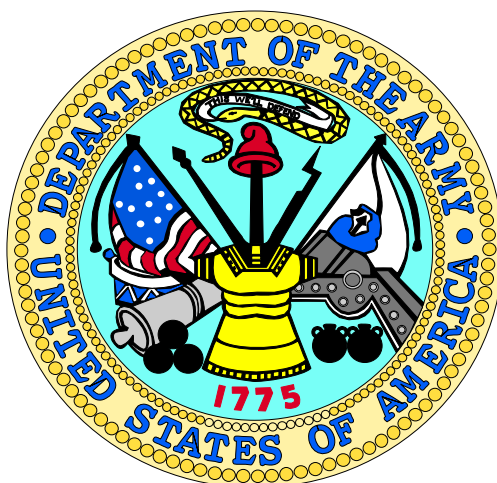


# **DEPARTMENT OF THE ARMY**

## **FISCAL YEAR (FY) FY 2007 BUDGET ESTIMATES**

**SUBMITTED TO CONGRESS  
FEBRUARY 2006**



**ARMY WORKING CAPITAL FUND**

**Army Working Capital Fund  
Fiscal Year (FY) 2007  
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**BACKGROUND**

The FY 2007 Army Working Capital Fund budget request enables the Army to sustain and maintain its forces, recapitalize its combat equipment, and reset assets to modular configurations while maintaining the fiscal foundation from which the Army fights a protracted Global War on Terrorism (GWOT). The Army has historically operated many of its organic industrial facilities under the revolving fund concept. The revolving fund concept encourages cost-effectiveness and provides flexibility to meet changing workload requirements in the year of execution. It also supports full cost visibility and full cost recovery while protecting appropriated fund customer accounts from year of execution price changes.

The Army manages two Army Working Capital Fund (AWCF) activity groups, Supply Management, Army (SMA) and Industrial Operations (IO). These activity groups satisfy peacetime and wartime needs of the Department of Defense (DoD) by providing supplies, equipment, and ordnance necessary to project, sustain, and reconstitute forces. 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.

The Fiscal Year 2007 budget request supports the Army's plans to maintain and strengthen its warfighting readiness. It reflects increased revenue and expenses associated with providing customer support for the Nation's continued efforts in Iraq, Afghanistan, and in waging the Global War on Terror. This is a wartime budget; it assumes substantially higher sales with expenditures to purchase, replenish, and repair inventory more than double peacetime levels. The budget submission does not anticipate a return to peacetime operations until after FY 2007.

**ARMY WORKING CAPITAL FUND ACTIVITY GROUPS**

Both AWCF activity groups, SMA and IO, are ready and capable of surging to meet the customer requirements represented in this budget. Summaries of the mission highlights of each area are outlined below.

**Supply Management, Army (SMA)**

The Supply Management, Army (SMA) activity group buys and maintains assigned stocks of 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.

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As a result of deployments to Southwest Asia and continued support of the Global War on Terror (GWOT), materiel sales are higher than during peacetime operations. The sales level during Fiscal Year (FY) 2005 reflects SMA's success meeting increased demands from Operation Iraqi Freedom (OIF), GWOT, and Army training rotations. FY 2006 projections assume GWOT and OIF activity equal to FY 2005 levels. The FY 2007 budget request assumes a smaller deployed force structure and reduced GWOT and OIF demands. SMA 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)**

The Industrial Operations activity group of the Army Working Capital Fund (AWCF) provides the Army an organic industrial capability to conduct depot level maintenance, repair and upgrade; produce quality munitions and large caliber weapons; and store, maintain, and demilitarize materiel for all branches of DoD. IO is comprised of thirteen government-owned and operated installation activities, each with unique core competencies. These include five maintenance depots, three arsenals, two munitions production facilities, and three storage sites. The IO activity group was created two years ago by combining previously separate workgroups for the Depot Maintenance and the Ordnance facilities. Although comprised of various installation activities, the preponderance of workload and associated estimates in this budget submission relate to Depot Maintenance.

Major combat and stability operations in Iraq and Afghanistan are placing tremendous demands on equipment. Because of higher OPTEMPO, combat operations, the desert environment, and limited maintenance available in the Theater of Operations, equipment is aging four years for every year in theater – dramatically shortening the useful life. The Army's Reset Program is designed to reverse the effects of combat stress on equipment and prepare for future missions. A key component of the Reset Program is the recapitalization of equipment or "Recap". Under Recap, depots replace and/or upgrade weapons systems and their component parts to restore equipment to near zero time, zero miles condition and to add enhanced capabilities. Recap efforts support the Army's conversion to modular formations, a key component of transformation. The Army estimates it will take close to two years after the return of forces from Iraq and Afghanistan to completely reconstitute equipment used in support of OIF/OEF and equipment held in Army's five prepositioned sets.

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This budget submission incorporates depot workload assumptions associated with the Reset Program (funded with Supplemental appropriations), normal peacetime training, and other manufacturing and storage requirements. To meet operational requirements, production across this activity group increases about 40% from the previous President's Budget Submission. This budget request reflects that production increase.

**PERFORMANCE MEASUREMENTS**

The President's Management Agenda and the Government Performance and Results Act commit us to a results-oriented Government, one that focuses on performance rather than process. This Army Working Capital Fund budget supports specifically-identified equipment and supply requirements funded by both base and anticipated supplemental appropriations. This business approach allows AWCF rates to be set at optimal levels for customer fund execution.

Key financial measures are net operating results (NOR), accumulated operating results (AOR), and unit cost. Net operating results combine actual revenue and expense information in a business statistic that measures how well the activity performed as compared to budgeted amounts. Accumulated operating results measure actual financial gains and losses and allow rates to be set which bring the accumulated gains and losses to zero over the budget cycle. The unit cost is a metric used in the Supply Management activity group to relate 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, depreciation, and credit) by gross sales.

