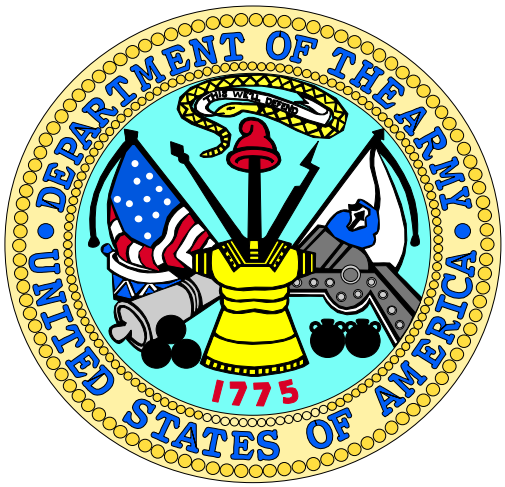
DEPARTMENT OF THE ARMY

FISCAL YEAR (FY) 2006/FY 2007 BUDGET ESTIMATES

SUBMITTED TO CONGRESS FEBRUARY 2005



ARMY WORKING CAPITAL FUND

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007
Budget Estimates

Table of Contents

ARMY OVERVIEW

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007
Budget Estimates

BACKGROUND

The fiscal year (FY) 2006 budget request for the Army Working Capital Fund (AWCF) sustains the fiscal foundation from which the Army fights the protracted Global War on Terrorism (GWOT). The Army has historically operated a significant number of its organic commercial and industrial facilities under the revolving fund concept. The use of this structure encourages these activities to function in a more efficient and cost-effective manner and to provide the additional flexibility needed to properly manage these facilities under changing workload conditions. The concept supports full cost visibility and full cost recovery while protecting appropriated fund customer accounts from execution-year price changes.

The Army manages two AWCF activity groups, Supply Management and Industrial Operations (the latter formerly known as Depot Maintenance and Ordnance). These activity groups provide the capability to satisfy peacetime and wartime needs of the Department of Defense (DoD) by providing supplies, equipment, and ordnance necessary to project, sustain, and reconstitute forces as required. The support services provided by AWCF activity groups are essential to the readiness and sustainability of our operating forces and are an integral part of the total Defense team. This becomes more apparent as the Army continues to wage war on Global Terrorism and provides disaster relief and humanitarian assistance around the world.

This budget reflects the increased revenue and expenses associated with supporting the continued efforts in Iraq, Afghanistan, and GWOT. In order to meet this increased demand, expenditures to purchase, replenish and repair inventory more than doubled above peacetime levels. These expenditures have been offset by substantially higher sales than projected in previous submissions, which were solely based on peacetime levels of execution. This reflects the ability of the AWCF to support GWOT and the commitment to maintain readiness. This budget submission does not anticipate a return to peacetime operations through FY 2007. Instead, this budget request supports the Army's plans to maintain and strengthen its warfighting readiness. Both AWCF activity groups remain ready and capable of surging to meet future requirements.

ARMY WORKING CAPITAL FUND ACTIVITY GROUPS

Currently the Army manages two activity groups within the Army Working Capital Fund.

Supply Management, Army (SMA). This activity group buys and

maintains assigned stocks of required materiel for sale to customers, primarily Army operating units. The Army's equipment and operational readiness, and its combat capability are directly linked to the availability of this materiel. As a result of the deployments in Southwest Asia and continued support to the Global War on Terrorism (GWOT), inventory sales are significantly higher than previous budget submissions. The level of activity during FY 2004 reflects the Supply Management Activity Group's on-going efforts to satisfy increased customer demands from Operation Iraqi Freedom (OIF). FY 2005 projections assume a level of GWOT and OIF activity equal to FY 2004 levels. The FY 2006 and FY 2007 levels assume reduced GWOT and OIF activity supporting a smaller force structure. This activity group is committed to meeting the needs of soldiers by ensuring that supplies and equipment are available when and where needed during peacetime and when at war. Major subordinate commands of U.S. Army Materiel Command (AMC) manage this activity.

Industrial Operations (IO). This budget submission reflects consolidation of Army Depot Maintenance and Ordnance activity groups into an IO activity group. The IO activity group provides the Army and Department of Defense (DoD) an organic industrial capability to: a) perform depot level repair, overhaul, modification, and modernization of weapon systems, component parts, and support equipment; b) manufacture, renovate, and demilitarize materiel; c) produce quality munitions and large caliber weapons; d) perform a full range of ammunition maintenance services for the DoD and our allies; e) perform ammunition receipt, store, and issue functions; f) provide specialized services in the areas of ammunition equipment prototype design and development; and g) provide installation base support to mission elements as well as Army, DoD, other public, and private sector tenants. The IO activity group is composed of five maintenance depots, three arsenals, two ammunition plants, three ammunition storage depots, and three munitions centers. Major subordinate commands of the U.S. Army Materiel Command (AMC) manage this activity.

PERFORMANCE MEASUREMENTS

A key goal of both the Government Performance and Results Act and the President's Management Agenda is to determine whether budgets support strategic goals by building upon a framework of performance measures that document what has or has not been accomplished and the associated cost. Working capital fund budgets are performance budgets because they reflect actual and anticipated performance associated with providing specific types of products or services and the associated cost. Key performance measures used in developing Army Working Capital Fund (AWCF) operating budgets include both

financial and operational measures. Financial measures include net and accumulated operating results, which are used to determine whether revenue and expenses track with budgeted expectations and whether rates were properly set to bring accumulated operating results to zero. Operational measures include schedule conformance (an indicator of whether AWCF activities produce the right quantities on time), productive yield (an indicator of whether direct labor employees can support projected workload), stock availability (a measure of the ability of AWCF inventory to fill a customer's requisition), and non-mission capable supply rate (a measure of a weapons system's non-operational time attributed to unavailability of spare parts).

Performance measures were instrumental in developing the AWCF budget request. As stated elsewhere in this document, AWCF activities incorporated assumptions regarding workload anticipated to be funded by supplemental appropriations. This "business plan" approach to budgeting is directly attributable to net and accumulated operating result measures. Without this approach, rates would have been set higher than required to achieve accumulated operating results of zero in the budget year based on the high level of anticipated business volume. This would have resulted in sub-optimal use of customer total obligation authority. In addition to financial measures, operational measures such as productive yield helped determine the appropriate staffing levels and overtime required to support budgeted workload.

Performance measures associated with the Supply Management activity group may be found in the Operating Results table on page 16, the Stock Availability and Supply Management tables on Page 17, and exhibit SM-3b (Operating Requirements by Weapons System) on page 26. Performance measures associated with the Army Industrial Operations activity group may be found in table on page 49. In addition to operating budget performance measures, the capital budget portrays, through various exhibits, the equipment, software, and minor construction requirements needed to support immediate and strategic objectives of each activity group.

PERSONNEL

The AWCF civilian personnel posture reflects an overall increase from FY 2004 to FY 2005 because of the additional workload from the Global War on Terrorism. FY 2006 and FY 2007 levels decrease slightly based on lower workload projections in those years.

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007
Budget Estimates

PERSONNEL	FY 2004	FY 2005	FY 2006	FY 2007
Supply Management				
Civilian End Strength	2,779	2,961	2,942	2,928
Civilian FTEs	2,935	2,987	2,952	2,935
Military End Strength	13	11	11	11
Military Average Strength	13	11	11	11
Industrial Operations				
Civilian End Strength	19,917	21,081	20,881	19,091
Civilian FTEs	18,393	21,040	20,951	19,564
Civilian OT Usage (% DLH)	17.1%	10.2%	7.9%	7.7%
Productive Yield	1,634	1,653	1,639	1,619
Military End Strength	33	30	29	29
Military Average Strength	26	27	25	25
Total				
Civilian End Strength	22,696	24,042	23,823	22,019
Civilian FTEs	21,328	24,027	23,903	22,499
Military End Strength	46	41	40	40
Military Average Strength	39	38	36	36

REVENUE

Revenue is an indicator of the volume of work completed by the Army Working Capital Fund activity groups. Because of operations in Iraq/Afghanistan, revenue was high in FY 2004 and is projected to be high through FY 2007 as the Army continues to fight terrorism and reconstitute the force to sustain the Army's ability to preserve America's freedom. Included in the revenue are the direct appropriations for War Reserve, Inventory Augmentation, and Industrial Mobilization Capacity (discussed later in this section).

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007
Budget Estimates

Revenue ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Supply Management	10,515.2	10,668.6	9,438.8	9,342.1
Industrial Operations	3,684.1	4,625.5	4,055.5	3,374.1
Total	14,199.3	15,294.1	13,494.3	12,716.2

COST OF GOODS AND SERVICES PRODUCED (EXPENSES)

Costs and workload reflect a mixed trend over the four-year period. The Supply Management activity group's costs diminish over the four-year period as projected sales decrease from a wartime budget in FY 2004 and FY 2005 to a lower level of operations in FY 2006 and FY 2007. The Industrial Operations activity group shows growth from FY 2004 to FY 2005 based on increased workload resulting from the Global War on Terrorism. Although FY 2006 and FY 2007 reflect a lower level of operations, costs are projected to remain somewhat elevated as the activity group continues to complete workload for resetting the Army.

Expenses ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Supply Management	7,315.1	7,254.8	6,147.8	5,960.1
Industrial Operations	3,465.2	4,464.4	4,107.4	3,651.5
Total	10,780.3	11,719.2	10,255.2	9,611.6

NET AND ACCUMULATED OPERATING RESULTS

Net Operating Results (NOR) represent the difference between costs and revenues in an accounting period. Accumulated Operating Results (AOR) represent the aggregate of all recoverable net earnings, including prior year adjustments, since inception of the activity. The goal of the Defense Working Capital Fund (DWCF) is to break even over time and set revenue rates to achieve positive or negative results in order to bring the Accumulated Operating Results (AOR) to zero over the budget cycle. At times, as in the case of the Industrial Operations activity group, it is necessary to spread the return of positive AOR over two years in order to avoid excessive rate instability. An activity group's financial performance is measured by comparing actual results to goals for Net Operating Results (NOR) and Accumulated Operating Results (AOR).

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007
Budget Estimates

NOR/AOR ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Supply Management				
Net Operating Results	0.0	-29.2	7.8	-7.8
Accumulated Operating Results	29.2	0.0	7.8	0.0
Industrial Operations				
Net Operating Results	216.9	160.8	-51.8	-277.4
Accumulated Operating Results	455.2	491.3	277.4	0.0

CASH COLLECTIONS, DISBURSEMENTS, AND NET OUTLAYS

The FY 2004 ending cash balance in the Army Working Capital Fund (AWCF) of $948 million reflects the results of the increase in consumption of repair parts, increased production at our industrial facilities associated with the Global War on Terrorism (GWOT) and the transfer out of $1.448 billion in cash during FY 2004. To help fight the GWOT, $1.3 billion was transferred to the Operation and Maintenance, Army appropriation. Section 8104 of the Defense Appropriations Act, 2004 required the Army to transfer $107 million from the AWCF to the Operation and Maintenance, Army appropriation account because of cash in excess of current needs in the AWCF. The remaining amount, $41.6 million, was transferred to the Defense Commissary Agency Working Capital Fund. Material on order from suppliers and repair grew from $2.4 billion at the end of FY 2002 to $6.9 billion at the end of FY 2004. As the operations in Iraq and Afghanistan wind down and payments associated with the delivery of replacement stocks and repair of equipment are made, the AWCF cash balance will return to a level closer to our corpus requirement of $506 million at the end of FY 2007. However, if sales from inventory remain high through FY 2005 and into FY 2006 and FY 2007, then the draw down of cash will extend into the out years. Timing of the repayment of the $1.3 billion will be dependent upon the decrease in sales from operations and repair of equipment. Current cash projections include payback in FY 2007 of $800 million of the $1.3 billion transfer (Included in Cash Collections below).
The payback of the remaining $500 million is planned for reimbursement in the out years. Also, included in cash collections are direct appropriations of, $219.3 million, $184.1 million, $106.5 million and $16.4 million for FYs 2004, 2005, 2006 and 2007, respectively. Direct appropriations include War Reserve Secondary Items, Industrial Mobilization Capacity, and Inventory Augmentation.

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007
Budget Estimates

Cash ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Collections	12,467.9	13,125.6	11,950.4	11,622.1
Disbursements	13,067.9	13,403.9	12,126.6	11,572.7
Net Outlays	600.0	278.3	176.2	-49.4
Cash Balance	948.4	670.2	494.0	543.2

CUSTOMER RATES

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

Customer Rate	FY 2004	FY 2005	FY 2006	FY 2007
Supply Management	21.7%	18.3%	18.8%	19.5%
Industrial Operations	N/A	$129.57	$130.42	$133.84

CUSTOMER RATE CHANGES

The Supply Management surcharge decrease in FY 2004 and FY 2005 reflect spreading costs over a higher sales base from Global War on Terror related operations. The slight increase in surcharge for FY 2006 and FY 2007 reflect spreading cost over a lower sales base in anticipation of decreased operations. As a result of the consolidation of Depot Maintenance and Ordnance into one activity group, Industrial Operations, rate changes for FY 2004 and FY 2005 are not available. In FY 2006 and FY 2007, cost are decreasing commensurate with workload projections but, rates increase slightly as we retain some positive operating results to mitigate the risk of transferring cash out of the fund.

Customer Rate Changes	FY 2004	FY 2005	FY 2006	FY 2007
Supply Management	-0.8%	-1.4%	2.5%	3.2%
Industrial Operations	N/A	N/A	0.7%	2.6%

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007
Budget Estimates

CAPITAL BUDGET PROGRAM

The Army Working Capital Fund (AWCF) activities develop and maintain operational capabilities through acquisition of production equipment, execution of minor construction projects, and acquisition of software. Equipment is being

acquired to replace obsolete and unserviceable equipment, modernize production and maintenance processes, and eliminate environmental hazards. Increased emphasis has been placed on maintenance depots to ensure production equipment is updated to allow the most effective and efficient means of supporting customer requirements. The funding table below depicts an increase of $36.9 million in Industrial Operations funding in support of increasing capacity in the maintenance depots. Software requirements in Supply Management remain fairly stable across the years as the Logistics Modernization Program (LMP) is implemented. A more in-depth discussion is provided in each activity group's section as well as narrative detail in the Capital Budget section.

Capital Budget Program ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Supply Management	31.3	32.2	31.7	28.6
Industrial Operations	80.7	163.5	113.1	102.4
Total	112	195.7	144.8	131

DIRECT APPROPRIATIONS

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

Direct Appropriations ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
War Reserve Secondary Items	105.4	84.4	23.2	16.4
Industrial Mobilization Capacity	113.9	99.6	64.0	0.0
Inventory Augmentation	0.0	0.0	19.3	0.0
Total	219.3	184.0	106.5	16.4

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

Industrial Mobilization Capacity (IMC): This submission includes a request for

direct funds for IMC, formerly known as Unutilized Plant Capacity (UPC). This represents funding necessary to compensate the Industrial Operations activity group 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.

Inventory Augmentation: Supports initial inventory stocks of the new Army Combat Uniform (ACU) at Military Clothing Sales Stores operated by the Army & Air Force Exchange Service.

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OPERATING BUDGET
Supply Management

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Functional Description

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

Activity Group Composition

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

Overview

This budget reflects a departure from previous submissions by incorporating assumptions for supplemental appropriations in support of the Global War on Terrorism (GWOT) and Operation Iraqi Freedom (OIF). The Fiscal Year (FY) 2005 estimates assume a level of GWOT and OIF activity equal to FY 2004 levels. To account for an assumed reduction in deployed troop levels, the FY 2006 and FY 2007 new customer orders and sales reflect a lower level of GWOT and OIF activity.

Sixty-seven national stock numbers related to lithium batteries were de-capitalized in FY 2005 and transferred to Defense Logistics Agency. Requisitions for these batteries are now processed through the Non Army Managed Items (NAMI) Division.

Budget Highlights

Personnel:

Supply Management civilian personnel strength increase in FY 2005 reflects continued support to Operation Iraqi Freedom (OIF) and the Global War on Terrorism (GWOT). The slight decline from FY 2005 to FY 2007 represents the realization of National Maintenance Program and Single Stock Fund efficiencies identified during the FY 2003 President's Budget cycle. The change in Military End Strength represents the conversion of two military positions to civilian authorizations.

Personnel	FY 2004	FY 2005	FY 2006	FY 2007
Civilian End Strength	2,779	2,961	2,942	2,928
Civilian FTEs	2,935	2,987	2,952	2,935
Military End Strength	13	11	11	11
Military Average Strength	13	11	11	11

Sales:

Net sales in FY 2004 far exceeded projections due to continuing high levels of GWOT and OIF operations. In FY 2005, projected sales are based on estimated supplemental appropriations at a level comparable to FY 2004. The FY 2006 and FY 2007 sales assume a smaller deployed force, continued reset of the returning force, and a full training OPTEMPO for all other forces.

Indicator ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Net Sales	8,520.0	8,504.1	7,342.3	7,160.6
Cost of Materiel Sold from Inventory	7,315.1	7,254.8	6,147.8	5,960.1
Obligations for Materiel (includes depot-level repair)	8,309.2	7,273.7	5,923.0	5,302.2
Credit for Returns	1,995.2	2,164.5	2,096.5	2,181.5

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Operating Results:

The Army Working Capital Fund activity groups operate on a break-even basis over the budget cycle. The Army sets each activity's annual rates to achieve the results (positive or negative) required to bring accumulated operating results (AOR) to zero in the budget cycle. Actual FY 2003 ending AOR was overstated by $25.2 million and was corrected in FY 2004. The table below reflects net and accumulated operating results for Supply Management:

Indicator ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Net Operating Results	0.0	-29.2	7.8	-7.8
Accumulated Operating Results	29.2	0.0	7.8	0.0

Cash Collections, Disbursements, and Net Outlays:

Cash collections remain high as a result of the increased sales experienced in support of contingency operations and the Global War on Terrorism (GWOT). Undelivered orders from commercial suppliers and repair facilities exceeded $6.9 billion at the end of FY 2004. Sufficient cash balance is required to pay vendors as this materiel is received to satisfy customer demands.

Indicator ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Collections	8,781.1	8,588.5	7,874.8	8,232.0
Disbursements	9,552.0	8,902.1	7,923.1	7,871.6
Net Outlays	770.9	313.6	48.3	-360.4

Workload and Economic Assumptions:

To adjust for minor prior year operating gains prices for Army-managed items reflect a slight decrease in both FY 2004 and FY 2005. The small increases in FY 2006 and FY 2007 reflect a lower sales volume assuming fewer deployed forces in support of GWOT and Operation Iraqi Freedom (OIF). The following chart shows general workload data for the Wholesale Division:

Indicator	FY 2004	FY 2005	FY 2006	FY 2007
Surcharge Rate (composite)	21.7%	18.3%	18.8%	19.5%
Customer Price Change	-0.8%	-1.4%	2.5%	3.2%
SMA Purchase Inflation	1.2%	1.6%	1.8%	2.3%

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Unit Cost:

Unit cost is a managerial control that relates resources consumed to outputs produced. The aim of unit cost is to associate total cost to the work or output. It is measured by dividing gross operating cost (the sum of total obligations and credit) by gross sales. The lower Unit Cost Goals (UCGs) in FY 2005 through FY 2007 establish operating costs at a level lower than revenue, ensuring fund solvency as materiel ordered in previous fiscal years is received into inventory.

Unit Cost Goal	FY 2004	FY 2005	FY 2006	FY 2007
Wholesale	1.06	0.976	0.956	0.904

Stock Availability and Supply Management:

Supplying and maintaining the Army's equipment remain key components of readiness. Stock Availability, the measure of requisitions satisfied by the supply system, has a goal of 85% demand satisfaction. Stock availability began to decline towards the end of FY 2003 due to the increase in customer demands from Operation Iraqi Freedom (OIF). While stock availability improved from fourth quarter FY 2003, on-going high demands on the supply system to meet the requirements of our deployed forces continued in FY 2004. Stock availability is expected to improve through FY 2007 as material is received from vendors and made available to satisfy customers in the supply system. The table below shows stock availability throughout FY 2004:

FY 2004	1Qtr	2Qtr	3Qtr	4Qtr
Stock Availability	75.4%	75.0%	77.5%	75.6%

The data below represent key categories of interest in Supply Management. The high stock issues in FY 2004 continue to reflect the increased requirements from OIF and our efforts to reduce the level of backorders. The decline is expected to continue during FY 2005 through FY 2007 in expectation of fewer deployed forces.

Category (# Thousands)	FY 2004	FY 2005	FY 2006	FY 2007
Items Managed	127	127	127	127
Requisitions Received	2,099	2,256	1,949	1,884
Issues Completed	3,818	3,809	3,347	3,446
Procurement Receipts	127	119	119	93
Contracts Awarded	17	17	14	13

Undelivered Orders:

As shown in the table below, undelivered orders have grown significantly from FY 2002 through FY 2004 as a result of increased customer demands associated with Operation Iraqi Freedom (OIF) and the Global War on Terrorism (GWOT). The rapid deployment of large forces and high OPTEMPO, supported by Operation and Maintenance contingency funding, allowed Supply Management to justify increased obligation authority to acquire and repair spares at an accelerated rate. As delivery of this materiel is received into inventory, cash must be available to pay commercial vendors and repair facilities. Although orders to vendors and repair facilities have been exceeding the rate of revenue being brought into the fund, we expect sufficient cash balance through FY 2007 to support disbursements.

To ensure cash is available to pay for these undelivered orders, operating costs are lowered as reflected in the reduced Unit Cost Goals (UCGs) in FY 2005 through FY 2007. As a management control, lowering the UCG establishes operating costs to a level below revenue, expecting that materiel ordered in previous fiscal years (undelivered orders) is received into inventory and sold to fill customer demands in the budget years. Budget assumptions include replenishment of $800 million based on anticipated transfers from Operation and Maintenance, Army during FY 2007. This reflects partial repayment of the $1.3 billion cash withdrawal that occurred in FY 2004. This replenishment is required to pay commercial vendors and repair facilities as orders are received.

Undelivered Orders ($in millions)	FY 2002	FY 2003	FY 2004
Undelivered Orders	2,418	5,293	6,908

Capital Budget:

Supply Management seeks to maintain and develop capabilities through equipment and software acquisition. The Supply Management Capital Investment Program (CIP) primarily funds the development of software to improve managerial decision-making quality and timeliness. The development of software for the Logistics Modernization Program (LMP) and Exchange Pricing (EP) continue to be the main efforts of the CIP. LMP is an effort to re-engineer logistics processes and utilize modern information technology enablers to provide real time visibility of the entire logistics supply chain. The implementation of EP will stabilize credit and reduce risk to cash flow and is anticipated to dramatically improve logistics and financial processes. These two programs will enable the Army to produce business process

improvements and inventory efficiencies that will significantly improve customer service and the ability to meet demands. Additionally, the Supply Management CIP provides for local area networks, servers, desktop computers, high-speed printers, and a variety of software products that enhance program integration at the operational sites. The planned capital obligations are:

Category ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
ADP	1.2	0	0.6	0.6
Software	30.1	32.2	31.1	28.0
TOTAL	*31.3	32.2	31.7	28.6

* Does not include $8.5M in carryover of FY 2003 funding that was obligated in FY 2004.

Direct Appropriations:

War Reserves Secondary Items/Inventory Augmentation:

The Army sets aside Operations and Maintenance funding for war reserve secondary items each fiscal year to improve the Army's ability to meet mission and operational readiness requirements. In FY 2006 and FY2007 war reserve funding is reduced while Army conducts a re-assessment of requirements based on the Army's new force structure. Appropriated funds are budgeted in FY 2006 to support initial inventory stocks of the new Army Combat Uniform (ACU) at Military Clothing Sales Stores operated by the Army & Air Force Exchange Service. The table below reflects funding for these requirements.

($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
War Reserve Secondary Items	105.4	84.4	23.2	16.4
Inventory Augmentation (ACU)	0.0	0.0	19.3	0.0

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Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Revenue and Expenses
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue				
Total Gross Sales	**10,515.2**	**10,668.6**	**9,438.8**	**9,342.1**
Credit and Allowances	1,995.2	2,164.5	2,096.5	2181.5
Net Sales	**8,520.0**	**8,504.1**	**7,342.3**	**7,160.6**
Other Income	105.4	84.4	42.5	16.4
War Reserve-Secondary Items	105.4	84.4	23.2	16.4
Inventory Augmentation (ACU)			19.3	
Total Income:	**8,625.4**	**8,588.5**	**7,384.8**	**7,177.0**
Expenses				
Total Cost of Material Sold from Inventory	**7,315.1**	**7,254.8**	**6,147.8**	**5,960.1**
Inventory Losses/Obsolescence	104.5	108.4	84.5	65.9
Transfers to DRMO	1,149.9			
Extraordinary Losses	48.2			
Salaries and Wages:	245.2	256.7	264.7	271.8
Military Personnel Compensation & Benefits	1.1	0.9	0.9	1.0
Civilian Personnel Compensation & Benefits	244.1	255.8	263.8	270.8
Travel & Transportation of Personnel	3.4	3.4	3.4	3.4
Materiel & Supplies (For Internal Operations)	0.9	0.9	0.9	0.9
Equipment	0.9	0.9	0.9	0.9
Other Purchases from Revolving Funds	309.0	320.0	333.8	324.9
Transportation of Things	115.1	125.0	130.2	135.6
Depreciation - Capital	65.0	58.7	52.7	45.2
Printing and Reproduction	0.1	0.1	0.1	0.1
Advisory and Assistance Services	21.9	22.2	22.5	22.9
Rent, Communication, Utilities & Misc. Charges	0.0	0.0	0.0	0.0
Other Purchased Services	205.2	219.3	233.0	245.4
Total Expenses:	**9,584.4**	**8,370.4**	**7,274.5**	**7,077.1**
Operating Result	**(959.0)**	**218.1**	**110.3**	**99.9**
Less Retained Operating Results	(133.7)	(162.9)	(60.0)	(91.3)
Other Changes Affecting NOR:				
Less Direct Funding	(105.4)	(84.4)	(42.5)	(16.4)
Transfers to DRMO	1,149.9			
Extraordinary Losses	48.2			
Net Operating Result	**0.0**	**(29.2)**	**7.8**	**(7.8)**
Prior Year AOR	(1,009.6)	29.2	0.0	7.8
Non-Recoverable Adjustment (Prior Year transfers to DRMO)	1,038.8			
Accumulated Operating Result	**29.2**	**0.0**	**7.8**	**0.0**

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Source of Revenue
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DOD Components:				
Department of Army				
Operation & Maintenance, Army	8,024.9	7,690.9	6576.4	6743.0
Operation & Maintenance, ARNG	701.7	640.7	600.3	609.6
Operation & Maintenance, AR	91.3	84.3	64.0	57.0
Subtotal, O&M:	**8,818.0**	**8,415.9**	**7,240.7**	**7,409.6**
Procurement Appropriations	167.8	154.7	157.6	158.7
RDT&E	32.7	30.4	26.8	26.8
All Other Army	184.7	182.1	168.0	174.3
Subtotal, Department of the Army:	**9,203.3**	**8,783.1**	**7,593.1**	**7,769.4**
Department of Navy	131.5	119.8	114.4	120.5
Department of Air Force	227.6	217.2	218.3	224.2
US Marine Corps	230.3	186.9	129.8	129.3
Department of Defense	23.2	30.3	26.9	28.0
Subtotal, Other DoD Services:	**612.5**	**554.2**	**489.4**	**502.0**
b. Orders from other Fund Business Areas:				
Depot Maintenance, Army	**451.5**	**563.7**	**543.9**	**473.0**
c. Total DOD	**10,267.3**	**9,901.0**	**8,626.4**	**8,744.4**
d. Other Orders:				
Other Federal Agencies	3.8	3.7	3.3	3.4
FMS	281.8	214.4	205.6	218.2
Non Federal Agencies	0.0	0.0	0.0	0.0
All Other	39.3	0.8	0.5	1.1
Subtotal, Other Federal Agencies:	**324.9**	**218.9**	**209.4**	**222.7**
Total New Orders	**10,592.2**	**10,119.9**	**8,835.8**	**8,967.1**

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Source of Revenue
(Continued)
($ in Millions)

1. Total New Orders	**10,592.2**	**10,119.9**	**8,835.8**	**8,967.1**
2. Carry-In Orders (Back Orders From Prior Years)	2,873.7	2,950.7	2,402.0	1,799.0
3. Total Gross Orders	13,465.9	13,070.6	11,237.8	10,766.1
Less Carry out	2,950.7	2,402.0	1,799.0	1,424.0
4. Gross Sales	**10,515.2**	**10,668.6**	**9,438.8**	**9,342.1**
5. Less Credit and Allowances	1,995.2	2,164.5	2,096.5	2,181.5
6. Net Sales	**8,520.0**	**8,504.1**	**7,342.3**	**7,160.6**

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Summary By Division
($ in Millions)

DIVISION	NET CUST ORDERS	NET SALES	Obligation Targets OPERATING	MOB	TOTAL
NAMI					
FY 2004	1,254.6	1,153.9	1,153.9	0.0	1,153.9
FY 2005	1,390.7	1,347.7	1,347.7	0.0	1,347.7
FY 2006	986.6	957.4	957.4	0.0	957.4
FY 2007	918.1	890.9	890.9	0.0	890.9
WHOLESALE					
TACOM-RI					
FY 2004	734.7	717.9	703.8	2.1	705.9
FY 2005	0.0	0.0	0.0	0.0	0.0
FY 2006	0.0	0.0	0.0	0.0	0.0
FY 2007	0.0	0.0	0.0	0.0	0.0
AMCOM-Air					
FY 2004	2,634.7	2,499.6	2,662.2	14.3	2,676.5
FY 2005	2,270.8	2,493.1	2,105.5	0.0	2,105.5
FY 2006	2,112.2	2,563.2	2,107.6	1.7	2,109.3
FY 2007	2,356.8	2,442.9	1,839.9	12.6	1,852.5
CECOM					
FY 2004	1,149.8	1,120.6	1,275.3	3.3	1,278.6
FY 2005	759.9	1,155.1	973.1	2.0	975.1
FY 2006	648.7	792.9	549.5	0.3	549.8
FY 2007	634.5	680.4	395.4	2.3	397.7
AMCOM-Missiles					
FY 2004	440.5	383.0	367.1	4.6	371.7
FY 2005	324.6	361.8	236.8	0.8	237.6
FY 2006	345.6	356.1	217.9	0.8	218.7
FY 2007	372.6	389.1	218.3	6.4	224.7
SBCCOM					
FY 2004	293.0	255.0	248.0	20.2	268.2
FY 2005	0.0	0.0	0.0	0.0	0.0
FY 2006	0.0	0.0	0.0	0.0	0.0
FY 2007	0.0	0.0	0.0	0.0	0.0

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Summary By Division
($ in Millions)

DIVISION	NET CUST ORDERS	NET SALES	Obligation Targets OPERATING	MOB	TOTAL
TACOM-W					
FY 2004	2,092.7	2,371.4	1,880.0	10.7	1,890.7
FY 2005	3,202.7	3,139.7	2,603.9	5.0	2,608.9
FY 2006	2,635.2	2,661.8	2,079.7	4.1	2,083.8
FY 2007	2,494.9	2,748.6	1,949.0	31.5	1,980.5
TOTAL WHOLESALE					
FY 2004	**7,345.5**	**7,347.5**	**7,136.4**	**55.2**	**7,191.6**
FY 2005	**6,558.0**	**7,149.7**	**5,919.3**	**7.8**	**5,927.1**
FY 2006	**5,741.8**	**6,374.0**	**4,954.7**	**6.9**	**4,961.6**
FY 2007	**5,858.8**	**6,261.0**	**4,402.6**	**52.8**	**4,455.4**
OTHER					
AMC MOBILIZATION					
FY 2004	-3.1	18.9	18.9	29.2	48.1
FY 2005	6.7	6.7	6.7	15.4	22.1
FY 2006	10.9	10.9	10.9	9.5	20.4
FY 2007	8.7	8.7	8.7	41.1	49.8
COST OF OPERATIONS					
FY 2004	0.0	0.0	901.7	0.0	901.7
FY 2005	0.0	0.0	948.5	0.0	948.5
FY 2006	0.0	0.0	989.5	0.0	989.5
FY 2007	0.0	0.0	1,005.9	0.0	1,005.9
COMMITMENTS					
FY 2004	0.0	0.0	469.6	0.0	469.6
FY 2005	0.0	0.0	1,233.8	0.0	1,233.8
FY 2006	0.0	0.0	2,596.6	0.0	2,596.6
FY 2007	0.0	0.0	2,773.4	0.0	2,773.4
FATIGUE TESTING					
FY 2004	0.0	0.0	5.9	0.0	5.9
FY 2005	0.0	0.0	6.0	0.0	6.0
FY 2006	0.0	0.0	6.1	0.0	6.1
FY 2007	0.0	0.0	6.2	0.0	6.2

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Summary By Division
($ in Millions)

