to execute its warfighting mission. A number of these facilities provide the full range of ammunition maintenance for modern weapons. The activity group also provides logistics management, including follow-on procurement, production, maintenance, engineering, and integrated logistics support management of ordnance for all U.S. Military Services. Additionally, seven of the eight activities provide installation base support to tenant activities.

Activity Group Composition

Pine Bluff Arsenal (PBA) **Pine Bluff, AR**
Primary manufacturing capabilities include conventional ammunition and chemical and biological defense items to include: white phosphorous and red phosphorous munitions fill; signaling and obscuring smokes; incendiaries; irritants; and production and rebuild of decontaminating kits, large filters, masks and defensive chemical test equipment. Provides base support to tenants.

Rock Island Arsenal (RIA) **Rock Island, IL**
Primary materiel and industrial capabilities include aircraft weapons, infantry weapons, air defense weapons and artillery; armament for tanks, artillery, personnel and cargo carriers; and special tools and tool sets. Major in-house programs include: Maintenance Truck, Heavy; spare parts for M119 and M198 Towed Howitzers; Explosive Ordnance Disposal vehicles; and 120MM Gun Mount for Abrams Main Battle Tank. Provides base support to tenants.

Watervliet Arsenal (WVA) **Watervliet, NY**
Primary materiel and industrial responsibilities include mortars, recoilless rifles, cannon for tanks and towed and self-propelled artillery, special tool sets, and training devices and simulators. Major in-house programs include: M256 Gun Tube, M284/M109A6

Howitzer, and XM297 Howitzer. Provides base support to tenants.

Crane Army Ammunition Activity (CAAA) **Crane, IN**
Primary materiel and industrial responsibilities include manufacturing; load and assembly; supply depot operations; and renovation, maintenance, and demilitarization of conventional ammunition and ammunition-related components. CAAA is a tenant on Crane Division, Naval Surface Warfare Center.

McAlester Army Ammunition Activity (McAAP) **McAlester, OK**
Primary materiel and industrial responsibilities include rapid outload, maintenance, and demilitarization of conventional ammunition and missiles, and ammunition manufacturing. McAAP is the premier bomb loading facility for DoD. Provides base support to tenants.

Sierra Army Depot (SIAD) **Herlong, CA**
Primary materiel and industrial responsibilities include receipt, storage, repair, assembly, disassembly, and shipment of major and secondary items for operational project stocks. Also provides storage, inventory, and surveillance of ammunition stocks destined for demilitarization. Provides base support to tenants.

Tooele Army Depot (TEAD) **Tooele, UT**
Primary materiel and industrial responsibilities include design and development of Ammunition Peculiar Equipment. Stores, maintains, distributes, and demilitarizes conventional ammunition. Provides base support to tenants.

Blue Grass Army Depot (BGAD) **Richmond, KY**
Primary materiel and industrial responsibilities include receipt, issue, storage, testing, and minor repair of Chemical Defense Equipment. Stores, maintains, distributes, and demilitarizes conventional ammunition. Provides base support to tenants.

Red River Munitions Center (RRMC) **Texarkana, TX**
Stores, maintains, distributes, and demilitarizes conventional ammunition and is a tenant on Red River Army Depot.

Letterkenny Munitions Center (LEMC) **Chambersburg, PA**
Stores, maintains, distributes, and demilitarizes conventional ammunition and is a tenant on Letterkenny Army Depot.

Army Working Capital Fund
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Anniston Munitions Center (ANMC) **Anniston, AL**
Stores, maintains, distributes, and demilitarizes conventional ammunition and is a tenant on Anniston Army Depot.

Budget Highlights

Overview:

The FY 2005 President's Budget for the Ordnance Activity Group represents a significant increase in workload from the estimates contained in the FY 2004 President's Budget. The driving force behind this is the Global War on Terrorism (GWOT). The FY 2004 President's Budget contained peacetime level projections for FY 2003 through FY 2005. This budget reflects the effect of increased operating tempo in Iraq and Afghanistan. As a result, FY 2003 and FY 2004 order levels, costs and revenue substantially exceed levels previously presented to the Congress. FY 2005 estimates contained in this submission reflect a return to peacetime funding levels; however, the Ordnance activity group is capable of surging to meet increased workload requirements as was accomplished in FY 2003 and FY 2004, should this prove necessary.

Personnel:

Civilian End Strength (ES) and Full Time Equivalent (FTE) estimates for FY 2003 through FY 2005 have increased from the levels of the FY 2004 President's Budget to support the GWOT; however, ES and FTEs are budgeted for a downward glide path towards normal peacetime levels in FY 2005. FTEs will temporarily increase in FY 2004 to work off the high level of surge carry-in orders from FY 2003. This will be accomplished with temporary personnel and overtime.

	FY 2003	FY2004	FY2005
Civilian End Strength	6,280	6,331	5,607
Civilian FTEs	5,993	6,495	5,727
Military End strength	15	15	15
Military Average Strength	15	15	15

Army Working Capital Fund
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Revenue, Costs, Operating Results, and Rates:

Revenue:

Actual revenue for FY 2003 was $156.8 million higher than budgeted because of higher workload driven by the surge in new orders to support the Global War on Terrorism (GWOT). Similarly, the current FY 2004 revenue estimate is $351.4 million higher than previously budgeted. This increase is due to a combination of more new workload than expected and workload being carried forward from FY 2003. The latter includes about $100 million to reposition and upgrade conventional ammunition stocks to better support the combatant commanders. The current estimate for FY 2005 revenue reflects a return to peacetime operating levels with the addition of some carry-in workload from FY 2004 to support the GWOT.

Costs:

The actual "Cost of Goods and Services Sold" for FY 2003 was $188.6 million higher than budgeted because of increased workload to support the GWOT. The current estimate for FY 2004 costs is also $314.1 million higher than in the prior submission because of new workload and the surge in carry-in orders from FY 2003. Executing this workload requires higher costs for both personnel and contracts. In FY 2004 ammunition stocks are being repositioned and upgraded to better support the demands of combat units. Infrastructure improvements are also being made at ammunition depots, such as widening roads, upgrading railroad surfaces, and upgrading warehouse gates. The FY 2005 cost estimate reflects a return to peacetime operating levels. Personnel and contract costs both return to a more normal level.

Operating Results and Rates:

The actual FY 2003 Net Operating Results (NOR) were $31.9 million lower than budgeted. This was driven by a $65.5 million reduction in direct appropriation funding for Industrial Mobilization Capacity (IMC), which was only partially offset by better than expected financial performance due to increased workload. As a result, FY 2003 Accumulated Operating Results (AOR) were $45.6 million lower than budgeted. The current estimate for FY 2004 NOR is $36.8 million higher than in the previous submission due to increased workload execution in support of the GWOT. The ending AOR for FY 2004 is projected to be $8.9 million lower than previously estimated. The FY 2005 customer revenue rate has been set at $88.32 per Direct Labor Hour (DLH) in the current submission. This represents an increase from the FY 2004 rate, which was set well below the expense rate in order to return prior-year gains to customers. The FY 2005 rate is still below the expense rate, but reflects the return of the FY 2004 AOR over two years (FY 2005 and FY 2006) to allow the rate to return gradually to a normal

level.

	FY 2003	FY 2004	FY 2005
Revenue ($M)	765.8	951.9	743.6
Cost of Goods & Services Produced ($M)	793.8	985.6	814.6
Cost of Goods & Services Sold ($M)	797.2	987.0	814.6
Net Operating Results ($M)	-31.8	-35.6	-71.1
Accumulated Operating Results ($M)	136.1	100.5	29.4
Customer Revenue Rate per DLH	$69.07	$70.05	$88.32
Percent Change from Prior Year	-27.0%	1.4%	26.1%
Unit Costs ($/DLH)	137.88	143.04	165.27
DLH (000)	5,782	6,900	4,929
Percentage of Overtime	16.7%	20.1%	8.6%

Cash Collections, Disbursements and Net Outlays:

FY 2003 collections are far lower than revenue, because $147.3 million of advance billings were made at the end of FY 2002 to improve the cash position. These advance billings were all worked off during FY 2003. Net outlays are consistent with Net Operating Results (NOR), when adjusted for these advance collections. FY 2004 and FY 2005 outlays are also consistent with NOR for these years. No advance billings are projected in this budget.

($ in millions)	FY 2003	FY 2004	FY 2005
Collections	604.3	951.2	744.3
Disbursements	781.9	982.1	840.6
Net Outlays	177.7	30.9	96.3

Carryover:

Carryover is the amount of work funded but not yet performed by the end of the fiscal year. The new order carryover ceilings are based on a weighted average of the outlay rates for the customer appropriations that are the source of the orders. The table below shows the ceilings and amounts of funding that are budgeted for workload carryover for each year. The actual new order carryover for FY 2003 exceeded the ceiling by $96.6 million because of an unbudgeted surge in new orders, which came in near the end of the fiscal year. These orders were in support of the Global War on Terrorism (GWOT). This surge carryover will be worked off during FY 2004 by hiring temporary personnel and increasing overtime. The projected carryover levels for FY 2004 and FY 2005 are both well under the carryover ceilings.

Army Working Capital Fund
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($ in millions)	FY 2003	FY 2004	FY 2005
New Orders (excl. Non-DoD, & BRAC)	781.1	529.9	465.8
New Order Carry-over Ceiling	311.7	252.1	208.2
Planned New Order Carry-over	408.3	178.4	117.6

Performance Indicators:

Performance Indicators include Net and Accumulated Operating Results (financial), Schedule Conformance (timeliness), Scrap/ Rework/ Repair Costs, Quality Deficiency Reports (QDRs) and Customer Satisfaction (quality) and Productive Yield (productivity). FY 2003 actual results and goals for FY 2004 and FY 2005 are shown in the table below. Net Operating Results (NOR) represent the difference between costs and revenues in an accounting period. Accumulated Operating Results (AOR) represent the aggregate of all recoverable net earnings, including prior year adjustments, since inception of the activity. The goal of the Defense Working Capital Fund (DWCF) is to break even over time, so rates are normally set to bring AOR to zero in the budget year. Schedule conformance represents the percentage of units produced that are delivered to the customer on time. Scrap, Rework and Repair represents the percentage of the total cost incurred for rework on account of defects. The QDR measure represents the average days required to resolve quality deficiencies. Customer Satisfaction represents the percentage of units delivered to customers that receive complaints. Productive Yield represents the average number of regular Direct Labor Hours (DLH) for each Full Time Equivalent (FTE) working on the product to be delivered. Productive Yield for FY 2003 exceeded the FY 2004 President's Budget goal of 1,578 DLHs per direct FTE. We expect to meet the long-term goal of 1,615 DLH per direct FTE in FY 2004 and FY 2005.

Performance Measure	FY 2003	FY 2004	FY 2005
1. NOR (Achieve PRESBUD Goal)	-$31.7M	-$35.6M	-$71.1M
2. AOR (Achieve PRESBUD Goal)	$136.1M	$100.5M	$29.4M
3. Schedule Conformance (96% of units on time)	96%	96%	96%
4. Scrap, Rework, Repair (2% or less of Total Item Cost)	2%	2%	2%
5. QDRs (Close in 48 days or less)	44	44	44
6. Customer Satisfaction (complaints not greater than 2%)	2%	2%	2%
7. Productive Yield (1,615 DLH per FTE)	1,614	1,622	1,620

Army Working Capital Fund
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Direct Appropriations.

This submission includes a request for direct funds for Industrial Mobilization Capacity (IMC), formerly known as Unutilized Plant Capacity (UPC), in the Defense Working Capital Fund, Army (DWCF, A) appropriation. Full funding of the FY 2003 IMC requirement was requested in the FY 2003 President's Budget. However, in the FY 2003 Defense Appropriations Act, the DWCF appropriation was reduced by $148.6 million; $65.5 million of this reduction was absorbed by the Ordnance IMC requirement. The FY 2004 National Defense Appropriations Act fully funded the FY 2004 IMC requirement. The Army is once again requesting full funding of IMC in FY 2005. This funding is critical to cover the cost of ownership for industrial capacity, which the Ordnance business is retaining for mobilization contingencies and not for current production. If full funding is not received, the unfunded costs will be charged to Ordnance customers through higher billing rates in future years.

($ in millions)	FY 2003	FY 2004	FY 2005
Industrial Mobilization Capacity, Ordnance	54.2	94.2	83.2

Capital Budget:

The current request for FY 2004 is $24.3 million lower than the FY 2004 President's Budget request and $9.0 million lower for FY 2005. The FY 2004 Department of Defense Appropriations Act fully funded the White Phosphorous Facility Upgrade at Pine Bluff Arsenal. As a result, the CIP authority for this project requested in the FY 2004 President's Budget is no longer required. The Vertical Heat Treatment System at Rock Island Arsenal and the Sorbent Powder Production Line at Pine Bluff were canceled in FY 2005 to fund higher priority projects. About $5.9 million of additional funding was provided for "Various Capital Equipment projects under $500 thousand". The Ordnance CIP is comprised of four project categories:

Equipment: In FY 2004, Pine Bluff Arsenal will replace the current production line for the M295 Individual Equipment Decontamination Kit and Rock Island Arsenal will purchase a Computer Numerical Control (CNC) Milling Machine. Crane Army Ammunition Activity and Rock Island Arsenal will purchase lathes for quicker and more accurate machining of parts. In FY 2005, Crane will replace old and failing alarm systems in ammunition and explosive storage structures that are a security risk. McAlester Army Ammunition Plant will purchase an Emergency Electric Generator (Diesel/Natural Gas) to ensure continuity of operations in the event of sabotage. Various minor capital equipment projects will be purchased in FY 2004 and FY 2005 to improve efficiency, reduce maintenance costs, increase capacity, replace unsafe or unusable assets, and allow compliance with regulatory agency mandates

Minor Construction: Minor construction projects in FY 2004 and FY 2005 will be undertaken to replace or upgrade installation facilities that cause poor working conditions or health hazards, reduce productivity, lack energy conservation features, compromise security, or fail to comply with fire and safety codes.

Automated Data Processing Equipment (ADPE): Purchasing the Network Enterprise Management System at Rock Island Arsenal in FY 2004 will enable network managers to implement software upgrades and diagnose and fix user problems from a central point. Other Miscellaneous ADPE projects in FY 2004 and FY 2005 will be undertaken to replace obsolete and unrepairable equipment with state-of-the-art equipment.

Software: Funding continues in FY 2004 and FY 2005 for the Army Workload and Performance System (AWPS), a congressionally mandated project that employs state-of-the-art software technology to better manage complex workload and personnel strategies for depot maintenance, ammunition, base operations, logistics and manufacturing workload. In FY 2004, the Industrial Base Modernization projects will modernize the logistics chain processes at Watervliet and Pine Bluff Arsenals and integrate the numerous legacy systems within the standard Enterprise Resource Planning (ERP) solution of the Logistics Modernization Program.

($ in millions)	FY 2003	FY 2004	FY 2005
Equipment	9.6	10.7	18.2
ADPE & Telecommunications	0.0	2.6	3.2
Minor Construction	1.4	8.5	9.1
Software	4.7	12.3	2.6
TOTAL Capital Investment Program	15.7	34.2	33.1

Army Working Capital Fund
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Revenue and Expenses
($ in Millions)

	FY 2003	FY 2004	FY 2005
Revenue			
Gross Sales:	711.7	857.7	660.4
Operations	694.9	839.3	640.7
Surcharges	0.4	0.5	0.1
Depreciation excluding Major Construction	16.3	18.0	19.6
Major Construction Depreciation			
Other Income (DWCF - IMC)	54.2	94.2	83.2
Total Income:	765.8	951.9	743.6
Expenses			
Salaries and Wages:	391.4	476.9	417.6
Military Personnel Compensation & Benefits	1.5	1.4	1.6
Civilian Personnel Compensation & Benefits	389.8	475.5	416.0
Travel & Transportation of Personnel	4.4	6.4	6.4
Materials & Supplies (For Internal Operations)	131.2	138.2	120.7
Equipment	13.4	17.1	15.1
Other Purchases from Revolving Funds	57.9	55.7	56.4
Transportation of Things	5.5	1.9	1.9
Depreciation - Capital	16.3	18.0	19.6
Printing and Reproduction	0.7	0.5	0.5
Advisory and Assistance Services	16.5	16.4	16.2
Rent, Communication, Utilities, & Misc. Charges	24.5	30.8	30.8
Other Purchased Services	131.9	223.8	129.5
Total Expenses:	793.8	985.6	814.6
Operating Result	-28.0	-33.7	-71.0
Less Surcharge Reservations	0.4	0.5	0.1
Cash (Carried Over)	0.4	0.5	0.1
Other Changes Affecting NOR:	-3.4	-1.4	
Net Change in Work in Process	3.4	1.4	
Net Operating Result	-31.8	-35.6	-71.1
Prior Year Adjustments (Current Year)	-13.7		
Non-Recoverable Amounts (Current Year)			
Current Year Recoverable Prior Year Adjustments	-13.7		
Prior Year Recoverable Accumulated Operating Result	181.6	136.1	100.5
Recoverable Accumulated Operating Result	136.1	100.5	29.4
Memo:			
Beginning Work in Process	4.8	1.4	
Ending Work in Process	1.4		
Cost of Goods Sold:	797.2	987.0	814.6

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
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Source of Revenue
($ in Millions)

	FY 2003	FY 2004	FY 2005
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	478.8	224.5	230.1
Operations & Maintenance, ARNG	0.8	0.7	0.6
Operations & Maintenance, AR	0.3		
Subtotal, O&M:	480.0	225.3	230.8
Aircraft Procurement	4.3	5.1	4.1
Missile Procurement	3.3	4.4	4.3
Weapons & Tracked Combat Vehicles	9.7	8.5	11.8
Procurement of Ammunition	64.4	61.3	45.7
Other Procurement	42.7	21.9	15.4
Subtotal, Procurement:	124.4	101.2	81.4
RDTE	8.0	8.1	6.7
BRAC	1.3	0.5	0.6
Family Housing	1.9	2.1	2.1
Military Construction	1.3		
Chem Agents & Munitions Dest, Army	6.8	8.2	8.5
Other	1.1	0.9	0.8
Subtotal, Department of Army:	624.8	346.3	330.7
Department of Air Force O&M	7.1	11.0	11.6
Department of Air Force Investment	1.7	17.4	21.0
Department of Navy O&M	3.7	2.6	4.3
Department of Navy Investment	4.8	36.9	5.7
US Marines O&M	3.8	2.4	2.1
US Marines Investment	12.8	14.8	19.5
Department of Defense O&M	0.3	0.0	0.0
Department of Defense Investment	0.0		
Subtotal, Other DoD Services:	34.4	85.2	64.3
Other DoD Agencies:	9.6	9.3	6.2
Other DoD Agencies	7.4	9.3	6.2
CAWCF	2.2		

Army Working Capital Fund
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Source of Revenue
($ in Millions)

	FY 2003	FY 2004	FY 2005
b. DWCF:			
Depot Maintenance, Army	3.1	7.6	4.5
Information Services, Army			
Ordnance, Army	2.2	4.3	2.0
Supply Management, Army	87.1	59.8	42.4
Supply Management, Air Force	1.0	0.0	0.0
Supply Management, Navy	2.7	0.3	0.3
Supply Management, Marine Corps			
DECA	0.1	0.1	0.1
DFAS	1.5	1.9	1.9
DISA			
DLA	1.7	0.2	0.2
JLSC			
TRANSCOM			
Other	14.2	15.5	13.9
Subtotal, DWCF:	113.6	89.7	65.3
c. Total DoD	782.4	530.5	466.4
d. Other Orders:	49.9	57.1	54.4
Other Federal Agencies	18.4	15.1	15.1
Foreign Military Sales	18.7	30.7	12.3
Trust Fund			
Nonappropriated	0.4	5.5	5.4
Non-Federal Agencies	12.4	5.8	21.6
Total New Orders:	832.4	587.6	520.8

