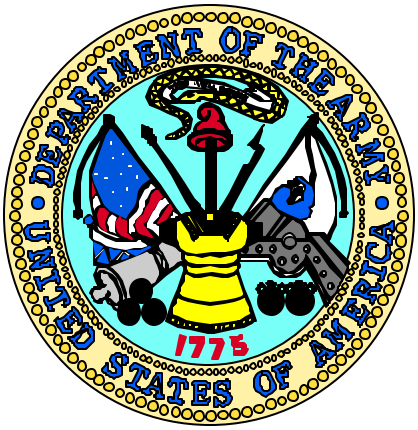
DEPARTMENT OF THE ARMY

FISCAL YEAR (FY) 2003
BUDGET ESTIMATES

FEBRUARY 2002



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. This 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 support services provided by Army Working Capital Fund (AWCF) activity groups are absolutely essential to the success of the Operating Forces, and the activity groups themselves are an integral part of the defense team.

ARMY WORKING CAPITAL FUND ACTIVITY GROUPS

The Army manages four activity groups within the Army Working Capital Fund:

Supply Management. This activity group is a revolving fund based on a buyer-seller-relationship. It buys and maintains assigned stocks of materiel for sale to its customers, primarily Army operating units. The availability of this materiel is linked to equipment and operational readiness and the war fighting readiness and abilities of Army units. The Activity group underwent a major change in FY 01 as the Single Stock Fund (SSF) initiative was implemented. The SSF initiative integrated the wholesale and command retail divisions. The command retail divisions no longer exist. The wholesale division remains subdivided by commodity and is managed by Major Subordinate Commands (MSCs) under the Army Materiel Command. This initiative streamlines the Army's logistics and financial processes by enabling the customer to go directly to the national provider without first going through a retail stock fund "middleman." At full implementation, it will provide total asset visibility of the Army's inventory, providing greater flexibility to optimize management of Army-owned assets. A breakout of the MSC locations and functions is provided in the Supply Management section.

Depot Maintenance. This activity group provides the Army an organic industrial capability to repair, overhaul, and upgrade weapons systems end items and depot-level reparables and provides tenant support to Army and other DoD activities. There are currently five major depots in this activity group: Anniston, Corpus Christi, Letterkenny, Red River, and Tobyhanna. The depots are managed by major subordinate commands under the Army Materiel Command (AMC).

Ordnance. This activity group manufactures, renovates, stores, and demilitarizes ordnance materiel for all services within the Department of Defense and foreign military customers. The Soldier Biological and Chemical Command, located at Aberdeen Proving Ground, MD, manages Pine Bluff Arsenal. The Operations Support

Command (OSC) located at Rock Island, IL, manages the remaining arsenals, ammunition plants, and ammunition logistics activities. The activity group now consists of three arsenals, two ammunition plants, five ammunition storage depots, and three munitions centers. The arsenals and plants provide depot operations, set assembly, tenant support and national procurement services for thin- and thick-walled cannon. In addition, they are also responsible for ammunition logistics management including follow-on procurement, production, maintenance, engineering, and integrated logistics support management.

Information Services. This activity group consists of four sub activities related to the development and sustainment of automated information and communications systems. The Software Development Centers at Fort Meade (SDC-Washington) and Fort Lee (SDC-Lee) support several Army and DoD information systems with federal employees and contractors. The Integrated Logistics Systems Office (ILSO), co-located in Chambersburg, PA, and St. Louis, MO, consists of a retained government office of 79 federal employees who oversee the work of contractor execution of the Army's Wholesale Logistics Modernization Program (WLMP). Effective June 2000, Computer Science Corporation took over the responsibilities of WLMP and provides support services to the Army's Wholesale Supply and Depot Maintenance systems. The WLMP is a ten-year project that will modernize and sustain the Army's wholesale logistics business practices and supporting information technology to meet current and future military readiness requirements. It will enable the Army Materiel Command to perform Business Process Reengineering (BPR) and system modernization, adopt market-driven business practices, and provide significantly improved services. In addition, it will help the Army to achieve synchronization with Global Combat Support System–Army, a seamless system that will integrate databases for tactical operations, wholesale and retail integration/operations, and joint integration/operations. The Army Small Computer Program (ASCP) purchases small and medium computers, software, networking infrastructure, and support services for Army and a few other customers. Effective FY 2002, this activity will charge its customers on a cost reimbursable basis for work performed, rather than charge the normal working capital stabilized fund rate for direct labor hours.

PERSONNEL

The AWCF personnel posture reflects a slight increase in the Depot Maintenance activity to accomplish workload requirements and decreases in FY 2003 as workload decreases and other initiatives streamline the AWCF infrastructure. Civilian and military end strengths and regular workyears or FTEs by activity group:

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	FY 2001	FY 2002	FY 2003
Supply Management			
Civilian End Strength	3022	2969	2795
Civilian FTEs	3072	3003	2829
Military End Strength	14	13	13
Military Average Strength	14	13	13
Depot Maintenance			
Civilian End Strength	10,595	10,359	10,255
Civilian FTEs	10,293	10,386	9,795
Military End Strength	21	32	31
Military Average Strength	22	27	26
Ordnance			
Civilian End Strength	5,529	5,602	5,575
Civilian FTEs	5,451	5,572	5,596
Military End Strength	16	21	18
Military Average Strength	18	20	18
Information Services			
Civilian End Strength	305	275	275
Civilian FTEs	305	282	282
Military End Strength	21	6	5
Military Average Strength	7	7	5
Total			
Civilian End Strength	19,451	19,205	18,900
Civilian FTEs	19,121	19,243	18,502
Military End Strength	72	72	67
Military Average Strength	61	67	62

Note: Army FTEs in the Transportation Working Capital Fund (TWCF) are not included above as they are accounted for in that activity group

COST OF GOODS & SERVICES PRODUCED (EXPENSES)

Costs and workload increase steadily over the three-year period. Supply management reflects the continued implementation of Single Stock Fund, as retail and OMA expenses are being merged into the operation of the national supply system. Depot Maintenance FY 2002 costs increase due primarily to program increases for recapitalization of legacy systems and equipment. FY 2003 cost growth is due to price growth (inflation) and the increase in the government's contribution to the Civil Service Retirement System (CSRS) and the Federal Employee Health Benefit Program (FEHBP). The Ordnance activity group cost increase in FY 2002 reflects general price growth (inflation). The Information Services activity group is cost reimbursable in fiscal

years 2002 and 2003. The cost increase in FY 2002 is due to additional workload. The FY 2003 cost decrease is due to an increase in funding Information Services work outside of AWCF.

($ in millions)	FY 2001	FY 2002	FY 2003
Supply Management	3,479.9	3,627.3	4,614.8
Depot Maintenance	1,393.8	1,599.1	1,657.5
Ordnance	656.8	678.7	708.9
Information Services	101.5	105.3	96.6
Total	5,642.7	6,009.8	6,958.1

NET AND ACCUMULATED OPERATING RESULTS

The Army Working Capital Fund activity groups operate on a breakeven basis over the budget cycle. The Army sets annual revenue rates to achieve positive or negative results, in order to bring the Accumulated Operating Result (AOR) to zero in the budget year. The activity group's effectiveness is measured by comparing performance to the Net Operating Result (NOR) goal.

($ in millions)	FY 2001	FY 2002	FY 2003
Supply Management			
Net Operating Results	-34.0	-128.4	38.3
Accumulated Operating Results	90.1	-38.3	0
Depot Maintenance			
Net Operating Results	31.5	-19.2	-45.4
Accumulated Operating Results*	64.6	45.4	0
Ordnance			
Net Operating Results	-1.6	-48.6	-18.0
Accumulated Operating Results*	66.6	18.1	0
Information Services			
Net Operating Results	-3.7	.1	0
Accumulated Operating Results	-.4	0	0

*****Recoverable AOR

CUSTOMER RATES

In the Depot Maintenance, Ordnance, and Information Services (FY 01 only) activities, customer rates are set per direct labor hour. The rates recover direct and overhead costs. All Activity's rates are stabilized so that the customer's buying power is protected

activity group are eliminated and customers of the two software development centers will be charged on a cost reimbursement basis. The Supply Management activity adds a surcharge on sales to recoup overhead expenses. The following table shows the direct labor hour/surcharge rates by activity group:

	FY 2001	FY 2002	FY 2003
Supply Management	18.8%	15.1%	24.1%
Depot Maintenance	$119.81	$124.57	$133.80
Ordnance	$102.70	$94.59	$69.07
Information Services	$61.19	N/A	N/A

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 in FY 2001 and the decision by the Department to fully fund Unutilized Plant Capacity (UPC) in FY 2003 brought prices down to Ordnance customers in FY 2003. Despite positive operating results in FY 2001, and a projected positive AOR at the end of FY 2002, higher than usual fixed-price workload (recapitalization programs) in FY 2002 and 2003 have caused the FY 2003 Depot Maintenance rate to increase. The increase to the Supply Management surcharge rate reflects elimination of the FY 2002 and 2003 rate buy downs that utilized the positive accumulated operating result (AOR) and cash position of the AWCF activities.

	FY 2001	FY 2002	FY 2003
Supply Management	-4.2%	-2.5%	9.2%
Depot Maintenance	7.1%	4.0%	7.4%
Ordnance	3.6%	-7.9%	-27.0%
Information Services	-26.6%	N/A	N/A

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. Software is being developed to improve business processes, data access, data utilization, and management decision-making. Four major software initiatives (Wholesale Logistics Modernization Program, Commercial Asset Visibility II, Common Operating Equipment and Single Stock Fund) comprise the

Supply Management requirements. The FY 2003 request includes software development requirements for programs, which have already funded up-front requirements in prior years. The following table summarizes capital investments:

($ in millions)	FY 2001	FY 2002	FY 2003
Supply Management	61.9	58.1	57.4
Depot Maintenance	19.3	26.7	37.0
Ordnance	29.3	10.7	14.0
Information Services	0	0	0
Total	110.5	95.5	108.4

DIRECT APPROPRIATIONS

The following amounts have been received/requested as direct DWCF appropriations:

($ in millions)	FY 2001	FY 2002	FY 2003
War Reserve Secondary Items	0	63.0	89.0
Unutilized Plant Capacity	0	0	127.0
Utilities	12.0	4.4	0
CSRS	0	0	52.1
FEHBP	0	0	57.0
Inventory Augmentation	0	100.0	100.0

The AWCF is receiving increased direct appropriation infusion to help offset cost increases and maintain rate stability. New and increased direct appropriations:

War Reserve Secondary Items (WRSI): Funding to procure and store a war reserve inventory of secondary items.

Unutilized Plant Capacity (UPC): Unutilized Plant Capacity 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 UPC was not provided, Army Ordnance and Depot Maintenance customers would end up paying increased direct labor hour rates to fund capacity not needed to meet the peacetime mission. The FY 2001, the UPC amount

includes the Congressional increase to Watervleit Arsenal of $20 million and the subsequent approval of a budget request to increase UPC at Rock Island Arsenal by $11.5 million. FY 2002 UPC includes a $17.5M congressional add over the requested amount. In FY 2003, Unutilized Plant Capacity funding moves to the Defense Working Capital Fund, Army (DWCF, A). This represents a change from the current practice of Funding UPC requirements through the Operations and Maintenance, Army appropriation.

Utilities: Funds specifically provided in the Supplemental Appropriations Act, 2001 P.L. 107-20 of July 24, 2001 and the FY 2002 Appropriations Act to cover the increased utility costs. The funds were requested and appropriated as direct appropriations to preclude losses for these extraordinary costs for electricity and natural gas.

Civil Service Retirement System (CSRS) and
Federal Employee Health Benefits Program (FEHBP):

Budgeting and Managing for Results: Full Funding of Retiree Costs. To improve the accounting for and make the cost of government programs more visible to the American people, the Administration is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, the budget includes a request for a direct appropriation of $109.1 million for the Army Working Capital Fund to fund the full accruing cost of the Civil Service Retirement System and retire health benefits for civilian employees in the Federal Employee Health Benefit Program. Beginning with the FY 2004 Budget, these costs will be built-into the rates charged to Working Capital Fund customers. This proposal does not increase the total costs to the Federal government, since these costs were previously funded from government-wide OPM accounts.

Inventory Augmentation: The Supply Management activity has been provided direct appropriations to increase its inventory level of spares, specifically aviation spares. This is intended to result in an improved demand fill rate of customer requirements and unit readiness.

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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 availability of this materiel is linked to equipment and operational readiness and the warfighting readiness abilities of Army units. The activity group is managed by major subordinate commands under the Army Materiel Command.

ACTIVITY GROUP COMPOSITION

The SMA entities consist of the following:

NAMI Division	Manager
Non Army Managed Items - Central Business Unit	U.S. Army Tank and Automotive 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.	

Wholesale Subdivisions		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-W	U.S. Army Tank and Automotive Command, Warren, MI	Combat, automotive, and construction items
TACOM-RI	U.S. Army Tank and Automotive Command, Rock Island, IL	Weapons, special weapons and fire control systems
SBCCOM	U.S. Army Soldier and Biological Chemical Command, Natick, MA	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

BUDGET HIGHLIGHTS

The Activity group underwent major changes in FY 2001 as Single Stock Fund (SSF) Milestones (MS) 1 and 2 were implemented by integrating the wholesale and retail divisions. The command retail division will no longer exist. The wholesale division remains subdivided by commodity and is managed by major subordinate commands under the Army Materiel Command. This initiative streamlines the Army's logistics and

financial processes by enabling the customer to go directly to the national provider without first going through a retail stock fund "middleman." At full implementation (MS 3), it will also provide total asset visibility of the Army's inventory, providing greater flexibility to optimize management of Army-owned assets. The SMA will continue to manage the prepositioned war reserves under Army control. A small quantity of Non-Army Managed Items (NAMI) will be retained and managed in the NAMI Central Business Unit (NAMI-CBU).

Personnel:

The activity continues its downsizing efforts, as reflected in the Civilian End Strengths and Full Time Equivalents (FTEs). Personnel reductions (FY 2001 thru FY 2003) in the SMA business are reflective of continued downsizing of the wholesale infrastructure consistent with the FY 1997 Quadrennial Defense Review (QDR).

	FY 2001	FY 2002	FY 2003
Civilian End Strength	3022	2969	2795
Civilian FTEs	3072	3003	2829
Military End Strength	14	13	13
Military Average Strength	14	13	13

Sales:

Supply Management, Army (SMA) Net Sales in dollars will decrease slightly in FY 2002 with implementation of SSF. The integration of the Wholesale and Command Retail divisions into one level of management eliminated the duplicate sales from the wholesale division to the retail division and the retail division to the customer. An increase in FY 2003 Net Sales is expected due to the Wholesale price increase of 9.2%, the projected increase of NAMI-CBU Consumables sales, and the partial implementation of SSF MS III.

Indicator ($M)	FY 2001	FY 2002	FY 2003
Net Sales	3357.5	3221.3	4446.6
Cost of Material Sold from Inventory	2642.0	2607.3	3426,0
Obligations for Materiel (includes depot-level repair of DLRs)	3715.0	3211.1	3947.9
Credit for Returns	2702.8	2008.7	1971.8

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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 to zero in the budget year. The table below reflects net and accumulated operating results (AOR) for SMA:

Indicator ($ in millions)	FY 2001	FY 2002	FY 2003
Net Operating Results	-34.0	-128.4	38.3
Accumulated Operating Results	90.1	-38.3	0.0

Workload and Economic Assumptions:

Prices for Army-managed items were adjusted downward an average of 4.2 % in FY 2001 and 2.5% for FY 2002. FY 2003 prices will increase by 9.2% because FY 2002 prices were reduced to return accumulated gains to customers. The following chart shows general workload data for the Wholesale Division:

Indicator	FY 2001	FY 2002	FY 2003
Credit Returns ($M)	2702.8	2008.7	1971.8
Surcharge Rate (Composite)	18.8%	15.1%	24.1%
Customer Price Change (%)	-4.2%	-2.5%	9.2%
SMA Purchases Inflation (%)	1.0%	1.6%	1.3%

Unit Cost:

Unit cost is a managerial control. It is measured by dividing gross materiel cost, which is the sum of total obligations and credit, by gross sales. The Wholesale Division unit cost is relatively constant between FY 2002 and FY 2003. FY 2001 was high to reduce growing backorders and improve readiness.

Unit Cost Goal	FY 2001	FY 2002	FY 2003
Wholesale	1.195	.989	.986

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Inventory:

Total Inventory, revalued for unserviceability and potential disposal, declines through FY 2003. This is a result of the Army's improved inventory management under the Total Army Inventory Management program, and efforts to reduce stock requirements by reducing administrative and procurement lead-times.