	NET CUST ORDERS	NET SALES	Obligation Targets OPERATING	MOB	TOTAL
ESI					
FY 2004	0.0	0.0	59.2	0.0	59.2
FY 2005	0.0	0.0	60.3	0.0	60.3
FY 2006	0.0	0.0	61.3	0.0	61.3
FY 2007	0.0	0.0	62.4	0.0	62.4
ARMY COMBAT UNIFORMS					
FY 2004	0.0	0.0	0.0	0.0	0.0
FY 2005	0.0	0.0	0.0	0.0	0.0
FY 2006	0.0	0.0	19.3	0.0	19.3
FY 2007	0.0	0.0	0.0	0.0	0.0
TOTAL OA					
FY 2004	**8,597.0**	**8,520.3**	**9,745.6**	**84.4**	**9,830.0**
FY 2005	**7,955.4**	**8,504.1**	**9,522.3**	**23.2**	**9,545.5**
FY 2006	**6,739.3**	**7,342.3**	**9,627.5**	**16.4**	**9,612.2**
FY 2007	**6,785.6**	**7,160.6**	**9,178.7**	**93.9**	**9,244.0**
BUDGET AUTHORITY					
WAR RESERVE AUTHORITY					
FY 2004	0.0	0.0	0.0	105.4	105.4
FY 2005	0.0	0.0	0.0	84.4	84.4
FY 2006	0.0	0.0	0.0	23.2	23.2
FY 2007	0.0	0.0	0.0	16.4	16.4
CAPITAL					
FY 2004	0.0	0.0	31.3	0.0	31.3
FY 2005	0.0	0.0	32.2	0.0	32.2
FY 2006	0.0	0.0	31.7	0.0	31.7
FY 2007	0.0	0.0	28.6	0.0	28.6
ARMY COMBAT UNIFORMS					
FY 2004	0.0	0.0	0.0	0.0	0.0
FY 2005	0.0	0.0	0.0	0.0	0.0
FY 2006	0.0	0.0	19.3	0.0	19.3
FY 2007	0.0	0.0	0.0	0.0	0.0
TOTAL BUDGET					
FY 2004	**0.0**	**0.0**	**31.3**	**105.4**	**136.7**
FY 2005	**0.0**	**0.0**	**32.2**	**84.4**	**116.6**
FY 2006	**0.0**	**0.0**	**51.0**	**23.2**	**74.2**
FY 2007	**0.0**	**0.0**	**28.6**	**16.4**	**45.0**

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Operating Requirement By Weapon System
($ in Millions)

Weapon System	FY 2004	NMCSR	FY 2005	NMCSR
CHEMICAL DEFENSE EQUIPMENT	166.0	8.1	68.7	8.1
OTHER ARMAMENT MUNITIONS & CHEMICAL	291.9	15.0	224.8	15.0
AH-64	596.6	25.0	387.0	25.0
UH-60	994.3	25.0	596.4	25.0
OH-58D	81.1	25.0	164.4	25.0
CH-47D	342.1	25.0	461.9	25.0
T-701C ENGINES	272.4	25.0	309.8	25.0
AIR DELIVERY AVIATION/TROOP EQUIPMENT	622.5	7.7	308.4	7.7
MSE	63.5	15.0	54.3	15.0
NIGHT VISION EQUIPMENT	79.5	15.0	76.7	15.0
BATTERIES	148.1	5.0	20.0	5.0
OTHER COMMUNICATIONS ELECTRONICS	904.9	4.2	721.5	4.2
MLRS	31.7	10.0	16.0	10.0
PATRIOT	156.2	10.0	86.7	10.0
OTHER MISSILE SYSTEMS	115.1	10.0	119.8	10.0
M1 SERIES TANK	782.6	10.0	895.5	10.0
M88 SERIES TANK	135.1	10.0	184.8	10.0
M109 HOWITZER	45.6	10.0	54.3	10.0
M198 HOWITZER	12.5	10.0	9.2	10.0
M113 FOV	73.2	15.0	110.9	15.0
BRADLEY FIGHTING VEHICLE	336.3	10.0	218.5	10.0
HMMWV	222.8	10.0	237.6	10.0
TIRES	100.9	10.0	145.6	10.0
OTHER TANK & AUTOMOTIVE	561.5	10.0	446.5	10.0
WHOLESALE SUBTOTAL:	**7,136.4**		**5,919.3**	
NAMI	1,153.9		1,347.7	
AMC-MOB	18.9		6.7	
TOTAL HARDWARE OBLIGATION AUTHORITY:	**8,309.2**		**7,273.7**	

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

Operating Requirement By Weapon System
($ in Millions)

Weapon System	FY 2006	NMCSR	FY 2007	NMCSR
CHEMICAL DEFENSE EQUIPMENT	75.9	8.1	74.4	8.1
OTHER ARMAMENT MUNITIONS & CHEMICAL	180.9	15.0	174.7	15.0
AH-64	403.4	25.0	360.0	25.0
UH-60	636.5	25.0	521.7	25.0
OH-58D	160.3	25.0	128.4	25.0
CH-47D	431.5	25.0	397.0	25.0
T-701C ENGINES	249.1	25.0	218.4	25.0
AIR DELIVERY AVIATION/TROOP EQUIPMENT	333.1	7.7	313.4	7.7
MSE	50.7	15.0	50.0	15.0
NIGHT VISION EQUIPMENT	70.7	15.0	69.5	15.0
BATTERIES	20.0	5.0	20.0	5.0
OTHER COMMUNICATIONS ELECTRONICS	319.9	4.2	173.5	4.2
MLRS	17.8	10.0	18.2	10.0
PATRIOT	101.9	10.0	103.4	10.0
OTHER MISSILE SYSTEMS	69.1	10.0	69.9	10.0
M1 SERIES TANK	591.2	10.0	586.1	10.0
M88 SERIES TANK	178.7	10.0	179.5	10.0
M109 HOWITZER	40.9	10.0	39.6	10.0
M198 HOWITZER	7.7	10.0	7.5	10.0
M113 FOV	93.3	15.0	75.8	15.0
BRADLEY FIGHTING VEHICLE	192.2	10.0	183.9	10.0
HMMWV	168.9	10.0	147.7	10.0
TIRES	132.6	10.0	128.4	10.0
OTHER TANK & AUTOMOTIVE	428.4	10.0	361.6	10.0
WHOLESALE SUBTOTAL:	**4,954.7**		**4,402.6**	
NAMI	957.4		890.9	
AMC-MOB	10.9		8.7	
TOTAL HARDWARE OBLIGATION AUTHORITY:	**5,923.0**		**5,302.2**	

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FY 2004
($ in Millions)

STOCKPILE STATUS	TOTAL	MOB	OPERATING	OTHER
1. INVENTORY BP	16,990.2	2,353.5	7,342.4	7,294.3
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	0.0	141.3	1,568.8	(1,710.1)
B. PRICE CHANGE AMOUNT (MEMO)	(186.1)	(70.8)	(113.5)	(1.8)
C. ADJ. INVENTORY BP (1+2A+2B)	16,804.1	2,424.0	8,797.7	5,582.4
3. RECEIPTS AT STANDARD / COST	6,256.2	136.3	6,119.9	0.0
4. SALES AT STANDARD / COST	10,515.2	18.9	10,496.3	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	80.7	28.7	68.3	(16.3)
B. RETURNS FROM CUSTOMERS (+)	4,353.0	0.0	3,459.5	893.5
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	7,931.6	0.4	2,111.3	5,819.9
D. RETURNS TO SUPPLIERS (-)	(276.4)	(0.5)	(240.5)	(35.4)
E. TRANSFERS TO DRMO (-)	(1,149.9)	0.0	0.0	(1,149.9)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(184.7)	(0.1)	(3.9)	(180.7)
G. OTHER (LIST)	(1,858.0)	(529.7)	(506.9)	(821.4)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	8,896.3	(501.2)	4,887.8	4,509.7
6. INVENTORY EP	21,441.4	2,040.2	9,309.1	10,092.1
7. INVENTORY EOP, REVALUED (LAC DISCOUNTED)	10,926.4	879.1	4,792.3	5,255.0
A. ECONOMIC RETENTION (MEMO)		0.0	0.0	2,259.6
B. CONTINGENCY RETENTION (MEMO)		0.0	0.0	2,732.6
C. POTENTIAL DOD REUTILIZATION (MEMO)		0.0	0.0	262.7
8. ON ORDER EOP @ COST	6,907.8	127.6	6,780.2	0.0

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FY 2005
($ in Millions)

STOCKPILE STATUS	TOTAL	MOB	OPERATING	OTHER
1. INVENTORY BP	21,441.4	2,040.2	9,456.5	9,944.7
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	15.0	(27.8)	1,491.2	(1,448.4)
B. PRICE CHANGE AMOUNT (MEMO)	(88.8)	5.2	(49.9)	(44.1)
C. ADJ. INVENTORY BP (1+2A+2B)	21,367.6	2,017.6	10,897.8	8,452.2
3. RECEIPTS AT STANDARD / COST	7,332.7	82.4	7,233.3	17.0
4. SALES AT STANDARD / COST	10,668.6	6.7	10,661.9	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	(161.5)	(74.0)	(60.3)	(27.2)
B. RETURNS FROM CUSTOMERS (+)	3,656.8	0.0	2,980.0	676.8
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	4,858.5	0.4	89.8	4,768.3
D. RETURNS TO SUPPLIERS (-)	(30.3)	0.0	0.0	(30.3)
E. TRANSFERS TO DRMO (-)	(1,822.5)	0.0	0.0	(1,822.5)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(20.8)	(0.7)	0.0	(20.1)
G. OTHER (LIST)	(1,638.0)	(49.8)	(892.8)	(695.4)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	4,842.2	(124.1)	2,116.7	2,849.6
6. INVENTORY EP	22,873.9	1,969.2	9,585.9	11,318.8
7. INVENTORY EOP, REVALUED (LAC DISCOUNTED)	6,850.8	818.8	2,243.1	3,788.9
A. ECONOMIC RETENTION (MEMO)		0.0	0.0	3,309.6
B. CONTINGENCY RETENTION (MEMO)		0.0	0.0	379.5
C. POTENTIAL DOD REUTILIZATION (MEMO)		0.0	0.0	99.8
8. ON ORDER EOP @ COST	4,715.1	138.3	4,576.8	0.0

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FY 2006
($ in Millions)

STOCKPILE STATUS	TOTAL	MOB	OPERATING	OTHER
1. INVENTORY BP	22,873.9	1,969.2	9,585.9	11,318.8
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	0.0	10.6	726.5	(737.1)
B. PRICE CHANGE AMOUNT (MEMO)	265.5	32.6	92.2	140.7
C. ADJ. INVENTORY BP (1+2A+2B)	23,139.4	2,012.4	10,404.6	10,722.4
3. RECEIPTS AT COST	5,432.8	77.1	5,355.7	0.0
4. SALES AT STANDARD / COST	9,438.8	10.9	9,427.9	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	(51.9)	16.1	(68.0)	0.0
B. RETURNS FROM CUSTOMERS (+)	4,031.4	0.0	3,651.3	380.1
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	3,069.0	0.4	0.0	3,068.6
D. RETURNS TO SUPPLIERS (-)	(50.8)	0.0	0.0	(50.8)
E. TRANSFERS TO DRMO (-)	(2,006.3)	0.0	0.0	(2,006.3)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(16.0)	(0.5)	0.0	(15.5)
G. OTHER (LIST)	(1,957.4)	(218.2)	(711.2)	(1,028.0)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	3,018.0	(202.2)	2,872.1	348.1
6. INVENTORY EP	22,151.4	1,876.4	9,204.5	11,070.5
7. INVENTORY EOP, REVALUED	18,021.6	1,514.9	7,528.5	8,978.2
A. ECONOMIC RETENTION (MEMO)		0.0	0.0	5,159.8
B. CONTINGENCY RETENTION (MEMO)		0.0	0.0	1,754.3
C. POTENTIAL DOD REUTILIZATION (MEMO)		0.0	0.0	2,064.1
8. ON ORDER EOP @ COST	4,273.4	168.4	4,105.0	0.0

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

MATERIAL INVENTORY DATA
FY 2007
($ in Millions)

STOCKPILE STATUS	TOTAL	MOB	OPERATING	OTHER
1. INVENTORY BP	22,151.4	1,876.4	9,195.5	11,070.5
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	0.0	(19.2)	790.9	(771.7)
B. PRICE CHANGE AMOUNT (MEMO)	12.5	0.0	7.5	5.0
C. ADJ. INVENTORY BP (1+2A+2B)	22,163.9	1,857.2	10,002.4	10,303.8
3. RECEIPTS AT COST	3,788.6	87.0	3,701.6	0.0
4. SALES AT STANDARD / COST	9,342.1	8.7	9,333.4	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	14.0	14.0	0.0	0.0
B. RETURNS FROM CUSTOMERS (+)	3,619.7	0.0	3,254.2	365.5
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	2,486.2	0.4	0.0	2,485.8
D. RETURNS TO SUPPLIERS (-)	(36.6)	0.0	0.0	(36.6)
E. TRANSFERS TO DRMO (-)	(1,842.9)	0.0	0.0	(1,842.9)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(13.5)	(0.5)	0.0	(13.0)
G. OTHER (LIST)	(148.1)	1.0	(113.5)	(35.6)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	4,078.8	14.9	3,140.7	923.2
6. INVENTORY EP	20,689.2	1,950.4	7,511.3	11,227.0
7. INVENTORY EOP, REVALUED	16,327.4	1,557.3	5,754.4	9,015.3
A. ECONOMIC RETENTION (MEMO)		0.0	0.0	3,847.7
B. CONTINGENCY RETENTION (MEMO)		0.0	0.0	2,280.0
C. POTENTIAL DOD REUTILIZATION (MEMO)		0.0	0.0	2,886.7
8. ON ORDER EOP @ COST	3,139.5	165.1	2,974.3	0.0

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

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

STOCKPILE STATUS	Total	WRM Protected	WRM Other
1. Inventory BOP	2,353.5	2,353.5	0.0
2. Price Change	(70.8)	(70.8)	0.0
3. Reclassification	141.3	141.3	0.0
4. Inventory Changes			
a. Receipts @ standard/cost	136.7	136.7	0.0
(1). Purchases	136.3	136.3	0.0
(2). Returns from customers	0.4	0.4	0.0
b. Issues @ standard/cost	(19.4)	(19.4)	0.0
(1). Sales	(18.9)	(18.9)	0.0
(2). Returns to suppliers	(0.5)	(0.5)	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ standard/cost	(34.1)	(34.1)	0.0
(1). Capitalizations	28.7	28.7	0.0
(2). Gains and losses	(0.1)	(0.1)	0.0
(3). Other	(62.7)	(62.7)	0.0
d. OIF Issued without Reimbursement	(467.0)	(467.0)	
5. Inventory EOP	2,040.2	2,040.2	0.0
STOCKPILE COSTS			
1. Storage	4.0		
2. Manage	3.7		
3. Maintenance/Other	2.1		
TOTAL COST	9.8		
WRM BUDGET REQUEST			
1. Obligations @ cost	91.1		
a. Additional WRM	84.4		
b. Replenishment WRM	6.7		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
TOTAL COST (OBLIGATIONS @ COST)	91.1		

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

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

STOCKPILE STATUS	Total	WRM Protected	WRM Other
1. Inventory BOP	2,040.2	2,040.2	0.0
2. Price Change	5.2	5.2	0.0
3. Reclassification	(27.8)	(27.8)	0.0
4. Inventory Changes			
a. Receipts @ standard/cost	82.8	82.8	0.0
(1). Purchases	82.4	82.4	0.0
(2). Returns from customers	0.4	0.4	0.0
b. Issues @ standard/cost	(6.7)	(6.7)	0.0
(1). Sales	(6.7)	(6.7)	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ standard/cost	(124.5)	(124.5)	0.0
(1). Capitalizations	(74.0)	(74.0)	0.0
(2). Gains and losses	(0.7)	(0.7)	0.0
(3). Other	(49.8)	(49.8)	0.0
5. Inventory EOP	1,969.2	1,969.2	0.0
STOCKPILE COSTS			
1. Storage	1.7		
2. Manage	3.8		
3. Maintenance/Other	2.1		
TOTAL COST	7.6		
WRM BUDGET REQUEST			
1. Obligations @ cost	29.9		
a. Additional WRM	23.2		
b. Replenishment WRM	6.7		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
TOTAL COST (OBLIGATIONS @ COST)	29.9	2,040.2	0.0

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

WAR RESERVE MATERIAL (WRM) STOCKPILE
FY 2006
($ in Millions)

STOCKPILE STATUS	Total	WRM Protected	WRM Other
1. Inventory BOP	1,969.2	1,969.2	0.0
2. Price Change	32.6	32.6	0.0
3. Reclassification	10.6	10.6	0.0
4. Inventory Changes			
a. Receipts @ standard/cost	77.5	77.5	0.0
(1). Purchases	77.1	77.1	0.0
(2). Returns from customers	0.4	0.4	0.0
b. Issues @ standard/cost	(10.9)	(10.9)	0.0
(1). Sales	(10.9)	0.0	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ standard/cost	(202.6)	(202.6)	0.0
(1). Capitalizations	16.1	16.1	0.0
(2). Gains and losses	(0.5)	(0.5)	0.0
(3). Other	(218.2)	(218.2)	0.0
5. Inventory EOP	1,876.4	1,876.4	0.0
STOCKPILE COSTS			
1. Storage	1.7		
2. Manage	3.9		
3. Maintenance/Other	2.3		
Total Costs	7.9		
WRM BUDGET REQUEST			
1. Obligations @ cost	27.3		
a. Additional WRM	16.4		
b. Replenishment WRM	10.9		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
TOTAL COST (OBLIGATIONS @ COST)	27.3	1,969.2	0.0

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Supply Management

WAR RESERVE MATERIAL (WRM) STOCKPILE
FY 2007
($ in Millions)

STOCKPILE STATUS	Total	WRM Protected	WRM Other
1. Inventory BOP	1,876.4	1,876.4	0.0
2. Price Change	0.0	0.0	0.0
3. Reclassification	(19.2)	(19.2)	0.0
4. Inventory Changes			
a. Receipts @ standard/cost	87.4	87.4	0.0
(1). Purchases	87.0	87.0	0.0
(2). Returns from customers	0.4	0.4	0.0
b. Issues @ standard/cost	(8.7)	(8.7)	0.0
(1). Sales	(8.7)	(8.7)	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ standard/cost	14.5	14.5	0.0
(1). Capitalizations	14.0	14.0	0.0
(2). Gains and losses	(0.5)	(0.5)	0.0
(3). Other	1.0	1.0	0.0
5. Inventory EOP	1,950.4	1,950.4	0.0
STOCKPILE COSTS			
1. Storage	1.7		
2. Manage	4.1		
3. Maintenance/Other	2.3		
Total Costs	8.1		
WRM BUDGET REQUEST			
1. Obligations @ cost	102.6		
a. Additional WRM	93.9		
b. Replenishment WRM	8.7		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
TOTAL COST (OBLIGATIONS@COST)	102.6	1,876.4	0.0

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OPERATING BUDGET
Industrial Operations

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Introduction

This budget represents a departure from previous submissions in several respects. First, it reflects consolidation of the Army Working Capital Fund (AWCF) Depot Maintenance and Ordnance activity groups into a consolidated Industrial Operations activity group. Benefits of consolidation include creation of a more integrated business perspective that encourages cooperation and partnering, elimination of duplication of effort associated with preparing and defending two separate budget submissions for essentially the same types of service activities, and focusing capital investment on the good of the business entity rather than on the good of individual installations. This combination of activities does not include any increase in organizational structure or cost. It leverages the capabilities of depots and arsenals to improve the quality and responsiveness of logistics services and better support the requirements of future customers and the Army Transformation.

From an oversight perspective, it is important to understand that this initiative does not reduce visibility of Depot Maintenance in the Operations and Maintenance (O&M) budget request. The full component of Depot Maintenance exhibits will continue to be provided. The only O&M budget exhibit affected is the OP-32, which will display a line for Army Industrial Operations rather than separate Depot Maintenance and Ordnance lines. Also, Depot Maintenance execution data will continue to be available from appropriated accounts and from individual AWCF installations. Therefore, performance monitoring will still be possible.

The second departure between this and previous submissions is that this submission incorporates supplemental assumptions in support of the Global War on Terrorism (GWOT). This means AWCF budgets have been "disconnected" from appropriated fund base budgets in order to build executable business plans rather than reflecting unrealistic peacetime assumptions. This approach is necessary to properly size workforce requirements and define facility and material requirements. Supplemental assumptions included in this budget are as follows: $1,517.9 million in Fiscal Year (FY) 2005, $226.2 million in FY 2006 and $186.4 million in FY 2007.

Functional Description

The Industrial Operations activity group provides the Army and DoD an organic industrial capability to a) perform depot level repair, overhaul, modification, and modernization of weapon systems, component parts, and support equipment; b)

manufacture, renovate, and demilitarize materiel; c) produce quality munitions and large caliber weapons; d) perform a full range of ammunition maintenance services for the DoD and our allies; e) perform ammunition receipt, store, and issue functions; f) provide specialized services in the areas of ammunition equipment prototype design and development; and g) provide installation base support to mission elements as well as to Army, DoD, other public, and private sector tenants.

Industrial Operations activities both compete and partner with the private sector to deliver goods and services efficiently and effectively. The five heavy maintenance depots (Anniston, Corpus Christi, Letterkenny, Red River, and Tobyhanna) have been designated as Centers of Industrial and Technical Excellence (CITE) for the performance of core maintenance workload in support of the DoD and foreign allies. The CITE designation provides authority to partner with and/or lease facilities to industry on programs relating to core maintenance expertise.

The U.S. Army Materiel Command (AMC) located at Ft. Belvoir, VA serves as the management command for the Industrial Operations activity group. Installations or activities in this group fall under the direct command and control of AMC major subordinate commands, each aligned in accordance with the nature of its mission. Corpus Christi and Letterkenny Army Depots report to the Aviation and Missile Command (AMCOM) located at Redstone Arsenal, AL. Anniston, Red River, and Sierra Army Depots, as well as Rock Island and Watervliet Arsenals, report to the Tank-automotive and Armaments Command (TACOM) located at Warren, MI. Tobyhanna Army Depot reports to the Communication-Electronics Command (CECOM) located at Ft. Monmouth, NJ. Pine Bluff Arsenal reports to the Chemical Munitions Agency (CMA) located at Aberdeen Proving Ground, MD. Bluegrass and Tooele Army Depots, as well as Crane Army Ammunition Activity and McAlester Army Ammunition Plant report to the Army Field Support Command (AFSC) located at Rock Island Arsenal, IL.

Activity Group Composition

Anniston Army Depot (ANAD) is located in Anniston, AL. ANAD is the only Army depot capable of performing maintenance on both heavy and light-tracked combat vehicles and their components. The depot is designated as the Center of Technical Excellence for the M1 Abrams Tank and is the designated candidate depot for the repair of the M60, Armored Vehicle Launch Bridge (AVLB), M728 and M88 combat vehicles. ANAD has assumed responsibility for towed and self-propelled artillery as well as the M113 Family of Vehicles (FOV). Under

partnership agreements, a wide range of vehicle conversions and upgrades are currently underway. The depot also performs maintenance on individual and crew-served weapons as well as land combat missiles and small arms. Additionally, the maintenance and storage of conventional ammunition and missiles, as well as the storage of seven percent of the Nation's chemical munitions stockpile until the stockpile is demilitarized, are significant parts of the depot's overall missions and capabilities. Key tenant organizations on the depot include the Defense Distribution Depot - Anniston (DDAA), the Anniston Munitions Center (ANMC), the Anniston Chemical Activity (ANCA), the Program Manager for Chemical Demilitarization (PMCD), the Center of Military History Clearing House, the 722nd Ordnance Company (Explosive Ordnance Disposal – EOD), and the Defense Reutilization and Marketing Office (DRMO).

Blue Grass Army Depot (BGAD) is located in Richmond, KY. BGAD is a Tier 1 Power Projection Platform for munitions, chemical defense equipment, and special operations support for all of DoD. On 1 October 1999, Anniston Munitions Center (ANMC) became a subordinate unit under the command and control of BGAD. ANMC is a multi-functional Class V facility. It is a Tier II facility for conventional ammunition and a Tier I facility for missiles.

Crane Army Ammunition Activity (CAAA) is located in Crane, IN and is a tenant of the Crane Division, Naval Surface Warfare Center. CAAA was activated in response to DoD implementation of the Single Manager for Conventional Ammunition concept, which gave Army the task of providing conventional ammunition production and storage services to all branches of the military. CAAA's mission is to produce and renovate conventional ammunition and ammunition-related components; perform manufacturing, engineering, and product assurance in support of production; and store, ship, and/or demilitarize and dispose of conventional ammunition and related items. CAAA's manufacturing capabilities include the ability to produce finished items as diverse as detonators weighing only 20 grams to 40,000-pound cast shock test charges. CAAA has extensive renovation and maintenance capabilities for conventional munitions, and is the recognized center of technical expertise in the production of pyrotechnic devices including signal smoke, illuminating and infrared flares, and distress signals. CAAA is one of four Tier 1 Ammunition Storage Sites within the DoD, which store war reserve ammunition to meet initial ammunition needs in the first 30 days of a conflict. The Letterkenny Munitions Center (LEMC) is a cost center under CAAA and is a tenant on Letterkenny Army Deport in Chambersburg, PA. LEMC stores, maintains, distributes, and demilitarizes conventional ammunition.
Corpus Christi Army Depot (CCAD) is located in Corpus Christi, TX and is a

tenant of the Naval Air Station Corpus Christi. CCAD's mission is to overhaul, repair, modify, retrofit, test and modernize helicopters, engines and components for all Services and foreign military customers. CCAD serves as the depot training base for active duty Army, National Guard, Reserve and foreign military personnel. CCAD provides worldwide on-site maintenance services, aircraft crash analysis, lubricating oil analysis, and chemical, metallurgical and training support services to customers. Helicopters supported include AH-1, CH-47, MH/SH/UH-60, OH-58, UH-1, and AH-64.

Letterkenny Army Depot (LEAD) is located in Letterkenny, PA. LEAD has unique tactical missile repair capabilities supporting a variety of DoD missile systems including the Patriot and its ground support and radar equipment. LEAD performs maintenance, modification, storage and demilitarization operations on tactical missiles and ammunition. Letterkenny Army Depot (LEAD) has strengthened its technological development by initiating partnerships with Penn State University's Applied Research Laboratory and the Applied Technology Center at Hagerstown Junior College. Key tenant activities on the depot include the U.S. Army Industrial Logistics System Center, U.S. Army District Test, Measurement, and Diagnostic Equipment (TMDE) Support Center, U.S. Army TMDE Management Office-Region 1, DECC - Chambersburg, Defense Information Systems Agency (DISA), U.S. Army Materiel Command Management Engineering Activity, U.S. Army Health Clinic, and the Letterkenny Munitions Center (LEMC).

McAlester Army Ammunition Plant (MCAAP) is located in McAlester, OK. MCAAP produces and renovates quality conventional ammunition, bombs, warheads, rockets, and missiles as well as ammunition-related components; performs engineering and product assurance in support of production; and receives, stores, ships, demilitarizes, and disposes of conventional and missile ammunition and related items. In 1977, MCAAP transferred from the Navy to the Army in response to DoD implementation of the Single Manager for Conventional Ammunition concept, which gave Army the task of providing conventional ammunition production and storage services to all branches of the military. MCAAP's mission is twofold, in that it continues to serve both as a Tier 1 munitions storage and maintenance depot as well as a production facility. The Red River Munitions Center (RRMC) is a cost center under MCAAP and is a tenant on Red River Army Depot in in Texarkana, TX. RRMC stores, maintains, and distributes conventional ammunition.

Pine Bluff Arsenal (PBA) is located in Pine Bluff, AR. PBA has the capability to

produce, renovate, and store over 60 different conventional ammunition products ranging in caliber from 40 mm to 175 mm. Eighty-five percent of these products are produced only at PBA. Specialties include production of munitions containing payloads for smoke (signaling, spotting, and obscuration), non-lethal riot control, incendiary, illumination and infrared uses. PBA is a leader in the field of protective mask fabrication, repair, and recertification, and represents the Army's sole facility for the repair and rebuild of a series of masks and breathing apparatus. PBA also recently began providing maintenance, upgrade, storage, and mission support for various mobile and powered soldier support systems. Key tenant activities on the arsenal include the Pine Bluff Chemical Activity (PBCA), the Pine Bluff Chemical Agent Disposal Facility (PBCDF), 752ND EOD Company, Technical Escort Unit, and the Pine Bluff Contracting Division. In addition PBA has formed partnerships with the Clara Barton Center for Domestic Preparedness (Specialized Weapons of Mass Destruction / Terrorism Training Program for the American Red Cross) and the Domestic Preparedness Equipment Technical Assistance Program (for the Department of Homeland Security).

Rock Island Arsenal (RIA) is located in Rock Island, IL. RIA is noted for its expertise in the manufacture of weapons and weapon components which are provided to both foreign and domestic markets. Every phase of development and production are available. Prototypes are fabricated in the fully equipped prototype shop by specially trained machinists. Limited initial production as well as spare and repair parts are produced throughout the manufacturing complex. Items manufactured at RIA include artillery, gun mounts, recoil mechanisms, small arms, aircraft weapon sub-systems, grenade launchers, weapons simulators, demilitarization of containers, and production of a host of spare and repair parts. Several of the arsenal's most successful products have included the M198 155mm Towed Howitzer, the M119 105mm Towed Howitzer, and the M1A1 Gun Mount. Recently RIA has been heavily involved in 24/7 production of High Mobility Multipurpose Wheeled Vehicle (HMMWV) armor door kits in support of the GWOT. Key tenant activities on the arsenal include the Armament Research Development and Engineering Center (ARDEC) Rock Island, Army Field Support Command, Corps of Engineers - Rock Island, Defense Finance and Accounting Service - Rock Island, Edgewood Chemical and Biological Center - Rock Island, Joint Munitions Command, Installation Management Agency (Northwest Region), North Central Civilian Personnel Operations Center, Network Enterprise Command (Northwest Region), and Tank-automotive and Armaments Command - Rock Island.

Red River Army Depot (RRAD) is located in Texarkana, TX. RRAD's mission is

to conduct ground combat, air defense and tactical systems maintenance, certification, and related support services worldwide for the Army, DoD components, and allied nations. Systems supported include the Bradley, Multiple Launch Rocket System (MLRS), Small Emplacement Excavator (SEE), 5-ton dump truck, Heavy Expanded Mobility Tactical Truck (HEMMT), 25-ton crane, track and roadwheels, HMMWV, M800 and 900 series trucks, and the Patriot missile. RRAD has the only rubber product facility in the Army, which produces and re-rubberizes track shoes and roadwheels as required to support the supply system. Key tenants on the depot include the Defense Distribution Depot - Red River, Defense Automated Printing Service, Defense Reutilization and Marketing Office, General Services Administration, several Non-Appropriated Fund offices, U.S. Army Health Clinic, U.S. Army Test, Measurement, and Diagnostic Equipment (TMDE) Support Laboratory, and the Red River Munitions Center (RRMC)

Sierra Army Depot (SIAD) is located in Herlong, CA. SIAD's mission is to serve as the expeditionary logistics center and joint strategic power projection support platform providing support in the form of storage, maintenance, assembly, and containerization as a Center of Industrial Technical Excellence (CITE) for critical Operational Project Systems including Deployable Medical Systems, Petroleum and Water Systems, Force Provider, Strategic configured loads, and other items as directed.

Tooele Army Depot (TEAD) is located in Tooele, UT. TEAD, the Western Region Tier I Ammunition Depot, is one of four Tier I ammunition depots which receives, stores, issues, renovates, modifies, maintains, and destroys conventional munitions for all DoD Services. TEAD's mission is to provide America's joint fighting forces with munitions and Ammunition Peculiar Equipment in support of military missions before, during, and after any contingency power projection. Storage capabilities at TEAD are one of the largest in the U.S. Key tenants on the depot include the Deseret Chemical Depot, the Tooele Chemical Demilitarization Facility, and the Chemical Agent Munitions Disposal System and its activities.

Tobyhanna Army Depot (TYAD) is located in Tobyhanna, PA. From handheld radios to satellite communications, TYAD utilizes advanced technologies to ensure the readiness of U.S. armed forces as a full-service repair, overhaul, and fabrication facility for communications-electronics systems, equipment, and select missile guidance systems. Key tenant activities on the depot include the Defense Automated Printing Service, U.S. Army Test, Measurement, and Diagnostic

Equipment (TMDE) Support Center, Joint Visual Information Activity, Defense Distribution Depot - Tobyhanna, AMC Logistics Support Activity, Defense Reutilization and Marketing Office, and Air Force Liaison (with Ogden Air Logistics Center, UT and Air Combat Command, Langley, VA)

Watervliet Arsenal (WVA) is located in Watervliet, NY. From recoilless rifles and mortars to howitzers and tank guns, the arsenal is recognized as the premier cannon maker. WVA provides manufacturing and machining capabilities for mortars, recoilless rifles, cannons for tanks and towed and self-propelled artillery, and special tool sets. The guns manufactured at WVA provide the firepower for the Army's main battlefield tank, the M1A1 Abrams.