Operational measures assess how well the financial inputs reflected in the AWCF budget are providing support to Army strategic goals and operational readiness. 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), and stock availability (a measure of the ability of AWCF inventory to fill a customer's requisition).

**PERSONNEL**

The AWCF civilian personnel posture reflects an overall increase from FY 2006 through FY 2007. This increase is driven by continuing high workload and has been developed by the Army Materiel Systems Analysis Activity (AMSAA) Predictive Requirements Model and validated by the U.S. Army Manpower Analysis Agency (USAMAA). The additional manpower will provide support to

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more effectively manage demand records and projections, item management, and systems analysis.

<b>PERSONNEL</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b><u>Supply Management</u></b>			
Civilian End Strength	3,017	3,167	3,167
Civilian FTEs	3,044	3,091	3,167
Military End Strength	11	11	11
Military Average Strength	11	11	11
<b><u>Industrial Operations</u></b>			
Civilian End Strength	21,687	24,062	23,359
Civilian FTEs	20,950	23,552	23,373
Civilian OT Usage (% DLH)	17.0%	16.4%	13.2%
Productive Yield	1,624	1,618	1,616
Military End Strength	31	28	28
Military Average Strength	31	25	25
<b><u>Total</u></b>			
Civilian End Strength	24,704	27,229	26,526
Civilian FTEs	23,994	26,643	26,540
Military End Strength	42	39	39
Military Average Strength	42	36	36

**REVENUE**

Revenue is an indicator of the volume of work completed by the Army Working Capital Fund activity groups. In the FY 2006 President's Budget (PB) both the SMA and IO activity groups projected that FY 2005 would be the peak year for revenue; however, continuing operations in Iraq and Afghanistan will cause revenue to peak in FY 2006 and decrease during FY 2007. Included in revenue are the direct appropriations for War Reserve, Inventory Augmentation, and Industrial Mobilization Capacity.

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<b>Revenue (\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Supply Management			
Gross Revenue	11,611.2	12,087.3	11,001.2
Less Credit	<u>2,159.7</u>	<u>2,291.7</u>	<u>2,508.3</u>
Net Revenue	9,451.5	9,795.6	8,492.9
Industrial Operations	<u>4,551.5</u>	<u>5,754.1</u>	<u>4,784.4</u>
Total	14,003.0	15,549.7	13,277.3

**EXPENSES (COST OF GOODS AND SERVICES PRODUCED)**

There is a direct relationship between workload, sales volume, and expenses. Workload and sales are both budgeted to peak in fiscal year 2006, and then drop off slightly in fiscal year 2007 based on the forecast that less support will be necessary for the Global War on Terror and Operation Iraqi Freedom. Major expense drivers include cost of goods sold for Supply Management and the cost of labor and materiel for Industrial Operations.

<b>Expenses (\$ Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Supply Management	9,174.1	9,520.4	8,007.3
Industrial Operations	<u>4,361.2</u>	<u>5,759.5</u>	<u>5,301.4</u>
Total	13,535.3	15,279.9	13,308.7

**NET AND ACCUMULATED OPERATING RESULTS**

Net Operating Result (NOR) represents the difference between expenses and revenues in an accounting period. Accumulated Operating Result (AOR) represents 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 Result (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 Result (NOR) and Accumulated Operating Result (AOR). The change in NOR projections, for both the Supply Management and Industrial Operations activity group, for FY 2006 from the last President's Budget (PB) submission to this submission is driven by the change in workload and cost projections. Any revised gains or losses are returned or recouped in the FY 2007 rates. The table on the following page shows the NOR and AOR for both Supply Management and Industrial Operations.

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<b>NOR/AOR (\$ Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Supply Management</b>			
Net Operating Results	-71.4	-15.4	57.6
Accumulated Operating Results	-42.2	-57.6	0.0
<b>Industrial Operations</b>			
Net Operating Results	190.0	-5.4	-517.0
Accumulated Operating Results	647.1	517.0	0.0

**CASH COLLECTIONS, DISBURSEMENTS, AND NET OUTLAYS**

The FY 2005 Army Working Capital Fund ending cash balance of \$623.3 million was within the 7 to 10 day range required by DoD financial management regulations. During FY 2005, the AWCF transferred \$700.0 million cash to the Operation and Maintenance, Army (OMA) appropriation to support urgent, unfunded Global War on Terror (GWOT) needs, bringing total AWCF cash transferred out of the fund to \$2.0 billion. Concurrently, materiel on order from suppliers and from repair facilities grew from \$2.4 billion at the end of FY 2002 to \$8.4 billion at the end of FY 2005. At some point, part or all of the \$2.0 billion transferred from the fund must be repaid so that the fund has a sufficient cash balance to pay for deliveries. The FY 2007 budget forecasts a repayment of \$100 million in FY 2006 and \$750 million in FY 2007. Should actual sales revenue materialize higher than budgeted, the timing of this repayment may be extended. Current projections for collections and disbursements have increased above the FY 2006 President's Budget submission as a direct result of revised revenue and expense forecasts. The projected end of year cash balances for FY 2006 and FY 2007 are within the 7 to 10 day cash requirement of \$496 million to \$676 million for FY 2006 and \$437 million to \$599 million for FY 2007.

<b>Cash (\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Collections	14,199.5	15,486.7	14,030.9
Disbursements	<u>14,008.7</u>	<u>15,714.9</u>	<u>14,101.9</u>
Net Outlays from Operations	-190.8	228.2	71.0
War Reserve & IMC	184.1	106.5	16.4
Transfers Out	700.0	0.0	0.0
Total Net Outlays	325.1	121.7	54.6
Cash Balance	623.3	501.6	447.0



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**CUSTOMER RATES**

The Supply Management activity group adds a cost recovery rate (CRR) (as a percentage of sales) to the price of items to recoup total cost. This budget moves material inflation from the CRR to cost of goods sold, yielding a lower CRR than has been presented in previous submissions. The Industrial Operations activity group sets customer rates on a direct labor hour basis. The hourly composite rate recovers all costs, both direct and overhead. All 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 Supply Management CRR and Industrial Operations direct labor hour rates.