($ in millions)	FY 2001	FY 2002	FY 2003
Inventory	9704.9	9492.4	9153.6

Supply Management Stock Availability:

Stock Availability measures the percentage of SMA requisitions satisfied upon initial processing in the wholesale supply system. The SMA target for Stock Availability, 85 percent demand satisfaction, is the basis for budget requirements for FY 2001 through FY 2003. Data provided reflects FY 2001 actual performance. During FY 2001 the unit cost goal was increased to 1.195. This provided additional authority to the wholesale activities to procure and repair needed items. This will result in increased stock availability throughout FY 2002 and FY 2003 to the target levels. The stock availability rate for each of the four quarters of FY 2001 is shown on the chart below.

1Q01	2Q01	3Q01	4Q01
84.2%	83.3%	83.7%	82.9%

Capital Budget:

This activity group seeks to maintain and develop capabilities through equipment and software acquisition. The Capital Investment Program primarily funds development of software to improve managerial decision-making quality and timeliness through efficient access to and use of data.

The SMA invests in local area networks, servers, desktop computers, high-speed printers and a variety of software products that enhance program integration streamlining for Materiel Management Centers and acquisition areas of the Inventory Control Points.

The planned capital obligations are:

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Category ($ in millions)	FY 2001	FY 2002	FY 2003
Equipment	0	0	0
ADP	0	0	1.8
Software	61.9	58.1	55.6
TOTAL	61.9	58.1	57.4

Direct Appropriations:

($ in millions)	FY 2001	FY 2002	FY 2003
Utilities	1.7	.6	0
CSRS 1/	0	0	7.5
FEHBP 1/	0	0	10.0
War Reserve Secondary Items	0	63.0	89.0
Inventory Augmentation	0	100.0	100.0
TOTAL	1.7	163.6	206.5

1/ In FYs 2001/2002, these costs were funded out of government-wide OPM accounts.

Utilities:

As a result of rising utility costs in FY 2001 and FY 2002, the Supply Management Army business area received direct funding to offset cost increases.

Civil Service Retirement System / Federal Employees Health Benefits Program:

Budgeting and Managing for Results: Full Funding of Retiree Costs. To improve the accounting for and make the cost of government programs more visible to the American people, the Administration is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, the budget includes a request for a direct appropriation of $17.5 million for the Supply Management function of the Working Capital Fund, Army to fund the full accruing cost for civilian employees covered by the Civil Service Retirement System and retiree health benefits in the Federal Employee Health Benefit Program. Beginning with the FY 2004 Budget, these costs will be built-into the rates charged to Working Capital Fund customers. This proposal does not increase the total costs to the Federal

government, since these costs were previously funded from government-wide OPM accounts.

War Reserves Secondary Items/Inventory Augmentation:

An investment in additional spares and war reserve secondary items was provided to improve the Army's ability to meet mission and operational readiness requirements. These funds are intended to procure both additional spare parts to reduce backlog, increase spares availability as well as for inventory augmentation to increase the supply pipeline of available assets.

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Revenue and Expenses
($ in Millions)

	FY 2001	FY 2002	FY 2003
Revenue			
Gross Sales	6,065.8	5,239.2	6,428.3
Less Credit and Allowances	2,708.3	2,017.9	1,981.7
Net Sales	3,357.5	3,221.3	4,446.6
Other Income	1.7	163.6	206.5
CSRS/FEHBP	0.0	0.0	17.5
Utilities	1.7	0.6	0.0
Inventory Augmentation	0.0	100.0	100.0
War Reserve Materiel-Secondary Items	0.0	63.0	89.0
Total Income:	3,359.2	3,384.9	4,653.1
Expenses			
Cost of Material Sold from Inventory	2,631.3	2,615.2	3,533.6
Salaries and Wages:	217.4	227.4	242.4
Military Personnel Compensation & Benefits	0.9	1.0	1.0
Civilian Personnel Compensation & Benefits	216.5	226.4	241.4
Travel & Transportation of Personnel	2.4	3.9	3.6
Materiel & Supplies (For Internal Operations)	1.4	1.8	1.8
Equipment	1.3	1.3	1.6
Other Purchases from Revolving Funds	181.9	254.7	297.6
Transportation of Things	107.4	93.3	101.9
Depreciation - Capital	50.2	48.8	49.6
Printing and Reproduction	0.3	0.5	0.5
Advisory and Assistance Services	33.3	26.0	31.4
Rent, Communication, Utilities & Misc. Charges	9.7	10.2	10.4
Other Purchased Services	127.7	181.3	189.5
Material Inflation	38.1	74.5	60.2
Loss/Obsolescence Obs (includes condemnation)	58.1	64.7	62.7
Safety of Use/Flight	19.4	23.7	28.0
Total Expenses:	3,479.9	3,627.3	4,614.8

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	FY 2001	FY 2002	FY 2003
Operating Result	(120.7)	(242.4)	38.3
Other Changes Affecting NOR/AOR	86.7	114.0	0.0
Net Operating Result	(34.0)	(128.4)	38.3
Prior Year AOR	124.1	90.1	(38.3)
Accumulated Operating Result	90.1	(38.3)	0.0

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SOURCE OF REVENUE
($ in Millions)

	FY 2001	FY 2002	FY 2003
New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	3,234.5	3,439.8	4,215.4
Operations & Maintenance, ARNG	456.5	515.8	630.9
Operations & Maintenance, AR	8.4	32.5	83.9
Subtotal, O&M:	3,699.4	3,988.1	4,930.2
Procurement Appropriations	265.2	194.6	198.5
RDTE	12.8	7.9	8.3
Military Personnel, Army	6.0	0.4	0.4
Other	103.2	94.8	126.1
Subtotal, Department of Army:	4,086.6	4,285.8	5,263.5
Department of Air Force	126.4	152.1	169.1
Department of Navy	84.5	87.9	98.8
US Marines	76.9	79.3	87.2
Department of Defense	35.3	16.4	19.9
Subtotal, Other DoD Services:	323.1	335.7	375.0
b. DWCF:			
Depot Maintenance, Army	349.5	363.2	407.1
Supply Management, Army (Retail)	77.3	0.0	0.0
Other DWCF:			
Subtotal DWCF:	426.8	363.2	407.1
c. Total DoD	4,836.5	4,984.7	6,045.6
DLA			
Other Federal Agencies	1.5	6.4	10.3
Foreign Military Sales	237.9	245.4	268.3
Other	2.5	2.0	0.0
Total New Orders:	5,078.4	5,238.5	6,324.2

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SOURCE OF REVENUE
($ in Millions)

	FY 2001	FY 2002	FY 2003
Carry-in Orders	0.0	0.0	0.0
Total Gross Orders	5,078.4	5,238.5	6,324.2
Change in Backlog	(987.4)	(0.7)	(104.1)
Total Gross Sales	6,065.8	5,239.2	6,428.3
Less: Returns for Credit	2,702.8	2,008.7	1,971.8
Less: Allowances	5.5	9.2	9.9
Plus: Credit Differential			
Net Sales	3,357.5	3,221.3	4,446.6

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Wholesale Only
Customer Price Change

	FY 2001	FY 2002	FY 2003
1. Gross Sales at Cost	3,814.7	4,434.9	4,650.7
2. Less Materiel Inflation Adjustment	38.1	74.5	60.2
3. Revised Gross Sales at Cost	3,776.6	4,360.4	4,590.5
4. Surcharge (dollars)	717.1	669.7	1,120.7
5. Change to Customers:			
a. Previous Years Surcharge (rate)	25.3%	18.8%	15.1%
b. This year's Surcharge($) divided by line 3 above ($)	18.8%	15.1%	24.1%
c. Percent change to customer	-4.2%	-2.5%	9.2%

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SUMMARY BY DIVISION
($ in Millions)

RETAIL		NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS OPERATING	MOB	TOTAL
FORSCOM						
	FY 2001	-152.6	298.5	23.0	0.0	23.0
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
USAREUR						
	FY 2001	778.2	301.2	37.7	0.0	37.7
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
TRADOC						
	FY 2001	-5.4	83.6	7.5	0.0	7.5
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
USAEIGHT						
	FY 2001	243.7	99.0	39.4	0.0	39.4
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
USARPAC						
	FY 2001	104.7	57.3	23.9	0.0	23.9
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
USARSO						
	FY 2001	-1.8	7.5	3.8	0.0	3.8
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
AMC-ID						
	FY 2001	104.8	71.1	43.6	0.0	43.6
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
DSS-W						
	FY 2001	0.0	1.6	(3.0)	0.0	(3.0)
	FY 2002	0.0	0.0	0.0	0.0	0.0
	FY 2003	0.0	0.0	0.0	0.0	0.0
NAMI						
	FY 2001	57.8	57.8	32.3	0.0	32.3
	FY 2002	139.0	122.4	102.4	0.0	102.4
	FY 2003	736.0	637.6	575.2	0.0	575.2
SUB-TOTAL						
	FY 2001	1,129.3	977.6	208.2	0.0	208.2
	FY 2002	139.0	122.4	102.4	0.0	102.4
	FY 2003	736.0	637.6	575.2	0.0	575.2

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

SUMMARY BY DIVISION
($ in Millions)

		NET CUSTOMER	NET	OBLIGATION TARGETS		
WHOLESALE		**ORDERS**	**SALES**	**OPERATING**	**MOB**	**TOTAL**
CONSUMABLES						
TACOM-RI						
	FY 2001	88.6	83.3	71.0	0.6	71.6
	FY 2002	87.9	87.0	77.0	0.0	77.0
	FY 2003	104.6	97.5	82.6	0.0	82.6
AMCOM-Air						
	FY 2001	113.5	106.2	152.5	0.2	152.7
	FY 2002	139.9	126.8	121.1	0.0	121.1
	FY 2003	166.2	137.8	145.0	0.0	145.0
CECOM						
	FY 2001	196.3	191.3	205.9	(0.7)	205.2
	FY 2002	183.2	195.6	164.0	1.4	165.4
	FY 2003	243.6	229.9	182.1	0.0	182.1
AMCOM-Missiles						
	FY 2001	26.8	20.3	19.1	0.0	19.1
	FY 2002	8.6	16.2	9.4	0.0	9.4
	FY 2003	9.4	12.6	10.1	0.0	10.1
SBCCOM						
	FY 2001	87.2	69.3	95.4	13.8	109.2
	FY 2002	97.5	90.3	39.1	29.6	68.7
	FY 2003	106.1	92.2	52.0	29.6	81.6
TACOM-W						
	FY 2001	113.2	105.3	108.5	0.7	109.2
	FY 2002	111.8	113.8	160.8	0.0	160.8
	FY 2003	132.7	127.9	106.4	0.3	106.7
SUB-TOTAL						
	FY 2001	625.6	575.7	652.4	14.6	667.0
	FY 2002	628.9	629.7	571.4	31.0	602.4
	FY 2003	762.6	697.9	578.2	29.9	608.1

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

SUMMARY BY DIVISION
($ in Millions)

		NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS OPERATING	MOB	TOTAL
WHOLESALE REPARABLES						
TACOM-RI						
	FY 2001	209.4	166.8	124.0	2.3	126.3
	FY 2002	240.0	237.3	135.4	4.3	139.7
	FY 2003	254.3	269.4	145.4	4.0	149.4
AMCOM-Air						
	FY 2001	688.9	491.2	879.1	8.7	887.8
	FY 2002	923.5	893.0	629.9	11.0	640.9
	FY 2003	982.2	1,092.9	944.4	13.0	957.4
CECOM						
	FY 2001	252.5	251.7	206.7	6.7	213.4
	FY 2002	292.0	306.5	178.3	5.3	183.6
	FY 2003	353.5	381.9	378.9	4.7	383.6
AMCOM-Missiles						
	FY 2001	318.9	234.5	154.4	2.0	156.4
	FY 2002	292.8	301.6	161.6	3.0	164.6
	FY 2003	340.6	348.4	219.3	3.0	222.3
SBCCOM						
	FY 2001	30.6	20.9	6.7	4.3	11.0
	FY 2002	18.9	17.9	10.4	0.0	10.4
	FY 2003	19.8	17.8	14.8	0.0	14.8
TACOM-W						
	FY 2001	727.1	642.2	541.7	9.4	551.1
	FY 2002	682.0	709.5	508.1	12.0	520.1
	FY 2003	926.2	995.1	561.0	15.0	576.0
SUB-TOTAL						
	FY 2001	2,227.4	1,807.3	1,912.6	33.4	1,946.0
	FY 2002	2,449.2	2,465.8	1,623.7	35.6	1,659.3
	FY 2003	2,876.6	3,105.6	2,263.8	39.7	2,303.5

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

SUMMARY BY DIVISION
($ in Millions)

DIVISION		NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS OPERATING	MOB	TOTAL
AMC-MOB						
	FY 2001	(3.3)	(3.1)	(20.9)	14.2	(6.7)
	FY 2002	3.5	3.5	3.5	22.4	25.9
	FY 2003	5.5	5.5	5.5	23.0	28.5
COST OF OPS						
	FY 2001			682.8	0.0	682.8
	FY 2002			800.4	0.0	800.4
	FY 2003			858.8	0.0	858.8
CAPITAL						
	FY 2001			61.9	0.0	61.9
	FY 2002			58.1	0.0	58.1
	FY 2003			57.4	0.0	57.4
COMMITMENT						
	FY 2001			168.6	0.0	168.6
	FY 2002			399.7	0.0	399.7
	FY 2003			462.0	0.0	462.0
FATIGUE TESTING						
	FY 2001			6.1	0.0	6.1
	FY 2002			5.8	0.0	5.8
	FY 2003			5.8	0.0	5.8
ESI						
	FY 2001			43.3	0.0	43.3
	FY 2002			58.2	0.0	58.2
	FY 2003			58.2	0.0	58.2
INVENTORY AUGMENTATION						
	FY 2001			0.0	0.0	0.0
	FY 2002			100.0	0.0	100.0
	FY 2003			100.0	0.0	100.0
MOB OA (Memo)						
	FY 2001			0.0	62.2	62.2
	FY 2002			0.0	89.0	89.0
	FY 2003			0.0	92.6	92.6
TOTAL OA						
	FY 2001	3,979.0	3,357.5	3,715.0	62.2	3,777.2
	FY 2002	3,220.6	3,221.4	3,723.2	89.0	3,812.2
	FY 2003	4,380.7	4,446.6	4,964.9	92.6	5,057.5

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

SUMMARY BY DIVISION
($ in Millions)

Budget Authority	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS OPERATING	MOB	TOTAL
War Reserve Materiel					
FY2002	0.0	0.0	0.0	63.0	63.0
FY2003	0.0	0.0	0.0	89.0	89.0
Inventory Augmentation					
FY2002	0.0	0.0	100.0	0.0	100.0
FY2003	0.0	0.0	100.0	0.0	100.0
Utilities					
FY2002	0.0	0.0	0.6	0.0	0.6
CSRS & FEHBP					
FY2003	0.0	0.0	17.5	0.0	17.5
TOTAL BA					
FY2002	0.0	0.0	100.6	63.0	163.6
FY2003	0.0	0.0	117.5	89.0	206.5

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

Operating Requirement
By Weapon System/Category
($ in Millions)

WEAPON SYSTEM/CATEGORY	FY 2001	FY 2002	FY 2003
Chemical Defense Equipment	67.6	31.6	42.6
Other Armament, Munitions and Chemicals	74.8	74.8	76.6
AH-64	340.4	241.3	352.5
UH-60	269.6	229.9	292.9
OH-58D	73.6	67.0	104.3
CH-47D	155.9	135.3	164.2
T701C Engines	74.5	41.9	78.1
Air Delivery/Aviation/Troop Equipment	234.1	131.6	194.6
MSE	22.1	26.0	39.6
Night Vision Equipment	24.7	17.8	23.1
Batteries	72.0	34.4	48.7
Other Communications/Electronics	240.1	217.5	320.8
MLRS	16.8	24.3	29.0
PATRIOT	75.2	60.2	80.7
Other Missile Systems	53.2	46.4	71.2
M1 Series Tank	284.3	358.2	344.6
M88 Recovery Vehicle	61.8	62.3	76.4
M109 Howitzer	19.2	23.4	27.2
M198 Howitzer	10.8	11.6	12.4
M113 FOV	33.4	35.3	29.8
Bradley Fighting Vehicle	73.5	120.9	130.5
HMMWV	45.1	69.0	63.4
Tires	87.0	36.0	36.1
Other Tank & Automotive	157.6	98.5	102.7
TOTAL	2,567.2	2,195.2	2,742.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FISCAL YEAR 2001
($ in Millions)