Budget Highlights

Overview:

This submission incorporates supplemental assumptions, which means substantially higher levels of business volume are being presented than in prior submissions (particularly for FY 2005). This budget reflects the strains on Army equipment deployed to the Middle East, the continuing high operating tempo in Iraq and Afghanistan, and the increased demand for end items and spare parts to support Army Transformation. A major workload driver in this budget is the Army's Reset program, which involves reconstituting or bringing equipment back to pre-war standards. This budget reflects the organic depot portion of the Army's Reset effort, which also utilizes commercial repair facilities and installation maintenance activities. The Army's Recapitalization (Recap) program is another major workload driver. This program includes the rebuild and selected upgrade of currently fielded systems to ensure operational readiness and a near zero time, zero mile condition. The Army's ongoing transformation effort, including unit modularity, is another major workload driver, as the Army needs additional equipment to fill out modular brigades. The Industrial Operations activity group is capable of continuing to surge to meet increased workload requirements across FY 2006, FY 2007, and beyond, if necessary.

Personnel:

Civilian End Strength (ES) and Full Time Equivalent (FTE) estimates for FY 2005 have increased from the levels of the FY 2005 President's Budget because of the supplemental workload needed to support the Global War on Terrorism and Army Transformation. This workload will continue to be accomplished through a

combination of overtime, temporary personnel, additional shifts, and Contractor Field Team support, as required. Personnel levels are projected to remain high in FY 2006 and will come down slightly in FY 2007, based on the levels of workload reflected in this submission. Military end strength and workyears are declining slightly because of military to civilian conversions.

Personnel	FY 2004	FY 2005	FY 2006	FY 2007
Civilian End Strength	19,917	21,081	20,881	19,091
Civilian FTEs	18,393	21,040	20,951	19,564
Military End Strength	33	30	29	29
Military Average Strength	26	27	25	25

Revenue, Costs, Operating Results, and Rates:

Revenue:

The Army did an exceptional job in FY 2004 of completing supplemental workload received in the last quarter of FY 2003; however, actual revenue for FY 2004 was $403.8 million lower than the amount reflected in the previous submission. This is primarily attributable to the fact that the depots experienced delays in receipt of assets to repair early in FY 2004, which caused a significant shift of workload from organic to contractual sources later in the year to meet Reset timelines. The current FY 2005 revenue estimate is $1,691.7 million higher than the previous submission, which reflected peacetime workload assumptions for FY 2005. The current submission reflects significant supplemental funding for FY 2005 as well as higher execution of carry-in workload than the previous submission. FY 2006 and 2007 revenue estimates decline from the FY 2005 level based on projected workload levels, lower Industrial Mobilization Capacity (IMC) funding, and revenue rates that are set to return prior year gains ($51.8 million in FY 2006 and $277.4 million in FY 2007).

Costs:

The actual “Cost of Goods Sold” (COGS) for FY 2004 was $641.0 million lower than the amount reflected in the previous submission, because of the shift of workload to contractual sources to meet Reset timelines (as mentioned, above). The current estimate of costs for FY 2005 is $1,441.1 million higher than the previous submission, which reflected peacetime workload assumptions for FY 2005. The current submission reflects significant supplemental funding for

FY 2005 as well as higher execution of carry-in workload than the previous submission. FY 2006 and FY 2007 expenses track with projected workload levels and include several new items. These include transfer of Patriot Missile Facility workload from Germany back to Red River Army Depot, some increases in defense agency costs associated with things like fuel and Chief Financial Officer (CFO) audit compliance, and conversion of Crane and Corpus Christi Naval installations (where Army is a tenant) to Public Works Centers under the Defense Working Capital Fund. Selected material costs drive increases above standard inflation. An example includes the Identification Friend or Foe (IFF) element for the Patriot Missile, which increased from $25 thousand to $123 thousand each -- a significant increase when purchasing approximately 16 elements per radar set. Numerous such examples exist across the activity group. There are also offsetting cost decreases associated with completion of Recap and other orders, completion of infrastructure improvements, and an end to pass-through costs associated with war reserve support at Letterkenny Army Depot.

Operating Results and Rates:

Budgeted Net Operating Results (NOR) for FY 2004 and FY 2005 have increased significantly from the FY 2005 President's Budget. This is primarily due to the fact that industrial installations are working more stabilized Direct Labor Hours (DLHs) than budgeted in support of unanticipated workload. FY 2006 and FY 2007 NOR are projected to be negative as prior year accumulated operating gains will be applied to rates in the budget years.

The Industrial Operations activity group is carrying Accumulated Operating Result (AOR) gains into FY 2005, and these gains are projected to increase further based on positive FY 2005 NOR. This budget applies these AOR gains in two ways -- to maintain cash balances in accordance with Department regulations and to eliminate large rate fluctuations which are extremely disruptive to the Industrial Operations customer base. In this submission, the composite customer revenue rates only increase by 0.7% in FY 2006 and 2.6 % in FY 2007.

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Operating Results and Rates ($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Revenue	3,684.1	4,625.5	4,055.5	3,374.1
Cost of Goods & Services Produced	3,465.2	4,464.4	4,107.4	3,651.5
Cost of Goods & Services Sold	3,466.6	4,464.4	4,107.4	3,651.5
Net Operating Results	216.9	160.8	-51.8	-277.4
Accumulated Operating Results	455.2	491.3	277.4	0
Customer Revenue Rate per Direct Labor Hour ($/DLH)	N/A	129.57	130.42	133.84
Percent Change from Prior Year	N/A	N/A	0.70%	2.60%
Unit Costs ($/DLH)	150.25	173.17	171.92	165.59
DLH (000)	23,072	25,780	23,891	22,051
Percentage of Overtime	17.1%	10.2%	7.9%	7.7%

Cash Collections, Disbursements and Net Outlays:

Collections are projected based on revenues, changes in accounts receivable, and direct appropriation infusions (e.g., Industrial Mobilization Capacity). Disbursements are projected based on operating expenses (excluding depreciation), changes in accounts payable, and Capital Investment Program (CIP) obligations. Collections are consistent with actual or projected revenue for all fiscal years never varying by more than 2 percent. Likewise, disbursements are consistent with expenses except for FY 2006, because of high capital outlays. Net outlays are generally consistent with Net Operating Results (NOR). No advance billings are projected in this budget.

($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Collections	3,668.7	4,537.1	4,075.6	3,390.1
Disbursements	3,497.5	4,501.8	4,203.5	3,701.2
Net Outlays	-171.2	-35.3	127.9	311.2

New Orders and Carryover:

FY 2005 New orders are significantly higher than the last submission because of the higher business volume driven by the War on Terrorism and Army Transformation efforts. In addition, this submission includes supplemental assumptions of $1,517.9 million in FY 2005, $226.2 million in FY 2006, and $186.4 million in FY 2007.

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

OSD recently published Financial Management Regulation (FMR) guidance on the new carryover calculation, and Army is in compliance with that guidance. However, in the previous Army Working Capital Fund budget submission, carryover calculations did not include the effect of prior year orders in the projected carryover amount due to confusion over the exact methodology. This has been clarified in FMR guidance. Based on the new carryover calculation, the Industrial Operations activity group will remain below the ceiling across the budget. Despite this fact, there may be temptation to reduce carryover funding, which is disruptive to production efforts, encourages management to focus on staying below the ceiling regardless of customer schedule requirements, and is potentially harmful to the War on Terror. From a readiness perspective, the Army must continue to Reset and Recap equipment as rapidly as possible. Imposing funding reductions based on the perception of excessive amounts of carryover workload will impede that capability. For reference, a new budget exhibit, called the Carryover Reconciliation, is included in this submission to provide a better understanding of carryover calculations. At Army's request, OSD provided authority to exclude crash and battle damaged aircraft from the carryover calculation during the wartime environment, as reflected on the new exhibit.

($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
New Orders	3,437.1	4,875.0	3,187.9	3,302.5
Carry-over Ceiling	1,626.3	1,786.2	1,083.9	1,136.5
Planned Carry-over	1,485.3	1,777.7	1,035.0	975.5

Performance Indicators:

Performance Indicators include Net and Accumulated Operating Results (financial), Schedule Conformance (timeliness), Scrap/ Rework/ Repair Costs, Quality Deficiency Reports (QDRs) and Customer Satisfaction (quality) and Productive Yield (productivity). FY 2004 actual results and goals for FY 2005 through FY 2007 are shown in the table below. Net Operating Results (NOR) represent the difference between costs and revenues in an accounting period. Accumulated Operating Results represent the aggregate of all recoverable net earnings, including prior year adjustments, since inception of the activity. The goal of the Defense Working Capital Fund (DWCF) is to break even over time, so rates are normally set to bring Accumulated Operating Results to zero in the budget year. Schedule conformance represents the percentage of units produced that are delivered to the customer on time. Scrap, Rework and Repair represents the percentage of the total cost incurred for rework on account of defects. The Quality Deficiency Report measure represents the average days required to resolve quality

deficiencies. Customer Satisfaction represents the percentage of units delivered to customers that did not receive complaints. Productive Yield represents the average number of regular Direct Labor Hours (DLH) for each Full Time Equivalent (FTE) working on the product to be delivered. Productive Yield for FY 2004 exceeded the FY 2005 President's Budget goal of 1,617 DLHs per direct FTE. We expect to exceed the long-term goal of 1,615 DLH per direct FTE in FY 2005 through FY 2007.

Performance Measure/Goal	FY 2004	FY 2005	FY 2006	FY 2007
Net Operating Results (Achieve President's Budget Goal)	216.9	160.8	-51.8	-277.4
Accumulated Operating Results (Achieve President's Budget Goal)	455.2	491.3	277.4	0
Schedule Conformance (95% of Units on Time)	96%	96%	96%	96%
Scrap, Rework and Repair (2% or less)	2%	2%	2%	2%
Quality Deficiency Report (Close in less than 48 Days)	45	45	45	45
Customer Satisfaction (Goal of 98%)	98%	98%	98%	98%
Productive Yield (Goal of 1615)	1,634	1,653	1,639	1,619

Business Process Improvements:

The Army is continuing to implement LEAN initiatives and has incorporated these with SixSigma processes. Business process improvement efforts incorporate commercial best practices to reduce costs, optimize production capability, and improve quality, all in support of customer requirements. Savings generated from specific LEAN studies and Rapid Improvement Events (RIE) are re-invested in further studies to identify additional processes to be studied and then improved. Specific examples of successful LEAN events include 1) efforts at Letterkenny Army Depot to shorten the turn-around-time for Ground Mobility Vehicle (GMV) modifications from 10 weeks to 3 weeks, and to eventually only 8.8 days from the time a vehicle arrives at the gate until it is loaded on a truck for delivery to the warfighters; and 2) efforts at Tobyhanna Army Depot to complete more than 900 Sidewinder Missile Guidance and Control Systems (GCSs) in a shorter turn-around-time and with greater reliability. Tobyhanna expects to build 1,180 more units for both the Air Force and Navy. This production capability is a direct result of LEAN principles, which drive reduced repair times at lower cost and with fewer

project man-hours. More specifically, Tobyhanna developed an induction and disassembly cell in a week's time. Efforts to eliminate waste, organize the workspace, and standardize work resulted in a 70.5% reduction in travel distance of an inducted GCS and a 48.9% reduction in floor space usage.

Direct Appropriations:

This submission includes a request for direct Industrial Mobilization Capacity (IMC) funds, formerly known as Unutilized Plant Capacity (UPC). IMC funds are necessary to compensate industrial activities for fixed overhead costs associated with maintaining reserve plant and equipment capacity for mobilization and wartime surge requirements. The profile of IMC in this submission warrants explanation, particularly since FY 2004 and FY 2005 funding now exceed requirements. This can be explained by the fact that when the Army built budgets for FY 2004 and FY 2005, workload was based on peacetime assumptions. However, sizeable supplemental workload was received in FY 2004, which drove the actual IMC requirement down to $77.0 million as more plant and equipment were being utilized. Similarly, the Industrial Operations activity group anticipates sizeable supplemental workload in FY 2005, but because the FY 2005 submission was built using peacetime assumptions, the Army was unable to properly size the IMC requirement. In contrast, this budget attempts to properly size the IMC requirement. As a consequence of FY 2004 and FY 2005 overfunding, the Army is not requesting full funding of IMC in FY 2006. Instead, industrial activities have chosen to apply related accumulated operating gains from FY 2004 and FY 2005 to reduce FY 2006 IMC requirements. In addition, the Industrial Operations activity group is attempting to identify efficiencies that would reduce excess capacity, particularly at the arsenals and ammunition production and storage facilities. The Army's goal is to continuously realize cost reductions in the organic industrial base in order to reduce rates to levels comparable with private industry without subsidies. For this reason the current submission eliminates the IMC funding request for FY 2007.

Industrial Mobilization Capacity ($ in millions)	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**
Requirements	77.0	79.2	87.9	86.2
Funding	113.9	99.6	64.0	0

Capital Budget:

The current request for FY 2005 is $36.9 million higher than the FY 2005 President's Budget request. The purpose of this increase is to expand depot

maintenance capacity by 20 percent by FY 2006 in order to improve equipment readiness in support of the Global War on Terrorism. This includes $25.5 million of new Equipment and Minor Construction projects and $14.6 million of scope increases to existing Equipment projects with offsetting reductions of $3.2 million. FY 2006 and FY 2007 capital budget requirements are lower than FY 2005 but higher than historical levels. The Industrial Operations Capital Budget is comprised of four project categories:

Equipment: Important depot capacity expansion projects in FY 2005 include the Power Train Facility at Anniston Army Depot and the Patriot Missile 460 Obsolescence/ Sustainment project at Red River Army Depot. Other important FY 2005 projects include the Flight Critical Safety System and the T-700 Compressor Repair Cell at Corpus Christi Army Depot. Major FY 2006 projects include the Engine Load System and the Computer Numerical Control (CNC) Crankshaft Grinders at Anniston Army Depot. FY 2007 projects include the Gas Turbine Engine Facility (Equipment) at Corpus Christi Army Depot and the Turbine Engine Test Cells at Anniston Army Depot. Various minor capital equipment projects will be purchased in FY 2005 through FY 2007 to improve efficiency, reduce maintenance costs, increase capacity, replace unsafe or unusable assets, and allow compliance with regulatory agency mandates

Minor Construction: Important depot capacity expansion projects in FY 2005 include the Expanded Ammunition Storage Upgrade at Red River Army Depot and Various minor construction projects of less than $750 thousand. Minor construction projects of less than $750 thousand will also be undertaken in FY 2005 through FY 2007 to replace or upgrade installation facilities that cause poor working conditions or health hazards, reduce productivity, lack energy conservation features, compromise security, or fail to comply with fire and safety codes. Larger minor construction projects include a Shop for Metal Processes at Corpus Christi Army Depot in FY 2005, a Mezzanine for Metal Processes at Corpus Christi Army Depot in FY 2006, and an Addition to a Decoy Flare Production Facility at Crane Army Ammunition Activity in FY 2005 (Phase I) and FY 2007 (Phase II).

Automated Data Processing Equipment (ADPE): Major ADPE projects are the Automatic Identification Technology projects at Corpus Christi Army Depot (FY 2006 and FY 2007), Anniston Army Depot (FY 2007) Rock Island Arsenal (FY 2006) and Watervliet Arsenal (FY 2007). This technology automates the production line and provides personnel with current technical specifications and documentation at each work station. Various Miscellaneous ADPE projects will be undertaken in FY 2005 through FY 2007 to replace obsolete and unrepairable

equipment and infrastructure with state-of-the-art equipment.

Software: Funding continues in FY 2005 through FY 2007 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. Funding also continues in FY 2005 through FY 2007 for fielding of the Logistics Modernization Program, which is the standard Enterprise Resource Planning (ERP) solution for the organic industrial base. In FY 2005 and FY 2006, Industrial Base Modernization projects will modernize the logistics chain processes and integrate the numerous legacy systems at the maintenance depots and arsenals within the Logistics Modernization Program.

($ in millions)	FY 2004	FY 2005	FY 2006	FY 2007
Equipment	41.9	116.8	55.1	56.2
ADPE & Telecommunications	2.6	2.5	18.4	24.4
Minor Construction	15.3	14.5	18.6	13
Software	20.9	29.6	21	8.8
TOTAL Capital Investment Program	80.7	163.4	113.1	102.4

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Revenue and Expenses
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Revenue				
Gross Sales:	3,570.2	4,525.9	3,991.5	3,374.1
Operations	3,514.5	4,476.1	3,935.0	3,311.4
Surcharges	0.6	0.3		
Depreciation excluding Major Construction	55.2	49.4	56.5	62.8
Major Construction Depreciation				
Other Income (DWCF IMC)	113.9	99.6	64.0	
Refunds/Discounts (-)				
Total Income:	3,684.1	4,625.5	4,055.5	3,374.1
Expenses				
Salaries and Wages:	1,269.8	1,554.1	1,463.5	1,372.8
Military Personnel Compensation & Benefits	2.9	3.9	3.5	3.6
Civilian Personnel Compensation & Benefits	1,266.9	1,550.2	1,460.0	1,369.2
Travel & Transportation of Personnel	25.0	32.4	30.2	27.8
Materials & Supplies (For Internal Operations)	1,304.8	1,930.5	1,718.9	1,491.5
Equipment	41.4	41.4	43.6	44.0
Other Purchases from Revolving Funds	115.9	101.3	104.8	98.1
Transportation of Things	15.5	11.1	10.5	9.4
Depreciation - Capital	55.2	49.4	56.5	62.8
Printing and Reproduction	1.5	1.9	1.8	1.7
Advisory and Assistance Services	84.0	85.0	78.6	73.5
Rent, Communication, Utilities, & Misc. Charges	67.3	92.0	87.3	66.4
Other Purchased Services	484.7	565.4	511.6	403.5
Total Expenses:	3,465.2	4,464.4	4,107.4	3,651.5
Operating Result	218.9	161.1	(51.8)	(277.4)

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Revenue and Expenses
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Less Surcharge Reservations	0.6	0.3		
Cash (Current Year)	0.6			
Cash (Carried Over)		0.3		
Capital				
Plus Appropriations Affecting NOR/AOR				
Other Changes Affecting NOR:	(1.5)			
Other Inventory Adjustments				
Net Change in Work in Process	1.5			
Net Operating Result	216.9	160.8	(51.8)	(277.4)
Prior Year Adjustments	24.5			
Other Adjustments to AOR (TYAD)		(124.7)		
Prior Year Recoverable Accumulated Operating Result	213.8	455.2	491.3	277.4
Non-Recoverable Amounts (Current Year Only)			(162.1)	
Recoverable Accumulated Operating Result	455.2	491.3	277.4	0.0
Memo:				
Beginning Work in Process	1.5			
Ending Work in Process				
Cost of Goods Sold:	3,466.6	4,464.4	4,107.4	3,651.5

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Source of Revenue
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
1. New Orders				
a. Orders from DoD Components:				
Department of Army				
Operations & Maintenance, Army	1,344.1	2,300.1	1,332.7	1,365.4
Operations & Maintenance, ARNG	48.2	90.3	119.2	139.8
Operations & Maintenance, AR	28.0	36.9	79.2	86.1
Subtotal, O&M:	1,420.3	2,427.3	1,531.1	1,591.4
Aircraft Procurement	27.6	11.3	2.8	7.3
Missile Procurement	32.9	19.7	27.7	29.1
Weapons & Tracked Combat Vehicles	46.4	264.2	41.2	63.5
Procurement of Ammunition	106.8	87.8	56.5	62.2
Other Procurement	97.5	186.2	79.5	85.5
Subtotal, Procurement:	311.1	569.1	207.7	247.7
RDTE	30.6	17.7	12.0	12.0
BRAC	0.2	0.4	0.4	0.5
Family Housing	3.3	2.0	2.0	2.0
Military Construction	0.1			
Chem Agents & Munitions Dest, Army	16.8	21.6	22.8	21.1
Other	0.9	0.0	0.6	4.5
Subtotal, Department of Army:	1,783.3	3,038.2	1,776.6	1,879.1
Department of Air Force O&M	135.8	31.0	24.5	25.1
Department of Air Force Investment	24.8	33.8	31.5	29.5
Department of Navy O&M	27.2	2.0	1.7	1.7
Department of Navy Investment	44.3	33.6	24.3	27.4
US Marines O&M	57.4	68.9	41.3	56.4
US Marines Investment	10.9	23.2	20.5	10.8
Department of Defense O&M	2.0	0.1	0.1	0.1
Department of Defense Investment	2.4			
Subtotal, Other DoD Services:	304.7	192.7	143.9	151.0
Other DoD Agencies:	38.0	24.0	22.0	19.8
Other DoD Agencies	38.0	24.0	22.0	19.8
CAWCF				

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Source of Revenue
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
b. DWCF:				
Industrial Operations	42.5	48.4	37.1	40.3
Supply Management, Army	985.1	1,223.9	925.0	932.2
Supply Management, Air Force	22.6	126.2	102.2	108.4
Supply Management, Navy	82.0	106.7	79.1	73.8
Supply Management, Marine Corps	1.6	1.9	3.9	3.8
DECA	0.2	0.2	0.2	0.2
DFAS	2.1	2.1	2.1	2.1
DISA	1.1	1.3	1.3	1.3
DLA	30.4	18.0	19.8	19.8
TRANSCOM				
Other	9.7	9.0	9.3	9.3
Subtotal, DWCF:	1,177.3	1,537.7	1,180.1	1,191.2
c. Total DoD	3,303.4	4,792.6	3,122.6	3,241.2
d. Other Orders:				
Other Federal Agencies	21.7	20.5	20.4	20.4
Foreign Military Sales	87.5	52.5	34.5	31.8
Trust Fund				
Nonappropriated	1.0	0.8	0.9	0.9
Non-Federal Agencies	23.5	8.6	9.5	8.2
Total New Orders:	3,437.1	4,875.0	3,187.9	3,302.5
2. Carry-in Orders	1,807.3	1,603.4	1,952.6	1,149.0
3. Total Gross Orders	5,244.4	6,478.5	5,140.5	4,451.5
4. Revenue (-)	3,570.2	4,525.9	3,991.5	3,374.1
5. End of Year Work-inProcess (-)				
6. FMS, BRAC, Other Federal, and Non-Federal orders (-)	108.2	95.0	71.3	64.5
Crash Damage	40.4	40.4	40.4	40.4
7. Funded Carry-over	1,525.6	1,817.3	1,037.3	972.5

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Carryover Reconciliation
($ in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
A Carry-in from Previous Year	1,807.3	1,603.4	1,952.6	1,149.0
B New Orders	3,437.1	4,875.0	3,187.9	3,302.5
C Less Exclusions:				
FMS	87.5	52.5	34.5	31.8
BRAC	0.2	0.4	0.4	0.5
Other Federal Depts & Agencies	21.7	20.5	20.4	20.4
Non-Federal and Others	24.5	9.4	10.4	9.1
Crash Damage	40.4	40.4	40.4	40.4
D Orders for Carryover Calculation (B - C)	3,262.8	4,751.8	3,081.7	3,200.3
E Carryover Rate	0.5	0.4	0.4	0.4
F Allowable Carryover (D * E)	1,626.3	1,786.2	1,083.9	1,136.5
G Revenue (less IMC)	3,570.2	4,525.9	3,991.5	3,374.1
H Balance of Customer Orders at Year End (A + B - G)	1,674.2	1,952.6	1,149.0	1,077.4
I Crash Damage	80.7	80.0	42.7	37.4
J Exclusions (FMS, BRAC, Other Agencies)	108.2	95.0	71.3	64.5
K Calculated Actual Carryover (H - I -J)	1,485.3	1,777.7	1,035.0	975.5
(-)Under/(+)Over Allowable Carryover (K - F)	(141.0)	(8.6)	(48.9)	(160.9)

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Changes in Costs of Operation
($ in Millions)

FY 2004 Actual Cost		**3,465.2**
FY 2005 Estimate in President's Budget		**3,023.3**
Estimated Impact in FY 2005 of Actual FY 2004 Actions		**(619.0)**
Pricing Adjustments:		**(8.6)**
FY 2005 Pay Raise	18.3	
-Civilian Personnel	18.3	
-Military Personnel	0.0	
Other Price Growth	(26.9)	
Program Changes		**2,068.7**
Personnel Costs (other than A-76)	414.7	
Travel and Transportation of Personnel	7.2	
Material and Supplies (Internal Operations)	1,330.3	
Equipment	(1.4)	
Other Purchases from Revolving Funds	(15.8)	
Transportation of Things	(4.4)	
Depreciation	(26.0)	
Printing and Reproduction	0.3	
Advisory and Assistance Services	12.7	
Rent Commuinications, Utilities and Miscellaneous Changes	24.6	
Other Purchased Services	326.5	
FY 2005 Current Estimate		**4,464.4**

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Changes in Costs of Operation
($ in Millions)

Pricing Adjustments		**105.2**
Annualization of Prior Year Pay Raises	13.3	
FY 2006 Pay Raise	29.8	
-Civilian Personnel	29.7	
-Military Personnel	0.1	
Fund Price Changes	32.1	
General Purchase Inflation	29.9	
Productivity Initiatives and Other Efficiencies		**(3.8)**
Anticipated LEAN/SixSigma savings	(9.4)	
Re-investment in furture LEAN initiatives	5.6	
Program Changes		**(458.5)**
Personnel Costs (other than A-76)	(130.0)	
Travel and Transportation of Personnel	(2.5)	
Material and Supplies (Internal Operations)	(252.9)	
Equipment	1.4	
Other Purchases from Revolving Funds	(0.0)	
Transportation of Things	(0.8)	
Depreciation	7.1	
Printing and Reproduction	(0.1)	
Advisory and Assistance Services	(8.1)	
Rent Commuinications, Utilities and Miscellaneous Changes	(6.6)	
Other Purchased Services	(66.0)	
FY 2006 Budget Estimate		**4,107.4**

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Changes in Costs of Operation
($ in Millions)

Pricing Adjustments		**99.8**
Annualization of Prior Year Pay Raises	9.3	
FY 2007 Pay Raise	36.7	
-Civilian Personnel	36.6	
-Military Personnel	0.1	
Fund Price Changes	26.2	
General Purchase Inflation	27.5	
Productivity Initiatives and Other Efficiencies		**(3.6)**
Anticipated LEAN/SixSigma savings	(9.0)	
Re-investment in furture LEAN initiatives	5.4	
Program Changes		**(552.1)**
Personnel Costs (other than A-76)	(133.1)	
Travel and Transportation of Personnel	(2.7)	
Material and Supplies (Internal Operations)	(263.1)	
Equipment	(0.6)	
Other Purchases from Revolving Funds	(9.0)	
Transportation of Things	(1.4)	
Depreciation	6.3	
Printing and Reproduction	(0.1)	
Advisory and Assistance Services	(6.7)	
Rent Commuinications, Utilities and Miscellaneous Changes	(22.7)	
Other Purchased Services	(119.0)	
FY 2007 Budget Estimate		**3,651.5**

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Industrial Mobilization Capacity
($ and DLHs in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Anniston Army Depot				
1. Total Capacity Index (DLHs)	3.222	3.222	3.540	3.540
2. Utilized Capacity Index (DLHs)	4.134	5.514	4.632	3.625
3. Reserve Capacity Index (DLHs)	(0.912)	(0.603)	(0.348)	(0.085)
4. Overhead Costs (as specified)	23.438	20.543	20.872	21.247
5. IMC Requirement	0.000	0.000	0.000	0.000
6. Funded IMC ($s)	2.131	3.609	0.000	0.000
Blue Grass Army Depot				
1. Total Capacity Index (DLHs)	1.840	1.781	1.781	1.781
2. Utilized Capacity Index (DLHs)	0.702	0.702	0.687	0.650
3. Reserve Capacity Index (DLHs)	1.138	1.079	1.094	1.131
4. Overhead Costs (as specified)	7.140	7.549	7.670	7.808
5. IMC Requirement	4.418	4.574	4.713	4.956
6. Funded IMC ($s)	4.560	4.122	3.433	0.000
Corpus Christi Army Depot				
1. Total Capacity Index (DLHs)	3.843	3.843	3.843	3.843
2. Utilized Capacity Index (DLHs)	3.831	4.137	4.201	4.222
3. Reserve Capacity Index (DLHs)	0.012	(0.194)	(0.314)	(0.379)
4. Overhead Costs (as specified)	35.323	35.060	35.621	36.262
5. IMC Requirement	0.110	0.000	0.000	0.000
6. Funded IMC ($s)	5.968	3.614	0.000	0.000
Crane Army Ammunition Activity				
1. Total Capacity Index (DLHs)	3.482	3.425	3.425	3.425
2. Utilized Capacity Index (DLHs)	1.289	1.250	1.250	1.133
3. Reserve Capacity Index (DLHs)	2.193	2.175	2.175	2.292
4. Overhead Costs (as specified)	22.762	23.520	23.896	24.326
5. IMC Requirement	14.342	14.936	15.175	16.279
6. Funded IMC ($s)	20.113	18.214	11.052	0.000
Letterkenny Army Depot				
1. Total Capacity Index (DLHs)	1.153	1.153	1.200	1.200
2. Utilized Capacity Index (DLHs)	1.556	1.560	1.262	1.207
3. Reserve Capacity Index (DLHs)	(0.403)	(0.254)	0.006	(0.007)
4. Overhead Costs (as specified)	13.811	13.836	14.057	14.310
5. IMC Requirement	0.000	0.000	0.068	0.000
6. Funded IMC ($s)	2.024	1.776	0.049	0.000

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Industrial Mobilization Capacity
($ and DLHs in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
McAlester Army Ammunition Plant				
1. Total Capacity Index (DLHs)	6.919	6.763	6.763	6.763
2. Utilized Capacity Index (DLHs)	1.778	1.365	1.248	0.997
3. Reserve Capacity Index (DLHs)	5.141	5.399	5.514	5.766
4. Overhead Costs (as specified)	21.006	19.992	20.312	20.677
5. IMC Requirement	15.608	15.960	16.560	17.630
6. Funded IMC ($s)	17.842	13.910	12.061	0.000
Pine Bluff Arsenal				
1. Total Capacity Index (DLHs)	2.288	3.020	3.021	3.021
2. Utilized Capacity Index (DLHs)	0.705	0.806	0.803	0.801
3. Reserve Capacity Index (DLHs)	1.583	2.219	2.221	2.221
4. Overhead Costs (as specified)	29.674	32.294	32.811	25.105
5. IMC Requirement	20.527	23.730	24.123	18.450
6. Funded IMC ($s)	20.544	22.166	17.569	0.000
Red River Army Depot				
1. Total Capacity Index (DLHs)	1.849	1.849	1.849	1.849
2. Utilized Capacity Index (DLHs)	2.569	3.139	2.871	2.673
3. Reserve Capacity Index (DLHs)	(0.720)	(0.512)	(0.679)	(0.824)
4. Overhead Costs (as specified)	35.164	40.359	41.005	41.743
5. IMC Requirement	0.000	0.000	0.000	0.000
6. Funded IMC ($s)	3.613	0.742	0.000	0.000
Rock Island Arsenal				
1. Total Capacity Index (DLHs)	1.833	1.585	1.916	1.916
2. Utilized Capacity Index (DLHs)	0.770	0.911	0.761	0.713
3. Reserve Capacity Index (DLHs)	1.063	0.674	1.155	1.203
4. Overhead Costs (as specified)	19.847	20.095	20.417	20.784
5. IMC Requirement	11.514	8.541	12.305	13.051
6. Funded IMC ($s)	12.907	7.917	8.962	0.000
Sierra Army Depot				
1. Total Capacity Index (DLHs)	0.511	0.498	0.498	0.498
2. Utilized Capacity Index (DLHs)	0.625	0.728	0.727	0.756
3. Reserve Capacity Index (DLHs)	(0.114)	(0.230)	(0.229)	(0.258)
4. Overhead Costs (as specified)	2.560	2.560	2.560	2.114
5. IMC Requirement	0.000	0.000	0.000	0.000
6. Funded IMC ($s)	2.253	2.051	0.000	0.000

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Industrial Mobilization Capacity
($ and DLHs in Millions)

	FY 2004	FY 2005	FY 2006	FY 2007
Tobyhanna Army Depot				
1. Total Capacity Index (DLHs)	3.765	3.765	4.821	4.821
2. Utilized Capacity Index (DLHs)	4.193	4.998	4.804	4.674
3. Reserve Capacity Index (DLHs)	(0.428)	(0.953)	0.141	0.147
4. Overhead Costs (as specified)	26.587	33.906	28.115	28.584
5. IMC Requirement	0.000	0.000	0.822	0.872
6. Funded IMC ($s)	6.002	6.709	0.599	0.000
Tooele Army Depot				
1. Total Capacity Index (DLHs)	0.541	0.577	0.577	0.577
2. Utilized Capacity Index (DLHs)	0.389	0.391	0.397	0.397
3. Reserve Capacity Index (DLHs)	0.153	0.186	0.180	0.180
4. Overhead Costs (as specified)	2.089	2.139	2.139	1.391
5. IMC Requirement	0.589	0.690	0.666	0.433
6. Funded IMC ($s)	1.717	1.626	0.485	0.000
Watervliet Arsenal				
1. Total Capacity Index (DLHs)	0.697	0.653	0.847	0.847
2. Utilized Capacity Index (DLHs)	0.327	0.278	0.249	0.213
3. Reserve Capacity Index (DLHs)	0.370	0.375	0.598	0.634
4. Overhead Costs (as specified)	18.523	18.771	19.071	19.415
5. IMC Requirement	9.844	10.772	13.470	14.524
6. Funded IMC ($s)	14.226	13.175	9.811	0.000
Total IMC Requirement	76.952	79.203	87.902	86.195
Total IMC Funding	113.900	99.631	64.021	0.000