Carry-over Calculation	FY 2003	FY 2004	FY 2005
New Orders (excluding FMS, Non-Dod and BRAC)	781.1	529.9	465.8
New Order Carry-over Ceiling	311.7	252.1	208.2
Planned Carry-over	408.3	178.4	117.6

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
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Changes in Costs of Operation
($ in Millions)

			Expenses
FY 2003	**Actual Cost**		793.8
FY 2004	**Estimate in President's Budget**		673.5
Pricing Adjustments			11.3
	FY 2004 Pay Raise		
	Civilian Personnel		7.5
	Military Personnel		0.0
	Other Price Growth		3.7
Program Changes			300.8
	Personnel Costs (other than A-76)	115.1	
	Travel and Transportation of Personnel	0.7	
	Material and Supplies (Internal Operations)	49.5	
	Equipment	9.7	
	Other Purchases from Revolving Funds	8.4	
	Transportation of Things	-2.3	
	Depreciation	-1.6	
	Printing and Reproduction	-0.4	
	Advisory and Assistance Services	1.4	
	Rent, Communications, Utilities and Miscellaneous Charges	8.3	
	Other Purchased Services	111.9	
FY 2004	**Current Estimate**		985.6
Pricing Adjustments			20.1
	Annualization of Prior Year Pay Raises		1.9
	FY 2005 Pay Raise		9.9
	Civilian Personnel	9.9	
	Military Personnel	0.0	
	Fund Price Changes		1.3
	General Purchase Inflation		7.0
Program Changes			-191.1
	Personnel Costs (other than A-76)	-71.2	
	Travel and Transportation of Personnel	-0.1	
	Material and Supplies (Internal Operations)	-19.8	
	Equipment	-2.3	
	Other Purchases from Revolving Funds	-0.6	
	Transportation of Things	-0.1	
	Depreciation	1.6	
	Printing and Reproduction	0.0	
	Advisory and Assistance Services	-0.3	
	Rent, Communications, Utilities and Miscellaneous Charges	-0.4	
	Other Purchased Services	-98.0	
FY 2005	**Estimated Cost**		814.6

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
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Industrial Mobilization Capacity
($ and DLHs in Millions)

	FY 2003	FY 2004	FY 2005
Pine Bluff Arsenal			
1. Total Capacity Index (DLHs)	2.512	2.288	3.020
2. Utilized Capacity Index (DLHs)	0.725	0.704	0.721
3. Reserve Capacity Index (DLHs)	1.787	1.584	2.299
4. Overhead Costs (as specified)	0.000	29.674	32.294
5. IMC Requirement	24.665	20.544	22.166
6. Funded IMC ($s)	11.165	20.544	22.166
Rock Island Arsenal			
1. Total Capacity Index (DLHs)	1.797	1.833	1.585
2. Utilized Capacity Index (DLHs)	0.618	0.625	0.585
3. Reserve Capacity Index (DLHs)	1.179	1.208	1.000
4. Overhead Costs (as specified)	0.000	19.847	20.095
5. IMC Requirement	14.808	12.907	7.917
6. Funded IMC ($s)	6.703	12.907	7.917
Watervliet Arsenal			
1. Total Capacity Index (DLHs)	0.728	0.697	0.653
2. Utilized Capacity Index (DLHs)	0.163	0.162	0.118
3. Reserve Capacity Index (DLHs)	0.565	0.535	0.535
4. Overhead Costs (as specified)	0.000	18.523	18.771
5. IMC Requirement	25.224	14.226	13.175
6. Funded IMC ($s)	11.418	14.226	13.175
Crane Ammo Activity			
1. Total Capacity Index (DLHs)	2.715	3.482	3.425
2. Utilized Capacity Index (DLHs)	0.786	0.754	0.686
3. Reserve Capacity Index (DLHs)	1.929	2.728	2.739
4. Overhead Costs (as specified)	0.000	22.762	23.520
5. IMC Requirement	15.941	20.113	18.214
6. Funded IMC ($s)	7.216	20.113	18.214
McAlester Army Ammo Plant			
1. Total Capacity Index (DLHs)	3.678	6.919	6.763
2. Utilized Capacity Index (DLHs)	1.069	1.120	0.952
3. Reserve Capacity Index (DLHs)	2.609	5.799	5.811
4. Overhead Costs (as specified)	0.000	21.006	19.992
5. IMC Requirement	20.723	17.842	13.910
6. Funded IMC ($s)	9.381	17.842	13.910

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
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Industrial Mobilization Capacity
($ and DLHs in Millions)

	FY 2003	FY 2004	FY 2005
Blue Grass Army Depot			
1. Total Capacity Index (DLHs)	0.833	1.840	1.781
2. Utilized Capacity Index (DLHs)	0.553	0.548	0.489
3. Reserve Capacity Index (DLHs)	0.280	1.292	1.292
4. Overhead Costs (as specified)	0.000	7.140	7.549
5. IMC Requirement	4.164	4.560	4.122
6. Funded IMC ($s)	1.885	4.560	4.122
Sierra Army Depot			
1. Total Capacity Index (DLHs)	0.599	0.511	0.498
2. Utilized Capacity Index (DLHs)	0.395	0.342	0.329
3. Reserve Capacity Index (DLHs)	0.204	0.169	0.169
4. Overhead Costs (as specified)	0.000	2.560	2.560
5. IMC Requirement	12.723	2.253	2.051
6. Funded IMC ($s)	5.759	2.253	2.051
Tooele Army Depot			
1. Total Capacity Index (DLHs)	0.716	0.541	0.577
2. Utilized Capacity Index (DLHs)	0.347	0.346	0.383
3. Reserve Capacity Index (DLHs)	0.369	0.195	0.194
4. Overhead Costs (as specified)	0.000	2.089	2.139
5. IMC Requirement	1.425	1.717	1.626
6. Funded IMC ($s)	0.645	1.717	1.626
Total IMC Requirement	119.673	94.162	83.181
Total IMC Funding	54.172	94.162	83.181

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
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Material Inventory Data
($ in Millions)

FY 2003

			------Peacetime------	
	Total	Mobilization	Operating	Other
Material Inventory BOP	36.0		36.0	
Purchases				
A. Purchases to Support Customer Orders (+)	129.5		129.5	
B. Purchase of long lead items in advance of customer orders	0.0			
C. Other Purchases (list) (+)	0.0			
D. Total Purchases	129.5	0.0	129.5	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	131.2		131.2	
B. Disposals, theft, losses due to damages (-)	9.4		9.4	
C. Other reductions (list) (-)	-11.0		-11.0	
D. Total inventory adjustments	129.5	0.0	129.5	0.0
Material Inventory EOP	36.0	0.0	36.0	0.0

FY 2004

			------Peacetime------	
	Total	Mobilization	Operating	Other
Material Inventory BOP	36.0	0.0	36.0	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	138.2		138.2	
B. Purchase of long lead items in advance of customer orders	0.0			
C. Other Purchases (list) (+)	0.0			
D. Total Purchases	138.2	0.0	138.2	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	138.2		138.2	
B. Disposals, theft, losses due to damages (-)	9.6		9.6	
C. Other reductions (list) (-)	0.0			
D. Total inventory adjustments	147.8	0.0	147.8	0.0
Material Inventory EOP	26.4	0.0	26.4	0.0

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
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Material Inventory Data
($ in Millions)

	FY 2005			
			------Peacetime------	
	Total	Mobilization	Operating	Other
Material Inventory BOP	26.4	0.0	26.4	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	120.7		120.7	
B. Purchase of long lead items in advance of customer orders	0.0			
C. Other Purchases (list) (+)	0.0			
D. Total Purchases	120.7	0.0	120.7	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	120.7		120.7	
B. Disposals, theft, losses due to damages (-)	9.8		9.8	
C. Other reductions (list) (-)	0.0			
D. Total inventory adjustments	130.5	0.0	130.5	0.0
Material Inventory EOP	16.6	0.0	16.6	0.0

CAPITAL BUDGET

Capital Investment Summary
Department of the Army
Supply Management, Army
February 2004

($ in Millions)

Line No.	Description	FY 03		FY 04		FY 05	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	AUTOMATED DATA PROCESSING						
03-1	Acquisition System Servers	7	1.780				
04-3	Terminal Servers			1	0.894		
	ADP TOTAL	7	1.780	1	0.894		
	SOFTWARE						
97-6	Single Stock Fund (SSF)	3	31.797	3	7.710	2	2.388
99-4	Commercial Asset Visibility II (CAV II)	27	1.728	25	1.397		
00-2	Logistics Modernization Program (LMP)	1	32.893	3	28.050	2	21.529
98-14	Common Operating Environment (COE)	1	4.481	1	2.066	1	1.300
04-8	Electronic Data Interchange (EDI)			1	1.235	1	0.437
04-7	Exchange Pricing (EP)	3	20.900	1	1.477	1	9.407
	SOFTWARE TOTAL	35	91.799	34	41.935	7	35.061
	Activity TOTAL	42	93.579	35	42.829	7	35.061
	Total Capital Outlays		49.900		70.000		25.900
	Total Depreciation Expense		64.400		67.700		61.200

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission
AUTOMATED DATA PROCESSING ($ in Thousands)										FY 2005 OSD/OMB Budget Submission
B. Component, Activity Group, Date Supply Management, Army Feb 04				C. Line No 04-3	Item Description Terminal Servers					D. Activity Identification CECOM
				FY 03			FY 04			FY 05		
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Hardware/Software							1	893.500	893.500			
TOTAL							1		893.500			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, the Acquisition Center has stand alone desktops, which require tremendous administrative support to maintain, upgrade, provide security, and load software. This limits the amount of resources available for other hardware/software projects that individuals could be involved in. In addition, stand alone desktops are susceptible to destructive viruses.

b. ANTICIPATED BENEFITS: By going to a terminal server environment, this will decrease the number of support personnel needed for administrative purposes. Thus, allowing them to work in other areas of computer support. We will also have the ability to monitor the type of information downloaded on the individual machines which will enhance security and virus protection. Workload productivity will increase due to quicker access to necessary software programs.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Communications-Electronics Command (CECOM) Acquisition center will continue to function and support the mission inefficiently using outdated "dummy" terminal.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:							
Total Cost of the Project	$894	Net Present Value of Benefits:	$1,490	Benefit to Investment Ratio:	2.7	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army Feb 04	97-6	Single Stock Fund (SSF)	Army Materiel Command

Element of Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Total Cost
TRAVEL	1	250.000	250.000	1	20.000	20.000	1	10.000	10.000
CONTRACTS	1	27,507.000	27,507.000	1	4,760.000	4,760.000			
OTH GOV'T AGENCIES	1	4,040.000	4,040.000	1	2,930.000	2,930.000	1	2,378.000	2,378.000
TOTAL	3		31,797.000	3		7,710.000	2		2,388.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army Stock Fund formerly had a horizontal management structure with two points of sale. Supply and financial operations were decentralized to the Army Materiel Command (AMC) for the wholesale level and to other Major Commands (MACOMs) for the retail level. The MACOMs further decentralized retail operations to their installations. Decentralized stock record accounting generated redundant supply inventories and allowed retail managers to order supplies the Army didn't need. The streamlining of operations has eliminated numerous inefficiencies, including multiple points of sale and multiple credit ledgers/billing accounts, and duplicative automated systems managing the same inventory.

b. ANTICIPATED BENEFITS: SSF milestones 1&2, implemented in FY01, have effectively integrated retail and wholesale inventory management and financial accounting functions to produce business process improvements and inventory efficiencies. SSF has eliminated one point of sale for Army managed items— between AMC and the Installation Area Support Groups (ASG). The ASG stocks, formerly in the retail stock fund, are now owned and controlled by the National managers, eliminating duplication of logistical and financial processing and supports velocity management through reduction of order-ship-time and greater visibility of excess assets for redistribution and procurement offsets. Global asset visibility and central ownership of installation inventories will prevent buying what the Army already owns and disposing of what it still needs, thereby increasing readiness. It will also enable central managers to respond more rapidly than the installation could to high priority Non-Mission Capable Supply (NMCS) requisitions. SSF is a re-engineering of Army logistical and financial processes in a legacy system environment. The Army's information technology modernization initiatives, such as the Logistics Modernization Program (LMP) and the Global Combat Support System-Army (GCSS-A), will incorporate these re-engineered processes. MS 1&2 capitalized installation/ASG inventories; MS3 (FY02-03) will capitalize tactical authorized stockage level (ASLs) stocks.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The business rule changes developed for SSF are part of the foundation for the development of the LMP objective system and of the GCSS-A. If funding is not approved SSF, milestone 3 (MS3) will be jeopardized. Funding is required to complete system changes (FY01 & FY02) and systems integration testing (FY02) critical to MS3. A Verification of Initial Operational Capability (VIOC) is to be conducted at Fort Hood, Texas (FY02). Training must also be conducted prior to implementation (FY02-03). As downsizing minimizes funding and resources, the redundancies of processing wholesale and retail systems must be minimized. Also, efficiencies must be gained in the redistribution of assets. Milestone 3 was delayed by 12 months because of decisions to add a VIOC and reinstate requisition processing by "Requisition Order Number/Document Order Number" (RON/DON). In addition, the decision to exclude "Direct Support/Repair Exchange" (DS/RX) will require significant systems changes to Standard Army Retail Standard System (SARSS), Commodity Command Standard System (CCSS) and SSF middleware. Without the requested funding for FY03 the ability to meet the CSA directive to implement this program will be at risk.

d. ECONOMIC ANALYSIS PERFORMED? Yes. The initial Economic Analysis was performed in FY1995. A subsequent Cost Benefit analysis (CBA) was performed in 1997. Another CBA was performed in 1999 and validated by CEAC and AAA. The SSF was directed under Defense Management Report Directives (DMRD) 901 and 927J, November 1989. There have been no significant changes to the SSF program since the 1999 CBA.

ECONOMIC INDICATORS:

Total Cost of the Project	$142,404	Net Present Value of Benefits:	$446,671	Benefit to Investment Ratio:	4.19	Payback Period:	4.45

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army Feb 04	99-4	Commercial Asset Visibility II (CAV II)	Army Materiel Command

Element of Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Total Cost
LABOR	1	492.000	492.000	1	522.000	522.000			
TRAVEL	1	169.000	169.000	1	195.000	195.000			
CONTRACT AWARDS	24	20.500	492.000	22	15.000	330.000			
CSS/NAVY TECH SPT	1	575.000	575.000	1	350.000	350.000			
TOTAL	27		1,728.000	25		1,397.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Under the current asset management system the Inventory Control Points (ICPs) have limited visibility over assets being repaired at commercial contractor sites. There is no automated link to Commodity Command Standard System (CCSS) for accountability reporting and shipment notification and no automated method of reconciling ICP and contractor records to correct imbalances. Physical inventories done at 41 contractor sites showed major inaccuracies in both government and contractor records. CCSS had an accuracy rate of only 42.4%. Assets totaling $350M were not on the CCSS inventory records and assets totaling $12M were not on the contractor records. An additional $31M of assets on the CCSS records were not physically present at the contractor sites.

b. ANTICIPATED BENEFITS: CAV II provides better asset visibility at contractor maintenance sites by facilitating the reporting to CCSS of receipts, inductions, completions, shipments, disposals, and other asset transactions. CAV II improves shipping procedures, measures repair turn-around time and monitors contractor performance. Continued deployments will correct financial and inventory inaccuracies in CCSS and contractor accountable records. Accurate databases will reduce unnecessary procurements at ICPs and optimize stock availability. CAV II will also interface with the Logistics Modernization Program (LMP) after the LMP team tracks CAV II through the solutions demonstration processes. The FY02 funds were used to support CAVII in CCSS to increase visibility, improved shipping procedures, measures repair turn-around and monitors contractor performance and to deploy the system at additional sites.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Financial and inventory inaccuracies in CCSS and the contractors' records will continue to escalate. Accurate visibility of components repaired under National Maintenance Contracts will not be attained. DA direction to expedite the correction of this material weakness will not be implemented.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$8,342	Net Present Value of Benefits:	$355,600	Benefit to Investment Ratio:	28.40	Payback Period:	1.8

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army Feb 04	00-2	Logistics Modernization Program (LMP)	Army Materiel Command

Element of Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Total Cost
Contractor Support	1	32,893.000	32,893.000	1	18,450.000	18,450.000	1	19,929.000	19,929.000
Travel				1	1,600.000	1,600.000	1	1,600.000	1,600.000
Labor				1	8,000.000	8,000.000			
TOTAL	1		32,893.000	3		28,050.000	2		21,529.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The current Army standard logistics systems are based on 25-year-old computer technology and depend on large layered inventory levels to support a forward deployed force against the Cold War enemy. Today's process is characterized by a lack of flexibility and suffers from long shipping times and limited visibility of the supply pipe-line. The Army must re-engineer its logistics processes to provide the flexibility to support today's CONUS-based power projection scenarios and utilize modern information technology enablers that will provide real time visibility of the entire logistics supply chain and support the Revolution in Military Logistics.

b. ANTICIPATED BENEFITS: The Logistics Modernization Program is a ten-year project to correct the noted deficiencies. It will enable the Army to take advantage of commercial expertise, experience, and investments in process improvement and information technology. The Army Materiel Command (AMC) will be able to perform business process re-engineering (BPR), adopt market-driven business practices, and provide significantly improved services. The new process will help us achieve synchronization with Global Combat Support System - Army (GCSSA). The Army will retain Intellectual Property Rights to all documentation with regard to BPR reports and system description and implementation plans. The Supply Management portion of the ten-year investment will total $215 M, part of a $400M program, which also includes the Depot Maintenance Activity Group. **This project was formerly known as Wholesale Logistics Modernization Program (WLMP)**

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: AMC will be forced to maintain inefficient and unduly expensive logistics processes due to the limitations of the current automated system, the Commodity Command Standard System (CCSS). The CCSS contains processes that are outdated, expensive to maintain, and technically vulnerable. The COBOL 74 compiler supporting the system is no longer supported by the manufacturer. These deficiencies will preclude the Army from providing an agile logistics support capability as required.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$129,782	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management Army Feb 04	98-14	Common Operating Environment (COE)	Army Materiel Command

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Software	1	4,481.000	4,481.000	1	2,066.000	2,066.000	1	1,300.000	1,300.000
TOTAL	1		4,481.000	1		2,066.000	1		1,300.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: There are currently about 8,940 disparate non-standard and bridge systems at the various Major Subordinate Commands (MSC) and Separate Reporting Activities (SRA) of AMC, of which approximately 60% support supply management activities. The obsolete design characteristics of these systems impede technology insertions and limit user access. They also hamper efforts to introduce business process improvements and cause logistics costs to rise with each system change. This combination of archaic structure, lack of documentation, and outdated technology makes it extremely difficult to respond to rapidly changing business requirements which demand modern technology.

b. ANTICIPATED BENEFITS: This effort will provide a Windows-based common technology architecture for the various wholesale logistics processes, designed around a client-server model. The COE will allow the users of logistics systems to perform all business functions from a single workstation. Using a Graphical User Interface (GUI) they will be able to integrate data from the various separate logistics systems, thus reducing the time and effort of analyzing the currently fragmented data, which resides on numerous non-standard applications. It will allow the users an interface with the modernized Logistics Modernization Program (LMP) system, when it is developed.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The Army's wholesale supply systems will remain inefficient and costly, even with significant upgrades, such as the LMP. This effort will compliment LMP by providing a common technology architecture to all wholesale logistics processes and by reducing support costs and infrastructure needs.

d. ECONOMIC ANALYSIS PERFORMED? No**.** Directed by DoD in Joint Vision 2010 (Joint Chiefs of Staff Implementation Policy, CJCSI 3010.01), the Defense Planning Guidance (DPG) for FY 1999-2003, and the Quadrennial Defense Review (QDR) of May 1997.