<b>Customer Rate</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Supply Management	12.0%	12.8%	13.1%
Industrial Operations	\$129.57	\$130.42	\$137.55

**CUSTOMER RATE CHANGES**

The Supply Management customer rate change is expressed as a percentage change from the rate in the previous year, weighted by total materiel costs. The FY 2006 price change to customers, shown below, has not changed from that shown in the FY 2006 President's Budget submission. The FY 2007 price change to customer increase reflects lower sales (materiel costs) based on fewer deployed forces in support of Global War on Terror (GWOT) and Operation Iraqi Freedom (OIF). Industrial Operations customer rates have increased 6.2% from FY 2005 to FY 2007. This moderate trend is caused primarily by increasing material and personnel costs. Material increases are caused both by the increased standards required for Recapitalization programs and by the increased maintenance requirements generated by deteriorated asset conditions. Similarly, personnel costs increase as additional man hours are required to repair deteriorated equipment and personnel costs continue to rise in this labor intensive activity group. Rate changes for FY 2005 are not available because of the consolidation of the Depot Maintenance and Ordnance activities in FY 2004.

<b>Customer Rate Changes</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Supply Management	-1.4%	2.5%	4.4%
Industrial Operations	N/A	0.7%	5.5%

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**CAPITAL BUDGET PROGRAM**

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 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 resetting the force. 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. The below table summarizes the AWCF capital investment program request.

<b>Capital Budget Program (\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Supply Management	24.8	31.7	28.7
Industrial Operations	<u>151.9</u>	<u>114.9</u>	<u>103.4</u>
Total	176.7	146.6	132.1
Outlays	127.4	154.5	121.8

**DIRECT APPROPRIATIONS**

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

<b>Direct Appropriations (\$ Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
War Reserve Secondary Items	84.4	23.2	16.4
Industrial Mobilization Capacity	99.6	64.0	0.0
Inventory Augmentation	<u>0.0</u>	<u>19.3</u>	<u>0.0</u>
Total	184.0	106.5	16.4

**War Reserve Secondary Items (WRSI):** Procures and stores war reserve inventory of secondary items to support deployments of combat units.

**Industrial Mobilization Capacity (IMC):** Compensates the Industrial Operations activity group for fixed costs of maintaining plant and equipment not currently in use, but required for mobilization and wartime surge. Since this cost is not directly related to production and the cost of doing business, direct funding is used to ensure a viable industrial base without adversely affecting customer rates.

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**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.

**SUMMARY**

The FY 2007 AWCF President's budget request is a war-time budget, incorporating Army's requirements to train, equip, and reset the force. It anticipates \$17.8 billion in FY 2006 and \$15.8 billion in FY 2007 in revenues across two activity groups from both base and supplemental funds. It includes \$132.2 million to fund FY 2007 capital improvements and requests \$16.4 million for FY 2007 war reserve inventories. Further details about the Army Working Capital Fund request follow in the detailed narratives and exhibits for each activity group.

# **OPERATING BUDGET**

## **Supply Management**

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**Functional Description**

The Supply Management Army (SMA) activity group buys and maintains assigned stocks of spares and repair parts 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.

The SMA business activity administers Army-managed (wholesale) materiel, prepositioned war reserve materiel, and non-Army managed materiel. The below table shows the four major commodity groups: aviation and missile; communications and electronics; automotive and armament; and non-Army managed items (NAMI) that are consumable supplies and parts. Prepositioned war reserve materiel is retained in protected inventory and released to support deployed combat units with spares and repair parts. The war reserve stocks contain materiel from all commodity groups.

**Activity Group Composition**

<b>Wholesale</b>		<b>Materiel Managed</b>
AMCOM	U.S. Army Aviation and Missile Command, Redstone Arsenal, 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 Natick, MA	Combat, automotive, and construction items. Weapons, special weapons and fire control systems. Ground support items, and chemical weapons.
<b>Prepositioned War Reserves</b>		<b>Materiel Managed</b>
	AMC-MOB Headquarters, U.S. Army Materiel Command, Fort Belvoir, VA	DLA/GSA items: repair parts, clothing, subsistence, medical supplies, industrial supplies; ground forces supplies
<b>NAMI-PSID</b>		<b>Materiel Managed</b>
	Non Army Managed Items-Product Support Integration Directorate U.S. Army Tank-Automotive and Armaments Command, Rock Island, IL	DLA, General Services Administration (GSA) and Other Service managed items. Includes repair parts, industrial supplies, general supplies, and ground support supplies.

**Budget Highlights:**

**Overview:**

The Fiscal Year (FY) 2007 Budget incorporates assumptions for supplemental appropriations in support of the Global War on Terrorism (GWOT) and Operation Iraqi Freedom (OIF). The FY 2006 estimates assume a level of activity equal to FY 2005. A decrease of approximately 25% in activity level is assumed for FY 2007. This approach is necessary to properly plan for materiel inventory requirements that are filled through commercial acquisition or unserviceable item repair.

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FY 2005 Supply Management sales reached an unprecedented level and were approximately \$900 million higher than projected in the FY 2006 President's Budget. Contributing factors to the increase sales activity include continued support to Global War on Terror (GWOT) and Operation Iraqi Freedom (OIF) operations, the reset and reconstitution of the force, and requirements to support modularity. Delivery of materiel on order has reduced backorders to customers by \$679 million, also contributing to increased sales. This budget submission does not anticipate a return to normal, peacetime operations until after Fiscal Year (FY) 2007.