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Material Inventory Data
($ in Millions)

FY 2004

	Total	Mobilization	------Peacetime------ Operating	Other
Material Inventory BOP	228.1		228.1	
Purchases				
A. Purchases to Support Customer Orders (+)	1,284.2		1,284.2	
B. Purchase of long lead items in advance of customer orders (+)	80.1		80.1	
C. Other Purchases (list) (+)				
D. Total Purchases	1,364.3		1,364.3	
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,292.5		1,292.5	
B. Disposals, theft, losses due to damages (-)	52.5		52.5	
C. Other reductions (list) (-)				
D. Total inventory adjustments	1,345.0		1,345.0	
Material Inventory EOP	247.4		247.4	

FY 2005

	Total	Mobilization	------Peacetime------ Operating	Other
Material Inventory BOP	247.4		247.4	
Purchases				
A. Purchases to Support Customer Orders (+)	1,804.1		1,804.1	
B. Purchase of long lead items in advance of customer orders (+)	126.4		126.4	
C. Other Purchases (list) (+)				
D. Total Purchases	1,930.5		1,930.5	
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,759.0		1,759.0	
B. Disposals, theft, losses due to damages (-)	53.3		53.3	
C. Other reductions (list) (-)				
D. Total inventory adjustments	1,812.3		1,812.3	
Material Inventory EOP	365.7		365.7	

Army Working Capital Fund
Fiscal Year (FY) 2006/FY 2007 Budget Estimates
Industrial Operations

Material Inventory Data
($ in Millions)

FY 2006

	Total	Mobilization	Peacetime Operating	Peacetime Other
Material Inventory BOP	365.7		365.7	
Purchases				
A. Purchases to Support Customer Orders (+)	1,612.1		1,612.1	
B. Purchase of long lead items in advance of customer orders (+)	106.8		106.8	
C. Other Purchases (list) (+)				
D. Total Purchases	1,718.9		1,718.9	
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,571.7		1,571.7	
B. Disposals, theft, losses due to damages (-)	54.3		54.3	
C. Other reductions (list) (-)				
D. Total inventory adjustments	1,626.1		1,626.1	
Material Inventory EOP	458.4		458.4	

FY 2007

	Total	Mobilization	Peacetime Operating	Peacetime Other
Material Inventory BOP	458.4		458.4	
Purchases				
A. Purchases to Support Customer Orders (+)	1,398.7		1,398.7	
B. Purchase of long lead items in advance of customer orders (+)	92.8		92.8	
C. Other Purchases (list) (+)				
D. Total Purchases	1,491.5		1,491.5	
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,363.8		1,363.8	
B. Disposals, theft, losses due to damages (-)	55.5		55.5	
C. Other reductions (list) (-)				
D. Total inventory adjustments	1,419.2		1,419.2	
Material Inventory EOP	530.7		530.7	

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CAPITAL BUDGET

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

Line No.	Description	FY 04 Quantity	FY 04 Total Cost	FY05 Quantity	FY05 Total Cost	FY 06 Quantity	FY 06 Total Cost	FY 07 Quantity	FY 07 Total Cost
	AUTOMATED DATA PROCESSING								
04-3	Terminal Servers	1	1.219			1	0.611	1	0.611
	ADP TOTAL	1	1.219			1	0.611	1	0.611
	SOFTWARE								
00-2	LMP	3	28.050	3	21.529	2	18.700	2	18.700
04-7	Exchange Pricing (EP)			3	9.407	3	6.781	3	4.789
98-14	Common Operating Environment	1	1.569	1	1.300	1	2.250	1	2.525
06-01	Future Logistics Enterprise (FLE)					1	3.000	1	2.000
06-02	System Change Requests for LMP Systems for NMM					1	0.350		
97-6	Single Stock Fund (SSF)	1	0.500						
	SOFTWARE TOTAL	5	30.119	7	32.236	8	31.081	7	28.014
	Activity TOTAL	6	31.338	7	32.236	9	31.692	8	28.625
	Total Capital Outlays		23.644		30.207		33.294		23.836
	Total Depreciation Expense		64.993		58.659		52.658		45.176

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

Supply Management, Army	Feb-05	C. Line No 04-3	Item Description Terminal Servers	D. Activity Identification CECOM

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Terminal Servers	1	1,219.000	1,219.000				1	610.968	610.968	1	610.968	610.968
TOTAL	1	1,219.000	1,219.000				1	610.968	610.968	1	610.968	610.968

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The current environment relies on stand-alone desktops, which require a tremendous administrative support to maintain, upgrade, conduct security and load software.

b. ANTICIPATED BENEFITS: This is the most cost-effective method for satisfying the CECOM Acquisition Center as well as the AMC Acquisition community's automation requirement, while bringing it inline with Federal mandates. The decreased cost for Procurement Automated Data Distribution System (PADDs) maintenance (partially funded by AWCF) as well as PADDs cost at the MSC (also partially funded by AWCF) will decrease significantly. In addition, productivity savings will be experienced across the AMC acquisition community. Those productivity savings have not been included in this analysis. Finally, this will allow the AMC Acquisition community as a whole to provide better service to the IMMC community at a decreased cost.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The status quo will continue which is to use the regular desktop computers. Each desktop computer is a stand-alone machine, which requires maintenance to be done on the desktop itself. The status quo does not allow for a communal environment. In addition, there will be no deployment across AMC acquisition community. Potential savings on PADDS maintenance will be lost.

d. ECONOMIC ANALYSIS PERFORMED? .Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,441	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 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Supply Management, Army Feb-05

C. Line No 00-2 Item Description LMP

D. Activity Identification
Army Materiel Command

Element of Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY 06 Quantity	FY 06 Unit Cost	FY 06 Total Cost	FY 07 Quantity	FY 07 Unit Cost	FY 07 Total Cost
Contractor Support	1	18,450.000	18,450.000	1	18,450.000	18,450.000	1	17,100.000	17,100.000	1	17,100.000	17,100.000
Travel	1	1,600.000	1,600.000	1	1,600.000	1,600.000	1	1,600.000	1,600.000	1	1,600.000	1,600.000
Labor	1	8,000.000	8,000.000	1	1,479.000	1,479.000						
TOTAL	3		28,050.000	3		21,529.000	2		18,700.000	2		18,700.000

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. Also, the Army must utilize modern information technology enablers that will provide real time visibility of logistics processes and support the Revolution in Military Logistics.

b. **ANTICIPATED BENEFITS:** The Logistics Modernization Program is a twelve-year project to correct the above-noted deficiencies. It will enable the Army to take advantage of commercial expertise, experience, and investments in process improvement and Information Technology (IT). The Army will not purchase any IT resources (H/W/ or S/W) directly, therefore, it will not own the modernized services. The Contract will be responsible for providing the IT and Data Processing services which enable the modernized process. LMP employs a broad-based commercial Enterprise Resource Planning package, SAP America's S/W suite and integral business processes that when deployed, will meet the preformance requirements for the modernized services. 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, system description and implementation plans. The Supply Management portion of the ten-year investment will total about $258M, part of a $300M program, which also includes the Industrial Operation business area.

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.

ECONOMIC INDICATORS:

Total Cost of the Project	$300,000.000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:

SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION SOFTWARE ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Supply Management Army,	Date Feb-05			C. Line No 04-7	Item Description Exchange Pricing (EP)					D. Activity Identification HQAMC G3		
	FY04			**FY05**			**FY06**			**FY07**		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Travel				1	75.000	75.000	1	75.000	75.000	1	75.000	75.000
Contract Support				1	9,213.151	9,213.151	1	6,583.137	6,583.137	1	4,649.508	4,649.508
Other Gvt.				1	118.849	118.849	1	123.127	123.127	1	64.026	64.026
TOTAL				3		9,407.000	3		6,781.264	3		4,788.534

Narrative Justification:

a. Capability of Existing Equipment and Shortcomings: The process functionality in current logistical/financial systems to implement EP does not exist. However, with Logistics Modernization (LMP)/Enterprise Resource Planning (ERP) implementation, EP functionality will be included. Emerging systems; i.e., Global Combat Support System (GCSS Army) and Product Lifecycle Management Plus (PLM+) will include the requisite capability to support EP—the functionality will be included during the blueprinting phase for GCSS Army and PLM+. EP solution set is tied to the complete deployment of LMP. The delay of LMP final fieldings to FY 05 resulted in a year slip of EP testing and fielding. When EP is fielded in the FY 07 timeframe, the intent is to leverage the national level LMP/ERP solution, which will include requisite capability to function with the current systems, as changed and then transition to the GCSS Army field ERP and PLM+ that will include the requirements contained in EP changes. In short, functionality "blue printing" will be required to ensure EP requirements are accurately reflected in modernized systems. In addition, until these objective systems and processes are fielded, a dual operating environment will be required with some of the essential capabilities as follows: Document Identifier Codes (DIC) will “trigger” appropriate logistics/financial transactions in all appropriate systems, and the Carcass Tracking/Matching process, which is a new functionality will be integrated in all systems - - the purpose is to tie requisitions and carcass turn-ins together and link unmatched returns to the financial billing process.

b. Explanation of Program Growth:

(1) The initial program, as directed by OSD, was based upon total completion by the end of FY05, with approved funding of **$31.784M** (To date actual obligations are: FY03 - $4,208.000K; FY04 - $11,121.287K). The first program slip was to a mid FY06 (April 2006) completion based on two major factors that resulted in cost increases. These were: 1-an FY 05 completion would have had a major impact on FY05 budget formulation and 2-delays in the execution of the LMP effort. The cost increases associated with this delay are due to the program slippage of six months as well as moving from "Rough Order Magnitude"(ROM) estimates used for the study to actual cost proposals submitted based upon Statement of Work(SOW). The study ROM for Exchange Pricing was $31.784M. The first LMP cost proposal submitted based upon the SOW priced the "field customer" reports and access requirement at $6.174 M and a $2.6 M yearly sustainment cost. Another solution for field customer reports and access was developed using either the Integrated Logistics Analysis Product (ILAP) or the developing Funds Control Program for **$865K**. The final negotiated price was **300K** greater than the initial ROM. Additionally since the time of the study, business rules were refined with field and development activity involvement that resulted in a growth of systems change estimates of **$ 665.106 K**. The slip of six months added **$2,603.232 K** to the program management, implementation and conversion cells process management requirements.

(2) The second program slip to mid FY 07 was approved by ASA(FM&C) and AMC in June 04. The basis for this slip was that the LMP EP solution could not be implemented until LMP fielding was complete in AMC. This decision resulted in a program cost increase of **$ 88.760 K** which is less than the inflation factor. The maturity of the concept and architecture enables a reduction of the level of effort to meet the new schedule. **Due to this program growth, the total cost of the program has increased to $36,306,098.**

ECONOMIC INDICATORS:						
Total Cost of the Project	$36,306.098	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:		Payback Period:

SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION SOFTWARE ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Supply Management Army, Feb-05				C. Line No 04-7		Item Description Exchange Pricing (EP)				D. Activity Identification HQAMC G-3		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
TOTAL												

Narrative Justification:

Continuation:

c. Anticipated Benefits: Full implementation of SSF in FY03 marked the completion of retail and wholesale inventory integration and complete reengineering of the underlying logistical and financial processes to produce business process improvements and inventory efficiencies. For example, eliminating multiple points of sale ended duplication in logistical and financial processing and support. By reducing Customer Wait Time (CWT) while providing greater visibility of excess assets for redistribution and procurement offsets reduced costs and improved stockage levels. SSF constituted a fundamental change in asset management; and is an enhanced logistics/financial operating capability - a transformation enabler. An essential component of extending the impact of SSF is EP, which is a process that applies to pricing reparable secondary items of supply. It moves the Army towards a restructured price and credit policy and reparable program for unserviceable Class IX items for FY05/06. The challenge is to implement operating procedures and a supporting IT architecture that bridges current and future systems while simultaneously optimizing the use of Army resources. A vertical integrated SSF and a seamless, integrated supply and maintenance system are essential to this effort. The end-state process must be designed to achieve the following: Supports the capitalization of "Direct Support/Repair Exchange" (DS/RX) assets transitioning into the AWCF, de-links credit from OPTEMPO funding, enables a multiple price/exchange price structure, tracks carcass returns and through DICs “triggers” appropriate logistical/financial transactions, reduces logistical and financial transactions, discourages the return of many other items outside the reparable exchange program, and thus positively impacts the AWCF-SMA cash balance. The solution set is LMP-centric with complete EP functionality embedded in GCSS Army and PLM+.

d. Impact without proposed capital investment: During the FY03 budget build - - OSD(C) Program Budget Decision (PBD) 422, dated 12 December 2001, questioned Army credit procedures and suggested accelerating the implementation of EP in FY03. The ASA (FM&C) on 19 January 2001 had already directed that beginning FY04, Army will move toward EP. PBD 704, 10 Dec 02, directed the implementation of EP, but first directed Army to conduct a study and develop an implementation plan by 30 Apr 03. The Comptroller deleted FY05 funding and withheld FY03/04 funds pending the study approval. On 23 May 03, OSD(C) approved the EP study /implementation plan and restored FY03/04 of $4.2M and $18.2M, respectively. FY05/06/07 requirements are not resourced and thus the final phase of EP implementation cannot be accomplished. The EP will be based on cost of repair, washouts/attrition rates (percentage of items that cannot be repaired), and surcharges. This results in the same net price as with credit, but will potentially reduce financial transactions and eliminate concerns with credit. Thus, without funding, the Army will not be able to comply with OSD (C) (PBDs 422 and 704) and ASA (FM&C) direction to implement an EP structure, nor realize the benefits of potential workload reduction associated with reduced logistical and financial transactions and the elimination of concerns with credit and continuance of a price and credit structure that may affect AWCF solvency because turn-ins exceed sales.

ECONOMIC INDICATORS:

Total Cost of the $36,306.098 Net Present Value of Benefits: N/A Benefit to Investment Ratio: Payback Period:

SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION SOFTWARE ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Supply Management, Army Feb-05				C. Line No 98-14		Item Description Common Operating Environment				D. Activity Identification Army Materiel Command		
	FY 04			**FY05**			**FY 06**			**FY 07**		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software	1	1,569.000	1,569.000	1	1,300.000	1,300.000	1	2,250.000	2,250.000	1	2,525.000	2,525.000
TOTAL	1		1,569.000	1		1,300.000	1		2,250.000	1		2,525.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army logistics system is a complex series of processes, organizations, doctrines, procedures and automated systems. Currently there are about 8,940 disparate non-standard and bridge systems at the various Major Subordinate Commands (MSC) and Separate Reporting Activities (SRA) of AMC, of which approximately 60% support supply management activities that comprise the Army Logistics Enterprise. This will be done in a gap-fit effort. In order to do this, business processes will need to align with the new architecture. The obsolete design characteristics of these systems impedes technology insertions and limits user access. Current SAP implementation requires design and coding modifications in order to interface SAP with legacy systems. The depreciable asset is software. This effort will be completed in FY07.

b. ANTICIPATED BENEFITS: This effort will provide a Windows-based common technology enterprise architecture which will pull all relevant business processes into the integrated domain to ensure the Army can maximize it's return on investment. It will allow additional new users access to all logistics automated tools within the Army Logistics Enterprise through a single workstation.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The Army's logistic enterprise will continue to remain inefficient and costly, even with significant upgrades, such as the LMP. This COE effort will compliment LMP by providing a common technology enterprise architecture to all wholesale logistics processes and thereby reducing support costs and infrastructure needs. The primary goal is to ensure consistent, reliable support that meets the warfighter's requirements through enterprise integration and end-to-end customer service and without these changes that goal cannot be met.

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	$7,644	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 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Supply Management Army Feb-05				C. Line No 06-01		Item Description Future Logistics Enterprise (FLE)				D. Activity Identification Army Materiel Command		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software							1	3,000.000	3,000.000	1	2,000.000	2,000.000
TOTAL							1		3,000.000	1		2,000.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: LMP is the Army Materiel Command's Enterprise Resource Planning solution to modernize it's legacy systems (Commodity Command Standard System and Standard Depot System). The current systems lack the capability to optimize resources across the enterprise in support of Single Stock Fund and National Maintenance Program (NMP) business rules, policies and processes. The current system provides no visibility over National Maintenance Management (NMM) functions being performed throughout the Army in support of the NMP.

b. ANTICIPATED BENEFITS: This requirement is for the modernized service to transmit and receive all Specialized Repair Activity (SRA) and One Time Repair (OTR) maintenance data across the enterprise. Incorporation of SRA and OTR functionality into LMP will ensure national level managers have access to all supply and maintenance data associated with the functions of SRAs. This visibility will contribute to the optimization of buy vs. repair decisions of secondary components in support of the warfighter's demands. In addition, the functionality will allow the national managers to optimize available resources in support of the SSF and NMP initiatives. This function will support the optimization tools available in LMP to ensure stockage locations of secondary components and source of repair selections are truly optimized. Finally, this function provides for a more efficient and effective management capability in supporting both SSF and NMP.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Development is critical to the overall success of the NMP. The establishment of total NMM functionality in LMP will provide AMC national visibility of maintenance programs at division level and above, eliminate labor intensive business practices, provide data in order to optimize maintenance resources in support of the AWCF-SMA and assist in the realization of cost savings associated with the implementation of SSF and NMP.

d. ECONOMIC ANALYSIS PERFORMED? N/A

ECONOMIC INDICATORS:							
Total Cost of the Project	$5,000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

SUPPLY MANAGEMENT CAPITAL INVESTMENT JUSTIFICATION SOFTWARE ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Supply Management, Army Feb-05				C. Line No 06-02		Item Description System Change Requests for LMP Systems for NMM				D. Activity Identification Army Materiel Command		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Contract							1	350.000	350.000			
TOTAL							1	350.000	350.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Current systems used by the army units to manage below depot maintenance production do not have the capability to correct errors on closed work orders. Any new functionality required or major changes to existing functionality outside normal recurring services will incur costs. NMP is evolving and while stabilizing more each year, it still requires changes to effectively operate.

b. ANTICIPATED BENEFITS: Accurate data is critical in the National Maintenance Program to ensure that correct costs are captured for below depot repairs reimbursed using AWCF-SMA funds. System change requests are necessary to ensure correct data is transmitted to LOGSA and LMP.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The repair data associated with National Maintenance repair programs for Below Depot activities will be inaccurate and cause inaccurate billings, improper reimbursements, and inaccurate repair cost data for budgeting. LMP is dependent on the accuracy of data transmitted in order to ensure costs and repair data are correctly displayed in LMP and forwarded to ODS and STANFINS.

d. ECONOMIC ANALYSIS PERFORMED? N/A

ECONOMIC INDICATORS:

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

Department of Army
Supply Management, Army
FY 2004
FY 2006-2007 OSD/OMB Submission

($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY04	Terminal Servers	0.894	0.325	1.219	1.219	0.000	Reprogrammed from EP
SOFTWARE							
FY04	Single Stock Fund (SSF)	7.710	(0.038)	7.672	0.500	7.172	Project Cancelled
FY04	Commercial Asset Visibility II (CAV II)	1.397	(0.610)	0.787	0.000	0.787	Project Cancelled
FY04	Logistic Modernization Program (LMP)	28.050	0.000	28.050	28.050	0.000	
FY04	Common Operating Environment (COE)	2.066	(0.497)	1.569	1.569	0.000	Reprogrammed to higher priority
FY04	Electronic Data Interchange (EDI)	1.235	0.000	1.235	0.000	1.235	Project Cancelled
FY04	Exchange Pricing	1.521	(1.521)	0.000	0.000	0.000	Reprogrammed to a higher priority
	TOTAL	42.873	(2.341)	40.532	31.338	9.194	

Department of Army
Supply Management, Army
FY 2005
FY 2006-2007 OSD/OMB Submission

($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY05							
SOFTWARE							
FY05	Single Stock Fund (SSF)	2.388		2.388	0.000	2.388	Cancelled
FY05	Logistic Modernization Program (LMP)	21.529		21.529	21.529	0.000	
FY05	Common Operating Environment	1.300		1.300	1.300	0.000	
FY05	Electronic Data Interchange (EDI)	0.437		0.437	0.000	0.437	Cancelled
FY05	Exchange Pricing (EP)	9.407		9.407	9.407	0.000	
	TOTAL	35.061		35.061	32.236	2.825	

Department of Army
Supply Management, Army
FY 2006
FY 2006-2007 OSD/OMB Submission

($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY06	**Terminal Servers**				0.611	0.611	
SOFTWARE							
FY06	LMP				18.700	18.700	
FY06	Exchange Pricing (EP)				6.781	6.781	
FY06	Common Operating Environment				2.250	2.250	
FY06	Future Logistics Enterprise (FLE)				3.000	3.000	
	System Change Requests for LMP Systems for NMM				0.350	0.350	
	TOTAL				31.692	31.692	

Department of Army
Supply Management, Army
FY 2007
FY 2006-2007 OSD/OMB Submission

($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
AUTOMATED DATA PROCESSING							
FY07	**Terminal Servers**				0.611	0.611	
SOFTWARE							
FY07	LMP				18.700	18.700	
FY07	Common Operating Environment				2.525	2.525	
FY07	Exchange Pricing (EP)				4.789	4.789	
FY07	Future Logistics Enterprise (FLE)				2.000	2.000	
	TOTAL				28.625	28.625	

Capital Investment Summary
Department of Army
Industrial Operations
February 2005
($ in Millions)

Line No.	Description	FY 04 Quantity	FY 04 Total Cost	FY05 Quantity	FY05 Total Cost	FY 06 Quantity	FY 06 Total Cost	FY 07 Quantity	FY 07 Total Cost
	EQUIPMENT-Various Capital Equipment < $500K								
05-12	Various Capital Equipment < $500K		12.235		21.672		14.561		15.068
	EQUIPMENT-Replacement								
04-03	ASRS Mini-Load System	1	0.427						
04-04	ASRS System Upgrade	1	4.398						
04-02	HP3070 Circuit Board Test System	2	0.314			1	0.496		
04-01	Bar and Chucking Lathe	1	0.502						
04-10	Boring Mill	1	0.940						
04-05	Bridge Crane 30- ton Bldg 170	2	1.296						
04-4	CNC Milling Machine	1	0.725						
04-09	CNC Vertical Machining Center	4	1.179						
04-07	Generator Load Bank	1	0.594						
04-01	High Pressure H20 Jet Coating Removal	1	0.908						
04-11	Plastic Media Booth System	1	2.083						
04-06	Upgrade of IFTE-CEE Test Stations	2	0.000						
04-30	Automated Starter Patch Fabrication System	1	0.690						
04-08	XT-1410 Transmission Test Stand	1	0.600						
04-20	Apache Realignment Fixture	1	2.253						
04-31	Rough Terrain crane	1	1.196						
05-02	Overhaul 10 each Bridge Cranes	5	1.412	5	1.418				
05-13	Var. Capital Equipment >$500k and <$1M				6.104		9.531		5.423
05-14	ATE Systems			1	0.172	2	0.456	1	0.173
05-05	Cylindrical Grinder Replacement			4	2.594				
05-17	Replace Alarm System, Phase II			1	2.383				
06-04	4 Axis CNC Horizontal Mill					1	1.054		
06-05	Agilent 30 Test System Upgrade					4	0.525	4	0.535
06-12	Engine Load System					1	6.111		
06-14	Jig Borer					1	1.126		
06-17	PM460 Obsolescence/Sustainment			1	18.886				
06-22	Thermal System Test Stand					1	2.107		
07-01	EB Welder Replacement							1	1.406
07-02	Equipment for MSS Center							1	2.481

Capital Investment Summary
Department of Army
Industrial Operations
February 2005
($ in Millions)

Line No.	Description	FY 04 Quantity	FY 04 Total Cost	FY05 Quantity	FY05 Total Cost	FY 06 Quantity	FY 06 Total Cost	FY 07 Quantity	FY 07 Total Cost
07-07	T-55 Fuel Control Test Stand							1	1.052
07-08	T-700 Engine Test Equipment							1	1.427
07-09	Turbine Engine Test Cells							1	4.036
07-11	Upgrade Engine Test Cells							1	1.827
	SUBTOTAL	27	19.517	12	31.557	11	21.406	11	18.360
	EQUIPMENT- Productivity								
03-09	Various Capital equipment (<500K	1	2.379						
05-08	Aircraft Corrosion Equip	1	0.600						
04-21	CDE Conveyor System	1	1.181						
04-22	Premix Equipment	1	0.918						
04-17	UH-60 Alignment Fixture	1	1.831						
04-23	Vertical Grinder	1	0.630						
04-05	Automated M295 Line	1	1.258						
05-06	Abrasive Waterjet Cutting Machine	1	0.590						
05-18	Electric Generator (Diesel/Natural Gas)			1	1.367				
05-09	Flight Critical Safety System			1	8.505				
05-11	Large Capacity Spin Blaster			1	2.724				
05-20	Digital Electric Control(DEC) Unit			1	1.240				
05-21	T-700 Compressor Repair Cell			1	3.306				
05-22	General Purpose Hydraulic Test Stand			3	1.547				
05-27	Firefinder Near Field Probe System			1	1.827				
05-28	GETS-B2 Version			1	2.500				
06-24	Cincinnati Gilbert Horiz Boring Machine					1	1.316		
06-25	CNC Crankshaft Grinders					2	4.419		
06-26	CNC Horizontal Lathes					1	1.395		
06-28	CNC ID/OD Vertical Grinder, Turret Ring Gr					1	1.067		
06-31	Gas Turbine Engine Facility - Equipment					1	0.883	1	14.723
06-33	Integrated Manufacturing Test Facility					1	2.185		
06-36	T-700 Grinding Machine					1	1.853		
07-17	Ind. Plant Equip. for Powertrain/Flexible Maint Ctr.			1	38.258				
	SUBTOTAL	7	9.387	11	61.274	8	13.118	1	14.723
	EQUIPMENT- Environmental								
04-12	Various Capital Equipment (<500K)	1	0.232						

Capital Investment Summary
Department of Army
Industrial Operations
February 2005
($ in Millions)

Line No.	Description	FY 04 Quantity	FY 04 Total Cost	FY05 Quantity	FY05 Total Cost	FY 06 Quantity	FY 06 Total Cost	FY 07 Quantity	FY 07 Total Cost
04-25	Volitile Organic Absorber Concentrator	1	0.520						
06-39	Conveyor System, Phase I					1	3.150		
07-18	Air Pollution Control Equipment							3	2.000
07-19	Conveyor System, Phase II							1	1.200
07-20	Upgrade Metal Finish Operations							1	3.104
	SUBTOTAL	2	0.752	0	0.000	1	3.150	5	6.304
	EQUIPMENT- New Mission								
05-23	T-700 Hot Section Repair Cell			1	2.306				
06-41	PATRIOT MADF Tools & Equipment					1	2.905		
07-22	LENS 850-R							1	1.768
	SUBTOTAL	0	0.000	0	2.306	1	2.905	1	1.768
	EQUIPMENT TOTAL	36	41.891	23	116.809	21	55.140	18	56.222
	AUTOMATED DATA PROCESSING								
04-26	Miscellaneous ADPE < $500k	0	2.103	0	2.500	0	1.512	0	1.817
04-27	Network Infrastructure/ Network EMS	1	0.516						
06-43	IT/ADPE					1	2.752	1	3.175
06-44	IT Replacement					1	1.744	1	0.706
06-45	INFRASTRUCTURE SERVER UPDATE					1	0.580		
06-46	Industrial Base Modernization AIT - RIA					1	5.549		
06-47	AIT-CCAD					820	6.249	816	4.249
07-25	Information Technology Center							1	0.620
07-26	Industrial Base Modernization AIT - WVA							1	5.549
07-27	Data Back-up System Modernization							1	0.538
07-28	AIT-ANAD							1	7.700
	ADP TOTAL	1	2.619	0	2.500	824	18.386	822	24.354
	MINOR CONSTRUCTION								
04-28	Various Minor Construction < $500K	0	14.038	0	8.548	0	7.120	0	4.740
04-15	Welding Facility	1	1.251						
05-10	Addition to Bldg 200, PH I			1	0.930				
05-26	Various Minor Construction >$500K < $750K			0	5.018		6.508		4.864
06-47	Access Control & Change House					1	0.750		
06-49	Construct Radioactive Mtrls Storage Bldg					1	0.750		
06-53	Heat & Insulate Car Level Warehouse					1	0.611	1	0.622
06-54	Heat & Insulate Ground Level Warehouse					1	0.611	1	0.622

Capital Investment Summary
Department of Army
Industrial Operations
February 2005
($ in Millions)

Line No.	Description	FY 04 Quantity	FY 04 Total Cost	FY05 Quantity	FY05 Total Cost	FY 06 Quantity	FY 06 Total Cost	FY 07 Quantity	FY 07 Total Cost
06-56	MC Dust Collector					2	0.743	1	0.636
06-65	Shelter For Ammunition Mission Vehicles					1	0.750		
06-66	Shipping/Receiving Bldg 3325/3333					1	0.759		
07-29	Addition to Bldg 200, PH II							1	0.750
07-35	Temp Controlled Mix Preparation and Storage Facility							1	0.764
	MINOR CONSTRUCTION TOTAL	1	15.289	1	14.496	8	18.602	5	12.998
	SOFTWARE								
00-02	LMP	1	6.350	1	6.350	1	6.350	1	6.350
99-08	Army Workload and Performance System (AWPS)	1	5.960	1	5.593	1	3.915	1	2.380
04-30	ERP/Industrial Base Modernization (IBM) WVA	1	4.328						
04-31	ERP/Industrial Base Modernization (IBM) PBA	1	4.310						
04-16	Industrial Base Modernization			1	17.706	1	10.606		
06-67	Industrial Base Modernization AIT Software					1	0.079	1	0.079
	SOFTWARE TOTAL	4	20.948	3	29.649	4	20.950	3	8.809
	Activity TOTAL	42	80.747	27	163.455	857	113.078	848	102.383
	Total Capital Outlays		63.088		72.350		150.823		107.739
	Total Depreciation Expense		55.174		49.434		56.507		62.759

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No 05-12 Item Description Various Capital Equipment < $500K

D. Activity Identification
Various Installations

Element of Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY 06 Quantity	FY 06 Unit Cost	FY 06 Total Cost	FY 07 Quantity	FY 07 Unit Cost	FY 07 Total Cost
Replacement			6,602.000			19,495.000			14,355.000			12,810.000
Productivity			4,472.000			1,937.000			206.000			1,771.000
Environmental						240.000						487.000
New Mission			1,161.000									
TOTAL	-	-	12,235.000	-	-	21,672.000	-	-	14,561.000	-	-	15,068.000

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** This represents various productivty equipment costing < $500K, which will improve efficiency at depots, plants and arsenals through replacement, modification or addition of production and maintenance capability and compliance with mission requirements. Equipment supports the following organic missions: maintenance, overhaul, rebuild, reclamation, conversion, renovation, modification, repair, manufacturing, ammunition production, ammunition demilitarization, and ammunition supply depot operations.

b. ANTICIPATED BENEFITS: Acquisition of this equipment improves productivity, increase capacity that cannot be met with current equipment, replaces unsafe , inoperable or unusable assets and includes requirements for environmental hazardous waste reduction or regulatory agency mandated requirements. This new equipment increases reliability and productivity, thus enabling the depot to be more competitive.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** 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, increases man-hour expenditures, cause inability to meet production schedules, lead to excessive downtime, increase maintenance, manufacturing and ammunition production costs, and decrease accuracy and dependability.

d. **ECONOMIC ANALYSIS PERFORMED? Yes**

ECONOMIC INDICATORS:

Total Cost of the Project $63,536.000 Net Present Value of Benefits: NA Benefit to Investment Ratio: NA Payback Period: NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	04-02	HP3070 Circuit Board Test System	TYAD

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
IP01012 Circuit Board Test Receiver ATE	2	157.000	314.000				1	496.257	496.257			
TOTAL	2	157.000	314.000				1	496.257	496.257			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMING Efforts are currently underway in Test Program Development Division to move high volume Test Program Sets (TPS) from existing Genrad 1796 testers to HP3070 test units. TYAD presently has three operational Genrad 1796 testers that support much of the BRAC workload. A four-year production plan has been developed that includes purchasing at least two updated 3070 Series III testers each year. These efforts will result in faster and more reliable testing of Circuit Card Assemblies (CCA). The present cost of maintaining these resources is approximately $100K a year. This cost will rise with each successive out year as repair parts and experienced personnel become harder to find.The alignment procedure for several Circuit Card Assemblies (CCA) for the AN/APR-39A Radar Warning System must be preformed at a contractor site because TYAD does not have the Automated Test Equipment required for the alignment. This costly process delays the repair process.

b. ANTICIPATED BENEFITS While additional HP3070 resources will not completely eliminate the need for a 1796 capability, we have determined that 1796 testers can be reduced by two thirds (2/3). The HP3070 testers, being more sophisticated and accurate than the Genrad 1796 test units, will eliminate the current need for multiple test runs through each CCA to pinpoint faults. Quicker test execution times are expected to yield substantial savings due to elimination of multiple test passes on high volume workloads. Additional intangible benefits include a test system that is up-to-date technology and completely supportable and sustainable. Investment in this Automated Test Equipment (ATE) will reduce repair cycle time and reduce repair costs. It is less expensive for the depot to repair these CCAs than at a contractor site.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT Decrease in ability to test and repair circuit boards. Increase in direct labor costs. Existing test equipment is becoming obsolete. Failure to procure ATE will increase maintenance costs and increase repair cycle times. ATE purchase has a NVP of $496,257, a BIR of 1.016 and a payback in 8.3 yrs.

d. ECONOMIC ANALYSIS PERFORMED HP 3070 ATE EA has been submitted as part of the depot's BCA submission.