		---- Peacetime ----		
	Total	**Mobilization**	**Operating**	**Other**
1. Materiel Inventory BOP at Standard	16,775.1	2,187.3	6,673.7	7,914.1
2. Materiel Inventory BOP (revalued-memo)	9,425.8	1,979.6	4,337.8	3,108.4
3. BOP Materiel Inventory Adjustments				
a. Reclassification Changes	0.0	119.2	650.0	(769.2)
b. Price Changes (memo)	(1,184.1)	(73.8)	(526.3)	(584.0)
c. Inventory Reclassified and Repriced	15,591.0	2,232.7	6,797.4	6,560.9
4. Receipts at Standard	3,036.2	5.3	3,030.9	0.0
5. Gross Sales	6,065.8	5.3	6,060.5	0.0
6. Materiel Inventory Adjustments				
a. Capitalizations + OR (-)	914.0	263.9	618.0	32.1
b. Returns from Customers for Credit	3,302.1	0.0	3,190.2	111.9
c. Returns from Customers without Credit	1,470.9	0.0		1,470.9
d. Returns to suppliers (-)	(539.4)	0.0		(539.4)
e. Transfers to Property Disposal (-)	(801.0)	0.0		(801.0)
f. Issues/Receipts w/o Reimbursement + OR (-)	(128.8)	(56.3)	0.0	(72.5)
g. Other	(125.4)	(182.8)	(361.5)	418.9
h. Total Adjustments	4,092.4	24.8	3,446.7	620.9
7. Materiel Inventory EOP	16,653.8	2,257.5	7,214.5	7,181.8
8. Materiel Inventory EOP (revalued-memo)	9,704.9	1,795.0	4,881.1	3,028.8
a. Economic Retention (memo)	2,268.5			2,268.5
b. Policy Retention (memo)	450.2			450.2
c. Potential Excess (memo)	310.1			310.1
9. Materiel Inventory on Order EOP (memo)	2,390.3	51.0	2,339.3	0.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FISCAL YEAR 2002
($ in Millions)

		---- Peacetime ----		
	Total	**Mobilization**	**Operating**	**Other**
1. Materiel Inventory BOP at Standard	16,653.8	2,257.5	7,214.5	7,181.8
2. Materiel Inventory BOP (revalued-memo)	9,704.9	1,795.0	4,881.1	3,028.8
3. BOP Materiel Inventory Adjustments				
a. Reclassification Changes	0.0	32.0	732.8	(764.8)
b. Price Changes (memo)	(139.9)	6.0	(75.9)	(70.0)
c. Inventory Reclassified and Repriced	16,513.9	2,295.5	7,871.4	6,347.0
4. Receipts at Standard	1,872.5	68.2	1,804.3	0.0
5. Gross Sales	5,239.2	0.0	5,239.2	0.0
6. Materiel Inventory Adjustments				
a. Capitalizations + OR (-)	21.7	5.0	14.9	1.8
b. Returns from Customers for Credit	2,874.5	0.0	2304.4	570.1
c. Returns from Customers without Credit	1,590.7	0.0	0.0	1,590.7
d. Returns to suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(818.3)	0.0	0.0	(818.3)
f. Issues/Receipts w/o Reimbursement + OR (-)	(21.7)	0.0	0.0	(21.7)
g. Other	70.2	11.1	20.1	39.0
h. Total Adjustments	3,717.1	16.1	2,339.4	1,361.6
7. Materiel Inventory EOP	16,864.3	2,379.8	6,775.9	7,708.6
8. Materiel Inventory EOP (revalued-memo)	9,492.4	1,665.9	4,743.1	3,083.4
a. Economic Retention (memo)	2,383.3			2,383.3
b. Policy Retention (memo)	420.0			420.0
c. Potential Excess (memo)	280.1			280.1
9. Materiel Inventory on Order EOP (memo)	1,467.9	59.0	1,408.9	0.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FISCAL YEAR 2003
($ in Millions)

		--- Peacetime ----		
	Total	**Mobilization**	**Operating**	**Other**
1. Materiel Inventory BOP at Standard	16,864.3	2,379.8	6,775.9	7,708.6
2. Materiel Inventory BOP (revalued-memo)	9,492.4	1,665.9	4,743.1	3,083.4
3. BOP Materiel Inventory Adjustments				
a. Reclassification Changes	0.0	7.7	1,002.1	(1,009.8)
b. Price Changes (memo)	1,203.4	152.4	517.0	534.0
c. Inventory Reclassified and Repriced	18,067.7	2,539.9	8,295.0	7,232.8
4. Receipts at Standard	2,375.2	52.7	2,322.5	0.0
5. Gross Sales	6,428.3	0.0	6,428.3	0.0
6. Materiel Inventory Adjustments				
a. Capitalizations + OR (-)	210.0	5.0	99.6	105.4
b. Returns from Customers for Credit	3,097.9	0.0	2,567.7	530.2
c. Returns from Customers without Credit	1,777.2	0.0	0.0	1,777.2
d. Returns to suppliers (-)	0.0	0.0	0.0	0.0
e. Transfers to Property Disposal (-)	(1,315.1)	0.0	0.0	(1,315.1)
f. Issues/Receipts w/o Reimbursement + OR (-)	(80.4)	(74.7)	0.0	(5.7)
g. Other	(26.0)	7.3	(12.9)	(20.4)
h. Total Adjustments	3,663.6	(62.4)	2,654.4	1,071.6
7. Materiel Inventory EOP	17,678.2	2,530.2	6,843.6	8,304.4
8. Materiel Inventory EOP (revalued-memo)	9,153.6	1,665.9	4,404.3	3,083.4
a. Economic Retention (memo)	2,307.9			2,307.9
b. Policy Retention (memo)	721.4			721.4
c. Potential Excess (memo)	54.1			54.1
9. Materiel Inventory on Order EOP (memo)	1,741.3	66.0	1,675.3	0.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Supply Management

War Reserve Material (WRM) Stockpile (& in millions)

STOCKPILE STATUS	Total	WRM Protected	WRM Other
1. Inventory BOP @ std.	2379.8	2272.7	107.1
2. Price Change	152.4	148.6	3.8
3. Reclassification	28.3	27.5	0.8
Inventory Changes	(30.3)	64.2	0.0
a. Receipts @ std.	52.7	51.9	0.8
(1) Purchases	52.7	51.9	0.8
(2) Returns from customers	0.0	0.0	0.0
b. Issues @ std.	(20.6)	0.0	(20.6)
(1) Sales	0.0	0.0	0.0
(2) Returns to suppliers	0.0		0.0
(3) Disposals	(20.6)		(20.6)
c. Adjustments @ std.	(62.4)	12.3	0.0
(1) Capitalizations	5.0	5.0	0.0
(2) Gains and Losses	0.0		0.0
(3) Other	(67.4)	7.3	(74.7)
Inventory EOP	2530.2	2513.0	17.2

STOCKPILE COSTS	
1. Storage	0.0
2. Management	0.0
3. Maintenance/Other	0.0
Total Cost	0.0

WRM BUDGET REQUEST	
1. Obligations @ cost	
a. Additional WRM	92.6
b. Replen. WRM	10.5
c. Repair WRM	0.0
d. Assemble/Disassemble	0.0
e. Other	0.0
Total Request	103.1

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Functional Description

The Depot Maintenance activity group provides the Army an organic industrial capability to repair, overhaul, and upgrade weapon systems and equipment and provide 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.

Activity Group Composition

The Depot Maintenance activity group is currently composed of the following depots and depot activities:

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.

Budget Highlights

Civilian and military End Strengths and Full Time Equivalents (FTEs) are as follows:

	FY 2001	FY 2002	FY2003
Civilian End Strength	10,595	10,359	10,255
Civilian FTEs	10,293	10,386	9,795
Military End strength	21	32	31
Military Average Strength	22	27	26

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Personnel:

Civilian manpower is driven by funded workload captured in the Army Workload and Performance System (AWPS). Workload increases in FY 2002 resulted in an increase in Civilian FTEs (average on-board strength). We have reduced FY 2003 manpower levels in this budget commensurate with efforts to improve productivity.

Costs, Operating Results, and Rates:

	FY 2001	FY 2002	FY 2003
Cost of Goods & Services Produced ($M)	1,393.8	1,599.1	1,657.5
Cost of Goods & Services Sold ($M)	1,390.1	1,599.1	1,657.5
Net Operating Results ($M)	31.5	-19.2	-45.4
Accumulated Operating Results ($M)	64.6	45.4	0.0
Customer Revenue Rate per DLH	$119.81	$124.57	$133.80
Percent Change from Prior Year	7.10%	3.97%	7.41%
Unit Costs ($/DLH)	$135.27	$152.18	$154.24
DLH (000)	10,277	10,508	10,747

Costs:

Cost growth in FY 2002 is due to program increases for Recapitalization of legacy equipment (the maintenance and systemic upgrade of fielded systems to ensure operational effectiveness and a near-zero time, zero mile system). Cost growth in FY 2003 is attributable to price growth (inflation) on programmed workload.

Unit Costs:

Unit costs are calculated by dividing the Cost of Goods Sold by Direct Labor Hours (DLHs). Unit costs rose 12.5% ($16.91) from FY 2001 to FY 2002 due to a more expensive mix of work (equipment) being performed. Unit Costs are expected to rise 1.4% ($2.06) from FY 2002 to FY 2003.

Operating Results and Rates:

The FY 2001 Net Operating Result (NOR) of $31.5 million exceeded the budgeted NOR of $15.7 million. This is partially due to increased productivity and responsiveness following September 11. The FY 2002 NOR is now projected to be a loss of -$19.2 million – an improvement of over $50M from the FY 2002 budget, due to the workload increase in FY 2002. Both revenue and expenses increase in FY 2002, with revenue increasing $50M more than expenses. The FY 2003 rates were set to achieve a NOR

of -$45.4 million to offset a projected Accumulated Operating Result (AOR) of $45.4 million at the end of FY 2002. Despite positive operating results in FY 2001, and a projected positive AOR at the end of FY 2002, higher than usual fixed-price workload (as a result of Recapitalization) in FY 2002 and FY 2003 caused the FY 2003 rate to increase. Current customer revenue rates do not capture Recapitalization work. It is performed outside the rates in order to gather cost and Direct Labor Hour data to establish a methods & standards baseline. With the establishment of methods & standards for Recapitalization work, future customer revenue rate calculations will include this workload.

Carry-Over:

The carry-over from FY 2001 was greater than projected in the FY 2002 President's Budget due to the addition of unbudgeted workload in the latter part of FY01 that continued into FY 2002. The Department continues to work at keeping carry-over at or below the 3 month standard. Efforts to increase productivity in FY 2003 is one example of actions aimed at reducing carryover.

($ in millions)	FY 2001	FY 2002	FY 2003
New Orders	1,555.7	1,502.7	1,470.1
Carry-in	519.5	641.2	582.3
Gross Orders	2,075.2	2,160.9	2,052.4
Total revenue	1,434.1	1,579.9	1,612.1
Carry-over	641.2	582.3	498.1
Less: WIP	32.6	32.6	32.6
Less: BRAC, Non-DOD, FMS, Intra/Inter DWCF (Excluding SMA)	127.1	118.4	106.2
Less: Contract Liabilities	75.9	70.0	43.2
Net Carry-over	405.6	361.3	316.1
Carry-over in Months	3.4	2.7	2.3

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Performance Indicators:

Performance indicators for the Depot Maintenance activity are: Net Operating Result (NOR) variance from Plan (financial); Timeliness (schedule conformance), Quality (Quality Deficiency Report - QDR); Customer Satisfaction (customer surveys); and Productivity (a new measuring tool added in FY 2001 to measure the productive Direct Labor Hours per Direct FTE). Actual FY 2001 performance resulted in a NOR of $31.5 million (against a Plan of $15.7 million); 95% Schedule Conformance (against a plan of 95% units on schedule); 95% processing of all QDRs submitted (against a plan of 100%); a 98% Customer Satisfaction rate (against a plan of 100%); and a productive yield of 1,558 hours (against a plan of 1,545 hours). FY 2002 and FY 2003 planned productive yield is 1,561 hours and 1,590 hours respectively.

Direct Appropriations. This submission includes a request for direct funding in the Defense Working Capital Fund for Unutilized Plant Capacity (UPC), Utilities costs, Civil Service Retirement System (CSRS) benefits accruals, and Federal Employees Health Benefits (FEHB) accruals.

Unutilized Plant Capacity:

In FY 2003, Unutilized Plant Capacity funding transfers to the Defense Working Capital Fund, Army (DWCF, A) appropriation. This represents a change from the current practice of Funding UPC requirements through the Operations and Maintenance, Army appropriation.

Utilities:

As a result of rising utility costs in FY 2001 and FY 2002, the Depot Maintenance business area received direct funding to offset cost increases.

CSRS/FEHB:

Budgeting and Managing for Results: Full Funding of Retiree Costs. To improve the accounting for and make the cost of government programs more visible to the American people, the Administration is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, the budget includes a request for a direct appropriation of $109.1 million for the Army Working Capital Fund to fund the full accruing cost of the Civil Service Retirement System and retire health benefits for civilian employees in the Federal Employee Health Benefit Program. Beginning with the FY 2004 Budget, these costs will be built-into the rates charged to Working Capital Fund customers. This proposal does not increase the total costs to the Federal government, since these costs were previously funded from government-wide OPM accounts.

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

($ in millions) DWCF, Army	FY 2001	FY 2002	FY 2003
UPC	0.0	0.0	7.3
Utilities	6.2	2.3	0.0
CSRS/FEHB 1/	0.0	0.0	57.8

1/ In FY 2001/2002 these costs were funded from government-wide OPM accounts.

Capital Budget:

The Capital Investment Program (CIP) for Depot Maintenance includes the purchase of equipment to improve productivity such as plasma spray equipment at Red River Army Depot to enable worn Bradley Fighting Vehicle parts to be reclaimed. Test stands for transmissions and hydro mechanical units will be purchased at Anniston and Corpus Christi Army Depots to improve the reparability of equipment and the speed of repairs. The CIP software budget includes the cost of fielding the Army Workload and Performance System to improve management processes, as well as contractor support for the Wholesale Logistics Modernization Program to improve the logistics process. Various minor construction projects will be implemented at each of the depots to improve safety, reliability, productivity and capacity. A summary of the program follows:

($ in millions)	FY 2001	FY 2002	FY 2003
Equipment	3.6	9.2	18.6
ADPE & Telecommunications	0.0	0.0	0.0
Minor Construction	1.9	.8	1.8
Software	13.8	16.7	16.6
TOTAL	19.3	26.7	37.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Revenue and Expenses
($ in Millions)

	FY 2001	FY 2002	FY 2003
Revenue			
Gross Sales:	1,428.553	1,577.600	1,554.337
Operations	1,380.098	1,528.457	1,498.542
Surcharges	12.500	0.046	0.002
Depreciation excluding Major Construction	35.955	49.096	55.793
Major Construction Depreciation			
Other Income (Appropriated Capital - Utilities)	6.170	2.300	
Refunds/Discounts (-)	(0.656)		
Other Income (Appropriated Capital - CSRS/FEHB)			57.800
Total Income:	1,434.067	1,579.900	1,612.137
Expenses			
Salaries and Wages:	584.227	598.871	660.145
Military Personnel Compensation & Benefits	1.621	2.242	2.250
Civilian Personnel Compensation & Benefits	582.606	596.629	657.895
Travel & Transportation of Personnel	13.153	16.772	16.688
Materials & Supplies (For Internal Operations)	496.746	613.430	657.500
Equipment	16.455	22.425	21.296
Other Purchases from Revolving Funds	59.319	57.549	47.449
Transportation of Things	2.690	3.026	3.077
Depreciation - Capital	35.955	49.096	55.793
Printing and Reproduction	0.902	0.689	0.697
Advisory and Assistance Services	6.966	7.238	6.922
Rent, Communication, Utilities, & Misc. Charges	30.955	37.306	34.143
Other Purchased Services	146.483	192.698	153.790
Total Expenses:	1,393.851	1,599.100	1,657.500
Operating Result	40.216	(19.201)	(45.364)
Less Surcharge Reservations	12.500	0.046	0.002
Cash (Current Year)			
Cash (Carried Over)	12.500	0.046	0.002
Capital			
Plus Appropriations Affecting NOR/AOR (Utilities)			
Other Changes Affecting NOR:	3.750		
Other Inventory Adjustments			
Net Change in Work in Process	(3.750)		

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Revenue and Expenses
($ in Millions)