**Personnel:**

The Supply Management civilian personnel end strength identified in the FY 2006 President's Budget as 2,942 is increased by 225 to 3,167. This increase is based on the results of the Army Materiel Systems Analysis Activity (AMSAA) Predictive Requirements Model validated by the U.S. Army Manpower Analysis Agency (USAMAA) during FY 2005. The additional manpower will provide support to more effectively manage demand records and projections, item management, and systems analysis. It is expected that these efforts will improve supply management and result in savings in material costs equal to the cost of the additional manpower in FY 2007.

	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Civilian End Strength</b>	3,017	3,167	3,167
<b>Civilian FTEs</b>	3,044	3,091	3,167
<b>Military End Strength</b>	11	11	11
<b>Military Average Strength</b>	11	11	11

**Sales, Costs, Operating Results, Rates, and Unit Cost:**

**Sales:**

Net sales in FY 2005 far exceeded projections due to continuing high levels of GWOT and OIF operations. FY 2006 net sales forecasted in the FY 2006 President's Budget increased over \$2.4 billion, from \$7,342.3 billion to \$9,753.1 billion, due to assumptions that total appropriations will continue at levels comparable to FY 2005. FY 2007 sales assume a 25% reduction in the deployed force, continued reset of the returning force, and a full training OPTEMPO for all other forces.

**Costs:**

FY 2006 cost of materiel sold stated in the FY 2006 President's Budget increased over \$2 billion, from \$6,147.8 billion to \$8,209.1 billion. Credit in FYs 2006 and 2007 assumes a partial return of deployed units. See the exhibit titled Revenue and Expenses on page 20 for a detailed list of costs associated with operations and materiel.

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<b>Indicator (\$Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Net Sales</b>	9,367.1	9,753.1	8,476.5
<b>Cost of Materiel Sold</b>	8,058.4	8,209.1	6,754.2
<b>Obligations for Materiel</b>	9,269.4	8,002.3	6,742.5
<b>Credit for Returns</b>	2,159.7	2,291.7	2,508.3

**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 and to ensure cash solvency. The actual FY 2005 Net Operating Result (NOR) was \$42.2 million lower than the FY 2006 President's Budget estimate. The revised estimates for revenue and costs affected the NOR and AOR estimates in FYs 2006 and 2007. The table below reflects net and accumulated operating results for Supply Management.

<b>Indicator (\$ Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Net Operating Results</b>	-71.4	-15.4	57.6
<b>Accumulated Operating Results</b>	-42.2	-57.6	0

**Rates:**

The Cost Recovery Rate calculation in the FY 2007 President's Budget for Supply Management, Army has been changed to reflect a revised methodology in the separation of materiel and other operating costs. This new methodology removes materiel costs from indirect operating costs, placing them in the cost of inventory. FY 2005 and FY 2006 are also displayed using this methodology. Activity cost recovery rates are set to recover full costs and adjust for accumulated operating results. The customer price change is expressed as a percentage change from the rate in the previous year, weighted by total materiel costs. The FY 2006 price change to customer shown below has not changed from that shown in the FY 2006 President's Budget submission. The FY 2007 price change to customer increase reflects lower sales (materiel costs) based on fewer deployed forces in support of Global War on Terror (GWOT) and Operation Iraqi Freedom (OIF).

<b>Indicator</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Materiel Costs (\$ Millions)</b>	9,092.6	9,587.8	8,726.7
<b>Cost Recovery Rate (composite)</b>	12.0%	12.8%	13.1%
<b>Customer Price Change</b>	-1.4%	2.5%	4.4%
<b>SMA Purchase Inflation</b>	1.6%	1.8%	2.0%

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**Unit Cost:**

Unit cost is a ratio 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 FY 2006 unit cost shown in the FY 2006 President's Budget increased from 0.956 to 0.960 driven by costs increasing at a rate slightly greater than gross sales. The lower unit cost in FY 2006 and FY 2007 establish operating costs at a level lower than revenue, reducing the amount of materiel on order, and allowing inventory to return to normal levels.

<b>Unit Cost</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Wholesale</b>	1.122	0.960	0.949

**Cash Collections, Disbursements, and Net Outlays:**

Cash collections remain high as a result of increased sales experienced in support of Operation Iraqi Freedom (OIF) and the Global War on Terrorism (GWOT). FY 2006 collections submitted in the FY 2006 President's Budget increased from \$7,874.8 million to \$9,795.6 million in this President's Budget submission, reflecting increased revenue associated with OIF and GWOT.

FY 2006 disbursements, identified in the FY 2006 President's Budget, increased from \$7,923.1 million to \$9,973.8 million because of spares deliveries from vendors and repair facilities. These deliveries are associated with FY 2004 and FY 2005 hardware obligations, made in anticipation of increased OIF and GWOT customer demands in FY 2006.

<b>Indicator (\$ Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Collections</b>	9,878.9	9,795.6	8,492.9
<b>Disbursements</b>	10,187.7	9,973.8	8,794.2
<b>Net Outlays</b>	308.7	178.2	301.3

**Performance Indicators:**

**Stock Availability:**

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 2004 due to the increased customer demands from Operation Iraqi Freedom (OIF). While stock availability improved from fourth quarter FY 2004 (75.6%), high demands, driven by the requirements of our deployed forces, continued in FY 2005. Improved



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stock availability is expected through FY 2007 as material is received from vendors and made available to satisfy customers' supply requisitions. The table below shows stock availability achieved at the end of each quarter in FY 2005.

	1st Qtr	2nd Qtr	3rd Qtr	4 <sup>th</sup> Qtr
<b>Stock Availability</b>	76.0%	78.0%	82.0%	79.0%

**Supply Management Workload:**

The data below represents key categories of interest in Supply Management. The high stock issues in FY 2005 continue to reflect the increased requirements from OIF and our efforts to reduce the level of backorders. A decline is anticipated in FY 2007 due to the assumption of fewer deployed forces.