ECONOMIC INDICATORS:

Total Cost of the Project	$33,802	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army Feb 04	04-8	Electronic Data Interchange (EDI)	Army Materiel Command USAMC

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Personnel/Software				1	1,235.000	1,235.000	1	437.200	437.200
TOTAL				1		1,235.000	1		437.200

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Logistics Integrated Database (LIDB) is a key AMC system supporting the management of Army secondary items. LIDB supports DA, AMC and Army MACOM activities by integrating retail and wholesale Army logistics information and providing decision making information in the areas of procurement, stockage, distribution, intransit visibility and consumption rates. LIDB is responsible for Army savings of over $50 million during the last 5 years in secondary item pipeline inventory by providing information to Army task forces, process improvement teams, Army Audit Agency and, AMC and DA staffs which identified and corrected deficiencies in all aspects of secondary item management. As part of transformation, the Army's automated systems are being redesigned. Concurrent with the implementation of new automated systems, the method of collection of secondary item data is changing. DOD has mandated the use of Electronic Data Interchange (EDI) which requires new software and automated programs. Army is also in the forefront for the development of Automated Information Technology (AIT) data collection to manage both the maintenance and distribution of secondary items. This CIP Submission adapts LIDB to these changes. This effort ensures that the LIDB remains capable to support AMC, DA and field army secondary item programs and that savings accrued to date will continue.

b. ANTICIPATED BENEFITS: Continued reduced Army secondary item costs. The quality, timeliness and completeness of secondary item information routed to LIDB by DOD and Army automated logistics systems will be enhanced. Information from secondary item business areas which report information only in EDI or AIT formats can be collected, processed and incorporated in decision making tools which allow for increased performance and reductions in cost.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Secondary item management costs will increase as visibility of key business processes is lost. Problems associated with secondary item procurement levels, stockage, distribution and usage will not be readily resolved. Additionally, LIDB and AMC will not be in compliance with DOD directives which mandates that logistics automated systems be EDI capable. LOGSA will not be able to support HQ AMC EDI development efforts in support of secondary item management.

d. ECONOMIC ANALYSIS PERFORMED: Initial cost comparison was provided.

ECONOMIC INDICATORS:

Total Cost of the Project	$1,672	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army Feb 04	04-7	Exchange Pricing (EP)	Army Materiel Command

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Travel	1	75.000	75.000						
Contracts	1	20,575.000	20,575.000	1	1,477.000	1,477.000	1	9,407.000	9,407.000
Other Gvt. Agencies	1	250.000	250.000						
TOTAL	3		20,900.000	1		1,477.000	1		9,407.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The IT/automation capability and infrastructure in legacy logistical/financial systems to effect EP does not exist. However, objective/emerging systems; i.e., Logistics Modernization (LMP)/Enterprise Resource Planning (ERP), Global Combat Support System (GCSS-Army), Commercial Supply Chain Management - Army (CSCM-A) are expected to contain some, if not all, requisite capability to support EP upon completion of this effort. When EP is fielded in the FY05/06 timeframe, the intent is to leverage the national level LMP/ERP solution that will be incorporated in the GCSS-A field ERP, which will also include CSCM-A requirements contained in EP changes. In short, functionality "blue printing" will be required to ensure EP requirements are accurately reflected in modernized systems. In addition, until these objective systems and processes are fielded, a dual operating environment will be required with some of the essential capabilities as follows: Document Identifier Code (DIC) “trigger” appropriate logistics/financial transactions, and Carcass Tracking/Matching - - the purpose is to tie requisitions and carcass turn-ins together and link unmatched returns to the financial billing process.

b. ANTICIPATED BENEFITS: Implementation of SSF in FY04 marks the completion of integrating retail and wholesale inventory and completely reengineering the underlying logistical and financial processes to produce business process improvement and inventory efficiencies. For example, eliminating multiple points of sale ended duplication in logistical and financial processing and supports Velocity Management by reducing Customer Wait Time (CWT) while providing greater excess asset visibility for redistribution and procurement offsets. SSF constituted a fundamental change in asset management; and is an enhanced logistics/financial operating capability - - a transformation enabler. An essential component of extending the impact of SSF is EP, which is a business efficeincy process in which unserviceable repair parts are exchanged for serviceable items at a net price. It moves the Army towards a restructured price and credit policy, and reparable program for unserviceable Class IX items for FY05. EP creates an incentive for timely return of unservideable reparables. EP helps to promote better control on cash flow since credit will never be paid to Army customers. The challenge is to implement operating procedures and a supporting IT architecture that bridges legacy and emerging systems while simultaneously optimizing the use of Army resources. A vertical integrated SSF and a seamless, integrated supply and maintenance system are essential to this effort. The end-state process must be designed to achieve the following: Supports the capitalization of "Direct Support/Repair Exchange" (DS/RX) assets transitioning into the AWCF, enables a multiple price/exchange price structure, tracks carcass returns and through DICs “triggers” appropriate logistical/financial transactions, reduces logistical & financial transactions, discourages the return of many other items outside the reparable exchange program, and thus positively impacts the AWCF-SMA cash balance.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The Army must continue to closely monitor credit and financial transactions. This is to ensure that more credit is not paid out for unserviceable items than what is sold to our Army customers. This will also mean tracking duplicate transactions in the financial and logistic systems which can take upto 6-7 months in order to ensure requisitiions match credit transactions. Exchange Pricing will mitigate financial problems and will prevent excess credit. Without implementation of EP the Army will not be able to decouple credit from use in pricing and cost factor development. The Army will lose the enhanced IT abilities that EP provides the Logistic Modernization Program , e.g. enhanced asset visibility of Army Direct Support/Reparable Exchange items.

d. ECONOMIC ANALYSIS PERFORMED: No. EA is not required because this program is directed under the Future Logistics Enterprise.

ECONOMIC INDICATORS:

Total Cost of the Project	$31,784	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period: Years	N/A

Department of Army
Supply Management, Army
FY 2003
FY 2005 Budget Estimate

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

($ in Millions)

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY03	Acquisition System Servers	1.780		1.780	1.780		
SOFTWARE							
FY03	Single Stock Fund (SSF)	31.797		31.797	31.797		
FY03	Commercial Asset Visibility II (CAV II)	1.728		1.728	1.728		
FY03	Logistics Modernization Program (LMP)	30.293		30.293	32.893	(2.600)	Reprogramed from COE
FY03	Common Operating Environment (COE)	7.081		7.081	4.481	2.600	Reprogrammed to LMP
FY03	Exchange Pricing (EP)	20.900		20.900	20.900		
FY03	Future Logistics Enterprise (FLE) Transformation	0.520		0.520	0.000	0.520	Cancelled
	TOTAL	94.099		94.099	93.579	0.520	

Department of Army
Supply Management, Army
FY 2004
FY 2005 Budget Estimate

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

($ in Millions)

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY04	Secondary Item Infrastructure Server	1.578		1.578	0.000	1.578	Cancelled
FY04	Terminal Servers	0.894		0.894	0.894		
SOFTWARE							
FY04	Single Stock Fund (SSF)	7.710		7.710	7.710		
FY04	Commercial Asset Visibility II (CAV II)	1.397		1.397	1.397		
FY04	Logistics Modernization Program (LMP)	28.050		28.050	28.050		
FY04	Common Operating Environment (COE)	2.066		2.066	2.066		
FY04	Electronic Data Interchange (EDI)	1.235		1.235	1.235		
FY04	Exchange Pricing (EP)				1.477	(1.477)	No Prior Submission/Approval of Project
	TOTAL	42.930		42.930	42.829	0.101	

Department of Army
Supply Management, Army
FY 2005
FY 2005 Budget Estimate

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

($ in Millions)

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY 05	Secondary Item Infrastructure Server	1.607		1.607	0.000	1.607	Cancelled
SOFTWARE							
FY05	Single Stock Fund (SSF)	2.388		2.388	2.388		
FY05	Logistics Modernization Program (LMP)	21.529		21.529	21.529		
FY05	Common Operating Environment (COE)	1.300		1.300	1.300		
FY05	Electronic Data Interchange (EDI)	0.437		0.437	0.437		
FY05	Exchange Pricing (EP)				9.407	(9.407)	No Prior Submission/Approval of Project
	TOTAL	27.261		27.261	35.061	(7.800)	

Capital Investment Summary
Department of the Army
Depot Maintenance
February 2004
($ in Millions)

Line No.	Description	FY03		FY04		FY 05	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT-Replacement						
03-01	Various Capital Equipment(< 500K)	12	4.651	11	4.244	19	4.967
03-03	X1100-3B Transmission Test Stand	1	1.300				
03-05	M1/M60 Servo Valve Test Stand	1	0.193				
03-02	Fluidized Bed	1	6.795				
03-04	Inertial Sensor Assembly Test Equip	1	1.853				
03-05	Cpontrol Consoles/ Wiring Speed Drive	1	1.643				
03-05	CNC Laser Cutting Machine	1	0.612				
03-07	HP3070 Circuit Board Test System Replacement	2	0.735				
03-08	Engine Disassembly and Cleaning Equipment	1	12.187				
04-01	High Pressure H20 Jet Coating Removal			1	0.500		
04-02	HP3070 Circuit Board Test System			2	0.839		
04-03	ASRS Mini-Load System			1	0.605		
04-04	ASRS System Upgrade			1	4.400		
04-05	Bridge Crane 30- ton Bldg 170			2	1.296		
04-06	Upgrade of IFTE-CEE Test Stations			2	2.734		
04-07	Generator Load Bank			1	0.600		
04-08	XT-1410 Transmission Test Stand			1	0.600		
04-09	CNC Vertical Machining Center			4	1.025		
04-10	Boring Mill			1	0.940		
04-17	H-60 Alignment Fixture			1	1.900		
05-01	Tumble Blast (Rotary)					2	0.689
05-02	Upgrade 10 each Bridge Cranes					10	2.830
05-03	Hydro-Mechanical Test Stand					1	0.640
05-04	Sciaky Resistance Welder					2	0.794
05-05	Cylindrical Grinder Replacement					4	2.594
05-06	Abrasive Waterjet Cutting Machine					1	0.767
05-07	Hydraulic Test Console					1	0.579
05-10	Metalizing Robot					1	0.500
	SUBTOTAL	**21**	**29.969**	**28**	**19.683**	**41**	**14.360**

Capital Investment Summary
Department of the Army
Depot Maintenance
February 2004
($ in Millions)

		FY03		**FY04**		**FY 05**	
Line No.	Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT- Productivity						
03-09	Various Capital Equipment(< 500K)	3	0.590	7	2.732	5	1.443
04-11	Plastic Media Blast System			1	2.083		
05-08	Aircraft Corrosion Control Equipment			1	0.600	1	10.000
05-09	Flight Critical Parts Inspection & Treatment Eqpt					1	8.505
05-11	Large Capacity Spin Blast					1	2.724
05-12	Ind. Plant Equip. for Powertrain/Flexible Maint. Ctr.					1	27.758
	SUBTOTAL	**3**	**0.590**	**9**	**5.415**	**9**	**50.430**
	EQUIPMENT- Environmental						
04-12	Various Capital Equipment(< 500K)			4	1.530		
03-11	Dust Collection System	1	0.688				
04-13	Air Pollution Control Equipment			3	2.001		
	SUBTOTAL	**1**	**0.688**	**7**	**3.531**		
	EQUIPMENT- TOTAL	**25**	**31.247**	**44**	**28.629**	**50**	**64.790**
	MINOR CONSTRUCTION						
02-01	Various Minor Construction <$750K	6	3.126	15	6.409	8	3.274
04-15	Welding Facility			1	0.963		
	MINOR CONSTRUCTION TOTAL	**6**	**3.126**	**16**	**7.372**	**8**	**3.274**
	SOFTWARE						
99-08	Army Workload & Performance System (AWPS)	1	2.943	1	2.265	1	1.397
00-06	Logistics Modernization Program (LMP)	1	7.367	1	6.350	1	6.350
99-10	SDS Data Collection/Shop Flor/AIT	2	6.300				
04-16	ERP/Industrial Base Modernizaiton (IBM)					1	17.706
	SOFTWARE TOTAL	**4**	**16.610**	**2**	**8.615**	**3**	**25.453**
	Activity TOTAL	**35**	**50.983**	**62**	**44.616**	**61**	**93.517**
	Total Capital Outlays		12.179		21.157		30.746
	Total Depreciation Expense		37.866		33.173		33.886

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT - Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	03-01	Various Capital Equipment(< 500K)	All Depots

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05		
Various Other Equip (<$500K)	12	387.583	4,651.000	11	385.818	4,244.000	19	261.421	4,967.000
TOTAL	12		4,651.000	11		4,244.000	19		4,967.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Various depot equipment items have outlived their useful lives, became uneconomical to repair, or become unsafe to operate. Additionally, other equipment is technologically obsolete and its continued use reduces productivity. Some equipment investments are needed to meet environmental requirements.

b. ANTICIPATED BENEFITS: Acquisition of equipment improves productivity, reduces operating costs, and increases capacity which cannot be met with current equipment. The equipment will replace unsafe or inoperable/unusable assets, and/or provide for meeting environmental hazardous waste reduction or regulatory agency mandated requirements. The new equipment will increase reliability and productivity, thus enabling the depot to reduce existing backlog and improve responsiveness to customer needs.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Depot Maintenance equipment will not adequately support the depots' mission, needed capabilities will be deferred, the ability to handle the present and future workloads will be compromised, man-hour expenditures, including overtime, will increase due to the excessive downtime of current equipment, and the accuracy and dependability of the output products will be diminished.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	8895.000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM											A. Budget Submission
EQUIPMENT- Replacement ($ in Thousands)											FY 2005 OSD/OMB Budget Submission
B. Component, Activity Group, Date Army, Depot Maintenance Feb 04				C. Line No 04-01		Item Description HIGH PRESSURE H20 JET COATING REMOVAL					D. Activity Identification ANAD
				FY03			FY04			FY05	
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
HIGH PRESSURE WATER JET COATING REMOVAL							1	500.000	500.000			
TOTAL							1		500.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing waterjet system (Bar Code J5343) was installed in 1994 to provide an environmentally safe way of removing metal spray coating. Programs supported by this equipment include the AGT 1500 Turbine Engine. Significant economical and environmental savings have been generated by this piece of equipment. Prior to purchasing the waterjet system ANAD had to remove the coatings by: chemical cleaning, blasting, and/or machining. ANAD's waterjet system is increasingly becoming outdated and in need of upgrades. It has had 600 hours of downtime the last year along with an estimated $32,000.00 dollars being spent on repair parts. Each year that goes by parts are becoming less available. The operating systems and the motion control servers that are presently available on the market are much more efficient and reliable than the existing ones. Therefore the upgrade will improve the waterjet' reliability and performance. Workload for this project through FY07 is approximately 7,181 AGT 1500 engine modules.

b. ANTICIPATED BENEFITS: Anticipated benefits of the upgrade will be the elimination of downtime and a reduction of maintenance costs. ANAD has had 600 hours of downtime in the past twelve months on this machine. This equates to approximately $47,500.00 dollars. The maintenance cost for the past twelve months has been $32,000.00. With the upgrade ANAD would save a minimum of $47,000.00 which would tend to increase as the present equipment ages. Also, ANAD could reduce the maintenance cost by 50% which would be another $16,000.00 in savings. Total anticipated benefits from the upgrade for one year would be $63,000.00

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: ANAD's existing waterjet system was purchased through the environmental pollution prevention program. This equipment reduced and/or eliminated hazardous waste that was being generated by chemical cleaning and blasting operations in support of the metal spray shop. Without the Waterjet system ANAD could not comply wit ADEM environmental regulations. Present environmental emission and hazardous waste disposal permits will not allow ANAD to increase their emission levels without severe penalties. Thus, ANAI will have to remain totally dependent on the existing waterjet system to provide the necessary production support, which at present is very unpredictable. The Net Present Value of Benefits, Benefit t Investment Ration and the Payback Period are not available due to the fact that Anniston Needed to comply with enviromental regualtion.

d. ECONOMIC ANALYSIS PERFORMED? NO

ECONOMIC INDICATORS:							
Total Cost of the Project	$500	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-02	HP3070 Circuit Board Test System	TYAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
IP01012circuit Board Test System				2	419.500	839.000			
TOTAL				2		839.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Efforts are currently underway in Test Program Development Division to move high volume Test Program Sets (TPS) from existing Genrad 1796 testers to HP3070 test units. TYAD presently has three operational Genrad 1796 testers that support much of the BRAC workload. A four-year production plan has been developed that includes purchasing at least two updated 3070 Series III testers each year. These efforts will result in faster and more reliable testing of Circuit Card Assemblies (CCA). The present cost of maintaining these resources is approximately $100K a year. This cost will rise with each successive out year as repair parts and experienced personnel become harder to find.

b. ANTICIPATED BENEFITS: While additional HP3070 resources will not completely eliminate the need for a 1796 capability, we have determined that 1796 testers can be reduced by two thirds (2/3). The HP3070 testers, being more sophisticated and accurate than the Genrad 1796 test units, will eliminate the current need for multiple test runs through each CCA to pinpoint faults. Quicker test execution times are expected to yield substantial savings due to elimination of multiple test passes on high volume workloads. Additional intangible benefits include a test system that is up-to-date technology and completely supportable and sustainable.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Decrease in ability to test and repair circuit boards. Increase in direct labor costs. Existing test equipment is becoming obsolete.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$839	Net Present Value of Benefits:	$232	Benefit to Investment Ratio:	1.000	Payback Period:	7.000

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-03	ASRS Mini-Load System	TYAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Equipment IP01009/IP0210004				1	605.000	605.000			
TOTAL				1		605.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The depot's Automated Storage and Retrieval System (ASRS) stores small parts and assemblies in metal bins located in high rack assemblies, which are separated by long narrow aisles. Six unmanned mini-load vehicles navigate the aisles to perform the physical storage and retrieval actions. The system's automated positioning system uses photo-optic and bar code technology for navigation and position identification. Vehicle positioning errors cause the system to be shut down while the errors are rectified. These errors occur at an average rate of seven per day and take from 15 minutes to 3 hours to correct. System shutdowns due to positioning errors cause lost productivity in the maintenance shops. The positioning system is 15 yrs old and repair parts are increasingly difficult to obtain.

b. ANTICIPATED BENEFITS: Replacing the current photo-optic/bar code positioning system with laser technology would make the system more accurate and eliminate the shutdowns that cause lost productivity. The vehicle controls would also have to be replaced, since the existing controls would be incompatible with the new positioning technology. New optical modems would improve the communications between the vehicles and the ASRS main computer control system. A reliable storage and retreival system would maintain the flow of stock to the production shops.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The existing system fails nearly seven times daily. The system supports the entire production workload with its material delivery system. When the vehicles fail and needed mission stock is not promptly delivered to the shops, the production personnel are forced to shift to other jobs, which have available bench stock on hand. Based on an analysis of lost productivity caused by delays in parts delivery, it was determined that the system shutdowns were causing a 0.3% productivity loss, which cost $195,561 per year in lost direct labor productivity.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$605	Net Present Value of Benefits:	$1,049	Benefit to Investment Ratio:	2.8	Payback Period:	2.9