ECONOMIC INDICATORS:

Total Cost of the Project	$810.257	Net Present Value of Benefits:	$496.257	Benefit to Investment Ratio:	1.016	Payback Period:	8.3 Yrs.

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-02	Overhaul 10 each Bridge Cranes	TACOM - Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Overhaul 10 Bridge Cranes	5	282.400	1,412.000	5	283.600	1,418.000						
TOTAL	5	282.400	1,412.000	5	283.600	1,418.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The bridge cranes in building 400 have been in service since the building came into service in the 50's. The cranes have never been overhauled. The reason for overhauling and not purchasing new, is that the mechanical structure is sound and is much more durable than new cranes purchased at a similar cost. The lift capabilities will not be increased nor will the operation of the cranes be changed. There are also safety issues with several of the cranes. The hoist controls located in the operators chairs will stick in one direction or the other and could cause property damage and personnel injuries or death. Chair components are no longer obtainable for theses cranes. The purpose of the overhaul is to replace the component parts that cannot be obtained, to reduce the amount of down time associated with the cranes in thier present condition and bring the cranes into accordance with Crane Management Association of America (CMAA) and OSHA standards.

b. ANTICIPATED BENEFITS: Less down time and much more ergonomic working environment for the crane operators, as well as, new cranes will met OSHA standards.

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

d. ECONOMIC ANALYSIS PERFORMED? Yes; BIR is negative as status quo is not feasible.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,830.000	Net Present Value of Benefits:	$12.347	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT **PAGE 1 of 5**
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date: Army, Industrial Operations — Feb-05
C. Line No: 05-13 — Item Description: Var. Capital Equipment >$500k and <$1M
D. Activity Identification

Element of Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY06 Quantity	FY06 Unit Cost	FY06 Total Cost	FY07 Quantity	FY07 Unit Cost	FY07 Total Cost
Machining Center				1	834.000	834.000						
Hydraulic Test Console				1	585.000	585.000						
Hydro-Mechancial Test Stand				1	641.000	641.000						
Sciaky Resistance Welder				2	397.000	794.000						
Tumble Blast (Rotary)				2	344.000	688.000						
Wood Shop Consolidation/Facility Upgrade				1	600.000	600.000						
Replace Hicklin Crossdrive Trans. Test Stand				1	951.000	951.000						
PAGE TOTAL				9		5,093.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: **PAGE 1**

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

Hydraulic Test Console - (LEAD) The proposed console would replace two existing consoles. Repairs have been makeshift due to lack of replacement parts and both consoles are unsafe to operate.

Hydro-Mechancial Test Stand - (ANAD) Anniston currently utilizes 2 Hydro-Mechanical test stands to test Hydro-Mechanical Units for the AGT 1500 turbine engine. This purchase is needed because the current Hydro-Mechanical Test Stand was designed in the 1980's and many of the components and instruments in the current configuration are obsolete.

Sciaky Resistance Welder - (ANAD) Anniston has a program to repair recouperator matrix ("core") assemblies from the AGT 1500 turbine engine by means of resistance seam welding the inside diameter and outside diameter of "A" and "B" plate pairs of Inconel 625, stacked together. Both machines are mechanically worn out and use IBM AT (80286) style personal computers with associated archaic electronic hardware.

Tumble Blast (Rotary) - (ANAD) These blast systems were purchased in 1976 and have been in use for 25 years. More than $214,000 has been spent on maintenance and repair of these two systems during their lifetime including $2,948 during 2001. Due to the systems age and condition, maintenance costs and downtime are expected to increase with each continuing year of use.

Wood Shop Consolidation/Facility Upgrade - (LEAD) Same capabilities but at two separate locations. General carpentry equipment utilized in construction of crating, bracing, packing, shipping containers, etc. Shop utilizes Saws/Drills/Mills/Planers, and all typical types of carpentry tools and equipment.

Replace Hicklin Crossdrive Transmission Test Stand - (RRAD) The Hicklin Crossdrive Transmission Test Stand is used to test and accept transmissions for the Bradley family of vehicles (FOV) and the Multiple Launch Rocket System (MLRS). The present test stands were purchased in 1993 and are experiencing excessive downtime and repair costs. The electronics are obsolete and analysis shows an anticipated total equipment failure in 2006.

ECONOMIC ANALYSES PERFORMED: Yes.

ECONOMIC INDICATORS:
Total Cost of the Project **See pg 5** Net Present Value of Benefits: NA Benefit to Investment Ratio: NA Payback Period: NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT **PAGE 2 of 5**
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-13	Var. Capital Equipment >$500k and <$1M	

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
370 ASRS Mini-Load Upgrade				1	511.000	511.000						
Metalizing Robot				1	500.000	500.000						
Bulldozers							2	316.500	633.000			
CD850 Transmission Test Stand							1	805.000	805.000			
Container Handler Truck Lift							1	528.000	528.000			
Pinkwater Treatment Equipment							1	738.000	738.000			
PAGE TOTAL	0	0.000	0.000	2		1,011.000			2,704.000			

Narrative Justification:
a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: **CONTINUED PAGE 2**

370 ASRS Mini-Load Upgrade - (LEAD) The building 370 Automated Storage and Retrieval System (ASRS) was installed in 1988 and has experienced heavy work load due to the Army's Tactical Missile overhaul missions at Letterkenny Army Depot (LEAD). The Mini-Load system is the segment of the ASRS which inventories and stores small parts. Major and expensive corrective maintenance is required to return the system to service.

Metalizing Robot - (ANAD) The existing Automated Metal Spray Robot (Bar Code J5343) was installed in 1984, to provide an automated way of spraying metal coatings. The system was purchased to support the AGT-1500 Turbine Engine. Economical savings were generated by a reduction in man hours for the AGT-1500 engine. The present equipment is obsolete and no existing spare parts are available for the motion controls and drive motors. The system is inoperable and cannot be used unless an upgrade is installed. Each year that goes by AGT-1500 engine parts that could be reclaimed on the automated system at a lower repair are being repaired with a manual method that is more costly.

Bulldozers - (RRMC) Red River Munitions Center has an ongoing demolition mission. The demolition mission is accomplished through open burning, static firing, mutilation, and high order detonation of ammunition and related ammunition subassemblies. In order to accomplish this task RRMC utilizes a fleet of six (6) D7G Caterpillar bulldozers. The dozers are 1984 models, two of which are in need of replacement. Both dozers have in excess of 10,000 estimated hours of operation. The hour meters have been changed out numerous times.

CD850 Transmission Test Stand - (ANAD) Current CD850 test stand was manufactured in 1984. Many of the test stand components have exceeded their useful life and are not longer supported by the manufacturer. Parts obsolescence and machine down time is continual with corresponding increases in maintenance and labor costs.

Container Handler Truck Lift - (LEMC) This project will replace an existing industrial container handler at Letterkenny Munitions Center that is inoperable. LEMC is currently meeting its mission by using two older (1980) Rough-Terrain Container Handlers; however, the two container handlers are not reliable and are due for turn-in.

Pinkwater Treatment Equipment - (MCAAP) Most operations that process, load, or reclaim TNT, Comp B, Tritonal, Destex, or other raw explosives produce pinkwater. Currently, MCAAP generates over a half million gallons per month, on average, of pinkwater to be treated in a facility. This treatment is in accordance with 40 CFR Part 122 & 40 CFR 457.30-32 for treatment criteria to discharge pollutants under the National Pollution Discharge Elimination System, and Oklahoma Pollutant Discharge Elimination System Permit OK0000523.

ECONOMIC INDICATORS:
Total Cost of the Project **See pg 5** Net Present Value of Benefits: NA Benefit to Investment Ratio: NA Payback Period:

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT **PAGE 3 of 5**
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date: Army, Industrial Operations — Feb-05
C. Line No: 05-13 — Item Description: Var. Capital Equipment >$500k and <$1M
D. Activity Identification

Element of Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY06 Quantity	FY06 Unit Cost	FY06 Total Cost	FY07 Quantity	FY07 Unit Cost	FY07 Total Cost
Rotary Blast Tables Bldg 129							1	618.000	618.000			
X 1100-3B Transmission Test Stand Upgrade							1	643.000	643.000			
CNC Horizontal Machining Center							1	818.000	818.000			
Electrical Discharge Machine (Charmil)							1	577.000	577.000			
Extrusion Press & Loading System							1	600.000	600.000			
Hydraulic Pump Break-in Test System							1	519.000	519.000			
Servo Test System							1	608.000	608.000			
PAGE TOTAL	0	0.000	0.000	0		0.000			4,383.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: **CONTINUED PAGE 3**

Rotary Blast Tables Bldg 129 - (ANAD) The current 5 ea rotary blast tables located in bldg 129B are used for cleaning of medium and small parts (small arms components). The rotary blast tables were installed in the 1940's , and have far exceeded their expected life.

X 1100-3B Transmission Test Stand Upgrade - (ANAD) Currently one X1100-3B test stand (dtd 1984) is in use for the testing of M1 A1 Abrams family of vehicle transmissions. The stand has reached the age that certain components such as the DEC (Digital Equipment Corporation) and PDP 11/24 minicomputers have become discontinued and are no longer supportec by the manufacturer.

CNC Horizontal Machining Center - (ANAD) The CNC Horizontal Machining Center is 15 yrs old and due to the multi-program support, is deteriorating on a continual basis, to include parts obsolescence issues.

Electrical Discharge Machine (Charmil) - (CCAD) Existing EDM is over 20 years old and the vendor can no longer supply parts or repair support. Machine is manually operated and subject to operator error. Machine is worn and required tolerances are difficult to maintain.

Extrusion Press & Loading System - (CAAA) Currently, Crane Army Ammunition Activity is the only source available to the Navy for production of Magnesium Teflon (MTV) Decoy Flares. This project will install extrusion presses and automated remote loading system in Building 200 to produce MTV flare planks.

Hydraulic Pump Break-in Test System - (CCAD) Test equipment is experiencing large maintenance & repair costs due to harsh run conditions. Down time of equipment causes processing delays and missed delivery schedules. Hydraulic pumps are designated as a Selected Maintenance Item (SMI) workload, which are in high demand.

Servo Test System - (CCAD) Existing configuration requires the use of 4 different test units to complete the acceptance testing for servovalves. These valves are used on Blackhawk and Apache aircraft and are in high demand. Setups are manual and calibration requirements are extensive. Existing equipment does not meet LEAN, ISO, and flight safety requirements for documentation of testing parameters and results.

ECONOMIC INDICATORS:
Total Cost of the Project **See pg 5** Net Present Value of Benefits: NA Benefit to Investment Ratio: NA Payback Period: NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT **PAGE 4 of 5**
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date: Army, Industrial Operations — Feb-05
C. Line No: 05-13 — Item Description: Var. Capital Equipment >$500k and <$1M
D. Activity Identification

Element of Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY06 Quantity	FY06 Unit Cost	FY06 Total Cost	FY07 Quantity	FY07 Unit Cost	FY07 Total Cost
T-700 Compressor Lathe							1	578.000	578.000			
Vertical Grinding Machine (Springfield)							1	765.000	765.000			
Hexane Emission Scrubber							1	500.000	500.000			
Thermal Arc Spray System (CAAA)							1	601.000	601.000			
Powder Booth Spray/Cure System										1	581.000	581.000
Schlumberger Factron 720 Test Station										1	547.000	547.000
Upgrade 81MM Mortar RP Line										1	631.000	631.000
Access Control System										1	984.000	984.000
PAGE TOTAL	0	0.000	0.000	0		0.000			2,444.000			2,743.000

Narrative Justification:
a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: **CONTINUED PAGE 4**

T-700 Compressor Lathe - (CCAD) The depot only has one automated machine for cutting the flow path for the T-700 compressor. This machine must be shared with other workload, forcing the use of conventional lathes to perform this intricate procedure.

Vertical Grinding Machine (Springfield) - (CCAD) Existing grinder is over 10 years old and has been used aggressively for multi-shift operation for the entire life of the machine. Z-axis is manually set and is a critical dimension for the T-700 Compressor case, changing with each set of stators.

Hexane Emission Scrubber - (CAAA) Currently, Crane Army Ammunition Activity is the only source available to the Navy for production of Magnesium Teflon Decoy Flares. This project will install emission scrubbers in Building 200 to eliminate hexane and acetone emission during production of Magnesium Teflon Decoy Flares

Thermal Arc Spray System - (CAAA) This project will install a Thermal Arc Spray System to allow Crane Army Ammunition Activity to renovate MK80 series bombs in accordance with the newest drawing requirements. Currently, Crane cannot meet this requirement without investment in this equipment. This equipment will be installed in Building 155.

Powder Booth Spray/Cure System - (TYAD) Existing paint processes at the depot involve the use of hazardous chemicals and solvents. These materials present a significant burden to control and contain. Installing a spray booth, conveyor, application equipment, and curing oven for the paint process, will reduce paint related hazardous waste generation, reduce chemical emissions, and improve product quality.

Schlumberger Factron 720 Test station - (TYAD) The existing Schlumberger Factron 720/CATE (computerized automatic test eqiuipment) board test systems were transferred with the FY95 BRAC workload from SM-ALC. The systems are no longer supported by the manufacturer and are experiencing ever increasing support costs.

Upgrade 81MM Mortar RP Line - (PBA) This project will upgrade the Red Phosphorus(RP) Mix and Fill Line (building 31-530). Frequent fires, although controllable, cause significant downtime and pose a safety hazard.

Access Control System - (CAAA) This project will install a new Access Control System at Crane Army Ammunition Activity (CAAA) to include (14) automatic gates and CCTV security camera with remote release for monitoring access areas by security personnel.

ECONOMIC INDICATORS:
Total Cost of the Project **See pg 5** Net Present Value of Benefits: NA Benefit to Investment Ratio: NA Payback Period: NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
EQUIPMENT **PAGE 5 of 5**
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-13	Var. Capital Equipment >$500k and <$1M	

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Automate Fuze and Pre-Pack, 33-530										1	907.000	907.000
Thermal Arc Spray System (MCAAP)										1	805.000	805.000
Aircraft Alignment checker										1	968.000	968.000
PAGE TOTAL	0	0.000	0.000	0		0.000			0.000			2,680.000
Grand Total						**6,104.000**			**9,531.000**			**5,423.000**

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: **CONTINUED PAGE 5**

Automate Fuze and Pre-Pack, 33-530 - (PBA) This project is for equipment to automate several operations on PBA's assembly line for the M18 colored smoke grenades and the M83 in the East Bay of building 33-530. Operations to be automated include installing, pre-torquing and torquing the fuze, and placing spacers and grenades into fiber containers.

Thermal Arc Spray System - (MCAAP) The timeframe and minimal handling requirements between the thermal arc process and the application of other coatings to that process are the reasons why other existing equipment cannot be used to accomplish Bldg 454 workload requirement.

Aircraft Alignment Checker - (LEAD) New requirement levied on the depot by AMCOM under the Blackhawk Program mandates 100% alignment check of all RECAP aircraft. This workload, combined with the aircraft straightening workload, creates production bottle-necks at the single fixture. Additionally, the existing fixture can not document the aircraft alignment readings.

ECONOMIC INDICATORS:

Total Cost of the Project $21,058.000 Net Present Value of Benefits: NA Benefit to Investment Ratio: NA Payback Period: NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-14	ATE Systems	TYAD

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
IP03001 VXI Test Instr				1	171.500	171.500	1	170.385	170.385	1	173.000	173.000
VTS-1000 Model 99							1	285.787	285.787			
TOTAL				1	171.500	171.500	2	456.172	456.172	1	173.000	173.000

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: T**YAD currently maintains Automated Test Equipment (ATE) to support its overhaul and repair depot maintenance mission. Many of the ATE systems TYAD's maintains have outlived their useful life and have become costly to support. The depot currently uses a Genrad 2225 circuit card tester that has become increasingly difficult to maintain and will become cost prohibitive in the near future. Repair parts are very difficult to obtain as sources of supply are drying up and cannibalization is not an option due to lack of candidates.

b. ANTICIPATED BENEFITS: New ATE such as the VXI Systems will enable TYAD to repair new and emerging technologies with increased productivity and reduced costs. The ATE system is an extremely accurate and effective fault detection and isolation tool. IT will provide depot direct labor personnel with the ability to more rapidly perform test and check on circuit card assemblies (CCAs) and more definitively identify the faulty piece part. These conditions translate into quicker repair times and reduced costs.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Failure to replace legacy ATE systems with faster more reliable ATE will increase repair costs, increase maintenance costs and reduce productivity. Failure to replace the Genrad tester will result in increased service support costs and increased repair maintenance costs.

d. **ECONOMIC ANALYSIS PERFORMED? A**n EA has been submitted as part of the depot's BCA submission. VTS EA has been submitted as part of the depot's BCA submission.

ECONOMIC INDICATORS:

Total Cost of the Project	$800.672	Net Present Value of Benefits:	$743.200	Benefit to Investment Ratio:	5.110	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations 1-Dec-04	05-05	Cylindrical Grinder Replacement	TACOM - Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Cylindrical Grinder Replacement				4	648.500	2,594.000						
TOTAL				4	648.500	2,594.000						

Narrative Justification:

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

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

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

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,594.000	Net Present Value of Benefits:	$5,616.000	Benefit to Investment Ratio:	3.5	Payback Period:	4.58 Yrs.

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations 1-Dec-04	05-17	Replace Alarm System, Phase II	Crane Army Ammo Activity (CAAA)

				FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Equipment				1	2,383.000	2,383.000						
TOTAL				1	2,383.000	2,383.000						

Narrative Justification:

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

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

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

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,383.000	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 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-04	4 Axis CNC Horizontal Mill	Rock Island Arsenal (RIA)

	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
4 Axis CNC Horizontal Mill							1	1,054.000	1,054.000			
TOTAL							1	1,054.000	1,054.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The 4 Axis Machining Center is utilized in the machining of lightweight parts that support major end items including the M1A1, M198, M178, M182, and prototype components. The machines are over 16 years old and in very poor condition. Normal working life of CNC machines is 7-10 years before being replaced. Current machines cannot be economically rebuilt. The Original Equipment Manufacturer (OEM) is out of business. Parts availability is in jeopardy. Increased demand requires the operation of multiple shifts. Current machines do not provide the necessary reliability to support this demand.

b. ANTICIPATED BENEFITS: This machine will improve the capability, reliability, safety and maintainability of the arsenal's small parts manufacturing cell. It will provide improved precision capability, faster speeds, more safety features, and state of the art technology. It will also contribute to the arsenal's footprint reduction effort by excessing three old, outdated, poor condition machines and replacing it with a single machine.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund this project limits RIA's ability to meet increased manufacturing workload demand. Round robin cannibalization of the remaining machines will be required to maintain the machining cell capability, further reducing the reliability and the capacity in times of increased workload and demand. Benefits of $1,510,400 will not be realized if this project is not executed.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,054.000	Net Present Value of Benefits:	$1,510.400	Benefit to Investment Ratio:	1.041	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-05	Agilent 30 Test System Upgrade	TYAD

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Agilent 30 Test System Upgrade							4	131.300	525.200	4	133.625	534.500
TOTAL							4	131.300	525.200	4	133.625	534.500

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The maintenance for the current HP3070 Test Stations will become increasingly difficult and expensive to obtain. Agilent, formerly HP Test and Measurement Division, has announced that they will no longer support the series I systems the depot currently maintains.

b. ANTICIPATED BENEFITS: Purchasing and installing four new controllers and new series III test heads in each of the fiscal years (06 & 07) will increase the speed at which circuit cards can be tested, and therefore, overhaul costs will be reduced.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: I**n addition to higher maintenance costs to maintain the HP3070 Series I test stations, failure to procure system upgrades will result in higher circuit card overhaul costs and increased repair cycle times.

d. **ECONOMIC ANALYSIS PERFORMED?** An EA has been submitted as part of the depot's BCA submission.

ECONOMIC INDICATORS:

Total Cost of the Project	$1,059.700	Net Present Value of Benefits:	$198.900	Benefit to Investment Ratio:	1.400	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-12	Engine Load System	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Engine Load System							1	6110.578	6,110.578			
TOTAL							1	6110.578	6,110.578			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Existing water brake system for engine test cells is old, worn out, and labor intensive

b. ANTICIPATED BENEFITS: Increased availability of engine test cells for testing helicopter engines in support of dynamic workload increases in both T-700 and T-55 engines.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Depot will continue to struggle repairing antiquated water brakes.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$6,110.578	Net Present Value of Benefits:	$4,950.000	Benefit to Investment Ratio:	2.044	Payback Period:	4.486

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-14	Jig Borer	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Jig Borer							1	1,125.963	1,125.963			
TOTAL							1	1,125.963	1,125.963			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Existing machine was damaged and can no longer hold dimensional requirements of .0001 inch. Current accuracy is .0006 inch, making it difficult to maintain accuracy and increases scrap/rework.

b. ANTICIPATED BENEFITS: New Jig Borer will have required accuracy and table size to accommodate both Tooling and Aircraft production requirements.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Depot will be forced to contract our tooling, impacting our operating budget and our ability to provide quality tools for aircraft overhaul. Shop will remain backlogged and aircraft production will be restricted.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,125.963	Net Present Value of Benefits:	$8,151.570	Benefit to Investment Ratio:	8.815	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-17	PM460 Obsolescence/Sustainment	Red River Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PM460 Obsolescence/Sustainment				1	18,886.000	18,886.000						
TOTAL				1	18,886.000	18,886.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The PM 460- test station equipment located at the Patriot Missile Facilities (PMF) are used to test Patriot Missile (PM) Guidance Systems. The test are conducted to replace limited life components, perform repairs, and make modifications to the missiles. Data from the PM-460 is used to perform trend analysis in order to evaluate the reliability of the missile. The computer and measurement instrumentation is approximately 25 years old. The original design was circa 1979-1982. The system has exceeded it's useful life and downtime risk has increased significantly.

b. ANTICIPATED BENEFITS: The increased reliability of the PM-560 reduces the mission risk and improves productivity. The number of test stations will be reduced from three (3) to two (2). Selected components from the replaced (PM-460) test stand will be used as spares for the PM-560 test stations. The PM-560 utilizes a modular design, COTS instrumentation, personal computers (PCs) and a contemporary software package. This modular design reduces the risk of obsolescence, since each module is replaceable (both the hardware & the software). Upgrading to the PM-560 will increase the production surge capacity by 73 missiles annually. Also, the more advanced PM-560 requires six (6) fewer trained technicians to operate.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Risk of increased downtime would jeopardize the Theater Readiness Monitoring Directorate's (TRMD) field surveillance program (FSP) mission. The PMF would continue to utilize the three existing obsolete, inefficient, PM-460 Test Stations, increasing the mission support risk from medium to extremely high risk..

d. **ECONOMIC ANALYSIS PERFORMED? Yes**

ECONOMIC INDICATORS:

Total Cost of the Project	$18,886.000	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	0.964	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-22	Thermal System Test Stand	Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Thermal System Test Stand							1	2,107.000	2,107.000			
TOTAL							1	2,107.000	2,107.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Thermal System Test Stand (TSTCCTS) is used to test and align components of the M1 Abrams Thermal Imaging System (TIS). The current test stand was manufactured in 1984 and many of its components /circuit cards are obsolete. Further, the test stand is old technology and takes up approximately 200 sq ft of floor space. Finally, all tests are performed manually with this unit.

b. ANTICIPATED BENEFITS: Purchase of a new Thermal System Test Stand will provide us with an improved method of testing M1 TIS components as well as add additional testing capabilities for both the M1A2 TIS and Commander's Independent Thermal Viewer. Also, this equipment will result in automated testing operations and will increase the efficiency. Also the new test stand will reduce downtime and maintenance costs compared to the older test stand, and provide a cost effect service to the customer.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The present Thermal System Test Stand is experiencing sufficient down time, and is expected to be unable to support mission requirements by FY06. Without this new test stand Anniston will lose the capability to test and repair M1 family of vehicles (FOV) TIS components, and diminish the readiness to the War fighter. All components parts will be either purchased new or repaired elsewhere at a higher cost

d. **ECONOMIC ANALYSIS PERFORMED? yes**

ECONOMIC INDICATORS:

Total Cost of the Project	$2,107.000	Net Present Value of Benefits:	$50,851.000	Benefit to Investment Ratio:	27.184	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	07-01	EB Welder Replacement	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
EB Welder Replacement										1	1,405.981	1,405.981
TOTAL										1	1,405.981	1,405.981

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The current machine can not be economically rebuilt and must be replaced. It can no longer maintain the level of precision that is required by manufacturing drawings. For the last 11 years, the current machine has been operating 3 shifts a day and reliability and heavy maintenance are now an economic issue. This machine is required to manufacture critical parts for the M119/M198 Howitzers and M182 Gun Mount for the M109A6 Paladin.

b. **ANTICIPATED BENEFITS:** This machine is required for the manufacture of lightweight small dimensional parts. The acquisition of this new machine would mean faster machining times, more safety features, and newer technology.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Failure to execute this project will impact cost and scheduling of current and future armament products. In addition, the new machine will better meet Occupational Safety and Health Act (OSHA) requirements to protect the operator from exposure to moving parts and debris.

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

ECONOMIC INDICATORS:

Total Cost of the Project	$1,405.981	Net Present Value of Benefits:	$706.000	Benefit to Investment Ratio:	1.6	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	07-02	Equipment for MSS Center	Red River Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Maneuver Sys Sustainment Ctr										1	2,481.000	2,481.000
TOTAL										1	2,481.000	2,481.000

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The existing capability to support tactical vehicles is dispersed through out the depot making for inefficient operations and increased transportation costs.. The proposed new equipment consists of Drive Through Blast Bay, Paint System Drive through, Paint system Components and a Chemical Cleaning System, which will be required to facilitize the proposed Maneuver System Sustainment Center (1806MC001).

b. **ANTICIPATED BENEFITS:** The new Sustainment Center will consolidate the dispersed functions providing for a LEAN manufacturing facility with reduced operating costs, less environmental impacts and safer working conditions. The estimated savings over the life of this project is $35,748,920

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Without the Sustainment Center the customer will continue to pay for the inefficiency of the dispersed functions. The LEAN manufacturing facility will reduce operating costs, environmental impacts and provide for safer working conditions. The estimated savings over the life of this project is $35,748,920

d. **ECONOMIC ANALYSIS PERFORMED? yes**

ECONOMIC INDICATORS:

Total Cost of the Project	$2,481.000	Net Present Value of Benefits:	$35,749.000	Benefit to Investment Ratio:	1.691	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	07-07	T-55 Fuel Control Test Stand	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
T-55 Fuel Control Test Stand										1	1,051.544	1,051.544
TOTAL										1	1,051.544	1,051.544

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Existing stands were manufactured in 1967 and are obsolete, manually operated, prone to mechanical failure, and subject to operator error. A total of 50 trouble calls were placed against this equipment last year.

b. ANTICIPATED BENEFITS: New test stand is automated, state of the art design, which will provide a printout of all test conditions and unit performance test results in accordance with ISO requirements.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Depot will continue to use obsolete equipment, experience multiple and lengthy down times for repairs. T-55 fuel controls impact the Chinook helicopter fleet.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,051.544	Net Present Value of Benefits:	$681.572	Benefit to Investment Ratio:	1.7	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	07-08	T-700 Engine Test Equipment	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
T-700 Engine Test Equipment										1	1,426.945	1,426.945
TOTAL										1	1,426.945	1,426.945

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Equipment purchased in 1994 was a first generation test unit, using manual operations. Systems don't meet the requirements for ISO 9000 certification and are subject to operator error. Units experiencing heavy down time due to maintenance & repair and equipment spares are in short supply.

b. ANTICIPATED BENEFITS: New automated equipment has a 25% reduction in processing time with better reliability, meets ISO requirements, provides computer printouts of test parameters and results, and provides surge capacity for the depot.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Depot will have difficulty increasing T-700 engine workload to quantities desired by the Army in support of Operation Enduring Freedom.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,426.945	Net Present Value of Benefits:	$678.000	Benefit to Investment Ratio:	1.5	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	07-09	Turbine Engine Test Cells	Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Turbine Engine Test Cells										1	4,036.000	4,036.000
TOTAL										1	4,036.000	4,036.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Turbine Engine Test Cells is a complete test stand used in the quality control and assurance testing of overhauled AGT 1500 Turbine Engines. The turbine engine is for the M1 Abrams Family of Vehicles. ANAD utilizes 5 ea turbine engine test cells to test the AGT 1500 engine. The current test cells are antiquated, and they are experiencing significant downtime for repair and maintenance. Included in this is the problem with test cell parts obsolescence requiring ANAD millwrights to produce their own repair parts, which takes significant time and cost.

b. ANTICIPATED BENEFITS: The test cell replacement will allow for implementing lean manufacturing into the operational process, reduce downtime and cost experienced due to parts non-availability, and reduce maintenance cost and time. The following costs savings can be realized with this project: Annual labor costs $ 400,000/yr, equipment down time $39,000/yr, maintenance and repair $28,000/yr. Projected workload against this project averages 1445 hr / year through the FY17 timeframe, and the new test cells will eliminate work disruptions due to equipment failure.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The test cells are crucial to maintaining capabilities at Anniston, and supporting Anniston's partnering initiatives with industry. The loss of ANAD capability to test AGT 1500 Engines would stop all assembly line and return to stock programs. Obsolescence issues will continue and equipment downtime will be increasing as the units continue to age.

d. **ECONOMIC ANALYSIS PERFORMED? Yes**

ECONOMIC INDICATORS:

Total Cost of the Project	$4,036.000	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	1.264	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No 07-11 Item Description Upgrade Engine Test Cells

D. Activity Identification
Red River Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Upgrade Engine Test Cells										1	1,827.000	1,827.000
TOTAL										1	1,827.000	1,827.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The engine test cells are used to test and accept diesel engines for Bradley Fighting Vehicle System (BFVS), Multiple Launch Rocket Systems (MLRS), High Mobility Multipurpose Wheeled Vehicle (HMMWV), Heavy Expanded Mobility Tactical Truck (HEMTT), SEE and secondary stock items. The present test cells are experiencing excessive down time and repairs making it difficult to maintain production schedules. The maintenance costs are increasing due to escalating repairs.

b. ANTICIPATED BENEFITS: The engine test cells are used to test and accept diesel engines for BFVS, MLRS, HMMWV, HEMTT, SEE and secondary stock items. The upgraded test cell will allow for more efficient operation, and reduction in maintenance costs. Continuous operation will eliminate the negative impact on production schedules, and costly work a rounds..