	FY 2001	FY 2002	FY 2003
Net Operating Result	31.466	(19.247)	(45.366)
Prior Year Adjustments	(8.200)		
Prior Year Recoverable Accumulated Operating Result	55.200	64.613	45.366
Non-Recoverable Amounts (Current Year)	(13.853)		
Recoverable Accumulated Operating Result	64.613	45.366	0.000
Memo:			
Beginning Work in Process	28.863	32.613	32.613
Ending Work in Process	32.613	32.613	32.613
Cost of Goods Sold:	1,390.101	1,599.100	1,657.500

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Source of Revenue
($ in Millions)

	FY 2001	FY 2002	FY 2003
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	464.1	453.7	512.8
Operations & Maintenance, ARNG	59.0	51.0	76.1
Operations & Maintenance, AR	15.1	12.2	23.3
Subtotal, O&M:	538.2	516.9	612.2
Aircraft Procurement	9.3	8.5	9.5
Missile Procurement	27.6	14.0	12.9
Weapons & Tracked Combat Vehicles	55.2	28.3	18.8
Other Procurement	53.5	44.6	34.8
Subtotal, Procurement:	145.6	95.5	76.0
RDTE	2.8	3.0	2.5
BRAC	4.0	0.8	0.5
Family Housing	0.4	0.3	0.3
Chem Agents & Munitions Dest, Army	3.7	5.0	4.4
Other	0.1	0.2	0.2
Subtotal, Department of Army:	694.7	621.6	696.2
Department of Air Force O&M	4.9	2.2	3.0
Department of Navy O&M	31.1	29.5	26.6
US Marines O&M	27.1	4.6	5.1
Department of Defense O&M	0.1	0.0	0.0
Subtotal, Other DoD Services:	63.1	36.2	34.7
Other DoD Agencies:	10.3	16.0	19.2
Other DoD Agencies	10.3	16.0	19.2
b. DWCF:			
Depot Maintenance, Army	7.4	6.9	3.3
Information Services, Army	0.1	0.0	0.0
Ordnance, Army	9.1	17.8	18.2
Supply Management, Army	540.1	587.1	486.6
Supply Management, Air Force	120.0	102.0	91.2
Supply Management, Navy	41.7	32.8	29.8
Supply Management, Marine Corps	1.8	0.0	0.0
DECA	0.2	0.2	0.2
DFAS	2.0	2.0	2.1
DISA	1.6	2.6	2.7

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Source of Revenue
($ in Millions)

		FY 2001	FY 2002	FY 2003
	DLA	19.4	15.5	16.1
	UPC	0.0	0.0	7.3
	Other	7.8	6.8	7.0
	Subtotal, DWCF:	751.2	773.6	664.4
c.	Total DoD	1,519.4	1,447.5	1,414.4
d.	Other Orders:	47.8	55.3	55.7
	Other Federal Agencies	0.7	1.0	1.0
	Foreign Military Sales	41.6	51.4	51.7
	Nonappropriated	3.0	1.5	1.5
	Non-Federal Agencies	2.5	1.5	1.5
	Total New Orders:	1,567.2	1,502.7	1,470.1
2.	Carry-in Orders	519.5	658.2	582.3
3.	Total Gross Orders	2,086.7	2,160.9	2,052.4
4.	Funded Carry-over	658.2	582.3	498.1
5.	Total Gross Sales	1,434.1	1,579.9	1,612.1
6.	Number of Months of Carry-Over	3.4	2.7	2.4

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Changes in the Costs of Operations
($ in Millions)

			Expenses
FY 2001	**Actual Cost**		1,393.9
FY 2002	**Estimate in President's Budget**		1,449.8
Estimated Impact in FY 2002 of Actual FY 2001 Actions			2.4
	Delayed A-76 Implementation at LEAD		
	Salaries and Benefits for 38 FTEs	2.1	
	VERA/VSIP Costs for LEAD	0.3	
Pricing Adjustments			0.0
Program Changes (less pricing adjustments)			146.9
	Personnel Costs (other than A-76)	-23.0	
	Travel and Transportation of Personnel	2.0	
	Material and Supplies (Internal Operations)	96.5	
	Equipment	2.1	
	Other Purchases from Revolving Funds	-5.7	
	Transportation of Things	1.8	
	Depreciation	14.1	
	Printing and Reproduction	-0.2	
	Advisory and Assistance Services	3.4	
	Rent, Communications, Utilities and Miscellaneous Charges	2.1	
	Other Purchased Services	53.7	
FY 2002	**Current Estimate**		1,599.1

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Changes in the Costs of Operations
($ in Millions)

			Expenses
FY 2002	**Current Estimate**		1,599.1
Pricing Adjustments			56.5
	Annualization of Prior Year Pay Raises		5.6
	FY 2002 Pay Raise		9.5
	Civilian Personnel	9.5	
	Military Personnel	0.1	
	Fund Price Changes		37.7
	General Purchase Inflation		3.7
Productivity Initiatives and Other Efficiencies			-1.4
	Implement LEAD A-76 study		
	Salary and Benefits	-2.3	
	VERA/VSIP	0.9	
Program Changes (less pricing adjustments)			3.3
	Personnel Costs (other than A-76)	31.0	
	Travel and Transportation of Personnel	-0.5	
	Material and Supplies (Internal Operations)	27.7	
	Equipment	-1.7	
	Other Purchases from Revolving Funds	-11.3	
	Transportation of Things	0.0	
	Depreciation	5.3	
	Printing and Reproduction	0.0	
	Advisory and Assistance Services	-0.5	
	Rent, Communications, Utilities and Miscellaneous Charges	-4.0	
	Other Purchased Services	-42.7	
FY 2003	**Estimated Cost**		1,657.5

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Depot Maintenance

Unutilized Plant Capacity
($ and DLH in Millions)

	FY 2001	FY 2002	FY 2003
Anniston			
1. Total Capacity (DLH)	3.222	3.230	3.289
2. Utilized Capacity (DLH)	2.409	2.393	2.452
3. Reserve Capacity (DLH)	0.813	0.837	0.837
4. Funded UPC ($)	0.015	1.112	1.013
Corpus Christi			
1. Total Capacity (DLH)	3.483	3.492	3.555
2. Utilized Capacity (DLH)	2.857	2.906	2.969
3. Reserve Capacity (DLH)	0.626	0.586	0.586
4. Funded UPC ($)	0.814	1.541	1.404
Letterkenny			
1. Total Capacity (DLH)	1.174	1.156	1.177
2. Utilized Capacity (DLH)	0.870	0.902	0.923
3. Reserve Capacity (DLH)	0.304	0.254	0.254
4. Funded UPC ($)	1.079	0.794	0.724
Red River			
1. Total Capacity (DLH)	1.588	1.592	1.621
2. Utilized Capacity (DLH)	1.220	1.412	1.441
3. Reserve Capacity (DLH)	0.368	0.180	0.180
4. Funded UPC ($)	0.016	1.620	1.476
Tobyhanna			
1. Total Capacity (DLH)	3.718	3.727	3.794
2. Utilized Capacity (DLH)	2.921	2.895	2.962
3. Reserve Capacity (DLH)	0.797	0.832	0.832
4. Funded UPC ($)	1.993	2.950	2.709
Total Funded UPC ($)	3.917	8.017	7.327

Army Working Capital Fund
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Ordnance

Functional Description

The Ordnance Activity Group supports production of armaments and munitions; manufacture, renovation, and demilitarization of material; and ammunition stockpile management for all services within the Department of Defense and for foreign military customers. Two Major Subordinate Commands of the Army Materiel Command manage the business area. The Soldier Biological and Chemical Command, located at Aberdeen Proving Ground, MD, manages Pine Bluff Arsenal. The remaining installations: two arsenals, two ammunition plants, three ammunition storage depots, and three munitions centers are managed by the Operations Support Command, located at Rock Island, IL.

The Ordnance group's facilities provide the organic industrial capability to manufacture and sell quality munitions and large caliber weapons that are critical to the Army's capability to execute its warfighting mission. A number of these facilities also provide the full range of ammunition maintenance for modern weapons. Primary customers include the Army, the other U.S. Military Services, and Foreign Military Sales (FMS) for our allies. The activity group is also responsible for 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 base support for tenants on the installations they manage.

As a result of Base Realignment and Closure, 1995 (BRAC '95), Savanna and Seneca Depot Activities, were closed in September 2000. They were decapitalized from the Army Working Capital Fund in August 2001.

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. PBA also 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 for approximately 40 tenants: Headquarters Operations Support Command (OSC), Tank and Automotive Command (TACOM), U.S. Army Industrial Engineering Activity, Army Health Clinic, DFAS-Operating Location, and about 35 other 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 including: Army Health Clinic, Benet Laboratories, USMC Recruiting Command, and N.Y. Army National Guard.

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 including: Defense Ammunition Center; Naval Surface Warfare Center, Indian Head Division; U.S. Army Test, Measurement, and Diagnostic Equipment Support Center; and Army Health Clinic.

Sierra Army Depot (SIAD) **Herlong, CA**

Primary materiel and industrial responsibilities include receipt, storage, Care of Supplies in Storage (COSIS), repair, assembly, disassembly, and shipment of major and secondary items for operational project stocks. Provides base support to tenants including: Occupational Health Clinic, Army Corps of Engineers, Defense Reutilization and Marketing Office, and Defense Commissary Agency.

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 including: Army Health Clinic, Utah National Guard, DoD Printing Service, and 62nd Ordnance Company Provisional.

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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 including: Blue Grass Chemical Activity, Army Health Clinic, Army Corps of Engineers, and Raytheon (E-Systems).

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

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

Anniston Munitions Center (ANMC) **Anniston, AL**
Stores, maintains, distributes, and demilitarizes conventional ammunition. Tenant on Anniston Army Depot

Budget Highlights

Personnel:

This budget submission reflects an increase in FY 2003 Civilian FTEs as a result of hiring apprentices at Rock Island Arsenal. FY 2003 Civilian End Strength declines in response to declining workload at Watervleit Arsenal.

	FY 2001	FY 2002	FY2003
Civilian End Strength	5,529	5,602	5,575
Civilian FTEs	5,451	5,572	5,596
Military End strength	16	21	18
Military Workyears	18	20	18

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
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Cost, Operating Results, and Rates:

	FY 2001	FY 2002	FY 2003
Cost of Goods & Services Produced ($M)	656.8	678.7	708.9
Cost of Goods & Services Sold ($M)	663.9	680.5	711.0
Net Operating Results ($M)	-1.6	-48.6	-18.0
Accumulated Operating Results ($M)	66.6	18.1	0.0
Customer Revenue Rate per DLH	$102.70	$94.59	$69.07
Percent Change from Prior Year	3.6%	-7.9%	-27.0%
Unit Costs ($/DLH)	$150.6	$152.26	$158.90
DLH (000)	4,408	4,469	4,474

Costs:

The increase between FY 2002 and FY 2003 is a result of the inclusion of increased Government Contribution to CSRS and FEHB ($32.5M).

Unit Costs:

The total unit cost is calculated by dividing the total Cost of Goods Sold by Direct Labor Hours (DLHs). The unit cost increase in FY 2003 is a direct result increased Government to contribution to CSRS and FEHB ($32.5M).

Operating Results and Rates:

The FY 2002 Net Operating Result (NOR) is now estimated to be $-48.6 million which is an additional loss of almost $12 million more than the initial projected NOR of $-36.7 million. This is largely due to the civilian pay raise increase, depreciation expense associated with Army Workload and Performance System (AWPS), and increased equipment and utilities costs. The FY 2003 NOR is projected to be $18 million with customer rates set to achieve a zero Accumulated Operating Result (AOR). The DLH rate reduction of 27% in attributed to the Department's decision to fully fund UPC in this budget.

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Ordnance

Carry-over:

The carry-over from FY 2001 was greater than projected in the FY 2002 President's Budget due to the addition of unbudgeted workload in the latter part of FY 2001 that continued into FY 2002. While this results in an additional 2.5 months of unplanned carryover in FY 2002 ordnance activities are striving to reverse this trend and are hiring additional personnel in FY 2002 to accommodate the additional workload.

($ in millions)	FY 2001	FY 2002	FY 2003
New Orders	658.1	558.4	560.8
Carry-in	404.2	398.4	324.5
Gross Orders	1,062.3	956.8	885.2
Total revenue	667.8	633.7	693.5
Carry-over	398.4	324.5	224.3
Less: WIP	6.6	2.2	0.1
Less: BRAC, Non-DOD, FMS, Intra/Inter DWCF (Excluding SMA)	48.2	43.3	42.2
Less: Contract Liabilities	40.0	35.6	25.6
Net Carry-over	303.7	243.4	156.5
Carry-over in Months	5.4	4.6	2.7

Performance Indicators:

Performance Indicators include NOR (financial), Schedule Conformance (timeliness), Scrap/ Rework Costs (quality) and Customer Satisfaction. This budget includes a new performance indicator called "Productive Yield." This measures the Productive Direct Labor Hours per Direct FTE. In FY 2001, NOR was $20.1 million better than planned largely due to lower than anticipated expenses for salaries and wages, material and supply expenses, and other purchased services. Timeliness was below plan due to production delays, and work slippages at Pine Bluff Arsenal and lower than planned Operational Stock workload at Sierra Army Depot.

Direct Appropriations. This submission includes a request for direct funded appropriations for Unutilized Plant Capacity (UPC), Utilities costs, Civil Service Retirement System (CSRS) benefits accruals, and Federal Employees Health Benefits (FEHB) accruals.

Unutilized Plant Capacity (UPC):

The FY 2001, UPC amount includes the congressional increase to Watervleit Arsenal of $20 million and the subsequent approval of a budget request to increase UPC at Rock Island Arsenal by $11.5 million. FY 2002 UPC includes a $17.5 million congressional increase over the requested amount. In FY 2003, Unutilized Plant Capacity funding transfers to the Defense Working Capital Fund, Army (DWCF, A). This represents a change from the current practice of Funding UPC requirements through the Operations and Maintenance, Army appropriation. The program increase of $89.5 million in FY 2003 represents the Department's decision to fully fund UPC.

Utilities:

The Ordnance Activity received additional direct appropriation funding in FY 2001 and FY 2002 to offset the effects of higher than anticipated increases in utility costs.

CSRS/ FEHB: The Ordnance Activity received additional direct appropriation funding in FY 2003 to offset the effects of revised government contributions to these benefit plans. The Department anticipates these costs will be included in the FY 2004 DLH rates.