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-04	ASRS System Upgrade	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
ASRS System Upgrade				1	4,400.000	4,400.000			
TOTAL				1		4,400.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Anniston is the DoD Center of Excellence for Land Combat Vehicles. The ASRS system provides storage, retrieval, and kitting of parts needed for the overhaul/repair of all maintenance programs performed at the Anniston Army Depot. Currently, the ASRS system contains 9 cranes (3 mini-load and 6 unit-load cranes) which store parts in verticle bins; a Programmable Logic Controller (PLC) controlled conveyor system, and a Personal Computer (PC) manifest system. There are also 9 Automatic Guided Vehicles (AGVs) which carry the loads from the cranes out to personnel responsible for pulling parts. All components are at least 11 years old and many parts are no longer available due to discontinuation, making repairs difficult if not impossible. This leads to significant delays in system repairs and providing parts/kits to the production shops. Costs for parts and labor costs for repairs performed on the ASRS by ANAD personnel in FY 01 was $232,440. Life cycle maintenance cost has been $713,488, not including the cost of service contracts. The average yearly electrical utility cost for ASRS is $394,548.

b. ANTICIPATED BENEFITS: Improved Depot overhaul/repair program support through less downtime on cranes due to mechanical/electrical failure; less AGV downtime due to power supply issues and communications circuit board failure. The computer system modernization will provide a more user friendly interface with early warning maintenance and alarm features for key system components, and enable proper hardware/software updates. The conveyor PLC system will use modern parts that are currently available at local distributors for off-the-shelf repair if needed. Delays in providing critical combat vehicle parts to production shops will be minimized. Further, yearly utility costs will be reduced by 10% ($355K approx.) yearly. Maintenance costs will be reduced to an average of $65.3K per year. Contractor maintenance will remain at $50K per year.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Overhaul and repair programs on M1 Abrams tank Family of Vehicles (FOV), M88 Recovery Vehicle, M60 tank FOV, M551 Reconnaissance Vehicle, M113 FOV, M198 Towed Howitzer, M9 Armored Combat Earthmover (ACE) Vehicle, M109 Paladin, and other could experience significant delays due to ASRS system breakdowns.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$4,400	Net Present Value of Benefits:	$3,477	Benefit to Investment Ratio:	1.858	Payback Period:	5.181

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-05	Bridge Crane 30- ton Bldg 170	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Bridge Crane 30-Ton				2	648.000	1,296.000			
TOTAL				2		1,296.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: In building 170, there is not an existing crane to use on any type of equipment disassembly of any significant weight. Building 170 is 65 feet wide and 200 feet long and has a roof height of 50 feet. The existing crane in building 143 is 1955 vintage crane with a capacity of only 10-ton. The existing 143 crane does not meet current OSHA and Crane Manufacturers Association of American (CMAA) standards. The 10-ton capacity limits the type of work that can be accomplished under the crane.

b. ANTICIPATED BENEFITS: Bring 1955 10-ton crane system up to current OSHA and Crane Manufacturers Association of America (CMAA) requirements and increase it's lift capacity to 30 tons. The 30-ton capacity is required in building 143 because new workloads on M1 AIM 21 and Paladin programs will out of necessity require the relocation of bridge work and turret disassembly, which is currently being worked in building 400. The bridge work that is being displaced from building 400 is planned to be moved to building 170.
The M198 being displaced from the North Bay of building 143 by turret disassembly will also be worked in building 170. The capacity of the building 170 crane will need to be sufficient for lifting 51,000 pounds, which is the approximate weight of a 30-ton bridge. This will fully utilize the under utilized storage area. The crane systems will facilitate the overhaul and maintenance of the M1, M88, M109, M113 vehicles and all towed artillery. The vehicle workload per year is: FY02-633, FY03-549, FY04-624, FY05-654, FY06-726, FY07-681.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: ANAD personnel will have to continue to work under an unsafe and outdated crane system in building 143. The work in 400 will have to be placed in a stop and go procedure. While a bay is being utilized for one program there will be another program that cannot be accomplished until that bay is cleared and retooled. Delays and cost overruns will be unavoidable due to work being done in a bay and other work waiting for the space to accomplished the work. All work requires crane assistance therefore floor space under a crane is a requirement.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,296	Net Present Value of Benefits:	$4,319	Benefit to Investment Ratio:	4.618	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-06	Upgrade of IFTE-CEE Test Stations	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Upgrade of IFTE-CEE Test Stations				2	1,367.000	2,734.000			
TOTAL				2		2,734.00			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The IFTE-CEE (Integrated Family of Test Equipment - Commercial Equivalent Equipment) is the U.S. Army's standardizec test equipment for automated testing of electronic components and assemblies of weapon systems at the depot level. Anniston Army Depot (ANAD) currently utilizes 2 IFTE-EE test stations (# 013 and # 023) to test advanced electronic systems of the M1A1 and M1A2 Abrams Tanks and the M109A6 Paladin Self-Propelled Howitzer. As the Army's weapon system technologies change and advance, the PM-TMDE (Program Manager - Test, Measurement and Diagnostic Equipment) is responsible for maintaining the testing capabilities of the IFTE-CEE test stations for all IFTE-CEE users. The IFTE-CEE test stations were designed and manufactured in the 1980's. Due to technological advances, many of the components and instrumentation in the current IFTE-CEE configuration are obsolete. The PM-TMDE projects that all IFTE-CEE test stations will only remain useable and supportable in their current configuration through year 2005. The PM-TMDE is currently working with the contractor for the IFTE-CEE, Northrop Grumman, to develop a modernization for all IFTE-CEE test stations. The modernization will update the IFTE-CEE's obsolete components before sustainability of the test stations is significantly impacted and the test stations become inoperable. The PM-TMDE does not fund the upgrades, so all IFTE-CEE owners must pay for upgrades of their stations. Due to the cost of this project it must be funded as a capital investment project (CIP). If the needed funding is not obtained, ANAD's test stations will not be upgraded and ANAD will lose its capability to test electronic components and assemblies of the Army's weapon systems.

b. ANTICIPATED BENEFITS: The planned modernization of the IFTE-CEE test stations will replace obsolete instrumentation with new, state-of-the-art instrumentation. The automated electronic testing capabilities of the new test station will be enhanced and the test station configuration will be readily maintainable well into the future. ANAD's electronic testing capabilities will be ensured for support of all current and projected future workload.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the IFTE-CEE test stations are not modernized ANAD will lose its electronic testing capabilities when the test stations become obsolete and unrepairable after year 2005. Without the IFTE-CEE test stations ANAD will not have the needed capabilities to test and repair electronic components of the Army's weapon systems The major weapon systems immediately impacted will be the entire M1 Abrams Family of Vehicles and the M109A6 Paladin Self-Propelled Howitzer. The projected workload for the M1A1/M1A2 Abrams is 194 vehicles in 2004, 224 vehicles in 2005, 250 vehicles in 2006, and 300 vehicles for years 2007 and beyond. The projected workload for the M109A6 Paladin is 33 per year for years 2004 and beyond. Additionally, ANAD will not be capable of executing any potential new future workload requiring electronic component testing and repair.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,734	Net Present Value of Benefits:	$50,839	Benefit to Investment Ratio:	20.853	Payback Period:	5.200

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-07	Generator Load Bank	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Generator Load Bank				1	600.000	600.000			
TOTAL				1		600.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This project is for replacement of the existing load bank that is only capable of testing a 5 megawatt generator. This load bank was pieced together in the 1970s from excess parts. It is unsafe to operate and there is a high potential for government personnel getting seriously injured or killed from electrical contact. There has been a fire caused by this system in the past year that caused several thousands of dollars in damages to equipment stored nearby. This equipment will not test a 7.5 megawatt load bank.

b. ANTICIPATED BENEFITS: This project will provide DGRC with a safe compact unit that can test all generators and will have much fewer downtime problems.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: There is a high degree of probability that a very serious accident will happen with the operation of the existing load bank.

d. ECONOMIC ANALYSIS PERFORMED? No, Project is a covered under exemptions due to Health & Safety issues IAW applicable regulations.

ECONOMIC INDICATORS:

Total Cost of the Project	$600	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-08	XT-1410 Transmission Test Stand	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
XT 1410 Transmission Test Stand				1	600.000	600.000			
TOTAL				1		600.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Anniston has one transmission test stand for testing the XT-1410 series transmission that is used in the M88A1 and A2 recovery vehicles. This test stand was manufactured in 1968 and the components and instrumentation are obsolete and no longer supported by the manufacturer. The oil system is contaminated and no longer used, therefore the operator is forced to manually fill and drain the transmission for each test, and discard the oil upon completion. There is no heating system and the test stand cannot fully stall the transmission, which is a method for heating the transmission, therefore, the warm up period is very long. Shifting and steering is done manually and requires the operator to walk from the control room to the test piece each time. The test stand is down 5% of the time because components and instrumentation are obsolete. During the periods of down time, the transmissions that support the vehicle programs must be purchased from stock in order to keep the assembly line moving. The time required to test a transmission is 7.6 hours. It is estimated that this time can be reduced to 4.6 hours with a new test stand. The workload for return to stock transmissions is 100/year for the life of the project, and 55/year for vehicle programs for the life of the project. The current reject rate is 6%.

b. ANTICIPATED BENEFITS: A new test stand will provide ANAD with a more reliable and accurate piece of equipment, reduced downtime, and transmissions would no longer be purchased out of stock. The test time would be reduced by 3 hours per transmission, and the oil would no longer be discarded and would be reused.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the old test stand is not replaced it will result in more delays in the assembly lines impacting ANAD's ability to support the M88 and continue to test transmission in 7.6 hours.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$600	Net Present Value of Benefits:	$2,796	Benefit to Investment Ratio:	6.121	`	2.455

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-09	CNC Vertical Machining Center	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
CNC Vertical Machining Ctr				4	256.230	1,024.920			
TOTAL				4		1,024.920			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing four machines were procured in 1992 and have exceeded their established service life. These machines support all tracked vehicle, bridge, and small arms programs at Anniston Army Depot. These programs include the M1 FOV, M88 FOV, M9 ACE, M113 FOV and the AVLB. The machines have operated for two shifts during their service life, and in the last two years have experienced significant down time and incurred significant maintenance costs. Current and future workload requires all four machines to operate two shifts per day, 16,000 hours per year. During FY 00 the machines were down a total of 2,172 hours, 13.6% of the available time, and it is estimated this will increase 5% per year for the remainder of their life. Total maintenance costs in FY01 were $ 48,027.29 for the four machines. It is estimated that this cost will increase 5% per year for the remainder of their life. The current a+A15nd future production rate for the four machines is the only rate that is relevant for this analysis.The machines are loaded for 16,000 hours/ year.When the machines are not operational,all programs are impacted, and production schedules are not met.

b. ANTICIPATED BENEFITS: The machines are fully work loaded for two shifts each year. When a machine goes down, the work must be moved to a conventional machine, and is estimated to take four times as long to accomplish the same task. The machines were down a total of 2,172 hours in FY 00, and are estimated to be down 2,640 hours in 2004. This equates to approximately $ 626 K additional labor cost in one year to do the same work using the old machines. The estimated maintenance cost for FY 05 is approximately $ 58,000 for the 4 machines, compared to zero maintenance costs in FY 05 for 4 new machines. Other work centers within the maintenance area depend on the Machining Branch to produce components on time in order for them to produce on time. New, more dependable machines would alleviate delays, which cost other shops dollars and cause delays in production schedules.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: With down time at 16.5% in FY 04 and increasing at a rate of 5% per year, the cost to produce weapon systems for the Army will be much higher for the Machining Branch, and will eventually render them incapable of performing their mission.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,025	Net Present Value of Benefits:	$4,938	Benefit to Investment Ratio:	6.648	Payback Period:	2.287

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-10	Boring Mill	RRAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Boring Mill				1	940.000	940.000			
TOTAL				1		940.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The present Lucas Boring Mill, Bar Code 10083 has reached the end of its service life (20 years). The machine was purchased in 1970, exceeded the service life by 12 years. The manufacturer has gone out of business, parts are difficult to obtain. New controls were added in 1985 but the machine is unable to maintain required tolerances and for which parts are increasingly difficult to obtain resulting in excessive down time causing line stoppages.

b. ANTICIPATED BENEFITS: Production capabilities will be enhanced, resulting in increased benefits: Labor Savings, Maintenance Cost Savings, reducing downtime. This machine will support items such as Bradley/MLRS-Intake Grills, Bradley/MLRS-Exhaust Grills, Bradley Turrets, Track Molds: T107, T130, T142,T-157, Wheel Matrix Molds: Bradley, M88, MLRS Vehicles. The Bradley/MLRS, HEMTT, SEE and HUMMV Programs are expected to remain constant through FY02-09 and if the project is not funded, Army readiness would be in jeopardy. This machine is production of these multiple end items, assemblies, and components.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Repair cost will continue to escalate, a one time fix does not preclude the problem of similar nature from occurring, as there are numerous obsolete parts on the system and failure cannot be ignored, should this happen fielding schedules for the Bradley/MLRS, HEMTT, SEE and HUMMV will be severely impacted. The one time repair is the equivalent of 50% of the new system. Machine Shop Branch cannot be without the Boring Mill for an extended period of time. The accumulated repair cost and down time have accelerated in the last two years maintenance tracking periods. This can be accredited to the increased production requirements and the aging of the Boring Mill Machine. It is estimated that approximately $50,000 c maintenance man hours, down time and material cost have been expended on the Boring Mill Machine. The accumulated cost is equivalent to approx. 1048 hours of maintenance repair and down time with an average rate of 27.27 per hour. The expenditures associated with material cost is calculated at approx. $25,000. It is estimated that the factor of increased maintenance down time and repair cos will accelerate by 20 percent per year for the Boring Mill.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$940	Net Present Value of Benefits:	$2,306	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-17	H-60 Alignment Fixture	AMCOM

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
H-60 Alignment Fixture				1	1,900.000	1,900.000			
TOTAL				1		1,900.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Align H-60 Hawk airframes after major structural repairs associated with corrosion, cracks, “crash damage” and/or hard landings. Routinely align airframes to minimize crack propagation caused by vibration. Production output is limited to a maximum of 30 airframes per year. The current Blackhawk fixture was built in 1989 and resides in Hangar 43, which is scheduled for renovation beginning Sept. 04. It has been concluded that the fixture cannot be relocated and must be preserved and crated on location during the Hangar renovation.

b. ANTICIPATED BENEFITS: Increase production capacity to meet a 200% increase in alignment workload for RECAP, RESET, surge and cross service alignment requirements.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Will not fully meet projected production requirements for RECAP, RESETsurge and cross service workload. All RECAP UH-60 Black Hawk airframes will require alignment due to major structural component replacement. The Army’s goal of “zero time” on major structural components will not be achieved. The potential for crash damage aircraft during high operations tempo increases (war on terrorism), so production output will drop below 30 airframes per year. Existing fixture will be decommissioned for a minimum 1 year during hangar renovation. No aircraft alignments can be accomplished without this new fixture.

d. ECONOMIC ANALYSIS PERFORMED? Exemption is complete. Exemption identifies a capacity issue / change in mission and does not fit the standard EA formats.

ECONOMIC INDICATORS:

Total Cost of the Project	$1,200.0	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-01	Tumble Blast (Rotary)	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Tumble Blast (Rotary)							2	344.500	689.000
TOTAL							2		689.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Component Cleaning and Painting Branch in building 409 at ANAD utilizes two large rotary blast machines to perform abrasive cleaning of large, heavy , metal combat vehicle components. This process is necessary to remove corrosion and coatings from these components. The components that must be blasted include hull skirts and turret plates, some of which weigh over 1000 lbs. Therefore only large capacity blast machines can be used to perform this work. The weapon system supported by this process include the M1 Abrams Family of Vehicles, M113 Family of Armored Personnel Carriers (APC), M88A1/A2 Recovery Vehicles, M9ACE (Armored Combat Earthmover), M109A6 Paladin Self Propelled Howitzer, and M198 Towed Howitzer. These blast systems were purchased in 1976 and have been in use for 26 years. The machines have exceeded their life expectancy and are mechanically worn ou resulting in increasing maintenance and downtime costs. To date, over $216K have been expended on maintenance and repair costs.

b. ANTICIPATED BENEFITS: The new blast cleaning systems will replace the existing worn out systems and provide ANAD with state-of-the-art abrasive cleaning capabilities. Equipment downtime and repair costs will be greatly reduced. The increased abrasive cleaning capabilities and reduced equipment downtime and maintenance costs will greatly increase the efficiency of ANAD's abrasive cleaning operations to support increasing mission requirements and Army readiness.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the existing blast cleaning systems are not replaced, equipment downtime and maintenance costs will continue to increase. This will impact all combat vehicles overhauled at ANAD in support of Army readiness.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$689	Net Present Value of Benefits:	$692	Benefit to Investment Ratio:	2.127	Payback Period:	5.3

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-02	UPGRADE 10 each Bridge Cranes	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Upgrade 10 Bridge Cranes							10	283.000	2,830.000
TOTAL							10		2,830.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The bridge cranes in building 400 have been in service since the building came into service in the 50's. They have never been repaired. Because of the age of the equipment, safety has become a major concern . The hoist controls located in the operators chairs will stick in one direction or the other and could cause property damage and personnel injuries or death. The chair components are no longer obtainable for theses cranes. The purpose of the repairs is to replace the component parts that cannot be obtained, to reduce the amount of down time associated with the cranes in their present condition and bring the cranes into compliance IAW Crane Management Association of America (CMAA) and OSHA standards.

b. ANTICIPATED BENEFITS: Compliant with safety standards/regulations, increased safety for personnel, extend useful life of the equipment, and reduced down time increasing support to the mission requirements..

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If some of the electrical components fail there are no replacements for them, the crane will have to be placed off line and the work under the cranes will not be able to be performed. The crane systems are required to overhaul the following systems: M1, M9ACE, M88, M109, M113 and the FAASV.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,830	Net Present Value of Benefits:	$12,347	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-03	Hydro-Mechanical Test Stand	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Hydro-Mechanical Test Stand							1	640.000	640.000
TOTAL							1		640.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: ANAD currently utilizes 2 Hydro-Mechanical Test Stands to test Hydro-Mechanical Units (HMU) for the AGT 1500 turbine engine. The current Hydro-Mechanical Test Stands (purchased in 1986) were designed in the 1980's and many of the components and instruments in the current configuration are obsolete. This purchase is needed because the availability of required spare parts to support the current Hydro-Mechanical Test Stand will only be available through 2005.

b. ANTICIPATED BENEFITS: The planned purchase of a new Hydro-Mechanical Test Stand will enhanced the testing capabilities and avoid maintenance/repair costs making it readily maintainable well into the future. ANAD's testing capabilities will be ensured for support of all current and projected future workload for the HMU Test stand (1091 for FY02, 1002 for FY03, 1112 for FY04, 1300 for FY05, 1313 for FY06 and 1363 for FY07).