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without capital investment the increasing downtime will likely impact the mission by not meeting production schedules. Also there will be increasing costs due to inefficient operation, and increasing maintenance costs.

d. **ECONOMIC ANALYSIS PERFORMED? yes**

ECONOMIC INDICATORS:

Total Cost of the Project	$1,827.000	Net Present Value of Benefits:	$1,462.000	Benefit to Investment Ratio:	1.870	Payback Period: NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations 1-Dec-04	05-18	Electric Generator (Diesel/Natural Gas)	McAlester Army Ammo Plant

	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Equipment				1	1,367.000	1,367.000						
TOTAL				1	1,367.000	1,367.000						

Narrative Justification:

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

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

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

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,367.000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	1.788	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Productivity ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations 1-Dec-04				C. Line No 05-09		Item Description Flight Critical Safety System				D. Activity Identification CCAD		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Flight Critical Safety System				1	8,505.000	8,505.000						
TOTAL				1	8,505.000	8,505.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Non-destructive inspections of flight critical parts, shot peen, and painting. Fluorescent penetrate & magnetic particle inspection equipment has reached its terminal life expectancy and is prone to high maintenance; additional material handling equipment (jib hoists, roller conveyers, automated guidance vehicles & monorails) to lift and move heavy parts; no dedicated lab and associated equipment to support more elaborate and complex environmentally friendly chemical processes; dust collectors and fume exhaust systems are old and in short supply; no computer controlled shot peening to increase the durability of critical parts; inadequate compressed air, dryers, receivers & HVAC systems to support shotpeening; no environmentally friendly processes and equipment (powder coating & dry filter paint booths) in the paint shop; additional conveyor ovens, walk-in ovens, reach-in ovens & parts racks are needed in the paint shop; no humidity controlled paint booths to prevent sweating on painted parts; no exhaust systems to remove paint and particulate laden air from the paint shop environment; inadequate ventilation systems provide makeup air to the paint shop and booths; additional air conditioning systems are needed to provide for environmental and humidity control within certain areas of the paint shop; high hazardous waste disposal costs; potential future violation of the Clean Air Act of 1990; and potential future violations of OSHA Safety Regulations.

b. ANTICIPATED BENEFITS: Reduce processing time, operating cost and environmental risk. Capital equipment for Flight Critical Parts Inspection & Treatment Facility, MCA Project Form #55449. Advanced technologies for automated and non-automated eddy current, ultrasonic and x-ray/computed topography. Ergonomic design of equipment.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Empty facility unusable for intended purpose. Unable to meet all production requirements for Recapitalization of UH-60 Black Hawk, CH-47D Chinook and AH-64 Apache rotary wing aircraft as well as on-condition maintenance for cross service aircraft. Process equipment will not be adequately upgraded to provide the optimum, most cost effective, and best dollar value overhaul processes for DoD.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:							
Total Cost of the Project	$8,505.000	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	NA	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations 1-Dec-04	05-11	Large Capacity Spin Blaster	TACOM - Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Large Capacity Spin Blast				1	2,724.000	2,724.000						
TOTAL				1	2,724.000	2,724.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing spin blaster uses only stainless steel blast media in its operation. Stainless Steel is only required on items that are aluminum. Items that are made of steel could be cleaned by steel shot blast if the equipment allowed it. Currently, all items are cleaned with the stainless steel blast which is more expensive than steel blast. This results in higher production costs than are necessary. . The spin blaster cleans items on the M1, M88, M9ACE, FAASV, Paladin, M113 and AVLB. The vehicle workload per year is: FY02-633, FY03-549, FY04-624, FY05-654, FY06-726, FY07-681.

b. ANTICIPATED BENEFITS: The main saving from the use of steel blast media instead of stainless steel on steel components. The hulls, turrets and associated large components of the M88, M60(AVLB), and M1 are steel and do not require the use of stainless steel blast media. At this time stainless steel media cost $2.95 per pound and we consume 26,000 pounds per month. Approximately 75% of the items blasted are of the steel variety. The steel blast media is $.55 per pound. Estimated cost savings per year are $561,600.00.

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

d. ECONOMIC ANALYSIS PERFORMED? yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,724.000	Net Present Value of Benefits:	$1,864.379	Benefit to Investment Ratio:	1.757	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-20	Digital Electric Control (DEC) Unit	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
DEC Unit				1	1,239.987	1,239.987						
TOTAL				1	1,239.897	1,239.897						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing equipment limits the depots ability to perform the necessary repairs and directly limits the number of Cold Section Modules (CSM's) and engines produced. With the single stand, a failure would shut down the DEC testing and repair capabilities and ultimately stop the production line.

b. ANTICIPATED BENEFITS: Provides increased capacity to test DEC's. Increases the ability of the depot to generate additional revenue and provides back up and surge capability.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: The production will continue on the single stand with intermittent interruptions to the delivery schedule as a result of down equipment. As mentioned above, catastrophic failure would result in a halt in production. This coupled with the fact that the engine manufacturer is near capacity in testing DEC's for the new 401C and 701 C engines increases the risk of ultimate impact to the soldier in the field thus increasing the value of our capabilities and need for the new equipment.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$1,240.000	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	1.919	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-21	T-700 Compressor Repair Cell	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
T-700 Compressor Repair Cell				1	3,306.393	3,306.393						
TOTAL				1	3,306.393	3,306.393						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Project includes a robotic metal spray booth, robotic water jet stripping cell, and CNC horizontal grinder. Existing equipment is old and obsolete, requiring excessive rework and maintenance down time. This causes delays and use of multiple shifts to meet current workload. Metal spray is a critical bottleneck process for the T-700 engine compressor case. Currently the T-700 Compressor is the pace-setting component of the T-700 Engine and Cold Section Module (CSM). The depot has averaged 68 units per month over the last two years, while AMCOM's requirements are 90 per month.

b. ANTICIPATED BENEFITS: Increased production due to reduction in processing and set-up times for the new equipment. Increased production from less downtime for maintenance & repair equates to more T-700 engines to support AMCOM requirements.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Depot will not be able to meet demand for T-700 compressors and will continue to operate on a 24/7 schedule, providing no surge capacity for the US Army, Navy, and Air Force.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$3,306.393	Net Present Value of Benefits:	$2,025.314	Benefit to Investment Ratio:	1.651	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-22	General Purpose Hydraulic Test Stand	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
General Purpose Hydraulic Test Stand				3	515.549	1,546.647						
TOTAL				3	515.549	1,546.647						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:
All three hydraulic test stands are over 35 years old and are no longer supported by the manufacturers. Controls are antiquated and do not comply with ISO and flight safety requirements. Stands do not easily support new weapon system test requirements and do not produce testing documentation as required by LEAN, ISO, and flight safety requirements. Many of the hydraulic components have been designated as a Selected Maintenance Item (SMI) workload, which are in high demand. The depot work schedules are accelerated for these items and existing test equipment routinely prevent their completion.

b. ANTICIPATED BENEFITS:
New machines will be capable of testing all aircraft hydraulic components and produce required documentation. Depot will have increased capacity to handle surge requirements due to Operation Iraqi Freedom. Army will receive the required quantities of hydraulic components to maintain the aircraft.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:
Continue using existing test equipment, experiencing lengthy maintenance periods for down equipment, and shop bottlenecks due to machine incompatibility. Selected Maintenance Item (SMI) workload will continue to suffer.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$1,546.647	Net Present Value of Benefits:	$1,969.627	Benefit to Investment Ratio:	2.420	Payback Period:	NA

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

A. Budget Submission
FY2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	05-27	Firefinder Near Field Probe System	Tobyhanna Army Depot

	FY04			FY05			FY06			FY07		
Element of Cost		Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Firefinder Near Field Probe Sys				1		1,827.000						
TOTAL				1		1,827.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Tobyhanna currently uses a Near Field Probe System to test AN/TPQ-36 Firefinder Radars and AN/TPQ-37 Phased Array Artillery Locating Radar Systems. The AN/TPQ-36 can locate simultaneous and volley-fire weapons. It can also be used to register and adjust friendly fire. Upon projectile detection, the weapon location is computed and is used to direct counter-battery fires. The AN/TPQ-37 is larger than the AN/TPQ-36 and its target acquisition range is greater. The system uses a combination of radar techniques and computer controlled functions to detect and accurately locate enemy artillery and rocket weapons to permit rapid engagement with counterfire. Both systems are critical assets in support of the war in Iraq. The current capacity of Near Field Probe test system cannot support the number of systems demanded to meet the war requirements. Due to the large quantity of Firefinder units and their aggressive overhaul, recap and reset schedules, the present test probe capacity is not adequate and a specialized facility is required for a second test probe capacity.

b. ANTICIPATED BENEFITS: A second Near Field Probe Test Facility will enable the depot to meeting surge requirements and will provide greater flexibility and mitigate the risk associated with having to rely on a single test facility. The second probe will increase throughput and reduce repair cycle time.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: A probe testing facility with equipment is required to diagnose and certify phased arrayed antennas employed as part of the Fire Finder system. This testing is the bottleneck and key link in the chain of sequential operations necessary for competition and scheduled return of the Fire Finder Radar System to the soldier in the field. Without additional testing capacity, there would be a delay in returning these vital systems to the field.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$1,827.000	Net Present Value of Benefits:	$1,772.000	Benefit to Investment Ratio:	NA	Payback Period:	NA

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

A. Budget Submission
FY2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No 05-28 Item Description GETS-B2 Version

D. Activity Identification
Corpus Christi Army Depot

Element of Cost	FY04			FY05			FY06			FY07		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
GETS Full-Up B2 Version				1	2,500.000	2,500.000						
TOTAL				1	2,500.000	2,500.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, HAWK chassis and circuit cards are tested on old High Frequency Console (HFC) and Development Test Equipment (DTE) consoles. These consoles are becoming more and more unsupportable due to age and obsolescence. PATRIOT (PAT) power supplies are tested on PAT 2203, 2204, and PAT1 test stations that are also becoming unsupportive due to age and obsolescence.

b. ANTICIPATED BENEFITS: The plan is to move HAWK testing capability and PATRIOT ICC, Engagement Control System (ECS), Antenna Mast Group (AMG), Launcher and radar power supplies to the more modern General Electric Test System (GETS) station. The Full-Up GETS B2 station will be utilized in place of several PAT1 consoles, 2 DTE consoles, and 2 HFC consoles. The GETS would increase speed in testing components, and reduce floor space needed for current test equipment. There would be decreased maintenance cost associated with maintaining 3 old HFC consoles, 2 DTE consoles, 1 PAT1 console, and associated old accessories. Acquisition of GETS will enable testing of HAWK and PATRIOT on supportable (modern) equipment.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: There will be a need for continued maintenance of old test equipment and more hours of testing time required due to the lack of testing speed. There is a possibility of not meeting testing production due to inadequate number of GETS consoles.

d. **ECONOMIC ANALYSIS PERFORMED? Yes**

ECONOMIC INDICATORS:

Total Cost of the Project	$2,500.000	Net Present Value of Benefits:	$58.398	Benefit to Investment Ratio:	1.024	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-24	Cincinnati Gilbert Horizontal Boring Machine	Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Cincinnati Gilbert Horizontal Boring Machine							1	1,316.000	1,316.000			
TOTAL							1	1,316.000	1,316.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The existing boring machines were purchased in the early 1980's and are experiencing current extensive mechanical wear and obsolescence issues. Existing capabilities of the machine are faltering, resulting in the loss of CNC capabilities and limited manual use. Electronics are outdated. The existing boring units support a vast variety of Army programs. Precision positioning of the machine is being impacted. Continuous rework and repeated set-up times is being experienced.

b. ANTICIPATED BENEFITS: The rebuild program under this product will allow for the restoration of the equipment to a new OEM specification level. A state-of-the-art CNC control will be assembled on all machines. The CNC controls will also allow for manual operations as required. Cost savings to be realized are as follows: labor $ 90,000/yr, equipment down time $ 52,000/yr, maintenance and repair $18,000/yr, utilities $1,300/yr,and consumable supplies $70 /yr.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Production will continue to be disrupted due to extensive down time for maintenance and repair. Associated costs for these problems will continue to escalate. Obsolescence issues will increase until equipment is inoperable.

d. **ECONOMIC ANALYSIS PERFORMED? yes**

ECONOMIC INDICATORS:

Total Cost of the Project	$1,316.000	Net Present Value of Benefits:	$435.000	Benefit to Investment Ratio:	1.358	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-25	CNC Crankshaft Grinders	Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CNC Crankshaft Grinders							2	2,209.500	4,419.000			
TOTAL							2	2,209.500	4,419.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The machine shop in bldg 130 utilizes two manually operated CNC Crankshaft Grinders to polish and undercut AVDS 1790 Engine crankshafts. Both machines are in excess of 20 years and are experiencing excess mechanical wear and electronic obsolescence. This has resulted in both delays and reoccurring shutdowns of boring operations.

b. ANTICIPATED BENEFITS: An enhancement in the operation mode of these machines will be realized, allowing for increased production levels at a rate of 30%. Further, ANAD will realize cost savings in the following areas: Labor, equipment downtime cost , maintenance & repair costs, and consumable supplies.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Production downtime and maintenance costs will continue to escalate as the machine continues to deteriorate. Eventual machine failure will impact ANAD operations in polishing , undercutting, and boring of AVDS 1790 engine crankshafts, as well as future work entering the manufacturing facility.

d. **ECONOMIC ANALYSIS PERFORMED? yes NPV is negative**

ECONOMIC INDICATORS:

Total Cost of the Project	$4,419.000	Net Present Value of Benefits:	$0	Benefit to Investment Ratio:	0.20	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-26	CNC Horizontal Lathes	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CNC Horizontal Lathes							1	1,394.882	1,394.882			
TOTAL							1	1,394.882	1,394.882			

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:**
Existing machines are old, worn, manually operated, and subject to operator limitations. Machines are used to support the T-700 engine parts including the stator assembly, diffuser case, mid-frame, mainframe, compressor case, PT case and exhaust frame. Engine workload is increasing and machines must be operated on 3 shifts to keep up with current demand

b. **ANTICIPATED BENEFITS:**
New machines will be CNC controlled, have a larger bed for processing larger parts, and will decrease setup & run times by 50%.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:**
Depot will continue to operate manual machines with limited capability and increased setup times and rework.

d. **ECONOMIC ANALYSIS PERFORMED? YES.**

ECONOMIC INDICATORS:

Total Cost of the Project	$1,394.882	Net Present Value of Benefits:	$2,732.451	Benefit to Investment Ratio:	2.983	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-28	CNC ID/OD Vertical Grinder, Turret Ring Gr	Anniston Army Depot

	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
CNC ID/OD Vertical Grinder, Turret Ring Gr							1	1,067.000	1,067.000			
TOTAL							1	1,067.000	1,067.000			

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The existing grinder is over 20 years old and is in poor condition. This is the only machine that will allow for M1 Turret Rings to be processed. The machine control system is obsolete and replacement parts for this unit are extremely difficult to obtain. The condition of the grinder is resulting in increased production and set up times due to the machines condition and repeatability. Lengthy down times are being experienced due to required maintenance and repair. This coupled with the difficulty in obtaining repair parts could cause production losses. The interruption of production is critical because this is the only machine of this type and size at ANAD.

b. **ANTICIPATED BENEFITS:** A new machine will have improved technologies enabling the reduction in production time. Further, there will be cost savings in the area of labor, equipment down time, maintenance and repair costs, utilities and consumable supplies. Additional feature and accessories available today will also prepare the production department for future grinding requirements in this machines work envelope. Also, this will bring improvements in the area of lean manufacturing and future work loading.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Without this replacement, operational and maintenance costs will continue to rise, with growing problems in the parts obsolescence/non-availability arena, until the grinder is totally inoperable affecting mission requirements. Ultimately any impact to the mission requirements will affect War fighter readiness.

d. **ECONOMIC ANALYSIS PERFORMED? Yes NPV is negative**

ECONOMIC INDICATORS:

Total Cost of the Project	$1,067.000	Net Present Value of Benefits:	0.00	Benefit to Investment Ratio:	0.408	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-31	Gas Turbine Engine Facility - Equipment	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Gas Turbine Engine Facility - Equipment							1	883.360	883.360	1	14,722.673	14,722.673
TOTAL							1	883.360	883.360	1	14,722.673	14,722.673

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:**
Depot has under-produced T-700 Engines for the last two years and is at production capacity producing 900 engines or cold sections per year. Lean initiatives have already been employed with Industrial Engineering Re-Design of existing processes to streamline and double production outputs. AMCOM requirement is 1200 and increasing. Depot is restricted by antiquated equipment and shortage of floor space for processing the required engines. Additionally, the GE-T-800 engine will be introduced to the depot in the next few years and the T-55-L714 engine is being validated this year. All of these requirements have dictated the need for a new facility.

b. **ANTICIPATED BENEFITS:**
New facility will give the depot the equipment and floor space needed to meet engine production obligations to the Army, Navy, and Air Force while bringing on additional lines for the T-55 -L714 and T-800 engines.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:**
Depot will not be able to increase production on the T-700 engine and will impact the Army's ability to support Operation Enduring Freedom. New production lines will be squeezed into available space, negatively impacting all production lines.

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

ECONOMIC INDICATORS:

Total Cost of the Project	$15,606.033	Net Present Value of Benefits:	$276,268	Benefit to Investment Ratio:	11.119	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-33	Integrated Manufacturing Test Facility	CMA / Pine Bluff Arsenal

	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Intergrated Mfgr Test Facility (IMTF)							1	2,185.000	2,185.000			
TOTAL							1	2,185.000	2,185.000			

Narrative Justification:

DESCRIPTION OF PROJECT: This project will convert one of the existing buildings in the manufacturing area into a test facility for a variety of end-items. Its primary benefit is to replace current open-air atmospheric testing of M18 Grenades.

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: PBA currently has the capability to perform end-item testing for batch mix qualification outdoors. This is a relatively acceptable and efficient practice. However, PBA's permit application (Permit #: 1113-AOP-RO AFIN #: 35-00116) is currently under review by the State of Arkansas Department of Environmental Quality. This permit specifically deals with Quality Assurance (batch and end-item) testing at the Arsenal's open-air test sites. The new permit will place new requirements upon the emission of visible smoke clouds (Opacity):
"Pursuant to 319.503 of Regulation 19 and 40 CFR Part 52, Subpart E, the permittee shall not exceed 20% opacity... When implemented the opacity regulations will all but eliminate in-process testing. The "status quo" of outdoor testing would no longer exist.

b. ANTICIPATED BENEFITS: Installation of an Integrated Manufacturing Test Facility (IMTF) will enable PBA to continue a major product line (M18 smoke grenades). The IMTF will permit continued testing of M18 smoke grenades. The polycyclic organic constituents (POC) emissions would comply with the more stringent limits established in Arkansas's modified permit.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: STATUS QUO no longer exists. PBA would have to test the grenades offsite. Costs for transportation and associated delays in production make this impractical. The Economic Analysis documents this well.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,185.000	Net Present Value of Benefits:	$2,121.000	Benefit to Investment Ratio:	2.032	Payback Period:	N/A

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-36	T-700 Grinding Machine	AMCOM-CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
T-700 Grinding Machine							1	1,852.913	1,852.913			
TOTAL							1	1,852.913	1,852.913			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Existing Newall grinder has been used aggressively for multi-shift operation for the entire life of the machine. The machine ways are damaged from grinding dust wear, resulting in 20% rework. Current machine cannot utilize in-line gauging resulting in the removal of the compressor multiple times for measurement on E-ROM machines.

b. ANTICIPATED BENEFITS: Reduction of rework, increased capacity, and increased accuracy which directly translates to more horsepower and more compressor cases for the T-700 Engine. New grinding breakthrough will allow use of in-line gauging to accurately measure the parts during grinding. New grinder will help the depot meet the current schedule of 90 compressors per month in support of Operation Enduring Freedom.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Depot will not be capable of increasing production to 90 compressors per month to support AMCOM's needs. Combat aircraft will be grounded, awaiting engines or will be forced to fly at reduced maneuverability due to low engine horsepower.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$1,852.913	Net Present Value of Benefits:	$572.135	Benefit to Investment Ratio:	1.328	Payback Period:	NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No
07-17

Item Description: Industrial Plant Equipment for Powertrain/Flexible Maintenance Center

D. Activity Identification
Anniston Army Depot

Element of Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY 06 Quantity	FY 06 Unit Cost	FY 06 Total Cost	FY 07 Quantity	FY 07 Unit Cost	FY 07 Total Cost
Industrial Plant Equipment for Powertrain/Flexible Maint.Ctr.				1	$38,258.000	$38,258.000						
TOTAL				1	38,258.000	$38,258.000						

Narrative Justification:

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

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

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

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project $38,258.000 Net Present Value of Benefits: $9,889.162 Benefit to Investment Ratio: 1.381 Payback Period: 6.9 years

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-39		Item Description Conveyor System, Phase I				D. Activity Identification Crane Army Ammo Activity		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Conveyor System Ph I							1	3,150.000	3,150.000			
TOTAL							1	3,150.000	3,150.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, Crane Army Ammunition Activity is the only source available to the Navy for production of Magnesium Teflon (MTV) Decoy Flares. This project will enhance operational safety significantly by reducing the production operator exposure to dry magnesium/Teflon composition. This project will install a conveyor system that will transport the MTV composition from Building 2504 through an air dry tunnel into the granulator. After granulation, the MTV composition will go into an oven conveyor and then to the press cell material handling equipment.

b. ANTICIPATED BENEFITS: Project not only provides safety benefits by removing the production operator from direct contact with Magnesium/Teflon composition, but it also provides economical benefits by reducing handling of Magnesium/Teflon composition. Based on the history of the magnesium/Teflon manufacturing process, a fatality is very likely.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Safety is the primary reason for this project, but cost advantages will reduce unit price. Crane would not be able to start production of Magnesium Teflon Decoy Flares without safety improvements provided by this project. Without production, the Army, Navy and Air Force fixed wing aircraft will go without decoy flares to protect them, causing loss of lives and loss of high value assets.

d. ECONOMIC ANALYSIS PERFORMED? No economic analysis was prepared for this project as it qualifies for exemption under paragraph 2.2c of the DA Economic Analysis Manual based on environmental, hazardous waste reduction, or federal, state, or local regulatory agency mandate, which precludes choice or trade off among alternatives. There is a consolidated EA that includes four other related projects for the Magnesium Teflon Operation. Each project is exempt due to safety. All five projects need to be approved to satisfy safety requirements.

ECONOMIC INDICATORS:

Total Cost of the Project $3,150.000 Net Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-18		Item Description Air Pollution Control Equipment				D. Activity Identification TACOM - Anniston Army Depot		
	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Air Pollution Control Equip.										3	666.700	2,000.100
TOTAL										3	666.700	2,000.100

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The paint booths covered by this project do not have pollution controls. They are located in bldg 409 at Anniston Army Depot and support all vehicle and return to stock programs at ANAD.

Vehicle Workload: FY02: 633; FY03: 549; FY04: 624; FY05: 654; FY06: 726; FY07: 681
Major Return to Stock Programs (engines, transmission, final drives): FY02: 4240; FY03: 2858; FY04: 2836; FY05: 2647; FY06: 2536; FY07: 2540

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

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

d. ECONOMIC ANALYSIS PERFORMED? Justification for Exemption to Economic Analysis is on file.

ECONOMIC INDICATORS:							
Total Cost of the Project	$2,000.100	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-19		Item Description Conveyor System, Phase II				D. Activity Identification Crane Army Ammo Activity		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Conveyor System Ph II										1	1,200.000	1,200.000
TOTAL										1	1,200.000	1,200.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, Crane Army Ammunition Activity is the only source available to the Navy for production of Magnesium Teflon Decoy Flares. This project will enhance operational safety significantly by reducing the production operator exposure to dry magnesium/Teflon composition. This project will install a conveyor system that will transport the extruded grain from extrusion presses to the normalization tunnel and curing tunnel in Building 200.

b. ANTICIPATED BENEFITS: Installation of this equipment will reduce production operator exposure to magnesium/Teflon composition. Based on the history of the magnesium/Teflon manufacturing process, a fatality is very likely.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Crane would not be able to start production of Magnesium Teflon Decoy Flares. Without production, the Army, Navy and Air Force fixed wing aircraft will go without decoy flares to protect them, causing loss of lives and loss of high value assets.

d. ECONOMIC ANALYSIS PERFORMED? No economic analysis was prepared for this project as it qualifies for exemption under paragraph 2.2c of the DA Economic Analysis Manual based on environmental, hazardous waste reduction, or federal, state, or local regulatory agency mandate, which precludes choice or trade-off among alternatives. There is a consolidated EA that includes four other related projects for the Magnesium Teflon Operation. Each project is exempt due to safety. All five projects need to be approved to satisfy safety requirements.

ECONOMIC INDICATORS:

Total Cost of the Project $1,200.000 Net Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-20		Item Description Upgrade Metal Finish Operations				D. Activity Identification Anniston Army Depot		
	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Upgrade Metal Finish Operations										1	3,104.000	3,104.000
TOTAL										1	3,104.000	3,104.000

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** ANAD's Small Arms Metal Finish Operations, cost center 52DB0, is located in Bldg 129. The operation includes zinc phosphate, manganese phosphate, high temp black oxide, and low temp black oxide processes. The processes are used to apply protective coatings to ferrous military small arms components. This operational facility is in serious state of disrepair with spill containment barriers being of marginal design and with leaks. Process drain lines are deteriorated to the point that product waste may leak to the ground, and the extent of environmental damage is unknown. Currently aluminum parts requiring hard or soft coat anodizing must be transported 1/4 mile to a non-secure facility for processing. Since the anodizing facility is not considered secure (security is an issue with small arms components), anodized parts must be transported back to ANAD's Small Arms Shop before the end of each work shift.

b. **ANTICIPATED BENEFITS:** Elimination of worker safety and environmental concerns due to spills and leaks. Also security issues with the small arms components will be significantly reduced. It is anticipated that there would be annual cost savings in the following arenas: reduction of excessive Operation Costs, Scrap Costs, Equipment downtime, Maintenance and repair costs, Utilities cost and transportation and labor from moving the aluminum parts each shift.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** The safety of the immediate work force is in jeopardy. Environment impacts will continue to increase. Security of the small arms components will still be an issue. Finally, the estimated cost savings with the improved operational equipment will not be realized

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:						
Total Cost of the Project	$3,104.000	Net Present Value of Benefits:	$728.700	Benefit to Investment Ratio:	1.255	Payback Period: NA

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No		D. Activity Identification
Army, Industrial Operations Feb-05	05-23	T-700 Hot Section Repair Cell	AMCOM - CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
T-700 Hot Section Repair Cell				1	2,305.977	2,305.977						
TOTAL				1	2,305.977	2,305.977						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, depot is purchasing new parts for T-700 Engine combustion liner and mid-frame. Recently, AMCOM Engineering has developed/approved a repair that will salvage these parts. Depot does not have the capacity with existing equipment to take on this new repair procedure.

b. ANTICIPATED BENEFITS: Depot will have ability to perform new repair to aviation parts, minimizing the need to purchase new ones. New EB Welder will be ISO and Flight Safety Parts compliant and increase the depot's capacity to handle surges associated with Operation Enduring Freedom.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: AMCOM will continue to fund the purchase of expensive engine parts and will not benefit from the new repair procedure developed by their engineering community. Backlogs and parts shortages will continue and engine production will be restricted.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the Project	$2,305.977	Net Present Value of Benefits:	$35.234	Benefit to Investment Ratio:	17.494	Payback Period:	1.504

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-41	PATRIOT MADF Tools & Equipment	Red River Army Depot

	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
PATRIOT MADF Tools & Equipment							1	2,905.000	2,905.000			
TOTAL							1	2,905.000	2,905.000			

Narrative Justification:

CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: No Missle testing equipment is available for the PATRIOT Missiles located in South Korea. Missiles requiring testing must be shipped, fully assembled, to Red River Army Depot (RRAD) . Missiles must be shipped on an ammuntion ship and there is only one shipment a year for the PATRIOT missiles in South Korea. This makes the turnaround time anywhere from 6-12 months. Missile transportation costs are estimated to be $8.5 M for the time period FY2004-2013.

b. ANTICIPATED BENEFITS:· Provides limited in-country repair capability to South Korea. · Allows for shipment of secondary items versus full up missiles at a much reduced transportation cost ($3.7M vs. $8.5M for time period FY2004-FY2013). · No ammunition ship required. · Allows for use of front loaded assets to reduce turn around time. · Provides for future upgrades. · Provides for program changes, i.e., 2nd recertification program\ · Provides allied support to South Korea, a potential hotspot next to North Korea · Provides increased PATRIOT mission readiness by the other benefits and providing another facility for worldwide support. · Provides better missile defense, which is a high priority in national defense and is part of the Army's transformation effort.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: This is a joint effort with the Eighth United States Army (EUSA), they will be supplying the facility and AMC will be providing the missile testing equipment. The facility will either be located in South Korea or perhaps Japan, this is currently being worked. Turnaround times for Missile testing would remain 6-12 months instead of 1-2 months with the new facility/equipment. Military readiness and surge capacity would be impaired if the Korean peninsula became a hotspot because PATRIOTS would take longer to service.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Project	$2,905.000	Net Present Value of Benefits:	$354.585	Benefit to Investment Ratio:	1.1	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- New Mission ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-22		Item Description LENS 850-R				D. Activity Identification Anniston Army Depot		
	FY04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
LENS 850-R										1	1,768.000	1,768.000
TOTAL										1	1,768.000	1,768.000

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** ANAD does not have a production model Laser Engineered Net System (LENS). The current LENS 850 at ANAD is an engineering laboratory type model used for research, development, and approval of reclamation procedures for AGT 1500 Engine components through the DoD/NCMS (National Center for Manufacturing Sciences) program. The new LENS 850-R to be purchased under this project would be a production model that ANAD could use for reclamation of parts on a production level.

b. **ANTICIPATED BENEFITS:** The new LENS 850-R would enhance operational efficiency at ANAD that would allow for the reclamation of parts on the production level. The new LENS will allow for continued process improvement and potential reclamation of additional parts. The repair of these approved parts would save ANAD $2,687,369 annually as a direct result of increased and improved production operations

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** The Army is presently attempting to stream line and improve production operations within its Organic Base to that of the private sector. Without the machine the improved production operations will not happen, and associated cost savings, will not be realized by the Army

d. **ECONOMIC ANALYSIS PERFORMED? Yes**

ECONOMIC INDICATORS:								
Total Cost of the Project	$1,768.000	Net Present Value of Benefits:	$22.187	Benefit to Investment Ratio:	14.7	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 04-26		Item Description Miscellaneous ADPE < $500k				D. Activity Identification Various Installations		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Misc ADPE < $500k			2.103			2.500			1.512			1.817
TOTAL	0		2.103	0		2.500	0		1.512	0		1.817

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 Maintenance Management System and the Trunked Radio System.

b. ANTICIPATED BENEFITS: Replacement of obsolete equipment will improve processing speeds, increase productivity, and reduce maintenance costs. 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. Various

ECONOMIC INDICATORS:

Total Cost of Project	$7.932	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	NA	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-43		Item Description IT/ADPE				D. Activity Identification TYAD		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADPE							1	2,752.048	2,752.048	1	3,174.930	3,174.930
TOTAL							1	2,752.048	2,752.048	1	3,174.930	3,174.930

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Information processes plans encompass new technology requirements and life cycle replacement of servers, workstations, monitors, laptops, network printer, facsimile equipment, VI/COTS software operating systems and desktop and unique software requirements.

b. ANTICIPATED BENEFITS: A standardized IT infrastructure ensures the systems will operate within the Army's Enterprise Info structure, improve manageability and minimize resource requirements.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If the depot's IT infrastructure is not maintained at a standardized platform level downtime will increase and problems will arise due to incompatibilities, therefore costs to manage the systems will also increase.

d. ECONOMIC ANALYSIS PERFORMED? An EA has been submitted as part of the depot's BCA submission.

ECONOMIC INDICATORS:

Total Cost of the Prc	$2,752.048	Net Present Value of Benefits:	$395.570	Benefit to Investment Ratio:	1.1	Payback Period:	N/A

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-44	IT Replacement	TYAD

	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
IT Replacement							1	1,743.664	1,743.664	1	705.540	705.540
TOTAL							1	1,743.664	1,743.664	1	705.540	705.540

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Local Area Network (LAN) was originally installed in 1992-1993 time frames. The original LAN drops have inadequate CAT 3 or 4 drops that should be at the CAT 5 or 6 levels. The LAN racks/hubs require replacement and relocation to secured areas.

b. ANTICIPATED BENEFITS: Installation of a LAN system with new technology and increased bandwidth will provide a capability to adequately support the depot's mission requirements and align the depot with the Army Knowledge Management Goal 3: Manage the Infrastructure at the Enterprise Level.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to implement the Switch Plan will result in inadequate LAN availability monitoring and will adversely impact fault detection and possibly LAN failure. LAN failures impact the entire depot mission and would disrupt direct and indirect labor productivity.

d. ECONOMIC ANALYSIS PERFORMED? An EA has been submitted as part of the depot's BCA submission.