($ in millions)	FY 2001	FY 2002	FY 2003
Unutilized Plant Capacity, Ordnance	62.5	46.9	119.7
Utilities	3.9	1.4	0.0
CSRS/FEHB	0.0	0.0	32.5

Capital Budget:

The Ordnance Capital Investment Program (CIP) is outlined in the table below. In FY 2002, a laser punch machine will be replaced at Rock Island Arsenal. In FY 2003, RIA will purchase a new 4 axis CNC Horizontal Milling machine to replace the three worn out machines currently in use. Also in FY 2003, Crane Army Ammo Activity will purchase resource Recovery and Recycling equipment to preclude reliance on open burn and open detonation disposal techniques. Minor construction projects in FY 2002 and FY 2003 will be undertaken to replace or upgrade installation facilities that contribute to production deficiencies, use excessive resources, lack energy conservation, or do not comply with regulatory requirements addressing health, safety, environment and security concerns. Software funding continues in FY 2002 and FY 2003 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 millions)	FY 2001	FY 2002	FY 2003
Equipment	11.8	3.1	7.5
ADPE & Telecommunications	5.0	1.9	0.0
Minor Construction	7.8	1.0	1.8
Software	4.7	4.7	4.7
TOTAL Capital Investment Program	29.3	10.7	14.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Ordnance

Revenue and Expenses
($ in Millions)

	FY 2001	FY 2002	FY 2003
Revenue			
Gross Sales:	663.9	632.3	661.0
Operations	643.6	610.6	638.4
Surcharges	5.6	1.8	0.5
Depreciation excluding Major Construction	14.7	19.9	22.0
Major Construction Depreciation			
Other Income (Appropriated Capital - Utilities)	3.9	1.4	
Other Income (Appropriated Capital - CSRS/FEHB)			32.5
Total Income:	667.8	633.7	693.5
Expenses			
Salaries and Wages:	333.2	346.2	378.9
Military Personnel Compensation & Benefits	1.3	1.5	1.6
Civilian Personnel Compensation & Benefits	331.9	344.7	377.3
Travel & Transportation of Personnel	8.0	8.3	7.9
Materials & Supplies (For Internal Operations)	105.6	98.4	93.5
Equipment	8.8	11.8	11.0
Other Purchases from Revolving Funds	43.9	47.5	48.1
Transportation of Things	3.8	2.2	2.2
Depreciation - Capital	14.7	19.9	22.0
Printing and Reproduction	0.5	0.8	0.8
Advisory and Assistance Services	8.1	2.2	2.1
Rent, Communication, Utilities, & Misc. Charges	22.6	23.5	23.6
Other Purchased Services	107.5	117.9	118.9
Total Expenses:	656.8	678.7	708.9
Operating Result	11.1	-45.0	-15.4
Less Surcharge Reservations	5.6	1.8	0.5
Cash (Carried Over)	5.6	1.8	0.5
Other Changes Affecting NOR:	-7.1	-1.8	-2.1
Net Change in Work in Process	7.1	1.8	2.1
Net Operating Result	-1.6	-48.6	-18.1
Prior Year Adjustments	90.4		
Cash Infusion	67.2		
Other Accounting adjustments	23.2		
Non-Recoverable Amounts (Current Year)	-80.9		
Net Prior year, Other Adjustments, and Non-Recoverable Amts	9.6		
Prior Year Recoverable Accumulated Operating Result	58.7	66.6	18.1
Recoverable Accumulated Operating Result	66.6	18.1	0.0
Memo:			
Beginning Work in Process	13.7	6.6	4.8
Ending Work in Process	6.6	4.8	2.7
Cost of Goods Sold:	663.9	680.5	711.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Ordnance

Source of Revenue
($ in Millions)

	FY 2001	FY 2002	FY 2003
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	283.6	269.6	175.2
Operations & Maintenance, ARNG	0.5	0.4	0.3
Operations & Maintenance, AR	0.4	0.0	0.0
Subtotal, O&M:	284.6	270.0	175.5
Aircraft Procurement	6.9	5.4	3.4
Missile Procurement	1.6	5.4	0.9
Weapons & Tracked Combat Vehicles	26.5	14.0	9.9
Procurement of Ammunition	55.8	70.4	49.6
Other Procurement	54.3	26.2	24.1
Subtotal, Procurement:	145.1	121.4	88.0
RDTE	14.1	3.9	6.3
BRAC	-1.8	0.0	0.0
Family Housing	1.2	1.4	1.4
Military Construction	5.4	0.0	0.0
Chem Agents & Munitions Dest, Army	3.0	7.1	9.1
Other	5.1	0.8	0.6
Subtotal, Department of Army:	456.7	404.6	280.9
Department of Air Force O&M	3.2	6.6	10.4
Department of Air Force Investment	29.2	11.1	8.2
Department of Navy O&M	8.6	5.3	4.9
Department of Navy Investment	9.7	12.7	10.2
US Marines O&M	2.4	3.8	4.1
US Marines Investment	3.0	3.3	16.4
Department of Defense O&M	0.2	0.0	0.0
Subtotal, Other DoD Services:	56.3	42.9	54.2
Other DoD Agencies:	30.5	18.7	15.6
Other DoD Agencies	28.7	18.7	15.6
CAWCF	1.8	0.0	0.0

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Ordnance

Source of Revenue
($ in Millions)

		FY 2001	FY 2002	FY 2003
b.	DWCF:			
	Depot Maintenance, Army	5.1	6.4	5.4
	Ordnance, Army	0.6	0.9	0.9
	Supply Management, Army	56.3	35.8	39.6
	Supply Management, Air Force	2.1	0.0	0.0
	Supply Management, Navy	9.3	14.5	12.1
	DECA	0.1	0.1	0.1
	DFAS	2.2	1.3	1.3
	DISA	0.0	0.0	0.0
	DLA	0.7	0.1	0.1
	UPC			119.7
	Other	2.6	1.0	1.0
	Subtotal, DWCF:	79.0	60.0	180.2
c.	Total DoD	622.6	526.2	530.9
d.	Other Orders:	35.6	49.6	29.9
	Other Federal Agencies	6.1	6.4	5.4
	Foreign Military Sales	6.5	18.9	2.7
	Nonappropriated	2.4	2.5	2.4
	Non-Federal Agencies	20.6	21.8	19.4
	Total New Orders:	658.1	558.4	560.8
2.	Carry-in Orders	404.2	398.4	324.5
3.	Total Gross Orders	1062.3	956.8	885.3
4.	Funded Carry-over	398.4	324.5	224.3
5.	Total Gross Sales	667.8	633.7	693.5
6.	Number of Months of Carry-Over	5.5	4.6	2.7

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Ordnance

Changes in Costs of Operation
($ in Millions)

			Expenses
FY 2001	**Actual Cost**		656.784
FY 2002	**Estimate in President's Budget**		647.500
Estimated Impact in FY 2002 of Actual FY 2001 Actions			1.325
	WVA delayed RIF (FY02 vs FY01		
	Overhead Workyear Costs +16	1.159	
	VSIP/Severance Costs	0.166	
Program Changes			29.839
	Military Pay	0.012	
	Civilian Pay	8.125	
	Travel and Transportation of Personnel	2.185	
	Material & Supplies (For Internal Operations)	7.054	
	Equipment	0.253	
	Other Purchases from Revolving Funds	20.658	
	Transportation of Things	0.057	
	Depreciation	6.019	
	Printing and Reproduction	0.054	
	Advisory and Assistance Services	(0.931)	
	Rent, Communications, Utilities, and Miscellaneous Charges	(9.110)	
	Other Purchased Services	(4.537)	
FY 2002	**Current Estimate**		678.664
Pricing Adjustments			12.438
	Annualization of Prior Year Pay Raises		3.061
	FY 2002 Pay Raise		5.251
	Civilian Personnel	5.190	
	Military Personnel	0.061	
	Fund Price Changes		0.670
	General Purchase Inflation		3.456
Program Changes			17.791
	Military Personnel Compensation	0.054	
	Personnel Cost due to AAS calculation shortage	(8.232)	
	Increased Govt. Contribution to CSRS and FEHB	32.500	
	Travel & Transportation of Personnel	(0.491)	
	Material & Supplies (For Internal Operations)	(5.910)	
	Equipment	(1.020)	
	Other Purchases from Revolving Funds	(0.075)	
	Transportation of Things	(0.021)	
	Depreciation	2.125	
	Advisory & Assistance Services	(0.079)	
	Printing and Reproduction	(0.055)	
	Rents, Communications, Utilities & Misc	(0.182)	
	Other Purchased Services	(0.823)	
FY 2003	**Estimated Cost**		708.893

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Ordnance

Unutilized Plant Capacity
($ in Millions)

	FY 2001	FY 2002	FY 2003
Pine Bluff Arsenal			
1. Total Capacity Index (DLHs)	2.577	2.512	2.512
2. Utilized Capacity Index (DLHs)	0.790	0.657	0.643
3. Reserve Capacity Index (DLHs)	1.787	1.855	1.8686
4. Funded UPC ($s)	12.700	11.057	24.665
Rock Island Arsenal			
1. Total Capacity Index (DLHs)	2.140	1.797	1.797
2. Utilized Capacity Index (DLHs)	0.515	0.568	0.562
3. Reserve Capacity Index (DLHs)	1.625	1.229	1.235
4. Funded UPC ($s)	$15.784	$8.053	$14.808
Watervliet Arsenal			
1. Total Capacity Index (DLHs)	0.772	0.773	0.728
2. Utilized Capacity Index (DLHs)	0.195	0.194	0.150
3. Reserve Capacity Index (DLHs)	0.578	0.579	0.578
4. Funded UPC ($s)	$25.200	$8.428	$25.224
Crane Ammo Activity			
1. Total Capacity Index (DLHs)	2.672	2.601	2.715
2. Utilized Capacity Index (DLHs)	0.930	0.889	0.880
3. Reserve Capacity Index (DLHs)	1.742	1.712	1.835
4. Funded UPC ($s)	$2.672	$6.681	$15.941
McAlester Army Ammo Plant			
1. Total Capacity Index (DLHs)	3.601	3.635	3.678
2. Utilized Capacity Index (DLHs)	0.890	0.855	0.865
3. Reserve Capacity Index (DLHs)	2.711	2.780	2.813
4. Funded UPC ($s)	$3.779	$9.333	$20.723
Blue Grass army Depot			
1. Total Capacity Index (DLHs)	0.862	0.873	0.833
2. Utilized Capacity Index (DLHs)	0.525	0.569	0.533
3. Reserve Capacity Index (DLHs)	0.337	0.304	0.300
4. Funded UPC ($s)	$1.363	$1.770	$4.164
Sierra Army Depot			
1. Total Capacity Index (DLHs)	0.432	0.534	0.599
2. Utilized Capacity Index (DLHs)	0.236	0.422	0.490
3. Reserve Capacity Index (DLHs)	0.196	0.112	0.109
4. Funded UPC ($s)	$0.000	$0.989	$12.723
Tooele Army Depot			
1. Total Capacity Index (DLHs)	0.689	0.684	0.716
2. Utilized Capacity Index (DLHs)	0.327	0.314	0.351
3. Reserve Capacity Index (DLHs)	0.362	0.370	0.365
4. Funded UPC ($s)	$1.046	$0.634	$1.425
Total Funded UPC ($s)	$62.544	$46.945	$119.673

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Information Services

Functional Description

The Information Services Activity Group has two major missions. The first mission is to provide for the development and sustainment of automated information and communications systems. This activity provides 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 is to provide commercial sources for purchase of small/medium computers, hardware, software, and support services.

Effective FY 2002 and continuing into FY 2003, stabilized rates in this activity group are eliminated and all customers will pay for services through direct reimbursement.

Activity Group Composition

This activity group consists of the following activities:

1. Software Engineering Centers provide support for Personnel and Retail Logistics Systems. They include:
   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 LSO consists of the Army's wholesale logistics software experts who provide subject matter expertise and contract oversight to the Wholesale Logistics Modernization Program.

3. Army Small Computer Program (SCP), Fort Monmouth, N.J.
The SCP provides 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:

Overall, the Civilian End Strength decreased by 30 positions from FY 2001 to FY 2002, but remains stable for FY 2003. This is commensurate with the projected workload.

	FY 2001	FY 2002	FY 2003
Civilian End Strength	305	275	275
Civilian FTEs	305	282	282
Military End Strength	21	6	5
Military Average Strength	7	7	5

Costs and Operating Results:

The budget reflects business operations on a cost reimbursable basis during FY 2002/03 and is workload driven. FY 2003 costs decrease due to the continued migration of customer workload from this revolving fund activity to contracts executed directly by the customers seeking products and services.

($ in Millions)	FY 2001	FY 2002	FY 2003
Costs of Goods & Services Produced (Expenses)	101.5	105.3	96.6
Costs of Goods and Services Sold	101.5	105.3	96.6
Net Operating Results	-3.7	.1	0
Recoverable Accumulated Operating Results	-.4	0	0
DLH (000)	236	250	250

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Information Services

Carry-Over:

There is no net "carry-over" for this activity group since all "carry-over" is contractor related, or otherwise excluded as below.

($ in Millions)	FY 2001	FY 2002	FY 2003
New Orders	98.6	93.3	88.8
Carry-In	42.9	43.9	31.9
Gross Orders	141.5	137.2	120.7
Total Revenue	97.8	105.4	96.6
Carry-Over	43.9	31.9	25.4
Less: WIP	0	0	0
Less: BRAC, Non-DoD, FMS	2.8	1.0	0
Intra/Inter DWCF (excluding SMA)	0	0	0
Less: Contract Liabilities	32.2	30.9	25.4
Net Carry-Over	8.9	0	0
Carry-Over in Months	1.0	0	0

Performance Indicators:

The Information Services Activity Group has performance goals of achieving the budgeted Net Operating Result (NOR) and Direct Labor Hours (DLH's). The performance indicators for the Small Computer Program are customer satisfaction and timeliness of customer receipt of products. This activity group exceeded its planned NOR target for FY 2001 primarily due to lower than anticipated expenses. It failed to meet its budgeted DLH's due to the loss of workload at SEC-Meade.

Direct Appropriations. This submission includes a request for direct funding in the Defense Working Capital Fund for Utilities costs, Civil Service Retirement System (CSRS) benefits accruals, and Federal Employees Health Benefits (FEHB) accruals.

CSRS/FEHB:

Budgeting and Managing for Results: Full Funding of Retiree Costs. To improve the accounting for and make the cost of government programs more visible to the American people, the Administration is proposing to align the full annual budgetary costs of resources used by programs with the budget accounts that fund the programs. To that end, the budget includes a request for a direct appropriation of $109.1 million for the

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Information Services

Army Working Capital Fund to fund the full accruing cost of the Civil Service Retirement System and retire health benefits for civilian employees in the Federal Employee Health Benefit Program. Beginning with the FY 2004 Budget, these costs will be built-into the rates charged to Working Capital Fund customers. This proposal does not increase the total costs to the Federal government, since these costs were previously funded from government-wide OPM accounts.

($ in Millions)	FY 2001	FY 2002	FY 2003
Utilities	0.171	0.100	0.0
CSRS/FEHB 1/	0.0	0.0	1.3

1/ In FY 2001/2002, these costs were funded from government-wide OPM accounts.

Capital Budget:

There are no capital projects required for the Information Services Working Capital Fund.

Army Working Capital Fund
Fiscal Year (FY) 2003 Budget Estimates
Information Services

Revenue and Expenses
($ in Millions)

	FY 2001	FY 2002	FY 2003
Revenue			
Gross Sales:	97.6	105.3	95.3
Operations	97.5	105.1	95.3
Surcharges			
Depreciation excluding Major Construction	0.1	0.1	0.1
Major Construction Depreciation			
Other Income (Appropriated Capital - Utilities)	0.2	0.1	
Other Income (Appropriated Capital - CSRS/FEHB)			1.3
Total Income:	97.8	105.4	96.6
Expenses			
Salaries and Wages:	26.1	25.2	27.4
Military Personnel Compensation & Benefits	1.6	0.6	0.5
Civilian Personnel Compensation & Benefits	24.5	24.6	26.8
Travel & Transportation of Personnel	1.4	0.8	0.8
Materials & Supplies (For Internal Operations)	0.5	0.3	0.3
Equipment	2.1	0.4	0.3
Other Purchases from Revolving Funds	2.2	1.2	1.2
Transportation of Things	0.0	0.0	0.0
Depreciation - Capital	0.1	0.1	0.1
Printing and Reproduction	0.0	0.0	0.0
Advisory and Assistance Services	4.6	2.9	2.9
Rent, Communication, Utilities, & Misc. Charges	0.5	0.7	0.7
Other Purchased Services	64.0	73.7	63.0
Total Expenses:	101.5	105.3	96.6
Operating Result	(3.7)	0.1	0.0
Net Operating Result	(3.7)	0.1	0.0
Prior Year Adjustments	12.8	0.3	
Prior Year Recoverable Accumulated Operating Result	(9.5)	(0.4)	(0.0)
Non-Recoverable Amounts (Current Year)			
Recoverable Accumulated Operating Result	(0.4)	(0.0)	0.0

Army Working Capital Fund
FY 2003 Budget Estimates
Information Services

Source of Revenue
($ in Millions)

	FY 2001	FY 2002	FY 2003
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	34.0	40.9	40.4
Operations & Maintenance, ARNG	0.0	0.0	0.0
Operations & Maintenance, AR	0.0		
Subtotal, O&M:	34.0	40.9	40.4
Other Procurement	2.3	0.5	0.5
Subtotal, Procurement:	2.3	0.5	0.5
RDTE	1.5	0.4	0.4
Family Housing	2.6	1.4	1.6
Other	1.5	0.2	0.2
Subtotal, Department of Army:	42.0	43.4	43.1
Department of Air Force O&M	0.1	0.0	0.0
Department of Navy O&M		0.6	0.6
Department of Defense O&M		4.2	4.8
Subtotal, Other DoD Services:	0.1	4.8	5.5
Other DoD Agencies:	0.8	0.4	0.4
Other DoD Agencies	0.8	0.4	0.4
b. DWCF:			
Depot Maintenance, Army	12.4	10.9	11.2
Supply Management, Army	36.9	32.4	26.5
DECA	0.7	0.9	1.6
DISA	2.1	0.0	0.0
DLA		0.2	0.2
Subtotal, DWCF:	52.2	44.4	39.5
c. Total DoD	95.0	93.0	88.4
d. Other Orders:	3.6	0.3	0.4
Other Federal Agencies	3.6	0.2	0.2
Non-Federal Agencies		0.1	0.1
Total New Orders:	98.6	93.3	88.8

Army Working Capital Fund
FY 2003 Budget Estimates
Information Services

Change in the Costs of Operations
($ in Millions)