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the Hydro-Mechanical Test Stand is not purchased ANAD will lose its testing capabilities when the current test stand becomes obsolete and unrepairable in 2005. Without the Hydro-Mechanical Test Stand ANAD will not have the needed capabilities to test and repair components of the Army's combat vehicles. The major weapon systems impacted will be the entire M1 Abrams Family of Vehicles. The programs impacted will include the M1A1 AIM XXI co-production program between ANAD and General Dynamics. ANAD will not be capable of executing any future workload requiring component testing and repair.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$640	Net Present Value of Benefits:	$570	Benefit to Investment Ratio:	1.968	Payback Period:	4.853

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-04	Sciaky Resistance Welder	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Sciaky Resistance Welder							2	397.000	794.000
TOTAL							2		794.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: ANAD has a program to repair recouperator matrix ("core") assemblies from the AGT 1500 turbine engine by means of resistance seam welding the inside diameter and outside diameter of "A" and "B" plate pairs stacked together. A completed matrix assembly contains approximately 270 pairs of these plates. A recouperator pre-heats the air between the compressor and combustion chamber using hot turbine exhaust gas, thereby reducing the amount of fuel needed by the turbine engine. The current two highly specialized and complex ID/OD resistance seam welders were manufactured in 1990. Both machines are mechanically worn out and use IBM AT (80286) style personal computers with associated archaic electronic hardware. Projected Engine workload for these machines is: FY02:1439, FY03: 1146, FY04: 1200, FY05: 1300; FY06: 1313, FY07: 1363.

b. ANTICIPATED BENEFITS: The useful life of each machine could be extended ten years by remanufacturing them to original mechanical specifications, and replacing the electronic controls with current technology. This would cost approximately $397,000 each versus a rough order of magnitude price of $800,000 each to purchase a new resistance seam welder. Purchasing only one new welder would still result in a loss of production capability of 20%, assuming both existing welders fail and are replaced by only one machine. Remanufacturing both machines could be accomplished for approximately the same price of one new welder and thus maintain ANAD's production capability at 100%.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: ANAD is the only remaining organic repair facility for recouperators in the world. FY 02 workload is about 1200 recouperators, which includes rear modules, AGT 1500 turbine engines, and return-to-stock recouperators. This quantity is on the low end, and will probably be higher. Failure to fund this project could adversely impact the Army's' ability to support the entire fleet of M1 Abrams family of vehicles.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$794	Net Present Value of Benefits:	$29	Benefit to Investment Ratio:	41.1	Payback Period:	0.2

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-05	Cylindrical Grinder Replacement	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Cylindrical Grinder Replacement							4	648.500	2,594.000
TOTAL							4		2,594.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The turbine engine shop has four cylindrical grinders which are used in the turbine engine shop to reclaim parts for the AGT-1500. These grinders also supply return to stock items. Two were made by a foreign company. They are not standard machines but were modified by the contractor to meet purchase specifications. The grinders are frequently down for repair for long periods of time because the parts are not stocked in the U.S. Recently, one machine was down approximately 6 months waiting for a part. The total downtime is already 104 nine hour days in 3 years. The other two cylindrical grinders are obsolete and replacement parts are becoming unavailable. These four grinders are the only machines on the depot that will do this job. The lack of turn-around time to meet production demands, as well as other factors, prohibit the use of an outside contractor to supply these parts. These grinders have also supported other mission (outside of the AGT-1500) to supply parts as needed. They are currently operated on two shifts with overtime just to meet workload requirements. Production is expected to increase in the future. Projected AGT- 1500 engine production is 1439 for FY02, 1146 for FY03, 1200 for FY04, 1300 for FY05, 1313 for FY06, and 1363 for FY07.

b. ANTICIPATED BENEFITS: Replacement of these machines is vital to keeping the AGT-1500 engine rebuild program operating and supplying return to stock items to TACOM. The new grinders will also improve the consistency of part quality needed for turbine engines. Machine and personnel utilization will increase and overtime will be reduced since there will be less downtime fo maintenance.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If these grinders are not replaced there will be increased overtime required to meet production schedules for the AGT-1500 turbine engine. Eventually program schedules will be delayed due to non-availability of repair parts for these engines.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,594	Net Present Value of Benefits:	$5,616	Benefit to Investment Ratio:	3.5	Payback Period:	4.6

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No.	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-06	Abrasive Waterjet Cutting Machine	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Abrasive Waterjet Cutting Machine							1	767.000	767.000
TOTAL							1		767.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: ANAD's existing abrasive waterjet cutting machine is extremely cost effective and labor saving over the old plasma cutting method. It is being used at full capacity on two shifts usually 24 hours per day. Based on workload projections for FY02 the Manufacturing Division workload will increase 17.9%. Outyear workload i also expected to continue increasing. The present machine only has a 5' X 10' maximum sheet cutting size limiting its capability to support increasing workload. The material comes in 20' sheets and has to be plasma torched into two sheets before it can be cut on the current machine. This machine supports all depot workload.

b. ANTICIPATED BENEFITS: The new machine will be able to cut a 5' X 20' sheet and recycle the abrasives used. Productivity is expected to increase from 25% to 30% over the existing waterjet due to improved technology /increased capabilities. This is a 50% savings over the old flame cutting. An annual Cost savings estimated at $35,000 will be realized, environmental savings in terms o less disposal volume and costs, and also lead to reduced cleaning labor/production loss during cleaning process. The new machine produces better product with less waste, cutting is more precise and does not affect the mechanical and metallurgical properties of the material being cut like flame cutting does. This eliminates the need for excessive machining, annealing and subsequent heat treating that are often required when flame cutting. Also, the material can be quickly cut regardless of hardness, so materials can be purchased with the desired finished properties. The Manufacturing Division will continue to meet production without jeopardizing ANAD mission critical programs.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The existing abrasive waterjet cutting machine is operating at full capacity. If a second machine is not purchased, any additional material will have to be cut using old inefficient flame cutting methods. This will cause a substantial increase in overtime, extra processing costs and delays.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$767	Net Present Value of Benefits:	$1,750	Benefit to Investment Ratio:	3.5	Payback Period:	3.1

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-07	Hydraulic Test Console	LEAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Hydaulic Test Console							1	578.680	578.680
TOTAL							1		578.680

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The proposed console would replace two existing consoles, manufactured in the 1950s, each of which are well beyond their service life. These machines are used to tests myriad of pneumatic and hydraulic component parts such as pumps, motors, servos, cylinders, transducers, micro-switches, solenoids, valves and accumulators. Repairs have been makeshift due to lack of replacement parts and both consoles are unsafe to operate (i.e. replacement parts not being original spec., no safety shields, leaking hydraulic fluid, antiquated controls). This equipment supports MLRS, PATRIOT Recap Antenna Mast Group (AMG) and HAWK FMS missions.

b. ANTICIPATED BENEFITS: The purchase of a modern test console will increase reliability and accuracy in test results, enhance service of equipment and availability replacement parts. Tested components would be processed much faster and be less likely to fail in the field.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The current equipment is obsolete and unreliable. These factors combined with the difficulty in obtaining service and repair parts, poses a schedule risk for the PATRIOT Recap program and other elements of the depot maintenance mission. Failure rate for test parts/components and unpredictable incidences of downtime will increase. This capability is required to perform hydraulic component maintenance/testing for the PATRIOT Recap AMG.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$579	Net Present Value of Benefits:	$81,123	Benefit to Investment Ratio:	1.15	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT PROGRAM
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
#REF!
#REF!

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-10	METALIZING ROBOT	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
METALIZING ROBOT							1	500.000	500.000
TOTAL							1		500.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing Automated Metal Spray Robot (Bar Code J5343) was installed in 1984, to provide an automated way of spraying metal coatings. The system was purchased to support the AGT-1500 Turbine Engine. Economical savings were generated by a reduction in man hours for the AGT-1500 engine. The present equipment is obsolete and no existing spare parts are available for the motion controls and drive motors. The system is inoperable and cannot be used unless an upgrade is installed. Each year that goes by AGT-1500 engine parts that could be reclaimed on the automated system at a lower repair are being repaired with a manual method that is more costly. The upgrade will improve ANAD's meta spray reliability, performance, and provide a cost avoidance. Workload for this project through FY07 is approximately 7,181 M1 AGT 1500 modules and engines.

b. ANTICIPATED BENEFITS: Anticipated benefits of the upgrade will be the elimination of down time and a reduction of maintenance cost. Presently ANAD's automated system has been inoperable for the past 12 months. This equates to approximately $164,444.00 dollars in downtime. With the upgrade ANAD would eliminate the downtime and save a minimum of $164,444.00. Additionally, because the existing system has been inoperable ANAD has had to repair component parts by manually spraying rather than with the automated system. Total anticipated benefits from the upgrade for one year would be $164,444. Projected workload for this equipment is considered very high throughout the 10 year life expectancy of the upgrade.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: ANAD's existing automated spray system was purchased to improve and reduce man hours on metal coatings sprayed at ANAD. Without the automated spray system ANAD will have to perform the spaying by conventional methods rather than utilizing the automated technology. This would cause a step backwards in providing the necessary support to the troops in the field by not utilizing the latest technology available to spray a higher quality coating. ANAD will have to remain totally dependent on the existing conventional methods to provide the necessary production support, which at present is very unpredictable. Additionally, when parts are sprayed with the automated system the operator is not subjected to the same environmental conditions as a person who is manually spraying. Manual spraying requires the operator to be in an extremely hazardous environment while automated spraying eliminates it.

d. ECONOMIC ANALYSIS PERFORMED? NO

ECONOMIC INDICATORS:

Total Cost of the Project	$500	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	03-09	Various Capital Equipment(< 500K)	All Depots

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Various Eqpt <$500K	3	196.670	590.010	7	390.286	2,732.000	5	288.600	1,443.000
TOTAL	3		590.010	7		2,732.000	5		1,443.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This project represents various modernization equipment costing <$500K which will improve depot productivity and efficiency, increase the utilization of Automated Test Equipment (ATE) for troubleshooting and testing of electronic gear during the overhaul process. Equipment supports organic maintenance, modification, and repair programs. In addition, various depot equipment items have outlived their useful lives, become uneconomical to repair, or become unsafe to operate. Other equipment is technologically obsolete and its continued use reduces productivity. Examples are the Small CNC Horizontal Turning Lathe and Universal Cylindrical Grinding machine at CCAD. Additionally, some equipment investments are needed to meet environmental requirements.

b. ANTICIPATED BENEFITS: Acquisition of equipment improves productivity, reduces operating costs, and increases capacity which cannot be met with current equipment. The equipment will replace unsafe or inoperable/unusable assets, and includes environmental hazardous waste reduction or regulatory agency mandated requirements. The new equipment increases reliability, and productivity, thus enabling the depot to reduce existing backlog and improve responsiveness to customer needs.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to obtain equipment would continue costly manual troubleshooting procedures. Production workers would have to continue to troubleshoot and test circuit cards in hours rather than minutes. If not acquired, equipment support capability would not provide for mission needs and would result in reduced mission capability, failure to meet present and future workload requirements, will not meet production schedules, lead to excessive downtime, and decrease accuracy and dependability. Depot Maintenance equipment will not adequately support the depots' mission, needed capabilities will be deferred, the ability to handle the present and future workloads will be compromised, man-hour expenditures including overtime will be increased due to the excessive downtime of current equipment, and the accuracy and dependability of the output products will be diminished.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$4,765	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Productivity ($ in Thousands)										A. Budget Submission FY2005 OSD/OMB Budget Submission		
B. Component, Activity Group, Date Army, Depot Maintenance Feb 04				C. Line No 04-11		Item Description Plastic Media Blast System				D. Activity Identification CCAD		
				FY03			FY04			FY05		
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Plastic Media Blast System							1	2,083.000	2,083.000			
TOTAL							1		2,083.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The equipment was designed to remove paint from small rotary wing airframes, like the UH-1 Huey and AH-1 Cobras. The integrated blast booth does not provide enough space for operator fall protection, safety stands and/or man-lifts when removing paint from large rotary wing airframes, like the UH-60 Black Hawk and CH-47 Chinooks. The location of the equipment requires transporting the large airframes through main thoroughfares to reach follow on operations like cleaning. The operators use hoses with nozzles that cause repetitive motion and are awkward.

b. ANTICIPATED BENEFITS: The new equipment will have adequate space for removing paint from large airframes, fall protection and integrated work platforms for safely reaching all areas of the airframe, ergonomic improvements to reduce worker fatigue and repetitive motion, and an integrated airframe lift system compatible with all airframes. The purchase of new equipment will have better media delivery, dust filtration system and reduced handling and transportation to follow on operations. The estimated production will increase by 15% increase.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the project is not funded, it could lead to potential for worker injury and Occupational Safety and Health Administration citations. CCAD will not be able to meet surge requirements because of a 100% increase in on-condition maintenance, recapitalization and cross service maintenance workload and delay in returning aircraft to the field.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:							
Total Cost of the Project	$2,083	Net Present Value of Benefits:	$1,079	Benefit to Investment Ratio:	1.56	Payback Period:	6.71

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-08	Aircraft Corrosion Control Equipment	CCAD

Element of Cost				FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
AIRCRAFT CORROSION CONTROL EQUIPMENT							1	600.000	600.000	1	10,000.000	10,000.000
TOTAL			-				1		600.000	1		10,000.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, CCAD is using 31 year old process equipment to paint airframes for UH-60 Black Hawk, CH-47D Chinook and AH-64 Apache rotary wing aircraft. Three (3) of the four (4) paint booths are too small to safely paint UH-60 Black Hawks and CH-47 Chinooks airframes. The paint booths do not meet Occupational Safety and Health Administration (OSHA) requirements for ventilation velocity and fall protection or Environmental Protection Agency (EPA) requirements for Volatile Organic Compound (VOC) scrubbing and monitoring. An EPA exemption for VOC emissions expires in 2002. The new permits will restrict VOC emission and may require a reduction in painting, which will result in decreased production output. U.S. Army Aviation and Missile Command is evaluating water reducible primers and paints, but they are not compatible with current operations.

b. ANTICIPATED BENEFITS: Capital equipment for Aircraft Corrosion Control Facility, MCA Project Form #55460. The purchase of this equipment will increase production through-put, decrease aircraft travel time by including all preparation and painting processes in one (1) facility, the ergonomic design will result in more space for processing any size airframe, and will result in maximum attainable emission control technologies for solvent containment to meet forecasted Federal and State requirements. This will also enhance safety process/procedures due to ergonomic design of equipment, integrated fall protection over the entire airframe and integrated airframe lift system adaptable for any airframe.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If funding is not received, CCAD will have an empty facility unusable for intended purpose. CCAD will not be able to fully meet production requirements for Recapitalization of UH-60 BlackHawk, CH-47D Chinook and AH-64 Apache rotary wing aircraft as well as on-condition maintenance for cross service aircraft. If water reducible primers and paints are approved, the EPA will require immediate implementation.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$10,600	Net Present Value of Benefits:	$23,859	Benefit to Investment Ratio:	2.00	Payback Period:	9.61

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-09	Flight Critical Parts Inspection & Treatment Eqpt	CCAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
FLIGHT CRITICAL PARTS INSPECTION & TREATMENT EQPT							1	8,505.000	8,505.000
TOTAL							1		8505.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Non-Destructive Inspections (NDT) shop, Materials Lab, Shot Peen shop, and Paint shop are required to support newer aircraft such as the Blackhawk and Apache helicopters. The NDT shop lacks the proper processes and integrated material handling system to provide timely support for the newer workload. The magnetic particle inspection unit breaks down and/or overheats which result in dangerous evaporating combustible fumes resulting in safety citation. The machines used in these shops are old and obsolete which causes increased manual operation, lost productivity, and process in variance from quality standards. These impacts the Flight of Safety parts for each piece of equipment. In addition, the equipment at the Paint Shop is not environmentally compliant, there's no exhaust system to remove paint and particulate laden air, there's no humidity controlled paint booths, and lacks adequate ventilation system.

b. ANTICIPATED BENEFITS: The new equipment will reduce processing time, operating cost, enhance safety, and compliant with environmental regulations. The new equipment will be ergonomically designed to meet requirements of the new MCA building (MCA Project Form #55449). The new equipment will have advanced technologies for automated and non-automated eddy current, ultrasonic and x-ray/computed tomography to support RECAP missions.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the project is not funded, CCAD will have an empty facility unusable for intended purpose. CCAD will not be able to meet all production requirements for Recapitalization of UH-BlackHawk, CH-47D Chinook and AH-64 Apache rotary wing aircraft as well as on-condition maintenance for cross service aircraft. Process equipment will not be adequately upgraded to provide the optimum, most cost effective, and best dollar value overhaul processes for DOD. Without the new equipment, it could lead to violation of the Clean Air Act of 1990 and violation of OSHA Safety Regulations.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$8,505	Net Present Value of Benefits:	$16,583	Benefit to Investment Ratio:	1.95	Payback Period:	10.17

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	05-11	Large Capacity Spin Blast	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Large Capacity Spin Blast							1	2,724.000	2,724.000
TOTAL							1		2,724.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing spin blaster uses only stainless steel blast media in its operation. Stainless Steel is only required on items that are aluminum. Items that are made of steel could be cleaned by steel shot blast if the equipment allowed it. Currently, all items are cleaned with the stainless steel blast which is more expensive than steel blast. This results in higher production costs than are necessary. . The spin blaster cleans items on the M1, M88, M9ACE, FAASV, Paladin, M113 and AVLB. The vehicle workload per year is: FY03-549, FY04-624, FY05-654, FY06-726, FY07-681.

b. ANTICIPATED BENEFITS: Reduced costs will be realized using the steel blast media instead of stainless steel on steel components. The hulls, turrets and associated large components of the M88, M60(AVLB), and M1 are steel and do not require the use of stainless steel blast media. At this time stainless steel media cost $2.95 per pound and we consume 26,000 pounds per month. Approximately 75% of the items blasted are of the steel variety. The steel blast media is $.55 per pound. Estimated cost savings per year: 2.95 x 26,000 x 12 = $920,400.00 per/yr (current blast configuration). 2.95 x(26000 x 12 x .25) + .55 x (26000 x 12 x .75) = $358,800.00. This yields a yearly savings of $561,600.00. M88 16%=$37,440.00, M60(AVLB) 1%=$2,340.00, M1 40%=$93,600.00 (cost for FY02 and the % are for total work load)

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: We will continue to blast steel items with the more expensive stainless steel blast media.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,724	Net Present Value of Benefits:	$1,864	Benefit to Investment Ratio:	1.757	Payback Period:

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description: Industrial Plant Equipment	D. Activity Identification
Army, Depot Maintenance Feb 04	05-12	for Powertrain/Flexible Mantenance Center	Anniston Army Depot

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Industrial Plant Equipment							1	27758.000	27,758.000
TOTAL							1		27,758.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The equipment and facilities required for the repair, rebuild and testing of reciprocating engines at Anniston Army Depot are dispersed throughout Anniston's 54-acre Nichols Industrial Complex. Engines are disassembled into components in one building, then the components must be routed via forklifts and trailers to and from several different support shops during the overhaul process. Engine parts are often damaged or misplaced during transportation. After reassembly, engines must again be transported to a separate facility for testing. This excessive movement of engines and engine components results in production delays, increased costs and an overall inefficient process.