ECONOMIC INDICATORS:

Total Cost of the Prc	$2,449.204	Net Present Value of Benefits:	$1,130.400	Benefit to Investment Ratio:	2.4	Payback Period:	N/A

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-45	INFRASTRUCTURE SERVER UPDATE	Rock Island Arsenal (RIA)

	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
INFRASTRUCTURE SERVER UPDATE							1	580.000	580.000			
TOTAL							1	580.000	580.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: RIA utilizes numerous computer servers to provide computer services to approximately 5000 base employees. The RIA DOIM supports 104 independent servers. Many of these servers are obsolete non-standard with limited processing power and storage. Some do not have modern server capabilities such as redundant disks and embedded server monitoring. None are running in clustered (redundant mode) which provides near 100% uptime.

b. ANTICIPATED BENEFITS: This project will address RIA's infrastructure server requirement targeting elimination of obsolete/non-standard servers, increase processing power and storage consistent with demand, consolidate server population, and provide clustered (redundant) capabilities. This project will reduce server maintenance, adminstration costs, improve security, reliability, and performance. Yearly benefits of $260,402 will be realized through reduced administration cost, reduced maintenance cost, and saved labor hours. This project will also introduce modern features such as redundant disks and embedded server monitoring, and reduce individual servers.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Yearly benefits of $260,402 resulting from reduced maintenance and administration cost will not be realized if this project is not accomplished. Also, Army Knowledge Management Guidance Memo #2; consolidation of fileservers will not be implementated.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the Prc	$580.000	Net Present Value of Benefits:	$260.402	Benefit to Investment Ratio:	2.223	Payback Period:	N/A

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No Item Description
06-46 Industrial Base Modernization AIT

D. Activity Identification
RIA

Element of Cost	FY04 Quantity	FY04 Unit Cost	FY04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY06 Quantity	FY06 Unit Cost	FY06 Total Cost	FY07 Quantity	FY07 Unit Cost	FY07 Total Cost
IBM AIT							1	5,549.000	5,549.000			
Total							1	5,549.000	5,549.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Automatic Identification Technology (AIT) is enabling technology that will be linked to an automated management network that includes communications and security in order to realize its full potential. The improvements to the supply chain come from a combination of AIT enablers being coupled with the Automated Information Systems (AIS) to track materiel in motion. This submission is to satisfy AIT needs associated with the Logistics Modernization Program (LMP), Industrial Base Modernization Task Order (IBTO) and other AIT initiatives to include Unique Identification (UID), Passive Tagging and Wide Area Workflow. Presently RIA does not have the required business process hardware to support the use of AIT in shop floor operations. RIA is unable to capitalize on labor/production reporting and materiel movement essential to delivering a modernized and efficient business solution to the shop floor.

b. ANTICIPATED BENEFITS: These funds will provide an initial/limited state-of-the-art capability at RIA to automatically capture the source data required to fully use the potential of the Single Army Logistics Enterprise (SALE). A vital component of SALE is to extend modernized services to the industrial base shop floor, known as Industrial Base Modernization (IBM). The SAP R3 software that forms the core of the LMP effort is a "data-hungry" transaction based software program that must be updated manually if an automated capability is not provided. The anticipated transaction input workload cannot be met by the current manning level within the depot. AIT will also ensure accuracy and timeliness of data being input to LMP. This capability will provide for real or near real-time accurate data collection which will significantly improve metadata and the information processed from the source data and available to all users of LMP. Funding this requirement will provide the capability to employ the following Business Process Capabilities at RIA; Conveyance-Based Tracking, Item-Based Tracking, Labor Data Collection, Status Visibility, Source Data Automation, Wireless Collection of Disassembly/assembly and Test Data and Viewing Documentation on the Production Line. These projects automate the production line and provide our personnel ready reference to current technical specifications and documention at each work station.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund would prohibit the Army from realizing many benefits inherent in implementing an ERP solution and conforming to OSD mandated AIT and UID policies. The intense data requirements of the ERP will require diverting labor productivity to manually input data to the ERP.

d. ECONOMIC ANALYSIS PERFORMED? AIT requirement was directed by OSD; therefore, an Economic Analysis is not required for AWCF CIP AIT shop floor infrastructure requirements. Reference Acting DUSD (AT&L) 2 Oct 03 policy memorandum.

ECONOMIC INDICATORS:

Total Cost of Project $5,549.000 Net Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	06-47	Industrial Base Modernization AIT Software	CCAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Passive Tag							160	4,558.000	729.280	160	4,558.000	729.280
CMB Readers							50	3,200.000	160.000	50	3,200.000	160.000
2D B/C Scanner							600	600.000	360.000	600	600.000	360.000
Direct Part Mark							10	500,000.000	5,000.000	6	500,000.000	3,000.000
Total							820		6,249.280	816		4,249.280

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Automatic Identification Technology (AIT) is enabling technology that will be linked to an automated management network that includes communications and security in order to realize its full potential. The improvements to the supply chain come from a combination of AIT enablers being coupled with the Automated Information Systems (AIS) to track materiel in motion. This submission is to satisfy AIT needs associated with the Logistics Modernization Program (LMP), Industrial Base Modernization Task Order (IBTO) and other AIT initiatives to include Unique Identification (UID), Passive Tagging and Wide Area Workflow. Presently Corpus Christi Army Depots (CCAD) does not have the required business process hardware to support the use of AIT in shop floor operations. CCAD is unable to capitalize on labor/production reporting and materiel movement essential to delivering a modernized and efficient business solution to the shop floor.

b. ANTICIPATED BENEFITS: These funds will provide an initial/limited state-of-the-art capability at CCAD to automatically capture the source data required to fully use the potential of the Single Army Logistics Enterprise (SALE). A vital component of SALE is to extend modernized services to the industrial base shop floor, known as Industrial Base Modernization (IBM). The SAP R3 software that forms the core of the LMP effort is a "data-hungry" transaction based software program that must be updated manually if an automated capability is not provided. The anticipated transaction input workload cannot be met by the current manning level within the depot. AIT will also ensure accuracy and timeliness of data being input to LMP. This capability will provide for real or near real-time accurate data collection which will significantly improve metadata and the information processed from the source data and available to all users of LMP. Funding this requirement will provide the capability to employ the following Business Process Capabilities at CCAD; Conveyance-Based Tracking, Item-Based Tracking, Labor Data Collection, Status Visibility, Source Data Automation, Wireless Collection of Disassembly/assembly and Test Data and Viewing Documentation on the Production Line. These projects automate the production line and provide our personnel ready reference to current technical specifications and documention at each work station.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund would prohibit the Army from realizing many benefits inherent in implementing an ERP solution and conforming to OSD mandated AIT and UID policies. The intense data requirements of the ERP will require diverting labor productivity to manually input data to the ERP.

d. ECONOMIC ANALYSIS PERFORMED? AIT requirement was directed by OSD; therefore, an Economic Analysis is not required for AWCF CIP AIT shop floor infrastructure requirements. Reference Acting DUSD (AT&L) 2 Oct 03 policy memorandum.

ECONOMIC INDICATORS:

Total Cost of Project $10,498.560 Net Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-25			Item Description Information Technology Center			D. Activity Identification AMCOM - LEAD		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Information Technology Center										1	619.730	619.730
TOTAL										1	619.730	619.730

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Existing Facilities and Equipment are scattered and disjointedly located, making it difficult to protect and perform required operations under normal to optimum conditions, with no clear control when required by disastrous conditions, or ability to relocate command and control operations as required, all in violation of regulations and directives, including AR 25-1, AR 71-9, FEMA, Army NETCOM policy, Army NETOPS CONOPS, Version 1, as well as NFPA Standard 75.

b. ANTICIPATED BENEFITS: Centralized collocation of equipment and functions in a new facility meeting its specialized construction requirements will not only satisfy regulation requirements, permitting continued integrated communication on the .mil network, but more importantly, will facilitate guaranteed command and control under all operational conditions, including natural and unnatural catastrophic conditions, when reliable control is essential to base mission continuity and national security.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Continued disjoint operation from scattered locations will continue to be in violation of regulations and directives and will place the depot and its mission, maintaining rotary wing aircraft in an adequate state of readiness and availability, in disastrous jeopardy, with possibly even disconnection from military communications networks.

ECONOMIC ANALYSIS PERFORMED? Yes, Qualifies as an exemption based on DOD and FEMA mandates. See EA on file.

This project has a FY 08 Carryover cost of $10,328,839.99.
MILCON 60233

ECONOMIC INDICATORS:						
Total Cost of the Prc	$619.730	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period: N/A

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No Item Description
07-26 Industrial Base Modernization AIT

D. Activity Identification
WVA

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Contract										1	5,549.000	5,549.000
Total												
Total										1	5,549.000	5,549.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Automatic Identification Technology (AIT) is enabling technology that will be linked to an automated management network that includes communications and security in order to realize its full potential. The improvements to the supply chain come from a combination of AIT enablers being coupled with the Automated Information Systems (AIS) to track materiel in motion. This submission is to satisfy AIT needs associated with the Logistics Modernization Program (LMP), Industrial Base Modernization Task Order (IBTO) and other AIT initiatives to include Unique Identification (UID), Passive Tagging and Wide Area Workflow. Presently WVA does not have the required business process hardware to support the use of AIT in shop floor operations. WVA is unable to capitalize on labor/production reporting and materiel movement essential to delivering a modernized and efficient business solution to the shop floor.

b. ANTICIPATED BENEFITS: These funds will provide an initial/limited state-of-the-art capability at WVA to automatically capture the source data required to fully use the potential of the Single Army Logistics Enterprise (SALE). A vital component of SALE is to extend modernized services to the industrial base shop floor, known as Industrial Base Modernization (IBM). The SAP R3 software that forms the core of the LMP effort is a "data-hungry" transaction based software program that must be updated manually if an automated capability is not provided. The anticipated transaction input workload cannot be met by the current manning level within the depot. AIT will also ensure accuracy and timeliness of data being input to LMP. This capability will provide for real or near real-time accurate data collection which will significantly improve metadata and the information processed from the source data and available to all users of LMP. Funding this requirement will provide the capability to employ the following Business Process Capabilities at WVA; Conveyance-Based Tracking, Item-Based Tracking, Labor Data Collection, Status Visibility, Source Data Automation, Wireless Collection of Disassembly/assembly and Test Data and Viewing Documentation on the Production Line. These projects automate the production line and provide our personnel ready reference to current technical specifications and documention at each work station.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund would prohibit the Army from realizing many benefits inherent in implementing an ERP solution and conforming to OSD mandated AIT and UID policies. The intense data requirements of the ERP will require diverting labor productivity to manually input data to the ERP.

d. ECONOMIC ANALYSIS PERFORMED? AIT requirement was directed by DUSD (AT+L); therefore, an Economic Analysis is not required for AWCF CIP AIT shop floor infrastructure requirements.

ECONOMIC INDICATORS:

Total Cost of Project $5,549.000 Net Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION AUTOMATED DATA PROCESSING ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-27		Item Description Data Back-up System Modernization				D. Activity Identification Rock Island Arsenal (RIA)		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Data Back-up System Modernization										1	538.000	538.000
TOTAL										1	538.000	538.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: RIA IT provides server backup and recovery services for RIA, AFSC, JMC, TACOM-RI, and SBCCOM. The current data backup and recovery system will be inadequate by 2007 due to the greater demands put on the system through the technological transformation to digital data use, and with the increase in network speeds. RIA's current drives run at 6 MB/sec and tapes average 45 GB of storage. Todays' technology (as of 2003) compares at 16MB/sec with tape storage of 300GB. By 2007, the current systems will be farther behind and less adequate. Projected rate of useage would consume the current storage capacity by 2008. With server consolidation taking place, the Storage Area Network (SAN) the ability to backup and restore data faster becomes very crucial.

b. ANTICIPATED BENEFITS: This project will increase the speed, volume, and reliability of the data backup and recovery services for RIA, AFSC, JMC, TACOM-RI, SBCCOM and e-mail systems. It will eliminate ageing equipment that cannot be economically supported with any degree of certainty and replace with equipment that can be supported. Backups will be made faster and more reliable. It will also increase our ability to backup large amounts of data for upcoming years.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Benefits resulting from reduced maintenance and administration cost, totaling $1,394,344 over a six year period will not be realized if this project is not accomplished. RIA' data backup and recovery services will become obsolete and unable to keep up with the demands of higher volume and faster speeds of modern technology and equipment.

d. ECONOMIC ANALYSIS PERFORMED? YES

ECONOMIC INDICATORS:					
Total Cost of the Prc	$538.000	Net Present Value of Benefits:	$518.900	Benefit to Investment Ratio:	2.049 Payback Period: N/A

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	07-28	Industrial Base Modernization AIT Software	ANAD

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
IBM AIT SW										1	7,700,000	7,700.000
Total										1	7,700,000	7,700.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Automatic Identification Technology (AIT) is enabling technology that will be linked to an automated management network that includes communications and security in order to realize its full potential. The improvements to the supply chain come from a combination of AIT enablers being coupled with the Automated Information Systems (AIS) to track materiel in motion. This submission is to satisfy AIT needs associated with the Logistics Modernization Program (LMP), Industrial Base Modernization Task Order (IBTO) and other AIT initiatives to include Unique Identification (UID), Passive Tagging and Wide Area Workflow. Presently Anniston Army Depots (ANAD) does not have the required business process hardware to support the use of AIT in shop floor operations. ANAD is unable to capitalize on labor/production reporting and materiel movement essential to delivering a modernized and efficient business solution to the shop floor.

b. ANTICIPATED BENEFITS: These funds will provide an initial/limited state-of-the-art capability at ANAD to automatically capture the source data required to fully use the potential of the Single Army Logistics Enterprise (SALE). A vital component of SALE is to extend modernized services to the industrial base shop floor, known as Industrial Base Modernization (IBM). The SAP R3 software that forms the core of the LMP effort is a "data-hungry" transaction based software program that must be updated manually if an automated capability is not provided. The anticipated transaction input workload cannot be met by the current manning level within the depot. AIT will also ensure accuracy and timeliness of data being input to LMP. This capability will provide for real or near real-time accurate data collection which will significantly improve metadata and the information processed from the source data and available to all users of LMP. Funding this requirement will provide the capability to employ the following Business Process Capabilities at ANAD; Conveyance-Based Tracking, Item-Based Tracking, Labor Data Collection, Status Visibility, Source Data Automation, Wireless Collection of Disassembly/assembly and Test Data and Viewing Documentation on the Production Line. These projects automate the production line and provide our personnel ready reference to current technical specifications and documention at each work station.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund would prohibit the Army from realizing many benefits inherent in implementing an ERP solution and conforming to OSD mandated AIT and UID policies. The intense data requirements of the ERP will require diverting labor productivity to manually input data to the ERP.

d. ECONOMIC ANALYSIS PERFORMED? AIT requirement was directed by DUSD (AT+L); therefore, an Economic Analysis is not required for AWCF CIP AIT shop floor infrastructure requirements.

ECONOMIC INDICATORS:

Total Cost of Project	$7,700.000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	N/A

MINOR CONSTRUCTION ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 04-28		Item Description VMC <$500K				D. Activity Identification Various Installations		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
VMC			14.038			8.548			7.120			4.740
TOTAL			14.038			8.548			7.120			4.740

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This represents various minor construction projects costing < $500K, which will improve depot efficiency through new construction, modernization, addition, or renovation of the existing facilities. The construction projects are to meet mission needs and add quality of life improvements (safety/environmental concerns).

b. ANTICIPATED BENEFITS: The projects will increase productivity and allow for quality of life improvements. Specifically, with a couple projects the efficiency of the mission work will improve with improved plant layout, better electrical distribution, improved lighting and HVAC. The projects specifically for quality of life improvements will improve worker morale, and eliminate potential health and safety concerns.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If not approved, improvements in mission arrears will not come to fruition, and production efficiencies will continue to degrade. Also without the improvements worker morale will continue to decrease, the work environment will not improve, and worker safety /health will continue to be a significant concern.

d. ECONOMIC ANALYSIS PERFORMED? Yes

ECONOMIC INDICATORS:

Total Cost of the $34.446 Net Present Value of Benefits: NA Benefit to Investment Ratio: NA Payback Period: N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 05-10		Item Description Addition to Bldg 200, PH I				D. Activity Identification Crane Army Ammunition Activity		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Addition to Bldg 200, PH I				1	930.000	930.000						
TOTAL				1	930.000	930.000						

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Magnesium/Teflon Decoy Flare production for fixed wing and rotary aircraft protection is currently housed in building 200. Production is based on current commercial processes that have resulted in 3 fatalities in the last 4 years and 10 deaths in the last 11 years in the private sector. Current manufacturing processes present severe safety hazards to production personnel due to failure to remove operators from those processes which put them in close proximity to the magnesium/Teflon compound.

b. ANTICIPATED BENEFITS: This project will construct additional facilities to air dry the magnesium/Teflon composition, the granulator, the extruder and press cells. This facility is expected to produce a reduction in unit cost and improve safety. This project will provide a stable source for limited decoy flare production for Navy and Air Force. Several companies have left the decoy flare business in recent years due to safety and other factors. The current workload is steady through FY 04 and beyond especially in support of Navy since commercial sources have been unable to produce several of the more critical Navy flares.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Based on the history of magnesium/Teflon manufacturing a fatality is a possibility. Non-availability of critical Navy flares and a backup source for commercial flare producers could impact readiness of aircraft dependent on these flares for protection from heat seeking missiles.

d. ECONOMIC ANALYSIS PERFORMED? No official economic analysis will be prepared for this project since it qualifies for exemption under paragraph 2.2c of the DA Economic Analysis Manual based on environmental, safety, hazardous waste reduction, or federal, state, or local regulatory agency mandate, which precludes choice or trade-off among alternatives. There is a consolidated EA that includes four other related projects for the Magnesium Teflon Operation. Each project is exempt due to safety. All five projects need to be approved to satisfy safety requirements.

ECONOMIC INDICATORS:

Total Cost of the $930.000 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 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No
05-26

Item Description
Minor Construction >$500k and <$750K

D. Activity Identification
Various Installations

	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
Minor Construction				1	5,018.000	5,018.000	1	6,508.000	6,508.000	1	4,864.000	4,864.000
TOTAL				1	5,018.000	5,018.000	1	6,508.000	6,508.000		4,864.000	4,864.000

Narrative Justification:

FY 05		**K**
RIA	Upgrade Hvac System Bldg 90	$547.000
SIAD	Upgrade Car Level Warehouse	$533.000
SIAD	Upgrade Ground Level Warehouse	$576.000
MCAAP	Admin. Bldg.	$500.000
BGAD	Widen Route 1	$746.000
CCAD	Shop for Metal Process	$731.000
CCAD	Mezzanine for Metal Process	$725.000
RRAD	Expanded ammunition Storage Area	$660.000
Total FY 05		$5,018.000
FY 07		
ANAD	Air compressor Upgrade	$598.000
BGAD	Enlarge Igloo Doors	$540.000
BGAD	Igloo Apron Expansion	$536.000
BGAD	Igloo Door Modification	$546.000
ANAD	Production Administration Bldg	$703.000
RIA	Upgrade Bldg 102E Elevator	$608.000
RIA	Upgrade bldg 60E Elevator	$608.000
ANAD	Upgrade Small Arms Repair Facility	$725.000
Total FY 07		$4,864.000

FY 06		**K**
ANAD	Concrete Paving at DGRC	$700.000
ANAD	Electrical Distribution Improvement	$517.000
CAAA	Facility Upgrade Bldg 155	$738.000
BGAD	Igloo Apron Expansion	$538.000
MCAAP	Multi-purpose Prep/Paint/Screening Bldg	$685.000
MCAAP	Pinkwater treatment Facility	$659.000
ANAD	Renovate Bldg 1723 (DGRC)	$700.000
ANAD	Renovate Bldg 130	$697.000
BGAD	Replace Ammo Igloo G611	$740.000
ANAD	Replace roofing Bldg 1701	$534.000
Total FY 06		$6,508.000

ECONOMIC INDICATORS:

Total Cost of the $16,390.000 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 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-47		Item Description Access Control & Change House				D. Activity Identification Blue Grass Army Depot		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Access Control & Chg House							1	750.000	750.000			
TOTAL							1	750.000	750.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: BGAD currently uses Bldg. 223 Clock House as a primary reporting location for approximately 160 employees. Here the employees receive their assignments for the day and use the building's change area, shower, and rest room facilities. This building is no longer adequate in terms of space and industrial hygiene. This building has been renovated and expanded in the past, but there is no rooom for further expansion .

b. ANTICIPATED BENEFITS: A new building would eliminate employees waiting for shower and change facilities when two shifts are operating. Employee morale would be greatly increased with a new facility. The net present value for this product is $3,067.735.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Mission will continue to require a building for employees to report and use for a change house. Continued use of the current inadequate facility will cause BGAD to experience lost man-hours caused by employees waiting for facilities. The alternative is for employees to return home after work wearing their work clothes; this increases risk of bringing contamination home to their families.

d. ECONOMIC ANALYSIS PERFORMED? This project qualifies for an economic analysis exemption. Based on historical experience, the cost of a full economic analysis is cost prohibitive in respect to cost of the project. An abreviated cost analysis has been completed.

ECONOMIC INDICATORS:

Total Cost of the $750.000 Net Present Value of Benefits: $3,067.735 Benefit to Investment Ratio: 5.418 Payback Period: N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-49		Item Description Construct Radioactive Mtrls Storage Bldg				D. Activity Identification Blue Grass Army Depot		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Constrt Mtrls Storage Bldg							1	750.000	750.000			
TOTAL							1	750.000	750.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently, BGAD stores chemical detection equipment in a portable storage facility, an inadequate building, and three ammunition igloos. This chemical detection equipment contains radioactive elements necessary for its function. The current building is not in compliance with Occupational Safety and Health Administration standards for safety, and does not meet Nuclear Regulatory Commission requirements for hazardous or radioactive storage.

b. ANTICIPATED BENEFITS: A new building would provide adequate storage space and allow for growth. Consolidating all storage to one location would reduce multiple handling and delays. The new building will be constructed to meet all standards; with a new loading dock, safety and shipping ability would be enhanced. Shipping and receiving costs could be reduced by $95,880 annually. In addition, three igloos would be freed up to store ammunition. Accountability and security are a top priority and will be further enhanced with the new storage building.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: BGAD will continue to perform the critical mission of storage of this equipment. Extra handling of this equipment will continue due to multiple locations. Use of current facilities increases risk of material loss and personal injury. Storage space for ammunition will continue to be restrained if the three igloos are needed for the chemical detection equipment.

d. ECONOMIC ANALYSIS PERFORMED? A full economic analysis serves no useful purpose since the current building does not meet regulatory requirements. An analysis shows a payback of approximately 7.3 years.

ECONOMIC INDICATORS:

Total Cost of the	$750.000	Net Present Value of Benefits:	$6,354.400	Benefit to Investment Ratio:	9.153	Payback Period:	7.3 years

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

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date
Army, Industrial Operations Feb-05

C. Line No
06-53

Item Description
Heat & Insulate Car Level Warehouse

D. Activity Identification
Sierra Army Depot

Element of Cost	FY 04 Quantity	FY 04 Unit Cost	FY 04 Total Cost	FY05 Quantity	FY05 Unit Cost	FY05 Total Cost	FY 06 Quantity	FY 06 Unit Cost	FY 06 Total Cost	FY 07 Quantity	FY 07 Unit Cost	FY 07 Total Cost
Heat & Insulate Car Level Whse							1	611.000	611.000	1	622.000	622.000
TOTAL							1	611.000	611.000	1	622.000	622.000

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Depot has Operational Stocks mission for all of AMC. The depot's mission continues to grow and requires additional work area and updated warehouse space to provide heated and properly lighted facilities to efficiently work on and store customer's equipment and material. Existing incandescent lighting in this warehouse emits 1 to 3 foot candles, well below the Illuminating Engineering Society handbook which states an active storage area should have a minimum of 20 foot candles. Existing warehouse has no heat or insulation. This warehouse has not been upgraded since it's original construction in 1942.

b. **ANTICIPATED BENEFITS:** Project will provide SIAD with an upgraded warehouse. Upgrades will include infrared heating, insulation, and adequate lighting (increased to 20 foot candles). Increased lighting will allow for quicker identification of items, quicker movement of items throughout the warehouse, the ability to use computer and barcode scanning equipment, and a safer work environment. In total, these improvements will increase employee productivity and morale.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** If project is not completed, equipment and material will continue to stored in unheated space. During the winter months employees will have to wear heavy coats, extra clothing, and gloves to protect themselves from the cold. Temperatures in the area can be 20-40 degrees Fahrenheit for 6 months of the year. Without these improvements employee's productivity, safety, and quality of life will be adversely affected.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes

ECONOMIC INDICATORS:

Total Cost of the	$1,233.000	Net Present Value of Benefits:	$223,195	Benefit to Investment Ratio:	1.390	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-54			Item Description Heat & Insulate Ground Level Warehouse			D. Activity Identification Sierra Army Depot		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Heat & Insulate Ground Level Whse							1	611.000	611.000	1	622.000	622.000
TOTAL							1	611.000	611.000	1	622.000	622.000

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Depot has Operational Stocks mission for all of AMC. The depot's mission continues to grow and requires additional work area and updated warehouse space to provide heated and properly lighted facilities to efficiently work on and store customer's equipment and material. Existing incandescent lighting in this warehouse emits 1 to 3 foot candles, well below the Illuminating Engineering Society handbook which states an active storage area should have a minimum of 20 foot candles. Existing warehouse has no heat or insulation. This warehouse has not been upgraded since it's original construction in 1942.

b. **ANTICIPATED BENEFITS:**Project will provide SIAD with an upgraded warehouse. Upgrades will include infrared heating, insulation, and adequate lighting (increased to 20 foot candles). Increased lighting will allow for quicker identification of items, quicker movement of items throughout the warehouse, the ability to use computer and barcode scanning equipment, and a safer work environment. In total, these improvements will increase employee productivity and morale.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** If project is not completed, equipment and material will continue to stored in unheated space. During the winter months employees will have to wear heavy coats, extra clothing, and gloves to protect themselves from the cold. Temperatures in the area can be 20-40 degrees Fahrenheit for 6 months of the year. Without these improvements employee's productivity, safety, and quality of life will be adversely affected.

d. **ECONOMIC ANALYSIS PERFORMED?** Yes

ECONOMIC INDICATORS:

Total Cost of the	$1,233.000	Net Present Value of Benefits:	$223,195	Benefit to Investment Ratio:	1.390	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-56		Item Description MC Dust Collector				D. Activity Identification TYAD		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Dust Collector							1	118.483	118.483			
HVAC							1	624.988	624.988	1	636.055	636.055
TOTAL							2	743.471	743.471	1	636.055	636.055

Narrative Justification:

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** The dust collector located in building 1C-4 functions as an industrial vacuum system that collects dust resulting from hand sand operations. The dust collector is a dry fabric type separator with pulsed jet cleaning on an automatic cycle. The purpose of this project is to duplicate the current capacity. The depot's Sustainment, Restoration and Modernization Plans for the upgrade of electrical systems has been conducted by the depot's Directorate of Public Works. The plan determines the condition of the system, the year it should be replaced, how it should be replaced and the resources required to accomplish the replacement in order to meet the Army Sustainment Plan.

b. **ANTICIPATED BENEFITS:** Increasing the dust collector capacity will provide for an increase in the hand sanding operation and the ability to handle an expected increase in workload, surge and an improved throughput of components. Replacing the depot's HVAC systems will mantain the infrastructure that supports the depot mission.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** Failure to duplicate the current dust collection capacity will result in increased costs and decreased productivity and throughput. Failure to replace the depot's HVAC system will result in a disruption of mission workload.

d. **ECONOMIC ANALYSIS PERFORMED?** An EA has been submitted as part of the depot's BCA submission. POC is Ron Kessler DSN 795-7112. HVAC EA has been submitted as part of the depot's BCA submission.

ECONOMIC INDICATORS:

Total Cost of the	$1,379.526	Net Present Value of Benefits:	$217.300	Benefit to Investment Ratio:	2.9	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-65		Item Description Shelter For Ammunition Mission Vehicles				D. Activity Identification Blue Grass Army Depot		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Shelter For Ammo Msn Veh							1	750.000	750.000			
TOTAL							1	750.000	750.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Blue Grass Army Depot (BGAD) currently uses an open air parking area adjacent to Bldg. 223 to park vehicles that are used to move ammunition throughout the depot. At the start of the work shift, a bottleneck exists when employees move vehicles, causing safety concerns. The asphalt surface requires continued maintenance. During inclement weather, delays are increased due to need to scrape off snow/ice and vehicles are susceptible to mechanical and hydraulic system failures.

b. ANTICIPATED BENEFITS: A covered parking area would eliminate delays and required maintenance on the ammunition vehicles. The area would be constructed just north of Bldg. 223. Eliminating one-half hour delay per employee each day would save an estimated $163,200 annually. The payback on this investment is less than five years.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Ammunition equipment and safety concerns will remain an issue until this shelter is constructed. Delays will continue to cost approximately $163,200 per year, in addition to the continued increase maintenance required as a result of these vehicles staying outdoors.

d. ECONOMIC ANALYSIS PERFORMED? This project qualifies for an economic analysis exemption. Based on historical experience, the additional cost of performing a full economic analysis is cost prohibitive with respect to cost of the project. No reasonable alternative to this solution exists.

ECONOMIC INDICATORS:

Total Cost of the $750.000 Net Present Value of Benefits: $1,410.782 Benefit to Investment Ratio: 2.032 Payback Period: N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-66		Item Description Shipping/Receiving Bldg 3325/3333				D. Activity Identification Crane Army Ammunition Activity		
	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
S/R Bldg 3325/3333							1	759.000	759.000			
TOTAL							1	759.000	759.000			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Crane Army Ammunition Activity is a tenant to the Navy Surface Warfare Center. The Navy transportation office will relocate to a new structure inside the Burns City Gate. To enhance shipping and the receipt of commercial ordnance trucks at the relocated ordnance gate, improvements must be made to Building 3325 and 3333. This project will construct sections to these existing building using overhead doors and walls to receive or ship munitions and inert material.

b. ANTICIPATED BENEFITS: This project will enhance Crane's ability to ship and receive munitions and inert material at the relocated ordnance gate. Provide safe working conditions and eliminates delays due to inclement weather.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Crane would experience delays in meeting current mission and rapid response operations due to inclement weather.

d. ECONOMIC ANALYSIS PERFORMED? Benefit to Investment Ratio (BIR) not applicable because EA was performed using the No Status Quo Format. No other facilities are available except building 3325 and 3333, which are open to the elements and unsafe.

ECONOMIC INDICATORS:

Total Cost of the $759.000 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 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-29		Item Description Addition to Bldg 200, PH II				D. Activity Identification Crane Army Ammunition Activity		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Addition to Bldg 200, PH II										1	750.000	750.000
TOTAL	0		0.000	0		0.000	0		0.000	1	750.000	750.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Magnesium/Teflon Decoy Flare production for fixed wing and rotary aircraft protection is currently housed in building 200. Production is based on current commercial processes that have resulted in 3 fatalities in the last 4 years and 10 deaths in the last 11 years in the private sector. Current manufacturing processes present severe safety hazards to production personnel due to failure to remove operators from those processes which put them in close proximity to the magnesium/Teflon compound.

b. ANTICIPATED BENEFITS: This project will construct additional facilities to perform plank normalizing and curing operations, along with equipment for machining and final assembly. This facility is expected to produce a reduction in unit cost and improve safety. This project will provide a stable source for limited decoy flare production for Navy and Air Force. Several companies have left the decoy flare business in recent years due to safety and other factors. The current workload is steady through FY 04 and beyond especially in support of Navy since commercial sources have been unable to produce several of the more critical Navy flares.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Based on the history of magnesium/Teflon manufacturing a fatality is a possibility. Non-availability of critical Navy flares and a backup source for commercial flare producers could impact readiness of aircraft dependent on these flares for protection from heat seeking missiles.

d. ECONOMIC ANALYSIS PERFORMED? No economic analysis was prepared for this project as it qualifies for exemption under paragraph 2.2c of the DA Economic Analysis Manual based on environmental, hazardous waste reduction, or federal, state, or local regulatory agency mandate, which precludes choice or trade-off among alternatives. There is a consolidated EA that includes four other related projects for the Magnesium Teflon Operation. Each project is exempt due to safety. All five projects need to be approved to satisfy safety requirements.

ECONOMIC INDICATORS:

Total Cost of the $750.000 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 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 07-35		Item Description Temp Controlled Mix Preparation and Storage Facility				D. Activity Identification PBA		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Mix Prep and Storage Facility										1	764.000	764.000
TOTAL										1	764.000	764.000

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Currently raw materials for the GLATT mixers are stored in approximately 400 square feet of unconditioned floor space in a building separate from the mix facility. There isn't adequate temperature/humidity controlled space to dry and store mix bowls after they have been cleaned and are awaiting their next use. During cold weather moisture condenses on these mixing bowls. When powdered raw materials are dumped into contaminated mixing bowls, the moisture causes the powder to clump. The mixing process cannot always achieve a homogeneous mix. The material cannot be used and must be re-worked or disposed. Similarly there isn't any controlled space to store the transportainers, which are used to move mixed material from the mixers to the filling facility. Contaminated transportainers are an additional cause of material and production time loss.

b. ANTICIPATED BENEFITS: The new 4,800 sq ft Temperature Controlled Mix Preparation and Storage Facility will serve the multi-purpose function of 1) storing raw materials under conditions that will improve mix quality, 2) drying and storing mix bowls under circumstances that will increase production availability and mix consistency, and 3) storing transportainers under conditions that will not compromise the mix while awaiting use. Humidity variation will be kept to a minimum on the raw materials themselves as well as the containers used to mix and transport. This will result in a more consistent product, achieving one of lean manufacturing goals. The need to re-dry and re-blend mix will be reduced. Qualification requirements for the batches of mix and overall quality of the product will be easier to maintain with these improved storage conditions.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Continue to use materials that are not prepared or recently stored in a controlled environment. Continue to use mix bowls that are subject to outside conditions and to allow uncontrolled condensation to foul the mixing process.

d. ECONOMIC ANALYSIS PERFORMED? Yes.