				Expenses
FY 2001	**Actual Cost**			**101.5**
FY 2002	**Estimate in President's Budget**			95.9
Program Changes				9.3
	Civilian Personnel Compensation		4.9	
	Travel Costs		0.2	
	Printing and Reproduction		(0.0)	
	DFAS		0.2	
	Advisory and Assistance Services		0.4	
	Rent, Communications, Utilities and Miscellaneous		(0.2)	
	Other Purchased Services		4.0	
	Miscellaneous/Other		(0.1)	
FY 2002	**Current Estimate**			**105.3**
Pricing Adjustments				1.8
	Annualization of Prior Year Pay Raises		0.2	
	FY 2002 Pay Raise		0.4	
	Civilian Personnel	0.4		
	Military Personnel	0.0		
	Fund Price Changes		0.0	
	General Purchase Inflation		1.2	
Program Changes				(10.5)
	Military Personnel Compensation		(0.1)	
	Civilian Personnel Compensation		1.6	
	Supplies		(0.0)	
	Equipment Purchases		(0.1)	
	Depreciation		(0.1)	
	Advisory and Assistance Services		(0.1)	
	Other Purchases Services		(11.7)	
	Miscellaneous/Other		0.0	
FY 2003	**Estimated Cost**			**96.6**

Activity Group Capital Investment Summary
Supply Management, Army
($ in Millions)

Line No.	Description	FY 01 Quantity	FY 01 Total Cost	FY02 Quantity	FY02 Total Cost	FY 03 Quantity	FY 03 Total Cost
	AUTOMATED DATA PROCESSING						
03-1	Acquisition System					8	1.780
	ADP TOTAL					8	1.780
	SOFTWARE						
97-6	Single Stock Fund (SSF)	2	26.495	3	29.499	3	26.497
99-4	Commercial Asset Visibility II (CAV II)	28	1.775	27	1.937	27	1.728
00-2	Wholesale Logistics Modernization Program (WLMP)	1	29.313	1	21.743	1	21.393
98-14	Common Operating Environment (COE)	1	4.340	1	4.900	1	6.001
	SOFTWARE TOTAL	32	61.923	32	58.079	32	55.619
	Activity TOTAL	32	61.923	32	58.079	40	57.399

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
ADP
($ in Thousands)

A. Budget Submission
FY 2003 Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army February 2002	03-1	Acquisition System	AMCOM

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
LAN Servers, Compaq 8500							6	270.000	1,620.000
Hardware Upgrade							1	160.000	160.000
							1		
TOTAL							8		1,780.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The efficiency of the U.S. Army Aviation and Missile Command Acquisition Center depends on the current servers, which have reached full capacity. The Acquisition Center also has about 500 obsolete pentium II personal computers which need to be upgraded at least to pentium III for better service. The current system also lacks sufficient disk space and memory.

b. ANTICIPATED BENEFITS: The upgrade to more efficient servers will provide additional memory and more efficient processing. The new personal computers wil replace obsolete ones and support new missions. Greater efficiency is required by the growing electronic commerce environment. The hardware upgrade will provide additional memory and allow the receipt of electronic proposals.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Aviation and Missile Command (AMCOM) will not be able to meet the requirements of electronic commerce or new missions. The efficiency of acquisition personnel will be encumbered by the inability to receive electronic proposals. The slow response time and lack of memory will continue to encumber personnel in and open system environment.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,780	Net Present Value of Benefits:	$5.249	Benefit to Investment Ratio:	2.83	Payback Period:	1.91

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2003 Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army February 2002	97-6	Single Stock Fund (SSF)	Army Materiel Command

	FY 01			FY02			FY 03		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
TRAVEL	1	200.000	200.000	1	300.000	300.000	1	250.000	250.000
CONTRACTS	1	26,295.000	26,295.000	1	25,053.000	25,053.000	1	22,207.000	22,207.000
OTH GOV'T AGENCIES				1	4,146.000	4,146.000	1	4,040.000	4,040.000
TOTAL	2		26,495.000	3		29,499.000	3		26,497.000

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 had 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.

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—that 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. This eliminates 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 Wholesale Logistics Modernization Program (WLMP) 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.

CONTINUED ON NEXT PAGE

ECONOMIC INDICATORS:

Total Cost of the Project	$150,401	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 2003 Budget Estimates		
B. Component, Activity Group, Date Supply Management, Army February 2002				C. Line No 97-6			Item Description Single Stock Fund (SSF)			D. Activity Identification Army Materiel Command		
Element of Cost	FY 01 Quantity	 Unit Cost	 Total Cost	FY02 Quantity	 Unit Cost	 Total Cost	FY 03 Quantity	 Unit Cost	 Total Cost			
TOTAL												

Narrative Justification:

CONTINUED FROM PRECEDING PAGE.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The business rule changes developed for SSF are part of the foundation for the development of the WLMP 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. The FY02 funding request includes new requirements of $14.250M above the approved program. 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 FY02 and 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	Net Present Value of Benefits:	Benefit to Investment Ratio:	Payback Period:

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2003 Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army February 2002	99-4	Commercial Asset Visibility II (CAV II)	Army Materiel Command

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
LABOR	1	435.000	435.000	1	460.000	460.000	1	492.000	492.000
TRAVEL	1	300.000	300.000	1	160.000	160.000	1	169.000	169.000
CONTRACT AWARDS	26	40.000	1,040.000	24	20.500	492.000	24	20.500	492.000
CSS/NAVY TECH SPT				1	825.000	825.000	1	575.000	575.000
TOTAL	28		1,775.000	27		1,937.000	27		1,728.000

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 34 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 Wholesale Logistics Modernization Program (WLMP) after the WLMP team tracks CAV II through the solutions demonstration processes. The FY01 funds were used to convert the 29 existing contractor users from a DOS-Based to a web environment 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	$8,720	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 2003 Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management, Army February 2002	00-2	Wholesale Logistics Modernization Program (WLMP)	HQ, CECOM

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Contractor Support	1	29,313.000	29,313.000	1	21,743.000	21,743.000	1	21,393.000	21,393.000
TOTAL	1		29,313.000	1		21,743.000	1		21,393.000

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, has resulted in separate wholesale and retail systems, 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 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 Wholesale 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 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.

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 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 by the Revolution in Military Logistics. Note: The requested FY02 funding level is $4.650M over the FY02 President's Budget. Of this reprogramming sources are identified for $ 2.699M.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$98,016	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2003 Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Supply Management Army February 2002	98-14	Common Operating Environment (COE)	Army Materiel Command

	FY 01			FY02			FY 03		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software	1	4,340.000	4,340.000	1	4,900.000	4,900.000	1	6,001.000	6,001.000
TOTAL	1		4,340.000	1		4,900.000	1		6,001.000

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 roughly 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 give the users an interface with the modernized Wholesale Logistics Modernization Program (WLMP) 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 WLMP. This effort will compliment WLMP 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	$36,296	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

Exhibit Fund 9d Capital Budget Execution
Department of Army
Supply Management, Army
February 2002
($ in Millions)

FY 2001

PROJECTS ON THE FY 2002 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
SOFTWARE							
FY01	Single Stock Fund (SSF)	26.495		26.495	26.495		
FY01	Commercial Asset Visibility II (CAV II)	2.770	(0.995)	1.775	1.775		Funds reprogrammed to higher priority WLMP requirements.
FY01	Wholesale Logistics Modernization Program (WLMP)	28.318	0.995	29.313	29.313		Cost growth due to increased TDY requirements.
FY01	Common Operating Environment (COE)	6.240	(1.900)	4.340	4.340		Funds withdrawn by OSD for disapproved reprogramming request
	TOTAL	63.823	(1.900)	61.923	61.923		

Exhibit Fund 9d Capital Budget Execution
Department of Army
Supply Management, Army
February 2002
($ in Millions)

FY 2002

PROJECTS ON THE FY 2002 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
SOFTWARE							
FY02	Single Stock Fund (SSF)	20.748		20.748	29.499	(8.751)	**UFR of $8.751M.**
FY02	Commercial Asset Visibility II (CAV II)	2.147		2.147	1.937	0.210	Reduction used to partially fund SMA WLMP.
FY02	Wholesale Logistics Modernization Program (WLMP)	17.093		17.093	21.743	(4.650)	Partially funded by reductions in SMA CAVII ($210K) & by overall reductions in Ordnance CIP ($2,247K), , and DM CIP ($242K). **Remaining UFR of $1,951K**.
FY02	Common Operating Environment (COE)	4.900		4.900	4.900		
	TOTAL	44.888		44.888	58.079	(13.191)	

Exhibit Fund 9d Capital Budget Execution
Department of Army
Supply Management, Army
February 2002
($ in Millions)

FY 2003

PROJECTS ON THE FY 2002 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY03	Acquisition System				1.780	(1.780)	No Prior Submission/Approval of Project
SOFTWARE							
FY03	Single Stock Fund (SSF)				26.497	(26.497)	No Prior Submission/Approval of Project
FY03	Commercial Asset Visibility II (CAV II)				1.728	(1.728)	No Prior Submission/Approval of Project
FY03	Wholesale Logistics Modernization Program (WLMP)				21.393	(21.393)	No Prior Submission/Approval of Project
FY03	Common Operating Environment (COE)				6.001	(6.001)	No Prior Submission/Approval of Project
	TOTAL				57.399	(57.399)	

Activity Group Capital Investment Summary
Depot Maintenance
February 2002
($ in Millions)

Line No.	Description	FY 01 Quantity	FY 01 Total Cost	FY02 Quantity	FY02 Total Cost	FY 03 Quantity	FY 03 Total Cost
	EQUIPMENT-Replacement						
03-1	Various Capital Equipment(< 500K)	4	2.246	7	2.387	9	2.736
02-01	ASRS Mini-Load Vehicle Positioning System			1	0.605		
02-02	Electron Beam Welder			1	2.631		
03-02	Fluidized Bed					1	6.795
03-03	X1100-3B Transmission Test Stand					1	2.000
03-04	Inertial Sensor Assembly Test Equip					1	1.256
03-05	M1 / M60 Servo Valve Test Stand					1	0.790
03-06	Painting Line					1	0.600
03-07	HP3070 Circuit Board Test System Replacement					1	0.838
01-01	ASRS Manager System Upgrade	1	0.754				
	SUBTOTAL	5	3.000	9	5.623	15	15.015
	EQUIPMENT- Productivity						
03-8	Various Capital Equipment(< 500K)			2	0.434	2	0.358
01-01	Plasma Spray Equipment	1	0.580				
02-01	Engine Test Cell Capacity Upgrade			1	3.100		
03-9	HP3070 TPS Development Phase V					1	0.501
03-10	Control Consoles and Wiring Speed Drive					1	2.034
	SUBTOTAL	1	0.580	3	3.534	4	2.893
	EQUIPMENT- Environmental						
03-11	Dust Collection System					1	0.669
	SUBTOTAL	0	0.000	0	0.000	1	0.669
	EQUIPMENT TOTAL	6	3.580	12	9.157	20	18.577
	MINOR CONSTRUCTION						
02-01	Various Minor Construction	5	1.918	3	0.813	5	1.806
	MINOR CONSTRUCTION TOTAL	5	1.918	3	0.813	5	1.806
	SOFTWARE						
99-08	Army Workload & Performance System (AWPS)	1	3.599	1	2.943	1	2.943
00-06	Wholesale Logistics Modernization Program	1	9.600	1	7.417	1	7.367
99-10	SDS Data Collection/Shop Floor/AIT	1	0.574	2	6.300	2	6.300
	SOFTWARE TOTAL	3	13.773	4	16.660	4	16.610
	Activity TOTAL	14	19.271	19	26.630	29	36.993

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-1	Various Capital Equipment(< 500K)	All Depots

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Various Other Equip (<$500K)	4	561.500	2,246.000	7	341.000	2,387.000	9	304.000	2,736.000
TOTAL	4		2,246.000	7		2,387.000	9		2,736.000

Narrative Justification:

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

b. ANTICIPATED BENEFITS: Acquistion 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: 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	$7,369	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	02-01	ASRS Mini-Load Vehicle Positioning System	TYAD

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Equipment ASRS Vehicle 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:	2.80	Payback Period:	2.90

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	02-02	Electron Beam Welder	Anniston Army Depot (ANAD)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost			
				1	2,631.000	2,631.000						
TOTAL				1		2,631.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Electron Beam Welder is used to reclaim critical parts for the Advanced Gas Turbine (AGT) 1500 Turbine Engine, including the boltless rotor, the collector, the number 6 seal, and the number 5 diaphragm assembly. It also supports all other maintenance programs that require electron beam welding for the fabrication of parts. It is the only process by which these parts can be fabricated or reclaimed and ANAD is the only known source for one critical part, the number 5 diaphragm. The existing Electron Beam Welder is 15 years old and parts are difficult to obtain to keep it operational. During the last 12 months the machine has had 504 hours of downtime. Using the existing welder, the depot can only reclaim 50% of the diaphragm assemblies and 75% of the boltless rotors, which are potentially reclaimable with a more state-of-the-art welder.

b. ANTICIPATED BENEFITS: The new electron beam welder will enhance ANAD's ability to increase reclaimable parts for the AGT 1500 Turbine Engine. The new welder will also extend the range of reclaimable parts for the engine, because of its ability to weld larger parts and parts requiring filler metal addition. The reclaimed parts will be produced efficiently , of higher quality and of lower cost. The Army's extreme vulnerability to the turbine engine parts supply system would be significantly diminished and ANAD's ability to respond to national emergencies it would enhanced.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the electron beam welder is not acquired, ANAD will lose the capability to repair components of the AGT 1500 Turbine Engine and will be forced to stop AGT 1500 engine production if the existing welder goes down for an extended period. Without the electron beam welder, ANAD cannot perform the in-house welding tasks that are required for the AGT 1500 Turbine Engine Program as well as other modifications, repairs, and overhaul programs. Major Weapons systems supported: M1 Tank Family of Vehicles (FOV).

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,631	Net Present Value of Benefits:	$3,140	Benefit to Investment Ratio:	2.28	Payback Period:	4.44

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-02	Fluidized Bed	Red River Army Depot

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Fluidized Bed							1	6,795.000	6,795.000
TOTAL							1		6,795.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The fluidized bed is used for removing rubber from roadwheels and track shoes prior to remanufacture. This concept has received national recognition as a cost-effective, environmentally friendly means of performing a task that traditionally has been slow, dirty, and harmful to the environment. The existing 10-year old fluidized bed has reached the end of its life expectancy and requires frequent and expensive maintenance and repair. The high operating temperature (over 1,620 F) has caused deterioration in the protective ceramic insulation, resulting in oxidation, erosion and fatigue in the metal components. On several ocassions structural members have required replacement and warped and eroded covers have become welded. Maintenance down time is currently estimated at about 9 percent and is expected to increase. The existing programmable logic controller card, used to control servo-valves, is obsolete. About 30 cards per year on average must be sent to a contractor for test and repair.

b. ANTICIPATED BENEFITS: Red River Army Depot and DoD will not have to live with the uncertainty of aging equipment that may fail without notice. Operating and maintenance costs will be reduced by an estimated $582K per year with a new fluidized bed.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the current equipment is not replaced, the deterioration of the system beyond our ability to repair it is probable within the next few years. RRAD is the only track and roadwheel facility for the Department of Defense, and the fluidized bed is an integral part of that operation. The loss of this system could directly impact the Army's readiness. In any event increasingly lengthy and costly repairs and higher operating costs will resuilt. The only alternatives to this process are either extremely labor-intensive or have become environmentally suspect, if not illegal.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$ 6,795	Net Present Value of Benefits:	$ 2,551	Benefit to Investment Ratio:	0.60	Payback Period:	N/A

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-03	X1100-3B Transmission Test Stand	Anniston Army Depot (ANAD)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost			
							1	2,000.000	2,000.000			
TOTAL							1		2,000.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: ANAD presently has one test stand capable of testing the X1100-3B transmission, which is used in the M1 Abrams Tank Family of Vehicles (FOV). This is a complete Automated Test Equipment system that allows dynamic testing of both new and rebuilt X1100-3B and CD-850 cross-drive transmissions. The stand is necessary for final acceptance testing of these transmissions, when they come out of the depot overhaul program. The current test stand was manufactured in 1983. The depot has only been able to keep it operational by cannibalizing parts from an identical test stand, which was acquired after a BRAC closure. Repair parts that cannot be obtained from cannibalization are not available from any source. On two occasions, ANAD had to contract with the Naval Surface Warfare Center to reverse engineer and manufacture a part in order to keep the test stand in operation. The X1100-3B transmission testing program started 18 years ago and is expected to continue for the next 10 years.

b. ANTICIPATED BENEFITS: This new Test Stand will be more reliable and more easily repairable than the existing test stand, since repair parts will be available off-the-shelf. The down time for maintenance and repair will be reduced, overtime for maintaining production schedules will be reduced, and the annual throughput of overhauled transmissions will be increased. Electrical power consumption will also decrease by 25%.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Testing the X1100 transmission is a CORE workload requirement at ANAD. If the new test stand is not acquired, ANAD will probably lose it's ability to support the M1 Abrams Tank Fleet, a CORE Weapon System. The transmission overhaul program would stop and stocks would eventually be depleted. Major Weapons System Supported: M1 Abrams Tank Family of Vehicles (FOV); M60 FOV.

d. ECONOMIC ANALYSIS PERFORMED? Yes. Since the status quo is not an option, no Benefit to Investment Ration (BIR) or payback period was calculated.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,000	Net Present Value of Benefits:	$9,635	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-04	Inertial Sensor Assembly Test Equip	Red River Army Depot

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Inertial Sensor Assbly Test Eq							1	1,256.000	1,256.000
TOTAL							1		1,256.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing Inertial Sensor Assembly (ISA) test set is 27 years old, compared to a normal life expectancy of 10 years. The equipment takes about five times as long to calibrate as when it was new and seven times as long as a new system would take. Downtime has averaged about 10 percent and many repair parts are obsolete and no longer supported by the manufacturer. In addition the existing test set has no surge capacity. A surge capacity of 250 percent is needed in case of a crisis.

b. ANTICIPATED BENEFITS: A new state-of-the-art ISA test set would provide faster test times. RRAD's ISA test workload has increased four-fold since 1998. Until then RRAD only tested suspect ISAs; now all ISAs are tested. The new equipment would have ample surge capacity in time of crisis.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Patriot Theater Readiness could be affected and mission failure could result, if the depot were unable to meet a crisis surge requirement. The unavailability of obsolete components will lead to extended downtime and inability to perform even the normal mission. Serious gaps in the Patriot mission requirements could result.