<b>Category (# Thousands)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Items Managed</b>	122	122	122
<b>Requisitions Received</b>	2,239	2,230	1,915
<b>Issues Completed</b>	2,220	2,273	1,921
<b>Procurement Receipts</b>	82	85	73
<b>Contracts Awarded</b>	15	15	12

**Undelivered Orders:**

As shown in the table on the next page, undelivered orders have grown significantly from FY 2002 (peacetime level) through FY 2005 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 supplemental funding, required Supply Management to increase and replenish inventory levels to support high customer demands. In FY 2006 and FY 2007 Army will replenish less inventory sold, reducing the amount of materiel on order, and return inventory to normal levels.

Undelivered orders from commercial suppliers and repair facilities exceeded \$8.4 billion at the end of FY 2005. Sufficient cash balance is required to pay vendors upon materiel receipt. Budget assumptions include partial replenishment of the \$2 billion cash withdrawn in FY 2004 and FY 2005.

<b>(\$ Millions)</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Undelivered Orders</b>	2,459	5,481	7,174	8,490	7,415	6,542

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

**Direct Appropriations:**

**Secondary Item War Reserves /Inventory Augmentation:**

The Army invests funding for war reserve secondary items each fiscal year. War Reserves improve the Army's ability to meet Global missions by sustaining the force until CONUS based re-supply can commence. War Reserve equipment stocked without secondary items, significantly jeopardizes the Army's ability to successfully complete its missions. The secondary items purchased for war reserves supports important Combat systems such as M1 Tanks, Bradley Fighting Vehicles, artillery howitzers and rocket launchers, and HMMWVs. These appropriated funds also buy spares used to support both the deployed forces of today and the Brigade Combat Teams of the future.

<b>(\$ Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>War Reserve Secondary Items</b>	84.4	23.2	16.4
<b>Inventory Augmentation (ACU)</b>	0	19.3	0

**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 FY 2006 CIP shown in the FY 2006 President's Budget has not changed in the FY 2007 President's Budget submission. 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 combine two financial transactions to customers – the obligation of funds when materiel is demanded and a credit upon return of an unserviceable carcass. 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:

<b>Category (\$ Millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>ADP</b>	0	0.6	0.6
<b>Software</b>	24.8	31.1	28.0
<b>TOTAL</b>	24.8	31.7	28.6

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

**Revenue and Expenses  
(\$ in Millions)**

	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>
<b>Revenue</b>			
<b>Total Gross Sales</b>	<b>11,526.8</b>	<b>12,044.8</b>	<b>10,984.8</b>
Credit and Allowances	2,159.7	2,291.7	2,508.3
<b>Net Sales</b>	<b>9,367.1</b>	<b>9,753.1</b>	<b>8,476.5</b>
Other Income	84.4	42.5	16.4
War Reserve-Secondary Items	84.4	23.2	16.4
Inventory Augmentation (ACU)	0.0	19.3	0.0
<b>Total Income:</b>	<b>9,451.5</b>	<b>9,795.6</b>	<b>8,492.9</b>
<b>Expenses</b>			
<b>Total Cost of Material Sold from Inventory</b>	<b>8,058.4</b>	<b>8,209.1</b>	<b>6,754.2</b>
Inventory Losses/Obsolescence	108.4	121.7	132.8
Salaries and Wages:	270.4	313.0	305.0
Military Personnel Compensation & Benefits	0.9	0.9	1.0
Civilian Personnel Compensation & Benefits	269.5	312.1	304.0
Travel & Transportation of Personnel	3.4	3.4	3.5
Materiel & Supplies (For Internal Operations)	0.9	0.9	0.9
Equipment	0.9	0.9	0.9
Other Purchases from Revolving Funds	301.2	360.3	284.2
Transportation of Things	125.0	130.2	135.6
Depreciation - Capital	58.7	90.1	94.6
Printing and Reproduction	0.1	0.1	0.1
Advisory and Assistance Services	21.9	22.4	22.9
Rent, Communication, Utilities & Misc. Charges	0.0	0.0	0.0
Other Purchased Services	224.8	268.3	272.6
<b>Total Expenses:</b>	<b>9,174.1</b>	<b>9,520.4</b>	<b>8,007.3</b>
<b>Operating Result</b>	<b>277.4</b>	<b>275.2</b>	<b>485.6</b>
Less Recovery of Prior Year Pricing Discrepancies	(264.4)	(248.1)	(411.6)
<i>Other Changes Affecting NOR:</i>			
Less Direct Funding	(84.4)	(42.5)	(16.4)
<b>Net Operating Result</b>	<b>(71.4)</b>	<b>(15.4)</b>	<b>57.6</b>
Prior Year AOR	29.2	(42.2)	(57.6)
<b>Accumulated Operating Result</b>	<b>(42.2)</b>	<b>(57.6)</b>	<b>(0.0)</b>