b. ANTICIPATED BENEFITS: The new Powertrain/Flexible Maintenance Center will consolidate in one facility all repair, rebuild, and testing operations required to overhaul reciprocating engines. Engines in need of overhaul or repair will enter one end of the facility and emerge ready for shipping as clean, rebuilt, and tested products. Consolidating these operations will result in a continuous efficient repair/rebuild/test process, cleaner environmental operations, increased quality, and reduced repair cycle times, all of which translates into reduced costs to the Army for maintaining its legacy and interim vehicles as well as improving Army readiness.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: In order to receive the anticipated benefits of the Powertrain/Flexible Maintenance Center, the industrial plant equipment required to perform all support operations for overhaul of reciprocating engines must be located within the new facility. Without the required industrial plant equipment the Powertrain/Flexible Maintenance Center will not be capable of supporting overhaul of reciprocating engines within one facility, which negates the purpose for building the facility. The projected annual cost avoidance of over $4.4M for the Powertrain/Flexible Maintenance Center will not be realized and reciprocating engine overhaul costs will continue to increase. Anniston's ability to overhaul reciprocating engines of the following DoD ground combat Legacy vehicles will be impacted: the M88 recovery vehicle, the M113 personnel carrier family of vehicles (FOV), the M109 self propelled howitzer FOV (including the Paladin and FAASV), the M9 armored combat earthmover (ACE), the armored vehicular launched bridge (AVLB), and the M60 tank. This will result in a potential shortage of quality, capable Legacy combat vehicles for the Army. Also, Anniston's ability to overhaul the engines in the Army's new Stryker Vehicle (Interim Armored Vehicle) and other future combat vehicles such as the Crusader and Future Combat System (FCS) will be adversely impacted.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project: $27,757	Net Present Value of Benefits: $9,889,162	Benefit to Investment Ratio: 1.4	Payback Period: 5.9 years

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Environmental
($ in Thousands)

A. Budget Submission
FY2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-12	Various Capital Equipment(< 500K)	All Depots

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Various Eqpt <$500K				4	382.500	1,530.000			
TOTAL				4		1,530.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This project represents various modernization equipment costing <$500K which will improve depot productivity and efficiency, equipment supports organic maintenance, modification, and repair programs. In addition, various depot equipment items have outlived their useful lives, become uneconomical to repair, or become unsafe to operate. Other equipment is technologically obsolete and its continued use reduces productivity. Examples are VOC Absorbers/Concentrators, Blast Cleaning Booth upgrade (LEAD) and Sewer Jet Rodding equipment (ANAD). These equipment investments are needed to meet environmental requirements.

b. ANTICIPATED BENEFITS: Acquisition of equipment improves productivity, reduces operating costs, and increases capacity which cannot be met with current equipment. The equipment will replace unsafe or inoperable/unusable assets, and includes environmental hazardous waste reduction or regulatory agency mandated requirements. The new equipment increases reliability, and productivity, thus enabling the depot to reduce existing backlog and improve responsiveness to customer needs.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to obtain equipment would result in non compliance with regulatory requirements and equipment support capability would not provide for mission needs, cause inability to meet production schedules and lead to excessive downtime.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,530	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental										A. Budget Submission FY2005
($ in Thousands)										OSD/OMB Budget Submission
B. Component, Activity Group, Date Army, Depot Maintenance Feb 04				C. Line No 04-13		Item Description Air Pollution Control Equipment				D. Activity Identification ANAD
				FY03			FY04			FY05		
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Air Pollution Control Equip.							3	667.000	2,001.000			
TOTAL							3		2,001.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The paint booths covered by this project do not have pollution controls. They are located in bldg 409 at Anniston Army Depot and support all vehicle and return to stock programs at ANAD.
Vehicle Workload: FY02: 633; FY03: 549; FY04: 624; FY05: 654; FY06: 726; FY07: 681
Major Return to Stock Programs (engines, transmission, final drives): FY02: 4240; FY03: 2858; FY04: 2836; FY05: 2647; FY06: 2536; FY07: 2540

b. ANTICIPATED BENEFITS: The Environmental Protection Agency (EPA) cites 40CFR63 and 42 USC 7401 as the authority to issue the Miscellaneous Metal Parts and Products National Emission Standard for Hazardous Air Pollutants (NESHAP). DOD and the Army are working with EPA on the details of this NESHAP. Depot-wide compliance with the NESHAP is expected to require some pollutant destruction. These high-volume paint booths will control most of the pollutants emitted at ANAD.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Non-Compliance with the NESHAP and severe limitations on ANAD painting operations.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:							
Total Cost of the Project	$2,001	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

Minor Construction ($ in Thousands)											FY2005 OSD/OMB Budget Submission		
B. Component, Activity Group, Date Army, Depot Maintenance Feb 04				C. Line No 02-01		Item Description Various Minor Construction <$750K					D. Activity Identification All Depots		
Element of Cost				FY03 Quantity	Unit Cost	Total Cost	FY04 Quantity	Unit Cost	Total Cost		FY05 Quantity	Unit Cost	Total Cost
				6	521.000	3,126.000	15	427.267	6,409.000		8	409.250	3,274.000
TOTAL				6		3,126.000	15		6,409.000		8		3,274.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The requested funds are required to correct various workload and production shortcomings and health, safety, environmental, and security conditions. Examples of projects that correct workload/production deficiencies are the Production Staging Area, Material Management Staging Area, and the Combat Vehicle Support Facility, at ANAD. Examples of projects required to correct health, safety, environmental and security concerns are the STP Equalization Pond, and the Hydraulic Fluid Containment, at ANAD and the IOF Dust Collector Building at TYAD.

b. ANTICIPATED BENEFITS: These projects will permit compliance with safety and environmental standards by providing ample workspace that is environmentally safe, shielding production areas from contaminants, providing secure, organized storage for tools and fixtures, reducing shop congestion and improving material handling capabilities. These projects support mission requirements by providing environmentally controlled space for testing the M1 Tank transmissions and staging areas for parts during various cleaning operations. They increase employee productivity and reduce operating costs by protecting metal stocks and in-process components from the weather and reducing the cost of receiving parts from vendors. Major weapons supported: M1, M113 FOV, M60, AVLB, M109 and M48 combat vehicles.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without these projects, the installations will not comply with health, safety, and environmental requirements. The Army will not benefit from the improved efficiencies and reduced costs, which would result from these projects. The ability of the installations to accomplish present and future workload requirements could be affected.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:							
Total Cost of the Project	$12,809	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	NA	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
MINOR CONSTRUCTION
($ in Thousands)

A. Budget Submission
FY2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	04-15	Welding Facility	ANAD

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Welding Facility				1	963.000	963.000			
TOTAL				1		963.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, the welding operations are being performed in buildings 117 and 184 and supporting sheet metal cutting operations in the south side of building 413. These buildings are substandard and not designed for welding operations. The buildings are poorly ventilated and potentially exposes workers to airborne cadmium above the OSHA allowable exposure limits . These functions are being done to support the fabrication of vital parts for the M1 and M113 vehicles as well as the turbine engine for the M1 tank. The heat from these welding operations produces cadmium fumes, which migrates into the work areas occupied by non-welding personnel.

b. ANTICIPATED BENEFITS: The consolidation of these operations into a separate facility will provide an OSHA compliant work area for the welding personnel, will provide ample ventilation, improved working conditions, enhanced operational efficiencies, and increase safety by minimizing exposure of non-welding personnel to the hazardous cadmium fumes. Current OSHA requirements mandate employers protect employees from cadmium/toxic materials present in work areas, ref. OSHA Toxic Substances requirements and 29 CFR Section 1910.1027.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If this project is not approved, the installations will not comply with health, safety, environmental, and security requirements. This could lead to OSHA citations in addition to potential for increased workman's compensations due to the poor ventilation and working conditions. This could increase costs and delay production schedules for the M1 and M113 repair operations. The Army will not benefit from the improved efficiencies and reduced costs, which would result from this project. The ability of the installations to accomplish present and future workload requirements could be affected.

d. ECONOMIC ANALYSIS PERFORMED? This proposal is exempt from the requirement of a formal Economic Analysis IAW the Department of The Army Economic Analysis Manual, July 1995, pg. 3, paragraph 2-2, c(2). An exemption is applicable for this project based on OSHA Compliance Standards, 29 CFR 1910.

ECONOMIC INDICATORS:

Total Cost of the Project	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

DEPOT MAINTENANCE CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	99-08	Army Workload & Performance System (AWPS)	Various Installations

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
AWPS	1	2,943.00	2,943.000	1	2,265.000	2,265.000	1	1,397.000	1,397.000
TOTAL	1		2,943.000	1		2,265.000	1		1,397.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The General Accounting Office concluded in February 1997 that the Army cannot identify and prioritize its institutional workload. The material weakness stated that "...managers at all levels do not have the information needed to improve work performance, improve organizational efficiency, and determine support staffing needs, manpower budgets, and personnel reduction." The Army's plan to correct this material weakness includes the fielding of AWPS.

b. ANTICIPATED BENEFITS: The AWPS will assist the Tank, Automotive and Armament Command (TACOM), Communications and Electronics Command (CECOM) and Aviation and Missile Command (AMCOM) in managing complex workload and employment strategies. AWPS is a personal computer based, networked software solution designed to integrate existing production and financial data into a single graphic program. Production and resource managers can isolate key scheduling and cost problems at the product level, and project workforce needed to accomplish various levels of workload.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: AWPS is at the stage where the Depot Maintenance and Ammunition modules have been certified. However, to remain operational, these modules require system changes to keep them abreast of the changing business rules and the operating environment. Funding shortfalls will also jeopardize enhancements and upgrades including the Budget, Material, Net Operating Result (NOR), Performance Measurement, Control Next Generation, Base Operations, Manufacturing and other modules. The system, as currently developed, only partially corrects the noted material weakness. Support of the Logistics Modernization Program (LMP) will also be affected.

d. ECONOMIC ANALYSIS PERFORMED? No. Exempt , mandated by Congress.

ECONOMIC INDICATORS:

Total Cost of the Project	$6,605	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

DEPOT MAINTENANCE CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Budget Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Depot Maintenance Feb 04	00-06	Logistics Modernization Program (LMP)	CECOM

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Contractor Support	1	7,367.000	7,367.000	1	6,350.000	6,350.000	1	6,350.000	6,350.000
TOTAL	1		7,367.000	1		6,350.000	1		6,350.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The current Army standard logistics systems are based on 25 year old computer technology and depend on large layered inventory levels to support a forward deployed force against the Cold War enemy. The current process is characterized by a lack of flexibility and suffers from long shipping times and limited visibility of the supply pipe-line. The Army must reengineer its logistics processes to provide the flexibility to support today's CONUS-based power projection scenarios. Also, the Army must utilize modern information technology enablers that will provide real time visibility of logistics processes and support the Revolution in Military Logistics.

b. ANTICIPATED BENEFITS: The Logistics Modernization Program is a ten-year project to correct the noted deficiencies. It will enable the Army to take advantage of commercial expertise, experience, and investments in process improvement and information technology. The Army Materiel Command (AMC) will be able to perform business process reengineering (BPR), adopt market-driven business practices, and provide significantly improved services. The new process will help us achieve synchronization with Global Combat Support System - Army. The Army will retain Intellectual Property Rights to all documentation with regard to BPR report system descriptions and implementation plans. The Depot Maintenance portion of the ten-year investment will total about $42 M, part of a $171 M program, which also includes the Supply Management, Army activity group. **This project was formerly known as Wholesale Logistics Modernization Program (WLMP).**

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: AMC will be forced to maintain inefficient and unduly expensive wholesale logistics processes due to the limitations of the current automated system, the Standard Depot System. The system contains processes that are outdated, expensive to maintain, and technically vulnerable. The COBOL 74 compiler supporting the system is no longer supported by the manufacturer. These deficiencies will preclude the Army from providing an agile logistics support capability as required by the Revolution in Military Logistics.

d. ECONOMIC ANALYSIS PERFORMED? A comparative analysis was performed in lieu of an economic analysis as status quo was not an option. The comparative analysis was completed by the Cost Analysis Division, Directorate for Resource Management, CECOM, Ft. Monmouth, New Jersey.

ECONOMIC INDICATORS:

Total Cost of the Project	$26,980	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

DEPOT MAINTENANCE CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission		
Software ($ in Thousands)										FY 2005 #REF!		
B. Component, Activity Group, Date Army, Depot Maintenance Feb 04				C. Line No 04-16		Item Description ERP/Industrial Base Modernizaiton (IBM)				D. Activity Identification Various Installations		
				FY 03			FY 04			FY 05		
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Contract										1	17,706.000	17,706.000
TOTAL										1		17,706.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army is in the process of replacing the antiquated Standard Depot System (SDS) at the Depots with an Enterprise Resource Planning (ERP) system. This effort is part of the Army's Logistics Modernization Program (LMP). The need exists to modernize the logistic chain processes within the depots to increase operational efficiencies and to decrease overall depot costs. Although the majority of the functional efforts performed at the depots are processed in SDS, there are many functions; e.g., facility management, tool management, shop floor control, data collection, Flexible Computer Integrated Manufacturing System (FCIM/RAMP), etc., that are performed by numerous unique legacy systems. The ability to provide for tracking of secondary item repair to a particular weapon system in support of Army's RECAP Program is also required. Supporting processes to include data collection capability and Automatic Identification Technology (AIT) are outside the current business processes and user based associated with the Logistics Modernization Program (LMP). The thrust of this project is to develop an industrial base modernized system that fully integrates the requirements performed by the numerous unique legacy systems currently used by the DM community with the ERP solution. The plan is to implement in FY04 at Anniston Army Depot (ANAD) and Red River Army Depot (RRAD) with the other depots in FY05.

b. ANTICIPATED BENEFITS: A fully integrated ERP will increase DM operational efficiencies, reduced automation sustainment costs, software fees and system infrastructure requirements at the depots. In addition, it will ensure a common ERP environment exists throughout the DM community and provide increased asset visibility and a means for serial number tracking as well as helping to achieve total cost ownership capability.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to complete this project will result in the continuation of relying on numerous unique legacy systems which are not fully integrated with the new ERP system being developed as a part of LMP. The status quo will result in an onerous financial burden on the depots to maintain the numerous unique legacy systems. The depots will be less able to support the Army Transformation and the RECAP Program.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$17,706	Net Present Value of Benefits:	$46,335	Benefit to Investment Ratio:	1.77	Payback Period:	5.52

Department of the Army
Depot Maintenance
FY 2003
FY 2005 Budget Estimates
($ in Millions)

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY 03	Various Capital Equipment(< 500K)	2.736	1.915	4.651	4.651		Reprogrammed from other projects listed below.
FY03	X1100-3B TRANSMISSION TEST STAND	2.000	-0.700	1.300	1.300		Reprogrammed to the Various Capital Eqpmt
FY03	M1/M60 SERVO VALVE TEST STAND	0.790	-0.597	0.193	0.193		Reprogrammed to the Inertial Sensor Assembly Test Eqmt
FY03	FLUIDIZED BED	6.795		6.795	6.795		
FY 03	INERTIAL SENSOR ASSEMBLY TEST EQPT	1.256	0.597	1.853	1.853		Reprogrammed from the M1/M60 Servo Valve Test Stand
FY 03	CONTROL CONSOLES/ WIRING SPEED DRIVE	2.034	-0.391	1.643	1.643		Reprogrammed to the Various Capital Eqmt
FY03	CNC LASER CUTTING MACHINE		0.612	0.612	0.612		Reprogrammed from Various Capital Eqmt
FY03	HP3070 TPS DEV PHASE V	0.501	-0.501	0	0		Reprogrammed to Minor Construction
FY 03	HP3070 CIRCUIT BOARD TEST SYSTEM REPL	0.838	-0.103	0.735	0.735		Reprogrammed to Minor Construction
FY03	ENGINE DISASSEMBLY & CLEANING EQMT	12.206	-0.019	12.187	12.187		Reprogrammed to Dust Collection System
FY03	PAINTING LINE	0.600	-0.600	0	0		Reprogrammed to Minor Construction
	EQUIPMENT-Productivity						
FY03	EQUIPMENT- Productivity <500K	2.258	-1.668	0.590	0.590		Reprogrammed to Various Capital Eqpmt 1.056
	EQUIPMENT -Environmental						
FY03	Dust Collection System	0.669	0.019	0.688	0.688		Reprogrammed from Engine Disassembly & Cleaning Eqmt
ADPE							
MINOR CONSTRUCTION							
FY 03	Various Minor Construction <$750K	1.806	1.320	3.126	3.126		Reprogrammed from HP3070 TPS Dev Phase V, Circuit Board Test Sys Repl, Various Capital Equipment (<$500K) and Painting Line .720+600
SOFTWARE							
FY 03	Army Workload & Performance System (AWPS)	2.943		2.943	2.943		
FY 03	Logistics Modernization Program (LMP)	7.367		7.367	7.367		
FY 03	SDS Data Collection/Shop Floor/AIT	6.300		6.300	6.300		
FY 03	**TOTAL**	**51.099**	**(0.116)**	**50.983**	**50.983**		

Department of the Army
Depot Maintenance
FY 2004
FY 2005 Budget Estimates
($ in Millions)

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY04	Various Capital Equipment(< 500K)	4.387		4.387	4.244	0.143	Project was cancelled.
FY04	H-60 Alignment Fixture				1.900	(1.900)	No prior Submission/Approval of project
FY04	HIGH PRESSURE WATER JET COATING REMOVAL				0.500	(0.500)	No prior Submission/Approval of project
FY04	HP3070 Circuit Board Test System	0.839		0.839	0.839		
	ASRS MINI-LOAD SYSTEM	0.605		0.605	0.605		
FY04	ASRS SYSTEM UPGRADE	4.400		4.400	4.400		
FY04	BRIDGE CRANE 30-TON BLDG 170	1.311		1.311	1.296	0.015	Revised cost estimate
FY04	UPGRADE OF IFTE -CEE TEST STATIONS	2.768		2.768	2.734	0.034	Revised cost estimate
FY04	GENERATOR LOAD BANK	0.600		0.600	0.600		
FY04	XT-1410 TRANSMISSION TEST STAND	0.600		0.600	0.600		
FY04	CNC VERTICAL MACHINING CENTER	1.025		1.025	1.025		
FY04	BORING MILL	0.984		0.984	0.940	0.044	Revised cost estimate
FY 04	CNC Precision Laser Cutting System	0.612		0.612	0.000	0.612	Cancelled
	EQUIPMENT-Productivity						
FY04	Various Capital Equipment(< 500K)	3.953		3.953	2.732	1.221	Projects cancelled.
FY04	Plastic Media Blast System	2.082		2.082	2.083	(0.001)	Revised cost estimate
FY04	Aircraft Corrosion Control Equipment	0.600		0.600	0.600		
FY 04	Flight Critical Parts Inspection & Treatement Eqmt	0.490		0.490	0.000	0.490	Cancelled
	EQUIPMENT-Environmental						
FY04	Various Capital Equipment(< 500K)	0.801		0.801	1.530	(0.729)	Projects cancelled
FY04	AIR POLLUTION CONTROL EQIPMENT	2.000		2.000	2.001	(0.001)	Revised cost estimate
ADPE							
		0.157		0.157	0.000	0.157	Cancelled
FY 04	CAD/CAM/DNC Network Upgrade						
MINOR CONSTRUCTION							
FY04	Various Minor Construction <$750K	6.375		6.375	6.409	(0.034)	Revosed cost estimate
FY04	Welding Facility	0.963		0.963	0.963		
SOFTWARE							
FY04	Army Workload & Performance system (AWPS)	2.265		2.265	2.265		
FY04	Logistics Modernization Program (LMP)	6.350		6.350	6.350		
FY04							
FY04	**TOTAL**	**44.167**		**44.167**	**44.616**	**(0.449)**	

Department of the Army
Depot Maintenance
FY 2005
FY 2005 Budget Estimates
($ in Millions)