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

ECONOMIC INDICATORS:							
Total Cost of the Project	$1,256	Net Present Value of Benefits:	$4.25	Benefit to Investment Ratio:	3.40	Payback Period:	3.6

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-05	M1 / M60 Servo Valve Test Stand	Anniston Army Depot (ANAD)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
M1 / M60 Servo Valve Test Stand							1	790.000	790.000
TOTAL							1		790.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The M1/M60 Servomechanism Valve Test Stand is utilized primarily by the Hydraulics System Division to test the Quality Assurance of remanufactured/overhauled tank hydraulic servo valves and servomechanisms. This test stand is crucial to maintaining CORE capabilities and in supporting ANAD's partnering initiatives with industry. The existing test stand is a 15-year-old semi-automatic machine capable of functionally testing the Traverse and Elevation Servomechanism assemblies to the required U.S. Army Product Function Specification. Parts of this old test stand have been discontinued by the manufacturer and reached the end of their support life. This results in costly downtime that cannot be tolerated with the heavy workload scheduled for this test stand. Since the test stand and its associated ADP hardware have exceeded their economic life, it is imperative that this test stand be replaced in order for ANAD to support the ground combat vehicle needs of the Army Forces.

b. ANTICIPATED BENEFITS: Replacement of the old test stand would reduce test time from 5.62 hours to 2 hours for each servomechanism. Fully automatic testing would require minimal operator intervention. The computer would make pass/fail decisions, instead of the operator. ANAD would be able to continue providing the only organic support that the Foreign Military Sales (FMS) of M60 series tanks is receiving.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: ANAD will not be capable of testing the M1/M60 combat servo valves. The current machine is 15 years old and replacement parts are difficult to find to keep it operational. Loss of this capability will cause delays in production of the M1/M60 tanks and return to stock programs for the servo valves. Major Weapons supported: M1 FOV, M60 FOV, Return to Stock M1/M60 Servo Valves.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$790	Net Present Value of Benefits:	$2.0	Benefit to Investment Ratio:	4.00	Payback Period:	2.3

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-06	Painting Line	Anniston Army Depot (ANAD)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Painting Line							1	600.000	600.000
TOTAL							1		600.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Since there is currently no painting line located in the reciprocating engine rebuild facility, disassembled components of engines and final drives must be moved by forklift to other buildings for cleaning and painting and later moved back. This is time consuming, adds cost to the product and risks damaging the components through transport accidents and exposure to the elements.

b. ANTICIPATED BENEFITS: The new Painting Line, which will be located in the engine rebuild facility, will consist of a paint booth, a monorail conveyor and a drying oven. The safety of the operation will be greatly increased, because the parts will be moved by hoists and conveyors instead of forklifts driving through work bays. Work stoppages caused by the lack of parts will be reduced. The current workload is expected to increase over the life of this project.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The maintenance and operating cost for the use of forklifts will increase at a rate of 2% per year for the life of the project. The transporting of components by forklift to other buildings will continue to add cost to the product and risk damaging the components and injuring personnel. Major Weapons Systems supported: M1 Tank Family of Vehicles (FOV), M60 Tank FOV, M551, M88, M113 Self Propelled Artillery FOV, M48 and M9 Armored Combat Earthmover (ACE).

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$600	Net Present Value of Benefits:	$1.08	Benefit to Investment Ratio:	3.00	Payback Period:	N/A

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-07	HP3070 Circuit Board Test System Replacement	Tobyhanna Army Depot (TYAD)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
HP3070 Circuit Board Test System Replacement IP01003/IP0410004							1	838.000	838.000
TOTAL							1		838.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: TYAD currently develops Test Program Sets (TPSs) to test circuit card/boards using Automatic Test Equipment (ATE). The TPSs consist of software programs, documentation, cabling and interconnecting devices. The depot has eight HP3070 ATE Series I board test systems. These systems have 1970s technology and their capability to test newer circuit card s and boards is questionable. The manufacturer is currently planning to phase out the manufacture and stocking of replacement parts for the HP3070s. No other manufacturer can provide suitable upgrades, software support or replacement parts. The manufacturer has already discontinued the manufacture of pin circuit cards for our existing version I.

b. ANTICIPATED BENEFITS: The purchase of two new Agilent 3070 Series III systems will increase the speed at which in-circuit test programs are produced and increase the speed at which testing is accomplished. TYAD develops approximately 88 TPSs per year. The Agilent 3070 Series III enables the programmers to produce a TPS in 40 hours less than the HP3070 Series I. This ATE will enable TYAD to handle new and emerging electronic technologies while improving our productivity for developing current TPSs.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: TYAD's capability to test and repair circuit cards and boards will decrease and labor costs will increase. The depot will continueto have declining productivity due to obsolete equipment.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:							
Total Cost of the Project	$838	Net Present Value of Benefits:	$596	Benefit to Investment Ratio:	1.78	Payback Period:	4.57

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date: Depot Maintenance — February 2002
C. Line No: 03-8 — Item Description: Various Capital Equipment(< 500K)
D. Activity Identification: All Depots

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Various Eqpt <$500K							2	179.000	358.000
IP01008/IP0210003				1	162.726	162.726			
IP03000/IP0310002				1	271.744	271.744			
TOTAL				2		434.470	2		358.000

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.

b. ANTICIPATED BENEFITS: Acquisition of this equipment improves productivity, increases capacity that cannot be met with current equipment. This new equipment increases reliability and productivity, thus enabling the depot to be more competitive.

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 impact in the following ways: reduce mission capability; cause failure to meet present and future workload requirements; increase man-hour expenditures; cause inability to meet production schedules; lead to excessive downtime; decrease accuracy and dependability.

d. ECONOMIC ANALYSIS PERFORMED? YES

ECONOMIC INDICATORS:

Total Cost of the Project $792 — 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
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance 3-Aug-01	02-01	Engine Test Cell Capacity Upgrade	CCAD

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Engine Test Cell Capacity Upgrade				1	3,100.000	3,100.000			
TOTAL				1		3,100.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: CCAD currently has 10 test cells for testing production engines for the CH47 and Apache/Blackhawk helicopters. This includes four cells for testing the CH47 engine, four for the Apache/Blackhawk engine, and two for the aft section only of the Apache/Blackhawk engine. The test cells are very old and experience frequent and lengthy downtime for maintenance and calibration, which limits the throughput production rate. The number of annual engine tests performed is currently under 1000 and the cells, as currently configured, are barely capable of meeting this workload. Because of the Re-Capitalization programs, the workload is projected to increase to 2,610 in FY02 and 3,281 in FY03 with further increases until FY15. The current system has gone through refurbishment in 1973 and some parts were upgraded in 1990 to keep it operational.

b. ANTICIPATED BENEFITS: The depot plans to upgrade one of the CH47 engine test cells to make it capable of testing any engine or engine component configuration. The upgraded cell would also include new technology to make it more efficient and increase its throughput. It would provide fast data sampling, fast configuration conversion and faster, more robust data display to assure the operator that the test item wasn't being damaged and that the final product was of high quality. It would also provide automatic data recording and analysis and significantly reduce the risk of transcription errors. The upgraded cell would provide back-up testing capability for all the other cells and could be dedicated to a particul;ar engine in case of a safety-of-flight related production increase or other surge.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If funding is not approved, engine testing at projected production levels for the next 15 years will have to be contracted out. This will increase cost to the overall cost of overhauling engines and would cause serious delays in turn around time.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$3,100	Net Present Value of Benefits:	$6,006	Benefit to Investment Ratio:	2.40	Payback Period:	5.33

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance 3-Aug-01	03-9	HP3070 TPS Development Phase V	TYAD

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
HP3070 TPS Development Phase V IP02006/IP031001							1	501.000	501.000
TOTAL							1		501.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The depot's Circuit Card Assembly Test System, the Hewlett Packard (HP) 3070 currently does not have Test Programs (TPS) for two important items of equipment, the AN/VPQ-1, a Range Threat System, and the Atomic Frequency Time Reference (AFTR) System. As a result, depot employees have to manually test and troubleshoot the circuit card assemblies (CCAs) in this equipment using outdated test equipment. The AN/VPQ-1 has twenty two CCAs and the AFTR system has thirteen. Manual testing and fault isolation for each CCA takes between 160 to 240 minutes depending upon the complexity of the particular CCA. The depot currently repairs an average of 705 CCAs per month for these two systems.

b. ANTICIPATED BENEFITS: Test Programs (TPS) are comprised of software programs written for the systems to be tested, written test procedures, and for any necessary test hardware, such as connection devices and cabling. The HP 3070 typically reduces the testing and troubleshooting time to about 4 minutes per CCA for the equipment for which it has TPS's developed. Testing and troubleshooting these CCAs with the HP3070 would save an estimated 23,220 direct labor hours per year and provide estimated annual cost savings of $638,829.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The depot would continue to test and troubleshoot CCAs for the AN/VPQ-1 and the AFTR system manually and would not obtain the productivity gains of using Automated Test Equipment. Production workers would continue to require hours, rather than minutes to test and troubleshoot circuit card assemblies.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$501	Net Present Value of Benefits:	$4,619	Benefit to Investment Ratio:11.0	11.00	Payback Period:1	1.70

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-10	Control Consoles and Wiring Speed Drive	CCAD

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Control Consoles and Wiring Speed Drive							1	2,034.000	2,034.000
TOTAL							1		2,034.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The control consoles and variable speed drives of several pieces of specialized electrical and electronic controllers and signal conditioners were manufactured in 1982. Major components within the consoles are obsolete and no longer supported by their manufacturers. The existing variable speed drive is unsupportable. The existing wiring is in poor condition and a major maintenance repair cost generator. Estimated cost to contract out the lost testing capacity testing $2,700 annually.

b. ANTICIPATED BENEFITS: The depot will realize a cost savings of $2,700 the annual estimated cost for contracting out lost testing capacity. Replacing the old equipment will increase productivity for the UH60 transmissions and gearboxes and increase the size of the overhaul program which will benefit the depot.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If funding is not received, CCAD will not be able to maintain testing capacity for UH60 transmissions and gearboxes. CCAD will lose 1/2 of its H60 transmission and gearbox test capability and will have to reduce the size of the overhaul program or contract out the testing portion of the overhaul. Estimated number of assets involved is 131 annually. Estimated cost to contract out testing of these units is $2,700 annually.

d. ECONOMIC ANALYSIS PERFORMED? YES

ECONOMIC INDICATORS:

Total Cost of the Project	$2,034	Net Present Value of Benefits:	$817	Benefit to Investment Ratio:	1.44	Payback Period:	6.30

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	03-11	Dust Collection System	Letterkenny Army Depot (LEAD)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Dust Collection System							1	669.185	669.185
TOTAL							1		669.185

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: A safety and environmental problem exists in the dust collection system in Bldg. 350. The method of replacing the filter bags continually exposes the performing workers to the blast residue, which contains hazardous material. In addition, the current system doesn't adequately filter the air that is recycled back into the shop and allows cadmium, chromium and other contaminants to escape. The purpose of this project is to take proactive action to correct these problems before they lead to a Notice of Violation from State and Federal regulatory entities. The current system is seventeen years old.

b. ANTICIPATED BENEFITS: The new system would provide clean, well filtered return air to the building. It would eliminate the time consuming manual emptying of the collection hoppers and the spillage, which normally occurs and endangers the health of the workers . It would ensure a safer work environment and compliance with all EPA air quality regulations.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund and execute this project could result in Notice of Violation against LEAD from Federal and/or State regulatory entities.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$669	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 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	02-01	Various Minor Construction	All Depots

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
	5	383.600	1,918.000	3	271.000	813.000	5	361.200	1,806.000
TOTAL	5		1,918.000	3		813.000	5		1,806.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The requested funds are required to corrrect various workload and production shortcomings and health, safety, and security conditions. Examples of projects that correct workload/production deficiencies are the Material Movement Hardstand at ANAD, the Industrial Entrance Upgrade at ANAD, and a new badge office at RRAD. Examples of projects required to correct health, safety, and security concerns are the Blast Retention Glazing facility and the Installation of Screens in Building 400, both at ANAD.

b. ANTICIPATED BENEFITS: These projects will permit compliance with safety and security standards by providing anti-terrorism and force protection for critical buildings, 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 M9 combat vehicles.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without these projects, the installations will not comply with health, safety, environmental and security 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	$4,537	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	NA	Payback Period:	NA

DEPOT MAINTENANCE CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	99-08	Army Workload & Performance System (AWPS)	Various Installations

	FY 01			FY02			FY 03		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
AWPS	1	3,599.000	3,599.000	1	2,943.00	2,943.000	1	2,943.000	2,943.000
TOTAL	1		3,599.000	1		2,943.000	1		2,943.000

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 (TAACOM), 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 changing business rules and 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 Wholesale Logistics Modernization Program (WLMP) will also be affected.

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

ECONOMIC INDICATORS:

Total Cost of the Project	$9,485	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 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	00-06	Wholesale Logistics Modernization Program	CECOM

	FY 01			FY02			FY 03		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Contractor Support	1	9,600.000	9,600.000	1	7,417.000	7,417.000	1	7,367.000	7,367.000
TOTAL	1		9,600.000	1		7,417.000	1		7,367.000

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: Wholesale 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.

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	$31,297	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 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Depot Maintenance February 2002	99-10	SDS Data Collection/Shop Floor/AIT	Various Activities

	FY 01			FY02			FY 03		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Labor	1	574.000	574.000	1	6,280.000	6,280.000	1	6,280.000	6,280.000
Travel				1	20.000	20.000	1	20.000	20.000
TOTAL	1		574.000	2		6,300.000	2		6,300.000

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. 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. By using a Graphical User Interface (GUI) users 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 give the users an interface with the modernized Wholesale Logistics Modernization Program (WLMP) system, when it is developed. **This project was formerly called SDS Common Operating Environment (COE).**

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The Army's wholesale Depot Maintenance System will remain inefficient and costly, even with significant upgrades, such as the WLMP. This effort will compliment WLMP 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 Analyses will be completed, where cost savings are quantifiable, for individual efforts within this initiative.