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

**Source of Revenue  
(\$ in Millions)**

	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>
<b>1. New Orders</b>			
a. Orders from DOD Components:			
Department of Army			
Operation & Maintenance, Army	8,001.8	8,573.9	7,649.8
Operation & Maintenance, ARNG	813.0	823.9	809.9
Operation & Maintenance, AR	79.6	79.3	78.2
<b>Subtotal, O&amp;M:</b>	<b>8,894.4</b>	<b>9,477.1</b>	<b>8,537.9</b>
Procurement Appropriations	300.3	315.1	322.6
RDT&E	1.2	1.1	1.0
All Other Army	76.2	78.1	81.3
<b>Subtotal, Department of the Army:</b>	<b>9,272.1</b>	<b>9,871.4</b>	<b>8,942.8</b>
Department of Navy	78.7	84.2	82.4
Department of Air Force	188.1	199.4	194.3
US Marine Corps	234.1	222.6	226.5
Department of Defense	27.9	24.7	25.7
Other DOD	13.2	12.8	12.0
<b>Subtotal, Other DoD Services:</b>	<b>542.0</b>	<b>543.7</b>	<b>540.9</b>
b. Orders from other Fund Business Areas:			
<b>Depot Maintenance, Army</b>	<b>740.5</b>	<b>937.7</b>	<b>853.9</b>
<b>c. Total DOD</b>	<b>10,554.6</b>	<b>11,352.8</b>	<b>10,337.6</b>
d. Other Orders:			
Other Federal Agencies	3.3	2.5	3.7
FMS	288.8	288.4	293.1
Non Federal Agencies	0.0	0.0	0.0
All Other	1.5	3.3	1.5
<b>Subtotal, Other Federal Agencies:</b>	<b>293.6</b>	<b>294.2</b>	<b>298.3</b>
<b>Total New Orders</b>	<b>10,848.2</b>	<b>11,647.0</b>	<b>10,635.9</b>
<b>2. Carry-In Orders (Back Orders From Prior Years)</b>	<b>2,928.2</b>	<b>2,249.6</b>	<b>1,851.8</b>
<b>3. Total Gross Orders</b>	<b>13,776.4</b>	<b>13,896.6</b>	<b>12,487.7</b>
Less Carry Out	2,249.6	1,851.8	1,502.9
<b>4. Gross Sales</b>	<b>11,526.8</b>	<b>12,044.8</b>	<b>10,984.8</b>
<b>5. Less Credit and Allowances</b>	<b>2,159.7</b>	<b>2,291.7</b>	<b>2,508.3</b>
<b>6. Net Sales</b>	<b>9,367.1</b>	<b>9,753.1</b>	<b>8,476.5</b>

**Army Working Capital Fund  
Fiscal Year (FY) 2007 Budget Estimates  
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**Summary By Division  
(\$ in Millions)**

<u>DIVISION</u>	NET		<u>Obligation Targets</u>		
	<u>CUSTOMERS</u>	<u>NET</u>	<u>OPERATING</u>	<u>MOB</u>	<u>TOTAL</u>
	<u>ORDERS</u>	<u>SALES</u>			
<b><i>NAMI</i></b>					
FY 2005	1,307.1	1,307.1	1,039.1	0.0	1,039.1
FY 2006	1,271.7	1,271.7	1,144.6	0.0	1,144.6
FY 2007	1,071.1	1,071.1	964.3	0.0	964.3
<b><i>WHOLESALE</i></b>					
<b><i>AMCOM-Air</i></b>					
FY 2005	2,612.9	2,850.7	3,131.1	0.0	3,131.1
FY 2006	2,728.6	2,837.6	2,422.1	0.0	2,422.1
FY 2007	2,303.5	2,565.2	2,065.8	0.0	2,065.8
<b><i>CECOM</i></b>					
FY 2005	1,057.9	1,151.1	1,566.7	2.0	1,568.7
FY 2006	1,301.8	1,423.9	1,292.5	0.6	1,293.1
FY 2007	1,187.9	1,247.6	975.7	8.3	984.0
<b><i>AMCOM-Missiles</i></b>					
FY 2005	272.8	290.2	318.6	0.8	319.4
FY 2006	236.3	264.0	189.8	2.2	192.0
FY 2007	269.1	281.5	150.9	7.6	158.5
<b><i>TACOM</i></b>					
FY 2005	3,405.8	3,736.0	3,201.6	5.0	3,206.6
FY 2006	3,806.2	3,945.2	2,942.6	7.4	2,950.0
FY 2007	2,989.0	3,302.4	2,577.3	47.7	2,625.0
<b><i>TOTAL WHOLESALE</i></b>					
<b>FY 2005</b>	<b>7,349.4</b>	<b>8,028.0</b>	<b>8,218.0</b>	<b>7.8</b>	<b>8,225.8</b>
<b>FY 2006</b>	<b>8,072.9</b>	<b>8,470.7</b>	<b>6,847.0</b>	<b>10.2</b>	<b>6,857.2</b>
<b>FY 2007</b>	<b>6,749.5</b>	<b>7,396.7</b>	<b>5,769.7</b>	<b>63.6</b>	<b>5,833.3</b>

**Army Working Capital Fund  
Fiscal Year (FY) 2007 Budget Estimates  
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**Summary By Division  
(\$ in Millions)**

		NET				
		CUSTOMERS	NET	<u>Obligation Targets</u>		
<u>DIVISION</u>		<u>ORDERS</u>	<u>SALES</u>	<u>OPERATING</u>	<u>MOB</u>	<u>TOTAL</u>
<b>OTHER</b>						
<b>AMC MOBILIZATION</b>						
FY 2005		32.0	32.0	32.0	15.4	47.4
FY 2006		10.7	10.7	10.7	6.2	16.9
FY 2007		8.7	8.7	8.5	20.9	29.4
<b>COST OF OPERATIONS</b>						
FY 2005		0.0	0.0	948.5	0.0	948.5
FY 2006		0.0	0.0	1,099.5	0.0	1,099.5
FY 2007		0.0	0.0	1,025.7	0.0	1,025.7
<b>COMMITMENTS</b>						
FY 2005		0.0	0.0	0.0	0.0	0.0
FY 2006		0.0	0.0	1,330.8	0.0	1,330.8
FY 2007		0.0	0.0	1,443.8	0.0	1,443.8
<b>FATIGUE TESTING</b>						
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
<b>ESI</b>						
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
<b>ARMY COMBAT UNIFORMS</b>						
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
<b>TOTAL OPERATING OA</b>						
FY 2005		8,688.5	9,367.1	10,303.9	23.2	10,327.1
FY 2006		9,355.3	9,753.1	10,519.3	16.4	10,535.7
FY 2007		7,829.3	8,476.5	9,280.6	84.5	9,365.1

**Army Working Capital Fund  
Fiscal Year (FY) 2007 Budget Estimates  
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**Summary By Division  
(\$ in Millions)**