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY 05	Various Capital Equipment(< 500K)	3.632		3.632	4.967	(1.335)	No prior Submission/Approval of project
FY 05	TUMBLE BLAST ROTARY	0.689		0.689	0.689		
FY 05	UPGRADE 10 EACH BRIDGE CRANES	4.369		4.369	2.830	1.539	Revosed cost estimate
FY 05	HYDRO-MECHANICAL TEST STAND	0.697		0.697	0.640	0.057	Revosed cost estimate
FY 05	SCIAKY RESISTANCE WELDER	0.794		0.794	0.794		
FY 05	CYLINDRICAL GRINDER REPLACEMENT	2.628		2.628	2.594	0.034	Revosed cost estimate
FY 05	ABRASIVE WATERJET CUTTING MACHINE	0.767		0.767	0.767		
FY 05	HYDRAULIC TEST CONSOLE	0.579		0.579	0.579		
FY 05	METALIZING ROBOT				0.500	(0.500)	No prior Submission/Approval of project
	EQUIPMENT-Productivity						
FY 05	Various Capital Equipment(< 500K)	1.748		1.748	1.443	0.305	No prior Submission/Approval of project
FY 05	AIRCRAFT CORROSION CONTROL EQUIPMENT	10.000		10.000	10.000		
FY 05	FLIGHT CRITICAL PARTS INSPECTION & TREAT EQPT	8.505		8.505	8.505		
FY 05	LARGE CAPACITY SPIN BLAST	2.724		2.724	2.724		
FY 05	Ind. Plant Equip. for Powertrain/Flexible Maint. Ctr.				27.758	(27.758)	No prior Submission/Approval of project
MINOR CONSTRUCTION							
FY 05	Various Minor Construction <$750K	2.484		2.484	3.274	(0.790)	No prior Submission/Approval of project
SOFTWARE							
FY 05	AWPS	1.397		1.397	1.397		
FY 05	Logistics Modernization Program (LMP)	6.350		6.350	6.350		
FY 05	ERP/Industrial Base Modernization (IBM)	17.706		17.706	17.706		
FY 06	Future Logistics Enterprise (FLE/Transformation	3.399		3.399	0.000	3.399	Cancelled
FY 05	**TOTAL**	**68.468**		**68.468**	**93.517**	**(25.049)**	

Capital Investment Summary
Department of the Army
Ordnance
February 2004
($ in Millions)

Line No.	Description	FY03 Quantity	FY03 Total Cost	FY04 Quantity	FY04 Total Cost	FY05 Quantity	FY05 Total Cost
	EQUIPMENT-Replacement						
03-1	Various Capital Equipment <$500k	29	7.476	24	5.856	40	11.475
03-2	4 Axis CNC Horizontal Mill	1	1.096				
04-1	Bar and Chucking Lathe, CNC 4 1/2"			1	0.502		
04-2	120" CNC Bed Type Lathe			1	0.599		
04-4	CNC Milling Machine			1	0.818		
05-1	Replace Alarm System, Phase II					1	2.383
05-2	Chillers, 150 Ton f/Building 126					3	0.646
05-3	Machining Center					1	0.834
05-5	Upgrade 81mm Mortar RP Line					1	0.580
	SUBTOTAL	30	8.572	27	7.775	46	15.918
	EQUIPMENT- Productivity						
04-5	Automated M295 Line			1	2.985		
05-7	Electric Generator (Diesel/Natural Gas)					1	1.367
05-8	Automated SDS Fill System, B 63-220					1	0.884
	SUBTOTAL			1	2.985	2	2.251
	EQUIPMENT- Environmental						
03-3	Resource Recovery & Recovery & Recycling Equipment	1	1.000				
	SUBTOTAL	1	1.000				
	EQUIPMENT TOTAL	31	9.572	28	10.760	48	18.169
	AUTOMATED DATA PROCESSING						
97-A9	Miscellaneous ADPE < $500K			6	2.121	9	3.208
04-6	Network Enterprise Management Sys			1	0.516		
	ADP TOTAL			7	2.637	9	3.208

Capital Investment Summary
Department of the Army
Ordnance
February 2004
($ in Millions)

Line No.	Description	FY03		FY04		FY05	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	MINOR CONSTRUCTION						
98-A6	Minor Construction < $750K	4	1.424	21	8.478	19	8.177
05-10	Environmental Remediation f/ ABG					1	0.930
	MINOR CONSTRUCTION TOTAL	4	1.424	21	8.478	20	9.107
	SOFTWARE						
M98-03	Army Workload & Performance System (AWPS)	1	4.674	1	3.695	1	2.603
04-7	ERP/Industrial Base Modernization (IBM) WVA			1	4.328		
04-8	ERP/Industrial Base Modernization (IBM) PBA			1	4.310		
	SOFTWARE TOTAL	1	4.674	3	12.333	1	2.603
	Activity TOTAL	36	15.670	59	34.208	78	33.087
	Total Capital Outlays		13.417		23.223		38.938
	Total Depreciation Expense		16.314		17.977		19.578

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY05
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	03-1	Various Capital Equipment <$500k	Various Installations

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Replacement	17	271.941	4,622.997	14	252.214	3,531.000	36	282.500	10,170.000
Productivity	10	207.100	2,071.000	10	232.500	2,325.000	3	372.000	1,116.000
Environmental	1	323.000	323.000						
New Mission	1	459.000	459.000				1	189.000	189.000
TOTAL	29		7,475.997	24		5,856.000	40		11,475.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This category of projects replaces various equipment items which have outlived their useful lives, become uneconomical to repair, or become unsafe to operate. Examples include Grinding Machine CNC, Replace/Control Drives on SIP Grinder, Replace Turrets on 2 RD&D Lathes and the 155MM Gun Tube Inspection Station.

b. ANTICIPATED BENEFITS: Acquisition of this equipment will improve efficiency, reduce maintenance costs, increase capacity, replace unsafe or unusable assets, and allow compliance with regulatory agency (state, local or Federal) mandates.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If funding is not approved, equipment support capability would not be provided for mission needs and this can cause reduction in mission capacity, failure to meet expected deliveries, increased man-hour expenditure and downtime, inability to obtain repair parts, tolerance inaccuracies leading to rework, and violation of Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA), National Discharge Elimination System (NPDES) compliance and state laws. Replacement of obsolete, worn or unrepairable equipment is essential if the Army is to continue to provide in-house support capabilities in a timely and cost effective manner, and provide safe and environmentally compliant work places. Failure to perform proper surveillance of chemical and materials could result in insufficient stocks of filters for protective masks. Failure to replace the other production equipment will result in continued downtime and increased maintenance costs.

d. ECONOMIC ANALYSIS PERFORMED? Yes. Separate economic analyses were done for the individual projects.

ECONOMIC INDICATORS:

Total Cost of the Project	$24,807	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION											A. Budget Submission
EQUIPMENT- Replacement ($ in Thousands)											FY05 OSD/OMB Submission
B. Component, Activity Group, Date Army, Ordnance Feb 04				C. Line No 04-1		Item Description Bar and Chucking Lathe, CNC 4 1/2"					D. Activity Identification CAAA
				FY03			FY 04			FY05		
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement							1	502.000	502.000			
TOTAL							1		502.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
This project will replace two existing lathes used to machine tools/fixtures and ammunition components, such as housings, canisters, swivel pins, and plate supports for pyrotechnics ammunition at Crane AAA. These two lathes are 40 years old and have exceeded their useful life. Replacement is required due to excessive wear and reduced accuracy and repeatability in machining tools, fixtures and ammunition components. Replacement is required to meet current workload.

b. ANTICIPATED BENEFITS:
Cost to rebuild is more than replacement cost. Replacement will allow one machine to do the work of two with increased accuracy and repeatability for manufacturing various pyrotechnics ammunitio components. This will also use less floor space. This project will generate a cost saving due to increased output and repeatability by using a fully automatic CNC Lathe.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
Crane AAA will continue to generate higher scrap, incur higher maintenance costs, and experience slippage in production schedules when they are required to manufacture tools, fixtures, and ammunition components from solid bar stock material due to deterioration of two existing lathes. Crane will continue to experience a decrease in the quality of ammunition components for pyrotechni ammunition for both Army and Navy workload. The Army workload in Building 123 includes the 60mm, 81mm, and 120mm Mortar Illuminate (ILLUM) and Infrared (IR) rounds.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$502	Net Present Value of Benefits:	$465	Benefit to Investment Ratio:	1.994	Payback Period:

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY05
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	04-2	120" CNC Bed Type Lathe	RIA

Element of Cost				FY03			FY 04			FY05		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
							1	599.000	599.000			
TOTAL							1		599.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
The present machine is 22 years old. The normal working life for this type of Computer Numerically Controlled (CNC) machine in private industry is 7 to 10 years and then the machine is usually replaced. The parts are no longer supported by the manufacturer making them difficult to replace during repair. This machine turns large diameter and long length parts such as the cradle and piston for the M1A2. It is also used for rotational parts by the M198 and M119 weapons systems. Maintenance technicians are constantly required to assist in keeping the machine running and often have to develop work arounds in the control cabinet to keep the machine running.

b. ANTICIPATED BENEFITS:
This machine is critical for producing large diameter, long length parts requiring tight tolerances as close as plus or minus one thousandths of an inch. The new machine will enhance safety, increase efficiencies, and parts will be readily available.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
Failure to fund this project will limit RIA's ability to meet cost and scheduling of future manufacturing workload of cradle and pistons for the M1A2 Tank and recoil mechanism cylinder assemblies for the M198 howitzer. Maintenance costs will escalate as the machine continues to deteriorate. Repair parts will become more and more scarce and expensive.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$599	Net Present Value of Benefits:	($54)	Benefit to Investment Ratio:	0.903	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY05
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	04-4	CNC Milling Machine	RIA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Equipment				1	818.000	818.000			
TOTAL				1		818.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
The current machine is 17 years old and cannot be economically rebuilt and must be replaced. It can no longer maintain the level of precision that is required by manufacturing drawings; therefore, th machine can only be used on a limited bases for roughing operations. For the last 14 years, in order to meet workload requirements, the machine has been used extensively in multiple shifts. Machine reliability and extension maintenance are now an economic issue. The present machine is required to manufacture critical parts for the 19/M198 Howitzers and the M182 Gun Mount for the M109 A6 Paladin.

b. ANTICIPATED BENEFITS:
This machine is required for the manufacture of lightweight small dimensional parts. The acquisition of this new machine would mean faster machining time, less scrap, more safety features to meet Occupational Safety and Health Administration (OSHA) requirements, and newer state of the art technology that allows shop floor machine control programming, and additional tool change stations.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
Failure to fund this project will impact cost and scheduling of current and future armament products at the Arsenal. The manufacture of critical spare parts supporting fielded M119/M198 Howitzers and M182 Gun Mounts will be delayed due to machine downtime. In addition, the new machine will meet the required OSHA standards to protect the operator from exposure to moving parts and debris.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$818	Net Present Value of Benefits:	$94	Benefit to Investment Ratio:	1.123	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2004-2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	05-1	Replace Alarm System, Phase II	CAAA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Total Cost
Equipment							1	2,383.000	2,383.000
TOTAL							1		2,383.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
Crane Army Ammunition Activity (CAAA) is a Tier I activity with an important war and peacetime mission. Alarms are required to provide adequate protection for security risk category I and II materiel. Currently, the security alarm system on 75 security risk category II ammunition and explosive storage structures in zone 10 are 30 years old and failing. These ammunition and explosive storage structures contain security risk category II items, such as explosives, Demolition Charges, High Explosive Grenades, and Smoke Grenades.

b. ANTICIPATED BENEFITS:
This project is the last phase of a $4.2 million request to replace and install alarm equipment for 129 security risk Category I and II materiel at Crane AAA. The first phase was funded in the FY 01 Capital Investment Program (Replace Alarm System for $1,970,567) that replaced 53 alarm systems in zone 9 and replaced the alarm system in building 136.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
In the event the current systems fail completely, approximately 149 additional man-years would be required to provide continuous guards to man gates and roving patrols to protect zone 10. Zone 10 contains 75 category II ammunition and explosive storage structures that must be kept secure IAW AR 190-11.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,383	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2004-2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	05-2	Chillers, 150 Ton f/Building 126	CAAA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Unit Cost
Equipment							3	215.240	645.720
TOTAL							3		645.720

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
Currently, the three existing chillers operate as a unit to control temperature and humidity during the pressing operation of Illuminate (ILLUM) and Infrared (IR) Candle production. When one fails, the entire system goes down. All three units are 20 years old and continue to experience failures due to deterioration. This results in production shutdown to avoid risking a quality problem from moisture content. Shutting down the lines and restarting has resulted in higher cost of production and questionable quality of product due to moisture content.

b. ANTICIPATED BENEFITS: The new chillers will improve readiness and meet critical customer's delivery schedules for ILLUM and IR candle production in support of the 60mm, 81mm and 120mm Mortar and 155mm projectiles by preventing line shutdowns. It will also improve quality issues due to moisture content.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
CAAA will continue to experience higher cost to process pyrotechnics programs and questionable quality levels of product due to continuous chiller failures.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$646	Net Present Value of Benefits:	$1.000	Benefit to Investment Ratio:	2.603	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2004-2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	05-3	Machining Center	RIA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Unit Cost
Equipment							1	834.000	834.000
TOTAL							1		834.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
The current machine is 18 years old, and the normal working life for Computer Numerically Controlled (CNC) machines in private industry is 7 to 10 years. The present machine cannot be economically rebuilt and must be replaced. The machining cell has been operating 2 or 3 shifts a day and reliability and constant maintenance is now an economic issue. This machining center is required to manufacture highly precision small lightweight parts for the M182 Gun mount for the M109A6 Paladin, and the Forward Repair System (FRS).

b. ANTICIPATED BENEFITS:
This machine is required to manufacture small dimensional, highly precision parts. The acquisition of a new machining center would allow RIA to excess old worn-out Machining Centers that can not meet drawing standards. Also, this machine will provide the RIA with multi axis horizontal milling capacity that is faster, dependable, has more safety features, and for which parts are readily available.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
Failure to fund this project will limit RIA's ability to meet cost and scheduling of future manufacturing workload requirements for the (FRS) and the M182 gun mount for the M109A6 Paladin. In addition, without the new Machining center RIA will be forced to take a round-robin cannibalization approach to keep this machining cell operating.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$834	Net Present Value of Benefits:	$113	Benefit to Investment Ratio:	1.149	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Replacement
($ in Thousands)

A. Budget Submission
FY 2004-2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	05-5	Upgrade 81mm Mortar RP Line	PBA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Upgrade 81mm Mortar RP Line							1	580.000	580.000
TOTAL							1	-	580.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This project was approved and funded in FY01. Pine Bluff Arsenal (PBA) cancelled the project when bids exceeded the funded amount. The Red Phosphorus Mix and Fill Line (building 31-530) still needs an upgrade. The 30-year-old mixers were designed for use in the food industry, not for mixing red phosphorus (RP). They are open bowls making it more difficult to maintain proper acetone levels in the mixture. Because of their open-atmosphere design, sparks ignite both the acetone and the RP. Frequen fires, although controllable, cause significant downtime. Tooling currently used for the presses is worn and does not maintain tolerances. Compressed air comes from a remote system through old, corroded pipes exposed to outdoor temperatures causing the air used by the system to contain unacceptable amounts of dirt and moisture. Equipment other than the mixers will be 13 years old by 2004. This line no longer operates without an inordinate amount of maintenance.

b. ANTICIPATED BENEFITS: The system components being replaced include the air compressor and air line system, Instron pellet crush tester, epoxy dispensing system, mixing system, and press tooling. The new mixers will feature a contained atmosphere filled with nitrogen, thereby virtually eliminating all fires. The closed atmosphere mixers will also greatly increase PBA's ability to control the mix to achieve the same quality batch after batch. Safety will also be enhanced as the vendor will be required to provide complete training and maintenance manuals, process identification drawings, hazard analysis of the system, and process safety manuals (PSMs) to assure full compliance with new OSHA requirements.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: This line produces RP pellets for the M819 81mm mortar, the XM998 40mm, the XM264 2.75” Warhead, and the XM1039 120mm. Costs, quality, and delivery for these RP smoke munitions planned in FY04 thru FY07 will be adversely impacted.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$580	Net Present Value of Benefits:	$17	Benefit to Investment Ratio:	1.0310	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	04-5	Automated M295 Line	PBA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Automated M295 Line				1	2,985.000	2,985.000			
TOTAL				1		2,985.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The current production line for the M295 Individual Equipment Decontamination Kit (chemical agent removal) can achieve no more than 45 boxes on average per shift (10 hours). This rate can be maintained as long as proper machine adjustments are maintained. Several operations are performed manually. Fourteen personnel are required to operate the line.

b. ANTICIPATED BENEFITS: The new, automated line is designed to produce 80 boxes per day. Labor costs will be cut in half. (Less than ten personnel will be required to operate this new, automated line.) Repair and maintenance costs will be reduced by 50% and 33% respectively. This would result in a significant reduction in the cost per kit. Equally important, PBA will have the ability to double its production thereby rapidly responding to warfighters' needs. This project decreases the chance that our warfighters will be on the front-line without protection. There is no planned replacement for the M295 kit that is scheduled to be in production through 2010.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Production will have less ability to respond to warfighter needs resulting from exposure to chemical agents. Costs for the kits will be remain the same. The backlog orders for these equipment decontamination kits has existed for years and will continue if not funded. These kits are used by all the services: Army, Air Force, Navy, and Marines.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,985	Net Present Value of Benefits:	$3,141	Benefit to Investment Ratio:	2.123	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	05-7	Electric Generator (Diesel/Natural Gas)	MCAAP

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Total Cost
Equipment							1	1,367.000	1,367.000
TOTAL							1		1,367.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
MCAAP receives electrical power from Public Service Company of Oklahoma (PSO). There is a single 69,000 volt supply line coming into the plant. This single electrical supply runs through miles of rural countryside and is vulnerable to sabotage. Emergency generators at specific buildings presently provide backup power to support critical munitions out load capability. However, the munitions production buildings do not have emergency backup. Loss of commercial power from PSO would stop munitions production during the outage.

b. ANTICIPATED BENEFITS:
Installation of electrical generating capacity at MCAAP's substation, which is 2 miles inside the plant boundary, would allow MCAAP to continue munitions production even if the PSO service is interrupted. This would enable MCAAP to support the Air Force and Navy requirements for munitions without being dependent on outside sources for electrical power. The generation of electrical power would be either diesel or natural gas powered and both these resources would be available from within MCAAP.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
MCAAP is vulnerable to sabotage of the single electrical power distribution line that would render MCAAP incapable of munitions production.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,367	Net Present Value of Benefits:	$584	Benefit to Investment Ratio:	1.468	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT- Productivity
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	05-8	Automated SDS Fill System, B 63-220	PBA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Total Cost
Automated SDS Fill System, B 63-220							1	884.000	884.000
TOTAL							1		884.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This project is for an Automated Sorbent Decontamination System (SDS) Fill System. The M100 SDS system consists of two decontamination kits (mitt and a sealed bag of 300 grams of sorbent powder). These kits are designed to be used to decontaminate surfaces of vehicles and equipment. The M100 SDS will be in production through 2015. This new SDS Fill System will satisfy the need to form, fill, and seal the sorbent bags. In the interim, Pine Bluff Arsenal (PBA) plans to obtain sealed bags of sorbent from a private supplier who, at this time, is a sole source for sorbent. PBA is basing this project on experience they have with the M295 Individual Equipment Decontamination Kit (IEDK) which also uses sorbent as the active agent. On their existing M295 line PBA performs the same tasks that will be used to fill the bags for the M100 with sorbent.