ECONOMIC INDICATORS:

Total Cost of the Project	$29,621	Net Present Value of Benefits:	N/A	N/A	Payback Period: N/A

Exhibit Fund 9d Capital Budget Execution
Department of Army
Depot Maintenance
February 2002

PROJECTS ON THE FY 2002 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY01	Various Capital Equipment(< 500K)	2.246		2.246	2.246		
FY01	ASRS Manager System Upgrade	0.754		0.754	0.754		
	EQUIPMENT- Productivity						
FY01	Plasma Spray Equipment	0.580		0.580	0.580		
MINOR CONSTRUCTION							
FY01	Various Minor Construction	1.918		1.918	1.918		
SOFTWARE							
FY01	Army Workload & Performance System (AWPS)	3.599		3.599	3.599		
FY01	Wholesale Logistics Modernization Program	9.600		9.600	9.600		
FY01	SDS Common Operating Environment	1.000	(0.426)	0.574	1.000		$426K reprogrammed to SMA WLMP
	TOTAL	19.697	(0.426)	19.271	19.697		

Exhibit Fund 9d Capital Budget Execution
Department of Army
Depot Maintenance
February 2002
($ in Millions)

FY 2002

PROJECTS ON THE FY 2002 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY02	Various Capital Equipment(< 500K)	3.135		3.135	2.387	0.748	$434K of reduction used to fund Productivity VCE. $314K used to partially fund the Engine Test Cell.
FY02	ASRS Mini-Load Vehicle Positioning System	0.605		0.605	0.605		
FY02	Electron Beam Welder	2.631		2.631	2.631		
	EQUIPMENT- Productivity						
FY02	Hydro-Mechanical Unit (HMU) Test Stand	0.700		0.700		0.700	$458K used to partially fund the Engine Test Cell. $242K used to fund deficiencies in the SMA WLMP.
FY02	Various Capital Equipment(< 500K)				0.434	(0.434)	Funded by reduction in Replacement VCE.
FY02	Engine Test Cell Capacity Upgrade				3.100	(3.100)	Funded by reductions in Replacement VCE ($314K), HMU ($458K), MC ($1,378K) and SDS Data Coll ($950K).
	EQUIPMENT- Environmental						
FY02							
MINOR CONSTRUCTION							
FY02	Various Minor Construction	2.191		2.191	0.813	1.378	Reduction used to partially fund the Engine Test Cell
SOFTWARE							
FY02	Army Workload & Performance System (AWPS)	2.943		2.943	2.943		
FY02	Wholesale Logistics Modernization Program	5.867		5.867	7.417	(1.550)	Funded by Software SDS Data Coll($1.55M)
FY02	SDS Data Collection/Shop Floor/AIT	8.800		8.800	6.300	2.500	$950K of reduction used to fund the Engine Test Cell. $1,550K used to fund increas in DM WLMP
	TOTAL	26.872		26.872	26.630	0.242	

Exhibit Fund 9d Capital Budget Execution
Department of Army
Depot Maintenance
February 2002
($ in Millions)

FY 2003

PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	Equipment - Replacement						
FY03	Various Capital Equipment(< 500K)				2.736	(2.736)	No Prior Submission/Approval of Project
FY03	Fluidized Bed				6.795	(6.795)	No Prior Submission/Approval of Project
FY03	X1100-3B Transmission Test Stand				2.000	(2.000)	No Prior Submission/Approval of Project
FY03	Inertial Sensor Assembly Test Equip				1.256	(1.256)	No Prior Submission/Approval of Project
FY03	M1 / M60 Servo Valve Test Stand				0.790	(0.790)	No Prior Submission/Approval of Project
FY03	Painting Line				0.600	(0.600)	No Prior Submission/Approval of Project
FY03	HP3070 Circuit Board Test System Replacement				0.838	(0.838)	No Prior Submission/Approval of Project
	Equipment - Productivity						
FY03	Various Capital Equipment(< 500K)				0.358	(0.358)	No Prior Submission/Approval of Project
FY03	HP3070 TPS Development Phase V				0.501	(0.501)	No Prior Submission/Approval of Project
FY03	Control Consoles and Wiring Speed Drive				2.034	(2.034)	No Prior Submission/Approval of Project
	Equipment - Environmental						
FY03	Dust Collection System				0.669	(0.669)	No Prior Submission/Approval of Project
MINOR CONSTRUCTION							
FY03	Various Minor Construction				1.806	(1.806)	No Prior Submission/Approval of Project
SOFTWARE							
FY03	Army Workload & Performance System (AWPS)				2.943	(2.943)	No Prior Submission/Approval of Project
FY03	Wholesale Logistics Modernization Program				7.367	(7.367)	No Prior Submission/Approval of Project
FY03	SDS Data Collection/Shop Floor/AIT				6.300	(6.300)	No Prior Submission/Approval of Project
	TOTAL				36.993	(36.993)	

Activity Group Capital Investment Summary
Ordnance
($ in Millions)

Line No.	Description	FY 01 Quantity	FY 01 Total Cost	FY02 Quantity	FY02 Total Cost	FY 03 Quantity	FY 03 Total Cost
	EQUIPMENT-Replacement						
03-1	Various Capital Equipment <$500k	38	8.312	8	2.137	20	5.703
01-A6	4 Axis Machining Center	1	0.934				
01-A7	Replace Existing Alarm System	1	1.971				
03-2	4 Axis CNC Horizontal Mill					1	0.809
02-A1	Laser Punch			1	0.942		
	Replace Inert Gas Generator		0.628				
	SUBTOTAL	40	11.845	9	3.079	21	6.512
	EQUIPMENT- Environmental						
03-4	Resource Recovery & Recycling Equipment					1	1.000
	SUBTOTAL					1	1.000
	EQUIPMENT TOTAL	40	11.845	9	3.079	22	7.512
	AUTOMATED DATA PROCESSING						
97-A9	Miscellaneous ADPE < $500k	10	3.192	5	1.945		
01-A8	Trunked Radio System	1	1.792				
	ADP TOTAL	11	4.984	5	1.945		
	MINOR CONSTRUCTION						
98-A6	Minor Construction < $500k	26	7.797	3	1.011	4	1.784
	MINOR CONSTRUCTION TOTAL	26	7.797	3	1.011	4	1.784
	SOFTWARE						
M98-03	Army Workload & Performance System (AWPS)	1	4.674	1	4.674	1	4.674
	SOFTWARE TOTAL	1	4.674	1	4.674	1	4.674
	Activity TOTAL	78	29.300	18	10.709	27	13.970

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

A. Budget Submission
FY2003 Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Ordnance 1-Feb-02	03-1	Various Capital Equipment <$500k	Various Installations

	FY 01			FY02			FY 03		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement	25	208.080	5,202.000	4	275.000	1,100.000	17	267.647	4,549.999
Productivity	13	239.231	3,110.000	2	269.500	539.000	1	371.000	371.000
Environmental				2	249.000	498.000	1	323.000	323.000
New Mission							1	459.000	459.000
TOTAL	38		8,312.000	8		2,137.000	20		5,702.999

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 Electrical Discharge Machine, Rebuild of Heald Grinder and Ultrasonic Inspection Test Equipment.

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

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Equipment support capability would not be provided for mission needs. This would 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 Act (OSHA), Environmental Protection Agency (EPA), National Discharge Elimination System (NPDES) compliance and state laws. This equipment is necessary to economically and safely meet the Load, Assemble and Pack (LAP) requirements, renovation and demilitarization of ammunition, production of defensive chemical items, and manufacturing of cannon and weapons components within the organic base. 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 filter for protective masks. Failure to replace the other production equipment will result in continued downtime and increased maintenance costs.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$16,152	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 2002-2003
Budget Estimate Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Ordnance 1-Feb-02	03-2	4 Axis CNC Horizontal Mill	Rock Island Arsenal (RIA)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Equipment							1	808.775	808.775
TOTAL							1		808.775

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: RIA currently uses three 4-Axis Computer Numerical Controlled (CNC) Horizontal Milling machines to manufacture small, lightweight, high precision parts for howitzers. The three machines are all 15 years old, which is more than twice the normal 7-year working life for comparable machines in private industry. Since the machining center normally operates for two or three shifts a day, the machines' unreliability, constant down time and high maintenance costs are becoming matters of increasing concern. The machines can not be economically rebuilt and must be replaced. This present situation will impact cost and scheduled deliveries of current and future critical spare parts that are required to support field readiness of Howitzer Systems.

b. ANTICIPATED BENEFITS: The new 4-Axis CNC Horizontal Mill would replace the three old, worn-out machines that are currently in operation. The arsenal's horizontal milling capability would then be 60% faster, safer, more reliable, and more technologically advanced.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: RIA would be forced to cannibalize the three old machines in a round-robin fashion to maintain a partial horizontal machining capability in operation. The arsenal might not be able to produce sufficient parts to meet the manufacturing cost and schedule goals for such critical weapons systems as the M119 and M198 Howitzers and the M182 Gun Mount for the M109 Paladin Self Propelled Howitzer. The readiness of the Army and Marine Corps Divisions to deploy might be degraded, because of the unavailability of these primary indirect fire support systems.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$809	Net Present Value of Benefits:	$105	Benefit to Investment Ratio:	1.14	Payback Period:	N/A

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

A. Budget Submission
FY 2002-2003
Budget Estimate Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Ordnance 1-Feb-02	02-A1	Laser Punch	Rock Island Arsenal (RIA)

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Equipment				1	942.000	942.000			
TOTAL				1		942.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The present laser punch machine has been utilized intensely over the past 12 years to produce irregularly shaped, complex parts of exotic materials to precise tolerances. The laser punch is the best method for cutting exotic materials, such as titanium, alloy, and high carbon steel, because it can easily be adjusted to their physical properties, unlike conventional cutting tools. The current machine has become uneconomical to operate. Frequent and extended down time creates production delays of critical spare parts that support combat-essential weapon systems. Rebuilding the machine would not be feasible, because the technology is obsolete.

b. ANTICIPATED BENEFITS: The new laser punch machine will provide advanced, state-of-the-art laser technology. Down time will be eliminated and maintenance costs will be greatly reduced. The manufacture of critical parts supporting Contact Maintenance Truck Heavy (CMTH), Forward Repair System and the BMP-3 (Soviet Bronevaya Maschina Piekhota) Surrogate Ground Target Tank, will be more cost-effective and machine operation will be safer. The state of readiness for combat-essential weapon systems will be improved, because the arsenal will be able to promptly manufacture critical spare parts.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The excessive down time of the current machine will continue causing abnormally high maintenance costs. Delivery delays of critical spare parts to the field will continue, thus jeopardizing weapon system readiness. Unit readiness for deployment could be jeopardized by training and equipment deficiencies that are caused by the lack of critical repair parts.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$942	Net Present Value of Benefits:	$843	Benefit to Investment Ratio:	1.947	Payback Period:	N/A

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

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Ordnance 1-Feb-02	03-4	Resource Recovery & Recycling Equipment	Crane Army Ammo Actvity

	FY 01			FY02			FY 03		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Equipment							1	1,000.000	1,000.000
TOTAL							1		1,000.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Crane Army Ammunition Activity (CAAA) currently relies on open burn/open detonation (OB/OD) grounds to demilitarize numerous types and quantities of ammunition and components. These processes release pollutants into the air, such as carbon monoxide and sulfur dioxide. This method also releases hazardous metals and other substances into the ground, such as chromium, nickel, lead, antimony, benzene, and naphthalene. In addition, the noise of open detonation of explosives causes a disturbance for neighbors.

b. ANTICIPATED BENEFITS: This project will provide an economical and environmentally acceptable alternative for disposal of hazardous material in full compliance with federal and state regulations and standards. At present CAAA is operating on a negotiated waiver renewed annually by the environmental regulatory agencies. This project will elimnate the need for this waiver, which is predicated on the fact that the activity is searching for a solution. The new equipment will operate in a new building by controlled chemical reaction, rather than open burning or detonation, and the resulting by-product will be a useful fertilizer supplement.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: CAAA must comply with federal and state air quality standards. Without this project CAAA will continue the open burn/open detonation of explosives and continue to emit pollutants. The ability of CAAA to operate the OB/OD area is predicated on the fact that they are searching for a solution. Should the regulatory agencies refuse to continue the waiver, the OB/OD area would have to shut down and CAAA wouldn't be able to perform its mission of demilitarizing ammunitions and components.

d. ECONOMIC ANALYSIS PERFORMED? No. The project is exempt, because it is needed to comply with regulatory mandates regarding environmental protection and hazardous waste reduction. These mandates by federal, state, and local regulatory agencies preclude choice or trade-off among alternatives. FMR 7000.14r, Vol 2b, Chapter 9, Page 9-7, Paragraph 9.c.1.

ECONOMIC INDICATORS:

Total Cost of the Project	$1,000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
ADP
($ in Thousands)

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Ordnance 1-Feb-02	97-A9	Miscellaneous ADPE < $500k	Various Ordnance Installations

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost			
Hardware	10	319.200	3,192.000	5	389.00	1,945.000						
TOTAL	10		3,192.000	5		1,945.000						

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 Network Infrastructure upgrade and the E-Mail modernization 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	$5,137	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
MINOR CONSTRUCTION
($ in Thousands)

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Ordnance 1-Feb-02	98-A6	Minor Construction < $500k	Various Ordnance Installations

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost
Minor Construction	26	299.884	7,796.984	3	337.000	1,011.000	4	446.000	1,784.000
TOTAL	26		7,796.984	3		1,011.000	4		1,784.000

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. The "Fire Hq Living Quarters Refurbishment" project at PBA will provide better living conditions and allow the recruitment of female fire fighters. By locating firefighters closer to their gear it will also improve response time. The "Ammo Storage Igloo G510" and "Route 1 entrance relocation R-1 Fence," both at BGAD, will correct security problems. The Central Waste Treatment Plant Improvement" at PBA will contribute to a healthier environment by improving the management of solid waste and maintaining the effluent holding capacity.

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	$10,592	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ORDNANCE CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2003
Budget Estimates

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Ordnance 1-Feb-02	M98-03	Army Workload & Performance System (AWPS)	Various Installations

Element of Cost	FY 01 Quantity	FY 01 Unit Cost	FY 01 Total Cost	FY02 Quantity	FY02 Unit Cost	FY02 Total Cost	FY 03 Quantity	FY 03 Unit Cost	FY 03 Total Cost	#REF!		
AWPS	1	4,674.000	4,674.000	1	4,674.00	4,674.000	1	4,674.000	4,674.000			
TOTAL	1		4,674.000	1		4,674.000	1		4,674.000			

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	$22,016	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

Exhibit Fund 9d Capital Budget Execution
Department of Army
Ordnance
1-Feb-02

PROJECTS ON THE FY 2002 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY01	Various Capital Equipment <$500k	9.152	(0.840)	8.312	8.312		$155K reprogrammed to 4-Axis Mach Ctr; $628K, Inert Gas Generator; & $57K, to FY00 CIP projects.
FY01	4 Axis Machining Center	0.779	0.155	0.934	0.934		Reprogrammed from VCE.
FY01	Replace Existing Alarm System	1.971		1.971	1.971		
FY01	Inert Gas Generator		0.628	0.628	0.628		Reprogrammed from VCE.
AUTOMATED DATA PROCESSING							
FY01	Miscellaneous ADPE < $500k	3.192		3.192	3.192		
FY01	Trunked Radio System	1.792		1.792	1.792		
MINOR CONSTRUCTION							
FY01	Minor Construction < $500k	7.797	0.000	7.797	7.797		
SOFTWARE							
FY01	Army Workload & Performance System (AWPS)	4.674		4.674	4.674		
	TOTAL	29.357	(0.057)	29.300	29.300		

Exhibit Fund 9d Capital Budget Execution
Department of Army
Ordnance
1-Feb-02
($ in Millions)

FY 2002

PROJECTS ON THE FY 2002 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY02	Various Capital Equipment <$500k	3.822		3.822	2.137	1.685	Reduction used to fund deficiencies in the SMA WLMP.
FY02	Laser Punch	0.942		0.942	0.942		
AUTOMATED DATA PROCESSING							
FY02	Miscellaneous ADPE < $500k	2.507		2.507	1.945	0.562	Reduction used to fund deficiencies in the SMA WLMP.
MINOR CONSTRUCTION							
FY02	Minor Construction < $500k	1.011		1.011	1.011		
SOFTWARE							
FY02	Army Workload & Performance System (AWPS)	4.674		4.674	4.674		
	TOTAL	12.956		12.956	10.709	2.247	

Exhibit Fund 9d Capital Budget Execution
Department of Army
Ordnance
1-Feb-02
($ in Millions)

FY 2003

PROJECTS ON THE FY 2003 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT-Replacement						
FY03	Various Capital Equipment <$500k				5.703	(5.703)	No Prior Submission/Approval of Project
FY03	4 Axis CNC Horizontal Mill				0.809	(0.809)	No Prior Submission/Approval of Project
	EQUIPMENT- Environmental						
FY03	Resource Recovery & Recycling Equipment				1.000	(1.000)	No Prior Submission/Approval of Project
AUTOMATED DATA PROCESSING							
MINOR CONSTRUCTION							
FY03	Minor Construction < $500k				1.784	(1.784)	No Prior Submission/Approval of Project
SOFTWARE							
FY03	Army Workload & Performance System (AWPS)				4.674	(4.674)	No Prior Submission/Approval of Project
	TOTAL				13.970	(13.970)	