<u>DIVISION</u>	<u>NET CUSTOMER ORDERS</u>	<u>NET SALES</u>	<u>Obligation Targets</u>		
			<u>OPERATING</u>	<u>MOB</u>	<u>TOTAL</u>
<b>TOTAL OPERATING OA</b>					
FY 2005	8,688.5	9,367.1	10,303.9	23.2	10,327.1
FY 2006	9,355.3	9,753.1	10,519.3	16.4	10,535.7
FY 2007	7,829.3	8,476.5	9,280.6	84.5	9,365.1
<b>CAPITAL OA</b>					
FY 2005	0.0	0.0	24.8	0.0	24.8
FY 2006	0.0	0.0	31.7	0.0	31.7
FY 2007	0.0	0.0	28.6	0.0	28.6
<b>TOTAL OA</b>					
<b>FY 2005</b>	<b>8,688.5</b>	<b>9,367.1</b>	<b>10,328.7</b>	<b>23.2</b>	<b>10,351.9</b>
<b>FY 2006</b>	<b>9,355.3</b>	<b>9,753.1</b>	<b>10,551.0</b>	<b>16.4</b>	<b>10,567.4</b>
<b>FY 2007</b>	<b>7,829.3</b>	<b>8,476.5</b>	<b>9,309.2</b>	<b>84.5</b>	<b>9,393.7</b>
<b><i>BUDGET AUTHORITY</i></b>					
<b>WAR RESERVE AUTHORITY</b>					
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
<b>ARMY COMBAT UNIFORMS</b>					
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
<b>TOTAL BUDGET AUTHORITY</b>					
<b>FY 2005</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>84.4</b>	<b>84.4</b>
<b>FY 2006</b>	<b>0.0</b>	<b>0.0</b>	<b>19.3</b>	<b>23.2</b>	<b>42.5</b>
<b>FY 2007</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>16.4</b>	<b>16.4</b>

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

**Operating Requirement By Weapon System  
(\$ in Millions)**

<b><u>Weapon System</u></b>	<b><u>FY 2005</u></b>	<b><u>NMCSR</u></b>	<b><u>FY 2006</u></b>	<b><u>NMCSR</u></b>	<b><u>FY 2007</u></b>	<b><u>NMCSR</u></b>
AH-64, Apache	750.1	27%	712.5	25%	657.9	25%
CH-47D, Chinook	727.1	37%	650.4	25%	453.5	25%
UH-60, Black Hawk	1,361.9	34%	1,204.9	25%	1,101.8	25%
OH-58D, Kiowa Warrior	164.5	35%	156.6	25%	128.0	25%
Other Aviation	397.4	25%	234.3	25%	198.4	25%
Multiple Launch Rocket System	28.7	4%	15.8	10%	14.4	10%
Patriot Air Defense System	84.5	1%	82.2	10%	78.5	10%
Other Missile	152.4	3%	70.7	25%	54.2	25%
TPQ-36 & TPQ-37 Firefinder Radar	274.7	10%	170.0	25%	115.7	25%
Night Vision Goggles	104.9	10%	65.6	10%	60.9	10%
SINCGARS	268.6	10%	150.2	10%	141.7	10%
Other Communications	656.0	10%	696.0	10%	584.2	10%
Family of Medium Tactical Vehicles	75.4	10%	18.2	10%	11.5	10%
Heavy Expanded Mobility Tactical Truck (HEMTT)	38.6	10%	27.0	10%	37.0	10%
High Mobility Multipurpose Wheeled Vehicle (HMMWV)	513.9	10%	354.7	10%	220.4	10%
M109A6, SP Howitzer (Paladin)	30.6	6%	29.9	10%	31.4	10%
M198, Towed Howitzer	9.4	9%	9.2	10%	68.8	10%
M1A1, Abrams Tank	682.1	8%	617.7	10%	488.9	10%
M1A2, Abrams Tank (SEP)	4.1	23%	7.3	10%	2.7	10%
M2/M3, Bradley Fighting Vehicle	301.4	14%	221.3	10%	151.4	10%
Other Tank & Automotive	1,591.7	3%	1,352.5	10%	1,168.4	10%
<b>SUBTOTAL:</b>	<b>8,218.0</b>		<b>6,847.0</b>		<b>5,769.7</b>	10%
NAMI	1,039.1		1,144.6		964.3	
AMC-MOB	32.0		10.7		8.5	
<b>TOTAL:</b>	<b>9,289.1</b>		<b>8,002.3</b>		<b>6,742.5</b>	



**Army Working Capital Fund  
Fiscal Year (FY) 2007 Budget Estimates  
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**Materiel Inventory Data  
FY 2005  
(\$ in Millions)**

	<u>TOTAL</u>	<u>WRM</u>	<u>OPERATING</u>	<u>OTHER</u>
1. INVENTORY BP	21,441.3	2,040.2	9,814.7	9,586.4
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	(0.0)	(176.0)	6,207.3	(6,031.3)
B. PRICE CHANGE AMOUNT (MEMO)	(208.4)	(1.6)	(72.3)	(134.5)
C. ADJ. INVENTORY BP (1+2A+2B)	21,232.8	1,862.6	15,949.7	3,420.6
3. RECEIPTS AT STANDARD / COST	7,366.7	116.0	7,250.7	0.0
4. SALES AT STANDARD / COST	(11,526.9)	(32.0)	(11,494.9)	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	212.5	176.8	197.6	(161.9)
B. RETURNS FROM CUSTOMERS (+)	3,670.0	0.0	3,456.8	213.2
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	7,985.4	0.0	1,420.7	6,564.7
D. RETURNS TO SUPPLIERS (-)	(38.0)	0.0	0.0	(38.0)
E. TRANSFERS TO DRMO (-)	(1,737.4)	0.0	0.0	(1,737.4)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(300.2)	6.7	(8.8)	(298.1)
G. OTHER (LIST)	(2,391.2)	(49.1)	(5,208.6)	2,866.4
H. TOTAL ADJUSTMENTS (5A THRU 5G)	7,401.1	134.4	(142.3)	7,409.0
6. INVENTORY EP	24,473.8	2,081.0	11,563.2	10,829.6
7. INVENTORY EOP, REVALUED (LAC DISCOUNTED)	16,133.8	1,991.2	7,538.1	6,604.5
A. ECONOMIC RETENTION (MEMO)	0.0	0.0	0.0	1,954.2
B. CONTINGENCY RETENTION (MEMO)	0.0	0.0	0.0	2,486.9
C. POTENTIAL DOD REUTILIZATION (MEMO)	0.0	0.0	0.0	2,163.4
8. ON ORDER EOP @ COST	8,108.1	397.6	7,710.5	0.0