b. ANTICIPATED BENEFITS: Costs for the sealed bag of sorbent will be reduced by a minimum of 15%. PBA will have the ability to rapidly increase production since they will not be dependent upon private industry to set up for their special run. PBA's intent is to realize a cost avoidance early in the program, to realize increased production efficiencies, and to eliminate dependency upon a sole source.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The Army will not benefit from an opportunity to reduce costs on a long-run item. There is no apparent replacement for sorbent. It will remain the decontaminant of choice for removing chemical agents from frontline combat equipment.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$884	Net Present Value of Benefits:	$445	Benefit to Investment Ratio:	1.5470	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
AUTOMATED DATA PROCESSING
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	97-A9	Miscellaneous ADPE < $500K	Various Ordnance Installations

Element of Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Hardware				6	353.500	2,121.000	9	356.445	3,208.005
TOTAL				6		2,121.000	9		3,208.005

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: These miscellaneous information management projects replace old/obsolete and unrepairable equipment with state-of-the-art equipment. Examples include the RIA Network Infrastructure upgrade and Electronic Data Storage at Rock Island Arsenal and the Server replacement at Watervliet Arsenal.

b. ANTICIPATED BENEFITS: Replacement of obsolete equipment will improve processing speeds, increase productivity, and reduce maintenance costs at Rock Island and Watervliet Arsenals. Projects will allow sites to conform to Army standards and improve communications with other Army sites. New technology will improve security and lessen the threat of access by unauthorized sources.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Systems and equipment will continue to be unreliable, downtime will increase and administrative costs will rise. Users will be unable to communicate with higher headquarters, other installations, and customers via electronic means. Data will be at risk for release to unauthorized users.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$5,329	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
AUTOMATED DATA PROCESSING
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	04-6	Network Enterprise Management Sys	RIA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
				1	516.000	516.000			
TOTAL				1		516.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, technicians do not have the capability to fix computer problems without leaving their work site. Network management at Rock Island Arsenal consists of putting out fires, and doing very little managing of the networks. The need for a centralized, fully integrated network management system is necessary to the operations of RIA. Under the current system, technicians must be dispatched to the user site in order to work on the users computer. This involves travel time to from the destination site.

b. ANTICIPATED BENEFITS:
This tool allows computer network, application owners, system administrators and technicians to be proactive instead of reactionary in the event of pending computer related failures. The tool can be used as a warning device to allow technicians to take steps to reduce errors to keep systems up and running. Other functions of the tool are used to rapidly "push" computer Operating System and security related patches to multiple users in a short amount of time, thus saving time and money. An additional benefit will be realized from labor savings. Technicians will have the ability to diagnose problems, and fix these problems without leaving their work site.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
Without this project, RIA will not be able to assist in avoiding computer desktop failure and to respond rapidly in the event of required security concerns. Status quo would mean RIA would continue to operate with the lack of network management. This is both costly and dangerous. With more and more personnel leaving, the inability to fix computer problems in a timely manner will continue and add delays to personnel support.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$516	Net Present Value of Benefits:	$652	Benefit to Investment Ratio:	2.356	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
MINOR CONSTRUCTION
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	98-A6	Minor Construction < $750K	Various Ordnance Installations

Element of Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
Minor Construction	4	356.000	1,424.000	21	403.715	8,478.015	19	430.371	8,177.049
TOTAL	4		1,424.000	21		8,478.015	19		8,177.049

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Various Ordnance installations have facilities that cause poor working conditions, reduce productivity, lack energy conservation features, compromise security, fail to comply with fire and safety codes, and expose employees' health to hazards.

b. ANTICIPATED BENEFITS: This program will upgrade some of the facilities, which have the shortcomings described in paragraph a. above. The "Construct Restroom/Lunch Facility" project at SIAD will provide a clean area a for a breakroom and a safe area to eat. The "Insall Fire Sprinkers" at SIAD will correct fire and safety codes. The "Upgrade Building 133" at CAAA and the "Administration Building" at MCAAP will bring the installation into compliance with all environmental, safety, and hygiene regulations and mandates.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without this program, some installations will not comply with security, safety, environmental, and health requirements. Without the funding for the refurbish living quarters Fire HQ, women who may join the fire force will not have separate living quarters.

d. ECONOMIC ANALYSIS PERFORMED? Yes. Separate economic analyses were done for the individual projects.

ECONOMIC INDICATORS:

Total Cost of the Project	$18,079	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
MINOR CONSTRUCTION
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	05-10	Environmental Remediation f/ ABG	CAAA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY 05 Quantity	FY 05 Unit Cost	FY 05 Total Cost
							1	930.000	930.000
TOTAL							1		930.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Crane Army Ammunition Activity (CAAA) operates its Ammunition Burning Ground (ABG) under a Federal Environmental Protection Agency (EPA) Hazardous Waste Management Permit, issued 13 Jan 2000. Permit remains in effect for 10 years, but authorizes CAAA to conduct hazardous waste management activities as specified in the permit, to include remediation of soil and construction of 10 concrete pads to control migration of environmental contaminants. Project was entered into CAAA's Environmental Program Requirement Report in response to an Environmental Compliance Assessment System finding issued by the Army Materiel Command, Installation and Services Activity (EPR CRAA-01-06). Project will construct 10 concrete pads as a system with containment sumps and field lines to control any contaminants and rainwater that come into contact with the burning operations. Construction will follow study and remediation of the ABG soil, currently scheduled in FY 2003 and funded from Environmental Restoration Navy account.

b. ANTICIPATED BENEFITS: CAAA must comply with terms/conditions of their permit to control migration of environmental contaminants, such as Chromium, Nickel, Lead, Antimony, Benzene, and Naphthalene. CAAA conducted a Human Health and Ecological Risk Assessment that showed concrete pads will reduce contamination of soil, surface water, and ground water and has a direct effect upon the health and safety of the ABG operators, the general public surrounding the base, and the surrounding flora and fauna.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: CAAA would be in violation of the permit conditions which could result in a Notice of Violation, in addition to potential ceasing open burn and open detonation operations at CAAA and failure to meet its mission for thermally treating propellants, explosives and pyrotechnics.

d. ECONOMIC ANALYSIS PERFORMED? No. This project qualifies for exemption under paragraph 2.2c of the DA Economic Analysis Manual based on environmental, hazardous waste reduction, or federal, state, or local regulatory agency mandate, which precludes choice or trade-off among alternatives.

ECONOMIC INDICATORS:

Total Cost of the Project	$930	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	M98-03	Army Workload & Performance System (AWPS)	Various Installations

Element of Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
AWPS	1	4,674.00	4,674.000	1	3,695.000	3,695.000	1	2,603.000	2,603.000
TOTAL	1		4,674.000	1		3,695.000	1		2,603.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The General Accounting Office concluded in February 1997 that the Army cannot identify and prioritize its institutional workload. The material weakness stated that "...managers at all levels do not have the information needed to improve work performance, improve organizational efficiency, and determine support staffing needs, manpower budgets, and personnel reductions." The Army's plan to correct this material weakness includes the fielding of AWPS.

b. ANTICIPATED BENEFITS: The AWPS will assist the Army Materiel Command (AMC) and MSC's in managing complex workload and employment strategies. AWPS is a personal computer base network software solution designed to integrate existing production and financial data into a single graphic program. Production and resource managers can isolate key scheduling and cost problems at the product level and project workforce needed to accomplish various levels of workload.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: AWPS is at the stage where depot maintenance and ammunition modules have been certified. Without additional expenditures, the refinements needed to win certification of Manufacturing/Arsenal modules will not be implemented. Funding shortfalls will also jeopardize enhancements and upgrades to the basic system, including the Performance Measurement and Control Next Generation, Base Operations, Net Operating Result (NOR) and Manufacturing modules. The system, as is, only partially corrects noted material weakness and future fielding is needed to include the Manufacturing mission function at the AMC Arsenals.

d. ECONOMIC ANALYSIS PERFORMED? No. Exempt. Congressional Mandate.

ECONOMIC INDICATORS:

Total Cost of the Project	$18,966	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	04-7	ERP/Industrial Base Modernization (IBM) WVA	WVA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
IBM				1	4,328.000	4,328.000			
TOTAL				1		4,328.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army is in the process of replacing its antiquated Standard Depot System (SDS) with an Enterprise Resource Planning (ERP) system. This effort is part of the Army's Logistics Modernization Program (LMP). The need exists to modernize the logistic chain processes within the depots and arsenals to increase operational efficiencies and to decrease overall costs. Existing local unique legacy systems are nearing the end of their productive life cycle and would be expensive to bridge to the Logistics Modernization Program (LMP) software. These local unique systems perform functions such as facility management, tool management shop floor control, data collection, Computer Integrated Manufacturing System (CIMS), etc. The thrust of this project is to develop an industrial base modernized system that fully integrates the requirements performed by the numerous legacy systems within the standard ERP solution.

b. ANTICIPATED BENEFITS: A fully integrated ERP will increase arsenal operational efficiency and reduce costs. Maintaining one fully integrated ERP system rather than an ERP system with numerous unique legacy system interfaces will reduce automation sustainment costs, software fees and system infrastructure requirements at each arsenal and will also ensure a common ERP environment exists throughout the AMC depot/arsenal base. This project will assess WVA's business processes to determine what additional ERP functionality is required, beyond that which is to be provided by the base LMP contract, to ensure optimal integration of automated business management systems. Following identification of the additional functionality, this project will provide a means for necessary reengineering of business processes, configuration of the ERP software, and other elements as part of an implementation project.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The status quo will result in an onerous financial burden on the arsenals to maintain the numerous unique legacy systems. Additionally, the efficiency of the arsenal will be severely degraded without implementation of this project.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$4,328	Net Present Value of Benefits:	$3,622	Benefit to Investment Ratio:	1.897	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2005
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Ordnance Feb 04	04-8	ERP/Industrial Base Modernization (IBM) PBA	PBA

Element of Cost	FY03 Quantity	FY03 Unit Cost	FY03 Total Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost
IBM				1	4,310.000	4,310.000			
TOTAL				1		4,310.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing Manufacturing Resource Planning (MRP) legacy systems are nearing the end of their productive life cycle and be expensive to bridge with the Systems Application Products (SAP) System. The SAP is the Enterprise Resource Planning (ERP) package chosen by the Logistics Modernization Program (LMP) and approved by AMC to be deployed across the AMC industrial base. The thrust of this project is the development of an Industrial Base Modernization (IBM) system with full integration of the requirements performed by numerous legacy systems within the standard ERP solution. The utilization of the existing MRP System and other non-integrated systems will increase costs and decrease operational efficiency.

b. ANTICIPATED BENEFITS: This project will assess PBA's business processes to determine what additional Enterprise Resource Planning (ERP) functionality is required, beyond that which is to be provided by the base LMP Contract, to ensure optimal integration of automated business management systems. Following identification of the additional functionality, this project will provide a means for reengineering of business processes as necessary, configuration of the ERP software, and other elements as part of an implementation project. By replacing existing legacy systems, the ultimate goal of reducing operational costs will be achieved.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: It funding is not received, with the implementation of LMP, for PBA to maintain their existing Manufacturing Resource Planning (MRP) legacy systems and build expensive networking bridges to interface with the Systems Application Products (SAP) system. Without this project, PBA will retain the current MRP system and other non-integrated systems with increased costs and degradation of service. This would result in downtime, loss of functionality, indirect labor expenses and increased overhead to support these systems. The bridging of information would be technically and financially inefficient.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$4,310	Net Present Value of Benefits:	$1.272	Benefit to Investment Ratio:	5.240	Payback Period:	N/A

Department of Army
ORDNANCE
FY 2003
FY 2005 Budget Estimate

($ in Millions)

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY 03	Various Capital Equipment <$500k	7.403	0.073	7.476	7.476		Reprogramed from Minor Construction
FY 03	#REF!	0.809	0.287	1.096	1.096		Reprogramed from VCE
	EQUIPMENT-Environmental						
FY 03		1.000		1.000	1.000		
MINOR CONSTRUCTION							
FY 03	Minor Construction < $750K	1.784	-0.360	1.424	1.424		Reprogrammed to VCE
SOFTWARE							
FY 03	Army Workload & Performance System (AWPS)	4.674		4.674	4.674		
	TOTAL	15.670		15.670	15.670		

Department of Army
ORDNANCE
FY 2004
FY 2005 Budget Estimate

($ in Millions)

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY 04	Various Capital Equipment <$500k	5.817		5.817	5.856		
FY 04	Bar and Chucking Lathe, CNC 4 1/2"	0.502		0.502	0.502		
FY 04	120" CNC Bed Type Lathe	0.599		0.599	0.599		
FY 04	CNC Milling Machine	0.818		0.818	0.818		
FY 04	White Phosphorus (WP) Facility Upgrade	24.339		24.339	0.000	24.339	Direct Funded through Army Procurement
	EQUIPMENT-Productivity						
FY 04	Automated M295 Line	2.985		2.985	2.985		
ADPE							
FY 04	Miscellaneous ADPE < $500K	2.121		2.121	2.121		
FY 04	Network Enterprise Management Sys	0.516		0.516	0.516		
MINOR CONSTRUCTION							
FY 04	Minor Construction < $750K	8.478		8.478	8.478		
SOFTWARE							
FY 04	Army Workload & Performance System (AWPS)	3.695		3.695	3.695		
FY 04	ERP/Industrial Base Modernization (IBM) WVA	4.328		4.328	4.328		
FY 04	ERP/Industrial Base Modernization (IBM) PBA	4.310		4.310	4.310		
	TOTAL	58.508		58.508	34.208	24.339	

Department of Army
ORDNANCE
FY 2005
FY 2005 Budget Estimate

($ in Millions)

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY 05	Various Capital Equipment <$500k	5.563		5.563	11.475	(5.912)	No Prior Submission/Approval of Project
FY 05	Replace Alarm System, Phase II	2.383		2.383	2.383		
FY 05	Chillers, 150 Ton f/Building 126	0.646		0.646	0.646		
FY 05	Machining Center	0.834		0.834	0.834		
FY 05	Upgrade 81mm Mortar RP Line	0.580		0.580	0.580		
FY 05	Vertical Heat Treat System	2.683		2.683	0.000	2.683	Cancelled
FY 05	White Phosphorus (WP) Facility Upgrade	7.474		7.474	0.000	7.474	Direct Funded through Army Procurement
	EQUIPMENT-Productivity						
FY 05	Electric Generator (Diesel/Natural Gas)	1.367		1.367	1.367		
FY 05	Automated SDS Fill System, B 63-220	0.884		0.884	0.884		
FY 05	Sorbent Powder Prod Line, B 63-220	4.430		4.430	0.000	4.430	Cancelled
ADPE							
FY 05	Miscellaneous ADPE < $500K	3.634		3.634	3.208	0.426	A project was cancelled.
MINOR CONSTRUCTION							
FY 05	Minor Construction < $750K	7.574		7.574	8.177	(0.603)	No Prior Submission/Approval of Project
FY 05	Environmental Remediation f/ ABG	0.930		0.930	0.930		
SOFTWARE							
FY 05	Army Workload & Performance System (AWPS)	2.603		2.603	2.603		
FY 05	Future Logistics Enterprise (FLE)/Transformation	0.486		0.486	0	0.486	Cancelled
	TOTAL	42.071		42.071	33.087	8.984	

INFORMATION SERVICES ADDENDUM

Final Report

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Information Services

The Information Services activity group was decapitalized effective 30 Sep 2003, meaning this activity is no longer part of the Army Working Capital Fund financial structure.

Functional Description

The Information Services activity group had two major missions. The first mission was to provide for the development and sustainment of automated information and communications systems. This activity provided a multitude of services including requirements analysis and definition, system design, development testing, integration, implementation support, and documentation of services in support of the Department of Defense and Foreign Military Sales customers. The second mission was to administer contract vehicles for purchase of small/medium computers, hardware, software, and support services from commercial sources.

In FY 2003, customers reimbursed actual cost for services purchased rather than being billed on a stabilized rate basis.

Activity Group Composition

This activity group consisted of the following activities:

1. Software Engineering Centers providing support for Personnel and Retail Logistics Systems including the following:
   a. Software Engineering Center-Washington (SEC- Meade), Fort Meade, MD
      Systems Supported:
      Inspector General Network (IGNET)
      Housing Operations Management System (HOMES)
      Knowledge Management
      Public Key Enabling
      Financial Management Information System (FMIS)
      Cold War Recognition System (CWRS)
      Atlanta Systems (Central Issue Facility) [Management of clothing and equipment at installation level.]
      Defense Travel System (DTS)

   b. Software Engineering Center-Lee (SEC-Lee), Fort. Lee, VA
      Systems Supported:
      Integrated Facilities Systems (IFS)
      Army Food Management Information System (AFMIS)
      Automated Systems Criminal Investigations - Criminal Investigation Command (ASCI-CIDC)
      Global Combat Service Support Control System (GCSSCS-Army)

2. Logistics Support Office (LSO), Chambersburg, PA, and St. Louis, MO: The Army's wholesale logistics software experts providing subject matter expertise and contract oversight to the Wholesale Logistics Modernization Program.

3. Army Small Computer Program (SCP), Fort Monmouth, N.J.: Providing customers with fully-competed commercial sources of small and medium computers, software, networking infrastructure, and support services. The U.S. Army Communications and Electronics Command (CECOM), also located at Fort Monmouth, NJ, exercises management control over this activity group.

Budget Highlights

Personnel:

Actual FY 2003 End Strength and FTEs were as follows:

	FY 2003
Civilian End Strength	222
Civilian FTEs	240
Military End Strength	4
Military Average Strength	4

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Information Services

Source of Revenue
($ in Millions)

	FY 2003
1. New Orders	
a. Orders from DoD Components:	
Department of Army	
Operations & Maintenance, Army	26.141
Operations & Maintenance, AR	0.105
Subtotal, O&M:	26.246
RDTE	0.036
Family Housing	2.270
Other	0.160
Subtotal, Department of Army:	2.466
Department of Air Force O&M	0.008
Department of Navy O&M	0.405
Department of Defense O&M	0.016
Subtotal, Other DoD Services:	0.429
Other DoD Agencies:	1.308
Other DoD Agencies	1.057
CAWCF	0.251
b. DWCF:	
Depot Maintenance, Army	0.741
Supply Management, Army	48.447
DECA	1.063
DISA	0.123
Subtotal, DWCF:	50.374
c. Total DoD	80.823
d. Other Orders:	0.298
Other Federal Agencies	0.161
Non-Federal Agencies	0.137
Total New Orders:	81.121

Army Working Capital Fund
Fiscal Year (FY) 2005 Budget Estimates
Information Services

Revenue and Expenses
($ in Millions)

	FY 2003
Revenue	
Gross Sales:	96.7
Operations	96.6
Surcharges	
Depreciation excluding Major Construction	0.1
Major Construction Depreciation	
Other Income	0.0
Refunds/Discounts (-)	
Total Income:	96.7
Expenses	
Salaries and Wages:	21.8
Military Personnel Compensation & Benefits	0.5
Civilian Personnel Compensation & Benefits	21.3
Travel & Transportation of Personnel	1.2
Materials & Supplies (For Internal Operations)	2.1
Equipment	0.0
Other Purchases from Revolving Funds	0.0
Transportation of Things	0.0
Depreciation - Capital	0.1
Printing and Reproduction	0.0
Advisory and Assistance Services	0.0
Rent, Communication, Utilities, & Misc. Charges	0.0
Other Purchased Services	67.7
Total Expenses:	93.0
Operating Result	3.7
Less Surcharge Reservations	
Cash	
Capital	
Plus Appropriations Affecting NOR/AOR	
Other Changes Affecting NOR:	
Other Inventory Adjustments	
Net Change in Work in Process	
Net Operating Result	3.7
Prior Year Adjustments	4.3
Prior Year Recoverable Accumulated Operating Result	9.8
Non-Recoverable Amounts (Current Year)	
Recoverable Accumulated Operating Result	17.8