ECONOMIC INDICATORS:

Total Cost of the	$764.000	Net Present Value of Benefits:	$55.000	Benefit to Investment Ratio:	1.078	Payback Period:	N/A

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE ($ in Thousands)										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 00-02	Item Description LMP					D. Activity Identification		
	FY 04			FY05			FY 06			FY 07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
LMP	1	6,350.000	6,350.000	1	6,350.000	6,350.000	1	6,350.000	6,350.000	1	6,350.000	6,350.000
TOTAL	1	6,350.000	6,350.000	1	6,350.000	6,350.000	1	6,350.000	6,350.000	1	6,350.000	6,350.000

Narrative Justification:

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

b. ANTICIPATED BENEFITS: The Logistics Modernization Program is a ten-year project to correct the noted deficiencies. It will enable the Army to take advantage of commercial expertise, experience, and investments in process improvement and information technology. The Army Materiel Command (AMC) will be able to perform business process reengineering (BPR), adopt market-driven business practices, and provide significantly improved services. The new process will help us achieve synchronization with Global Combat Support System - Army. The Army will retain Intellectual Property Rights to all documentation with regard to BPR report system descriptions and implementation plans. The Industrial Operations portion of the ten-year investment will total about $42 M, part of a $300 M program, which also includes the Supply Management, Army activity group. **This project was formerly known as Wholesale Logistics Modernization Program (WLMP).**

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

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

ECONOMIC INDICATORS:

Total Cost of Project	$300,000.000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	99-08	Army Workload & Performance System (AWPS)	All Depots

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
AWPS-DM	1	2265.000	2265.000	1	2,358.300	2,358.300	1	1,289.600	1,289.600	1	895.000	895.000
AWPS-ORD	1	3695.000	3695.000	1	3235.000	3235.000	1	2625.400	2625.400	1	1484.600	1484.600
TOTAL	2		5,960.000	2		5,593.300	2		3,915.000	2		2,379.600

Narrative Justification:

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

b. ANTICIPATED BENEFITS: The AWPS will assist the Tank, Automotive and Armament Command (TACOM), Communications and Electronics Command (CECOM) and Aviation and Missile Command (AMCOM) in managing complex workload and employment strategies. AWPS will provide capstone managerial and financial information from the LMP data base to all levels of command including AWPS operating from LMP data at ANAD, RRAD , CCAD and LEAD. Providing workforce/workload analysis tools for TYAD, LEAD and CCAD for mission indirect personnel.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: AWPS will be unable to provide Congressionally mandated certification of workload/staffing for Industrial operations.. Funding shortfalls will preclude the use of AWPS at TYAD, CCAD and LEAD in the mission indirect area of the mission organization. and at ANAD, RRAD, CCAD and LEAD in the direct mission area.

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

ECONOMIC INDICATORS:

Total Cost of Proj	$17,847.900	Net Present Value of Benefits:	NA	Benefit to Investment Ratio:	NA	Payback Period:	NA

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION
SOFTWARE
($ in Thousands)

A. Budget Submission
FY 2006/2007
OSD/OMB Submission

B. Component, Activity Group, Date	C. Line No	Item Description	D. Activity Identification
Army, Industrial Operations Feb-05	04-16	Industrial Base Modernization	Various Activities

	FY04			FY05			FY06			FY07		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Contractor Support				1	17,706.000	17,706.000	1	10,605.638	10,605.638			
TOTAL				1		17,706.000	1		10,605.638			

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army is in the process of replacing its antiquated Standard Depot System (SDS) at the Maintenance Depots with an Enterprise Resource Planning (ERP) system. This effort is part of the Army's Wholesale Logistics Modernization Program (WLMP). The need exists to modernize the logistic chain processes within the maintenance depots to increase operational efficiencies and to decrease overall depot costs. Although the majority of the functional efforts performed at the maintenance depot are processed in SDS, there are many functions; e.g. facility management, tool management, shop floor control, data collection, Flexible Computer Integrated Manufacturing System (FCIMS/RAMP), etc., that are performed by numerous unique legacy systems. The ability to provide for tracking of secondary item repair to a particular weapon sytem in support of Army's RECAP Program is also required. Supporting processes to include data collection capability and Automatic Identification Technology (AIT) are outside the current business processes and user base associated with the WLMP. The thrust of this project is to develop an industrial base modernized system that fully integrates the requirements performed by the numerous unique legacy systems currently used by the depot maintenance community with the ERP solution. The plan is to implement in FY06 at Anniston Army Depot and Red River Army Depot with the other depots covered in FY05.

b. ANTICIPATED BENEFITS: A fully integrated ERP will increase maintenance depot operational efficiencies and reduce overall depot costs. Will reduce automation sustainment costs, software fees and system infrastructure requirements at each maintenance depot. Also will ensure a common ERP environment exists throughout the depot maintenance community. Provides increased asset visibility and facilitate serial number tracking as well as helping to achieve total cost ownership capability.

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

d. ECONOMIC ANALYSIS PERFORMED? Completed Jun 01.

ECONOMIC INDICATORS:

Total Cost of the F	$28,311.638	Net Present Value of Benefits:	$46,335	Benefit to Investment Ratio:	1.77	Payback Period:	5.52

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION SOFTWARE **($ in Thousands)**										A. Budget Submission FY 2006/2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-05				C. Line No 06-67	Item Description Industrial Base Modernization AIT Software					D. Activity Identification ANAD/CCAD		
	FY04			**FY05**			**FY06**			**FY07**		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Contract							1	78.530	78.530	1	78.530	78.530
TOTAL							1	78.530	78.530	1	78.530	78.530

Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This submission is to satisfy all AIT associated with multiple LMP IBTO and other AIT initiatives to include UID and Passive Tagging and Wide Area Workflow. Presently Anniston Army Depot and Corpus Christi Army Depot do not have the required business process software to facilitate the use of AIT in shop floor operations. Therefore, depots are unable to capitalize on labor and production; reporting and material movement, thus deliverilng a modernized and efficient business solution to the shop floor. Presently depots are unable to effectively implement state of the art requirements.

b. ANTICIPATED BENEFITS: These funds will provide a state-of-the-art Automated Identification Technology (AIT) hardware and software implementation at Anniston Army Depot and Corpus Christi Army Depot, which is required to fully use the potential of the Logistics Modernization Program (LMP). A vital component of the LMP is the effort to extend the modernized services into the industrial base shop floor, known as Industrial Base Modernization (IBM). The SAP R3 software that forms the core of the LMP effort is extremely "data-hungry" and will place demands which cannot be expected to be met by existing manning levels at the depots. These AIT projects will ensure that the data captured will be error-free. These projects will also establish a capability for real- or near real-time aggregation of data into a central repository such that all users of the LMP program can monitor and manage assets with clarity heretofore unknown in the Army.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund would prohibit the Army from realizing many benefits inherent in implementing an ERP solution and conforming to the UID policy for marking equipment/parts. The intensive data requirments of the ERP will exceed the ability of existing workforces to provide that data.

d. ECONOMIC ANALYSIS PERFORMED: AIT requirement was directed by OSD; therefore, an Economic Analysis will be prepared when requirements are better defined. Reference Acting DUSD (AT&L) 2 Oct 03 policy memorandum.

ECONOMIC INDICATORS:

Total Cost of Project $157.030 Net Present Value of Benefits: N/A Benefit to Investment Ratio: N/A Payback Period: N/A

Department of Army
Industrial Operations
FY 2004
FY 2006-2007 OSD/OMB Submission
February 2005
($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
FY04	Various Capital Equipment <$500k	9.182	3.053	12.235	12.235	0.000	Reprogrammed from and to other projects listed below
	EQUIPMENT-Replacement						
FY04	120" CNC Bed Type Lathe	0.599	(0.599)	0.000	0.000	0.000	Reprogrammed $0.312 to Foundry Manipulator, $0.257 to EDM and $0.030 to VCE
FY04	ASRS Mini-Load System	0.605	(0.178)	0.427	0.427	0.000	Reprogrammed to Dust Collector
FY04	ASRS System Upgrade	4.400	(0.002)	4.398	4.398	0.000	Reprogrammed to Vertical Grinder
FY04	HP3070 Circuit Board Test System	0.839	(0.525)	0.314	0.314	0.000	Reprogrammed to VCE-Repl Leblonde Lathe,Elec upgrade Bldg 5 and Vertical grinder
FY04	Bar and Chucking Lathe, CNC 4 1/2"	0.502		0.502	0.502	0.000	
FY04	Boring Mill	0.940		0.940	0.940	0.000	
FY04	Bridge Crane 30- ton Bldg 170	1.296		1.296	1.296	0.000	
FY04	CNC Milling Machine	0.818	(0.093)	0.725	0.725	0.000	Reprogrammed to MC Convert Elevators
FY04	CNC Vertical Machining Center	1.025	0.154	1.179	1.179	0.000	Reprogrammed from IFTE-CEE test station
FY04	Generator Load Bank	0.600	(0.006)	0.594	0.594	0.000	Reprogrammed to Vertical Grinder
FY04	High Pressure H20 Jet Coating Removal	0.500	0.408	0.908	0.908	0.000	Reprogrammed from Air Pollution Control Equip
FY04	Plastic Media Booth System	2.083		2.083	2.083	0.000	Shifted from Productivity
FY04	Upgrade of IFTE-CEE Test Stations	2.734	(2.734)	0.000	0.000	0.000	Reprogrammed to 8 projects on this list
FY04	Automated Starter Patch Fabrication System		0.690	0.690	0.690	0.000	Reprogrammed from Automated M295 Line
FY04	XT-1410 Transmission Test Stand	0.600		0.600	0.600	0.000	
FY04	Apache Realignment Fixture		2.253	2.253	2.253	0.000	New Project
FY04	Rough Terrain Crane		1.196	1.196	1.196	0.000	Reprogrammed from SMA Exchange Pricing
FY04	Overhaul of Bridge Cranes (5)		1.412	1.412	1.412	0.000	Reprogrammed from IFTE-CEE test station FY05 project 5 cranes moved up 5 remain for FY05
	EQUIPMENT- Productivity						
FY04	Various Capital Equipment(< 500K)	2.732	(0.353)	2.379	2.379	0.000	To Vertical Grinder
FY04	Aircraft Corrosion Control Equipment	0.600		0.600	0.600	0.000	
FY04	CDE Conveyor System		1.181	1.181	1.181	0.000	New Project Reprogrammed from MC
FY04	Premix Equipment	0.918		0.918	0.918	0.000	Funds moved from VCE-Repl to stand alone project
FY04	UH-60 Alignment Fixture	1.900	(0.069)	1.831	1.831	0.000	Reprogrammed to Vertical Grinder
FY04	Vertical Grinder		0.630	0.630	0.630	0.000	New Project Reprogrammed from 11 projects on this list.
FY04	Automated M295 Line	2.985	(1.727)	1.258	1.258	0.000	Reprogrammed $0.121 to MC, $0.916 To VCE and $0.690 to Auto Starter Patch Fab Sys
FY04	Abrasive Waterjet Cutting Machine		0.590	0.590	0.590	0.000	Reprogrammed from Air Pollution Control Equip. FY05 project moved up
	EQUIPMENT- Environmental						
FY04	Various Capital Equipment(< 500K)	1.530	(1.298)	0.232	0.232	0.000	Reprog to M1 Slip ring,Cylindrical Grinding Mach,CNC Lathes,VOC/ECU,Apche
FY04	Volitile Organic Absorber Concentrator		0.520	0.520	0.520	0.000	New Project Reprogrammed from VCE and Misc. MC
FY04	Air Pollution Control Equipment	2.001	(2.001)	0.000	0.000	0.000	Reprogrammed to 4 projects on this list - Project moved to FY 07
AUTOMATED DATA PROCESSING							
FY04	Miscellaneous ADPE < $500K	2.121	(0.018)	2.103	2.103	0.000	Reprogrmmed to DM for Apached realignment Fixture
FY04	Network (nfrastructure Enterprise Management Sys	0.516		0.516	0.516	0.000	
MINOR CONSTRUCTION							
FY04	Minor Construction < $500K	14.887	(0.849)	14.038	14.038	0.000	$419K to Fluidized Bed Install FY03 Proj. other to 12 Various projects on this list
FY04	Welding Facility	0.963	0.288	1.251	1.251	0.000	Reprogrammed from IFTE-CEE

Department of Army
Industrial Operations
FY 2004
FY 2006-2007 OSD/OMB Submission
February 2005
($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
SOFTWARE							
FY04	Logistics Modernization Program (LMP)	6.350		6.350	6.350	0.000	
FY04	Army Workload & Performance System (AWPS)	5.960		5.960	5.960	0.000	
FY04	ERP/Industrial Base Modernization (IBM) WVA	4.328		4.328	4.328	0.000	
FY04	ERP/Industrial Base Modernization (IBM) PBA	4.310		4.310	4.310	0.000	
	FY 04 TOTAL	69.642	1.923	68.512	80.747	0.000	

Department of Army
Industrial Operations
FY 2005
FY 2006-2007 OSD/OMB Submission
February 2005
($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
FY05	Various Capital Equipment <500K				21.672	(21.672)	Consolidated all VCE < $500K and cancelled projects
	EQUIPMENT-Replacement						
FY05	Upgrade 10 each Bridge Cranes	2.830		2.830	1.418	1.412	Funded 5 Bridge Cranes in FY 04
FY05	Various Capital Equipment >$500K < $1M				6.104	(6.104)	Consolidated all VCE >$500 and <$1M
FY05	ATE Systems				0.172	(0.172)	No prior submission/Approval of project
FY05	Cylindrical Grinder Replacement	2.594		2.594	2.594	0.000	
FY05	Replace Alarm System, Phase II	2.383		2.383	2.383	0.000	
FY05	PM460 Obsolescence/Sustainment				18.886	(18.886)	No prior submission/Approval of project
FY05	CNC VMC				0.000	0.000	Moved to various Capital Equipment <$500K .306K
FY05	Cylindrical Grinder				0.000	0.000	Moved to various Capital Equipment <$500K .374K
FY05	Various Capital Equipment(< 500K)	17.122		17.122	0.000	17.122	Rolled to Overall Various Capital Equipment <$500K
FY05	Metalizing Robot	0.500		0.500	0.000	0.500	Revised cost estimate & moved to VCE <$500K
FY05	Hydraulic Test Console	0.585		0.585	0.000	0.585	Moved to Various Capital Equipment >$500K < $1M
FY05	Hydro-Mechanical Test Stand	0.641		0.641	0.000	0.641	Moved to Various Capital Equipment >$500K < $1M
FY05	Machining Center	0.834		0.834	0.000	0.834	Moved to Various Capital Equipment >$500K < $1M
FY05	Sciaky Resistance Welder	0.794		0.794	0.000	0.794	Moved to Various Capital Equipment >$500K <$1M
FY05	Tumble Blast (Rotary)	0.688		0.688	0.000	0.688	Moved to Various Capital Equipment >$500K <$1M
FY05	Abrasive Waterjet Cutting Machine	0.767		0.767	0.000	0.767	Project funded in FY 2004
FY05	Upgrade 81mm Mortar RP Line	0.580		0.580	0.000	0.580	Moved to FY 07
FY05	Chillers, 150 Ton f/Building 126	0.646		0.646	0.000	0.646	Project cancelled
	EQUIPMENT- Productivity						
FY05	Various Capital Equipment (<$500K)	1.443		1.443	0.000	1.443	Consolidated with Various Capital <$500K
FY05	Electric Generator (Diesel/Natural Gas)	1.367		1.367	1.367	0.000	
FY05	Flight Critical Parts Inspection & Treatment Eqpt	8.505		8.505	8.505	0.000	
FY05	Large Capacity Spin Blast	2.724		2.724	2.724	0.000	
FY05	Digital Electric Control(DEC) Unit				1.240	(1.240)	No prior submission/Approval of project
FY05	T-700 Compressor Repair Cell				3.306	(3.306)	No prior submission/Approval of project
FY05	General Purpose Hydraulic Test Stand				1.547	(1.547)	No prior submission/Approval of project
FY05	Firefinder Near Field Probe System				1.827	(1.827)	No prior submission/Approval of project
FY05	GETS-B2 Version				2.500	(2.500)	No prior submission/Approval of project
FY05	Ind. Plant Equip. for Powertrain/Flexible Maint. Ctr.	27.758		27.758	38.258	(10.500)	
FY05	Aircraft Corrosion Control Equipment	10.000		10.000	0.000	10.000	Delay in MCA project delayed requirement for equipment
FY05	Wood Shop Consolidation/Facility Upgrade				0.000	0.000	Moved to Various Capital Equipment >$500K <$1M .600K
FY05	Automated SDS Fill System, B 63-220	0.884		0.884	0.000	0.884	Project Cancelled
	EQUIPMENT - New Mission						
FY05	T-700 Hot Section Repair Cell				2.306	(2.306)	
AUTOMATED DATA PROCESSING							
FY05	Miscellaneous ADPE < $500K	3.208		3.208	2.500	0.708	

Department of Army
Industrial Operations
FY 2005
FY 2006-2007 OSD/OMB Submission
February 2005
($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
MINOR CONSTRUCTION							
FY05	Minor Construction < $500K	11.451		11.451	8.548	2.903	
FY05	Addition to Bldg 200, PH I				0.930	(0.930)	No prior submission/Approval of project
FY05	Various Minor Construction >$500K < $750K				5.019	(5.019)	No prior submission/Approval of project
FY05	Administration Building				0.000	0.000	Moved to Various Minor Construction >$500K <$750K .500K
FY05	Widen Route 1 to Reduce Bottleneck West of 904				0.000	0.000	Moved to Various Minor Construction >$500K <$750K .746K
FY05	Shop for Metal Process				0.000	0.000	Moved to Various Minor Construction >$500K <$750K .733K
FY05	Messanine for Metal Process				0.000	0.000	Moved to Various Minor Construction >$500K <$750K .725K
FY05	Environmental Remediation f/ ABG	0.930		0.930	0.000	0.930	Project Cancelled
SOFTWARE							
FY05	Logistics Modernization Program (LMP)	6.350		6.350	6.350	0.000	
FY05	Army Workload & Performance System (AWPS)	4.000		4.000	5.593	(1.593)	Revised cost estimate
FY05	ERP/Industrial Base Modernizaiton (IBM)	17.706		17.706	17.706	0.000	
	FY 05 TOTAL	127.290		127.290	163.455	(36.165)	

Department of Army
Industrial Operations
FY 2006
FY 2006-2007 OSD/OMB Submission
February 2005
($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
FY06	Various Capital Equipment < $500K				14.561	(14.561)	No prior submission/Approval of project
	EQUIPMENT-Replacement						
FY06	HP3070 Circuit Board Test System				0.496	(0.496)	No prior submission/Approval of project
FY06	Various Capital Equipment >$500K and <$1M				9.531	(9.531)	No prior submission/Approval of project
FY06	ATE Systems				0.456	(0.456)	No prior submission/Approval of project
FY06	4 Axis CNC Horizontal Mill				1.054	(1.054)	No prior submission/Approval of project
FY06	Agilent 30 Test System Upgrade				0.525	(0.525)	No prior submission/Approval of project
FY06	Engine Load System				6.111	(6.111)	No prior submission/Approval of project
FY06	Jig Borer				1.126	(1.126)	No prior submission/Approval of project
FY06	Thermal System Test Stand				2.107	(2.107)	No prior submission/Approval of project
FY06	Bulldozers				0.000	0.000	No prior submission/Approval of project .633 moved to VCE
FY06	CD850 Transmission Test Stand				0.000	0.000	No prior submission/Approval of project .805 moved to VCE
FY06	CNC Lathe/Cincinnati Shear				0.000	0.000	No prior submission/Approval of project .286 moved to VCE
FY06	CNC Turret Punch				0.000	0.000	No prior submission/Approval of project .314 moved to VCE
FY06	Container Handler Truck Lift				0.000	0.000	No prior submission/Approval of project .528 moved to VCE
FY06	Dehumidification System, 34-650				0.000	0.000	No prior submission/Approval of project .282 moved to VCE
FY06	HP3070 Circuit Board Test System Upgrade				0.000	0.000	No prior submission/Approval of project .160 moved to VCE
FY06	Next Generation Electronic Repair				0.000	0.000	No prior submission/Approval of project .315 moved to VCE
FY06	Pinkwater Treatment Equipment				0.000	0.000	No prior submission/Approval of project .738 moved to VCE
FY06	PM460 Obsolescence/Sustainment				0.000	0.000	No prior submission/Approval of project 18.886 moved to VCE
FY06	Replace Hicklin Crossdrive Transmission Test Stand				0.000	0.000	No prior submission/Approval of project .951 moved to VCE
FY06	Replace Tractor, Full Tracked, M&S 14				0.000	0.000	No prior submission/Approval of project .372 moved to VCE
FY06	Replace Tractor, Full Tracked, M&S 16				0.000	0.000	No prior submission/Approval of project .305 moved to VCE
FY06	Rotary Blast tables Bldg 129				0.000	0.000	No prior submission/Approval of project .618 moved to VCE
FY06	X1100-3B Transmission Test Stand Upgrade				0.000	0.000	No prior submission/Approval of project .643 moved to VCE
FY06	370 ASRS Mini-load Upgrade				0.000	0.000	No prior submission/Approval of project $.511 moved to FY05
	EQUIPMENT-Productivity						
FY06	Cincinnati Gilbert Horiz Boring Machine				1.316	(1.316)	No prior submission/Approval of project
FY06	CNC Crankshaft Grinders				4.419	(4.419)	No prior submission/Approval of project
FY06	CNC Horizontal Lathes				1.395	(1.395)	No prior submission/Approval of project
FY06	CNC ID/OD Vertical Grinder, Turret Ring Gr				1.067	(1.067)	No prior submission/Approval of project
FY06	Gas Turbine Engine Facility - Equipment				0.883	(0.883)	No prior submission/Approval of project
FY06	Integrated Manufacturing Test Facility				2.185	(2.185)	No prior submission/Approval of project
FY06	T-700 Grinding Machine				1.853	(1.853)	No prior submission/Approval of project
FY06	Electrical Discharge Machine (Charmil)				0.000	0.000	No prior submission/Approval of project .577 moved to VCE
FY06	Extrusion Press & Loading System				0.000	0.000	No prior submission/Approval of project .600 moved to VCE
FY06	Hydraulic Pump Break-in Test System				0.000	0.000	No prior submission/Approval of project .519 moved to VCE
FY06	Servo Test System				0.000	0.000	No prior submission/Approval of project .608 moved to VCE
FY06	Digital Electric Control(DEC) Unit				0.000	0.000	No prior submission/Approval of project
FY06	T-700 Compressor Lathe				0.000	0.000	No prior submission/Approval of project .578 moved to VCE
FY06	Upgrade Dust Collection Sys, 32.620				0.000	0.000	No prior submission/Approval of project .206 moved to VCE
FY06	CNC Horizontal Machining Center				0.000	0.000	No prior submission/Approval of project .818 moved to VCE
FY06	Vertical Grinding Machine (Springfield)				0.000	0.000	No prior submission/Approval of project .765 moved to VCE

Department of Army
Industrial Operations
FY 2006
FY 2006-2007 OSD/OMB Submission
February 2005
($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	EQUIPMENT-Environmental						
FY06	Conveyor System, Phase I				3.150	(3.150)	No prior submission/Approval of project
FY06	Hexane Emission Scrubber				0.000	0.000	No prior submission/Approval of project .500 moved to VCE
	EQUIPMENT - New Mission						
FY06	PATRIOT MADF Tools & Equipment				2.905	(2.905)	No prior submission/Approval of project
FY06	Thermal Arc Spray System				0.000	0.000	No prior submission/Approval of project .601moved to VCE
AUTOMATED DATA PROCESSING							
FY06	Miscellaneous ADPE < $500k				1.512	(1.512)	No prior submission/Approval of project
FY06	IT/ADPE				2.752	(2.752)	No prior submission/Approval of project
FY06	IT Replacement				1.744	(1.744)	No prior submission/Approval of project
FY06	INFRASTRUCTURE SERVER UPDATE				0.580	(0.580)	No prior submission/Approval of project
FY06	Industrial Base Modernization AIT				5.549	(5.549)	No prior submission/Approval of project
FY06	AIT-CCAD				6.249	(6.249)	No prior submission/Approval of project
MINOR CONSTRUCTION							
FY06	Various Minor Construction < $500K				7.120	(7.120)	No prior submission/Approval of project
FY06	Various Minor Construction < $750K				6.508	(6.508)	No prior submission/Approval of project
FY06	Access Control & Change House				0.750	(0.750)	No prior submission/Approval of project
FY06	Construct Radioactive Mtrls Storage Bldg				0.750	(0.750)	No prior submission/Approval of project
FY06	Heat & Insulate Car Level Warehouse				0.611	(0.611)	No prior submission/Approval of project
FY06	Heat & Insulate Ground Level Warehouse				0.611	(0.611)	No prior submission/Approval of project
FY06	MC Dust Collector				0.743	(0.743)	No prior submission/Approval of project
FY06	Shelter For Ammunition Mission Vehicles				0.750	(0.750)	No prior submission/Approval of project
FY06	Shipping/Receiving Bldg 3325/3333				0.759	(0.759)	No prior submission/Approval of project
FY06	Electrical Distribution Improvement				0.000	0.000	No prior submission/Approval of project .517 moved to VCE
FY06	Expanded Ammunition Storage Area				0.000	0.000	No prior submission/Approval of project .660 moved to FY05
FY06	Facility Upgrade, Bldg 155				0.000	0.000	No prior submission/Approval of project .738 moved to VCE
FY06	Igloo Apron Expansion				0.000	0.000	No prior submission/Approval of project .538 moved to VCE
FY06	Multi-purpose Prep/Paint/Screening Building				0.000	0.000	No prior submission/Approval of project .685 moved to VCE
FY06	Pinkwater Treatment Facility				0.000	0.000	No prior submission/Approval of project .659 moved to VCE
FY06	Renovate Bldg 1723 (DGRC)				0.000	0.000	No prior submission/Approval of project .700 moved to VCE
FY06	Renovate building 130				0.000	0.000	No prior submission/Approval of project .697 moved to VCE
FY06	Replace Ammo Igloo G611				0.000	0.000	No prior submission/Approval of project .740 moved to VCE
FY06	Replace Roofing Bldg 1701 (DGRC)				0.000	0.000	No prior submission/Approval of project .534 moved to VCE
FY06	Replace Temp & Humidity Ctl Sys, B 31-530				0.000	0.000	No prior submission/Approval of project .331 moved to VCE
FY06	Replace Temp & Humidity Ctl Sys, B 32-620				0.000	0.000	No prior submission/Approval of project .253 moved to VCE
FY06	Concrete Paving at DGRC				0.000	0.000	No prior submission/Approval of project .700 moved to VCE
SOFTWARE							
FY06	LMP				6.350	(6.350)	No prior submission/Approval of project
FY06	Army Workload and Performance System (AWPS)				3.915	(3.915)	No prior submission/Approval of project
FY06	Industrial Base Modernization				10.606	(10.606)	No prior submission/Approval of project
FY06	Industrial Base Modernization AIT Software				0.079	(0.079)	No prior submission/Approval of project
	FY 06 TOTAL	0.000	0.000		113.078	(113.078)	

Department of Army
Industrial Operations
FY 2007
FY 2006-2007 OSD/OMB Submission
February 2005
($ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

FY	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
FY07	Various Capital Equipment < $500K				15.068	(15.068)	No prior submission/Approval of project
	EQUIPMENT-Replacement						
FY07	Various Capital Equipment > $500K and <$1M				5.423	(5.423)	No prior submission/Approval of project
FY07	ATE Systems				0.173	(0.173)	No prior submission/Approval of project
FY07	Agilent 30 Test System Upgrade				0.535	(0.535)	No prior submission/Approval of project
FY07	EB Welder Replacement				1.406	(1.406)	No prior submission/Approval of project
FY07	Equipment for MSS Center				2.481	(2.481)	No prior submission/Approval of project
FY07	T-55 Fuel Control Test Stand				1.052	(1.052)	No prior submission/Approval of project
FY07	T-700 Engine Test Equipment				1.427	(1.427)	No prior submission/Approval of project
FY07	Turbine Engine Test Cells				4.036	(4.036)	No prior submission/Approval of project
FY07	Upgrade Engine Test Cells				1.827	(1.827)	No prior submission/Approval of project
FY07	HazMat Rescue Vehicle				0.000	0.000	No prior submission/Approval of project .388 moved to VCE
FY07	Powder Booth Spray/Cure System				0.000	0.000	No prior submission/Approval of project .581 moved to VCE
FY07	Schlumberger Factron 720 Test Station				0.000	0.000	No prior submission/Approval of project .547 moved to VCE
FY07	SEM / EDS Replacement				0.000	0.000	No prior submission/Approval of project .297 moved to VCE
FY07	Upgrade 81MM Mortar RP Line				0.000	0.000	No prior submission/Approval of project .631 moved to VCE
FY07	CNC Lathe/Cincinnati Shear				0.000	0.000	No prior submission/Approval of project .165 moved to VCE
	EQUIPMENT-Productivity						
FY07	Gas Turbine Engine Facility - Equipment				14.723	(14.723)	No prior submission/Approval of project
FY07	Access Control System				0.000	0.000	No prior submission/Approval of project .984 moved to VCE
FY07	Automate Fuze and Pre-Pack, 33-530				0.000	0.000	No prior submission/Approval of project .907 moved to VCE
FY07	Automate Load, Crimp, Paint & Stensil System, 32-640				0.000	0.000	No prior submission/Approval of project .256 moved to VCE
FY07	Container Handler				0.000	0.000	No prior submission/Approval of project .370 moved to VCE
FY07	Thermal Arc Spray System				0.000	0.000	No prior submission/Approval of project .805 moved to VCE
	EQUIPMENT-Environmental						
FY07	Air Pollution Control Equipment				2.000	(2.000)	No prior submission/Approval of project
FY07	Conveyor System, Phase II				1.200	(1.200)	No prior submission/Approval of project
FY07	Upgrade Metal Finish Operations				3.104	(3.104)	No prior submission/Approval of project
	EQUIPMENT - New Mission						
FY07	LENS 850-R				1.768	(1.768)	No prior submission/Approval of project
FY07	Aircraft Alignment Checker				0.000	0.000	No prior submission/Approval of project .968 moved to VCE
AUTOMATED DATA PROCESSING							
FY07	Miscellaneous ADPE < $500k				1.817	(1.817)	No prior submission/Approval of project
FY07	IT/ADPE				3.175	(3.175)	No prior submission/Approval of project
FY07	IT Replacement				0.706	(0.706)	No prior submission/Approval of project
FY07	AIT-CCAD				4.249	(4.249)	No prior submission/Approval of project
FY07	Information Technology Center				0.620	(0.620)	No prior submission/Approval of project
FY07	Industrial Base Modernization AIT				5.549	(5.549)	No prior submission/Approval of project
FY07	Data Back-up System Modernization				0.538	(0.538)	No prior submission/Approval of project
FY07	AIT-ANAD				7.700	(7.700)	No prior submission/Approval of project

Department of Army
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FY 2007
FY 2006-2007 OSD/OMB Submission
February 2005
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MINOR CONSTRUCTION							
FY07	Various Minor Construction < $500K				4.740	(4.740)	No prior submission/Approval of project
FY07	Various Minor Construction > $500K <$750K				4.864	(4.864)	No prior submission/Approval of project
FY07	Heat & Insulate Car Level Warehouse				0.622	(0.622)	No prior submission/Approval of project
FY07	Heat & Insulate Ground Level Warehouse				0.622	(0.622)	No prior submission/Approval of project
FY07	MC Dust Collector				0.636	(0.636)	No prior submission/Approval of project
FY07	Addition to Bldg 200, PH II				0.750	(0.750)	No prior submission/Approval of project
FY07	Temp Controlled Mix Preparation and Storage Facility				0.764	(0.764)	No prior submission/Approval of project
FY07	Air Compressor Upgrade				0.000	0.000	No prior submission/Approval of project .598 moved to VCE
FY07	Enlarge Igloo Doors				0.000	0.000	No prior submission/Approval of project .540 moved to VCE
FY07	Igloo Apron Expansion				0.000	0.000	No prior submission/Approval of project .536 moved to VCE
FY07	Igloo Door Modification				0.000	0.000	No prior submission/Approval of project .547 moved to VCE
FY07	Production Administration Bldg				0.000	0.000	No prior submission/Approval of project .703 moved to VCE
FY07	Upgrade Bldg 102E Elevator				0.000	0.000	No prior submission/Approval of project .608 moved to VCE
FY07	Upgrade Bldg 60E Elevator				0.000	0.000	No prior submission/Approval of project .608 moved to VCE
FY07	Upgrade Small Arms Repair Facility				0.000	0.000	No prior submission/Approval of project .725 moved to VCE
SOFTWARE							
FY07	LMP				6.350	(6.350)	No prior submission/Approval of project
FY07	Army Workload and Performance System (AWPS)				2.380	(2.380)	No prior submission/Approval of project
FY07	Industrial Base Modernization AIT Software				0.079	(0.079)	No prior submission/Approval of project
	FY 07 TOTAL	0.000	0.000		102.382	(102.382)	