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

**Materiel Inventory Data  
FY 2006  
(\$ in Millions)**

	<u>TOTAL</u>	<u>WRM</u>	<u>OPERATING</u>	<u>OTHER</u>
1. INVENTORY BP	24,473.8	2,081.0	11,322.3	11,070.5
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	55.3	179.2	647.8	(771.7)
B. PRICE CHANGE AMOUNT (MEMO)	516.1	69.9	441.2	5.0
C. ADJ. INVENTORY BP (1+2A+2B)	25,045.2	2,330.1	12,411.3	10,303.8
3. RECEIPTS AT COST	7,823.5	76.2	12,411.3	0.0
4. SALES AT STANDARD / COST	(12,044.8)	(10.7)	(12,034.1)	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	(51.9)	0.0	0.0	(51.9)
B. RETURNS FROM CUSTOMERS (+)	4,193.0	0.0	3,289.2	903.8
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	4,972.1	0.0	400.1	6,079.9
D. RETURNS TO SUPPLIERS (-)	(25.8)	0.0	0.0	(25.8)
E. TRANSFERS TO DRMO (-)	(1,842.9)	0.0	0.0	(1,842.9)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(23.0)	(1.0)	0.0	(22.0)
G. OTHER (LIST)	(1,071.7)	(10.0)	(92.9)	(967.8)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	6,149.8	(11.0)	5,237.6	923.2
6. INVENTORY EP	26,973.7	2,384.6	18,026.1	11,227.0
7. INVENTORY EOP, REVALUED	22,068.4	2,024.6	11,028.5	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	7,139.5	165.1	6,974.4	0.0

**Army Working Capital Fund  
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**Materiel Inventory Data  
FY 2007  
(\$ in Millions)**

	<u>TOTAL</u>	<u>WRM</u>	<u>OPERATING</u>	<u>OTHER</u>
1. INVENTORY BP	26,973.7	2,384.6	13,518.6	11,070.5
2. BP INVENTORY ADJUSTMENTS				
A. RECLASSIFICATION (MEMO)	0.1	115.1	656.7	(771.7)
B. PRICE CHANGE AMOUNT (MEMO)	815.0	108.5	701.5	5.0
C. ADJ. INVENTORY BP (1+2A+2B)	27,788.8	2,608.2	14,876.8	10,303.8
3. RECEIPTS AT COST	5,984.7	88.0	5,896.7	0.0
4. SALES AT STANDARD / COST	(10,984.8)	(8.7)	(10,976.1)	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATION (+ OR -)	0.0	0.0	0.0	0.0
B. RETURNS FROM CUSTOMERS (+)	3,510.8	0.0	3,145.3	365.5
C. RETURNS FROM CUSTOMERS WITHOUT CREDIT (+)	3,486.2	0.0	1,000.4	2,485.8
D. RETURNS TO SUPPLIERS (-)	26.6	0.0	63.2	(36.6)
E. TRANSFERS TO DRMO (-)	(1,842.9)	0.0	0.0	(1,842.9)
F. ISSUES/RECEIPT W/O ADJ (+ OR -)	(21.0)	0.0	(8.0)	(13.0)
G. OTHER (LIST)	(970.0)	0.0	(934.4)	(35.6)
H. TOTAL ADJUSTMENTS (5A THRU 5G)	4,189.7	0.0	3,266.5	923.2
6. INVENTORY EP	26,978.4	2,687.5	13,063.9	11,227.0
7. INVENTORY EOP, REVALUED	22,108.7	2,495.3	10,598.1	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	6,263.3	112.5	6,150.8	0.0

**Army Working Capital Fund  
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**War Reserve Materiel Stockpile  
FY 2005  
(\$ in Millions)**

<u>War Reserve Material</u>	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP	2,040.2	2,026.2	14.0
2. Price Change	(1.6)	(1.6)	0.0
3. Reclassification	(176.0)	(169.4)	(6.6)
4. Inventory Changes			
a. Receipts @ standard/cost	116.0	116.0	0.0
(1). Purchases	116.0	116.0	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ standard/cost	(32.0)	(32.0)	0.0
(1). Sales	(32.0)	(32.0)	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ standard/cost	134.4	134.4	0.0
(1). Capitalizations	176.8	176.8	0.0
(2). Gains and losses	6.7	6.7	0.0
(3). Other	(49.1)	(49.1)	0.0
5. Inventory EOP	2,081.0	2,073.6	7.4
STOCKPILE COSTS			
1. Storage	2.0		
2. Manage	3.9		
3. Maintenance/Other	1.6		
Total Costs	7.5		
WRM BUDGET REQUEST			
1. Obligations @ cost	55.2		
a. Additional WRM	23.2		
b. Replenishment WRM	32.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total Request	55.2		

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**War Reserve Materiel Stockpile  
FY 2006  
(\$ in Millions)**

<u>War Reserve Material</u>	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP	2,081.0	2,073.6	7.4
2. Price Change	69.9	69.6	0.3
3. Reclassification	179.2	172.6	6.6
4. Inventory Changes			
a. Receipts @ standard/cost	76.2	76.2	0.0
(1). Purchases	76.2	76.2	0.0
(2). Returns from customers	0.0	0.0	0.0
b. Issues @ standard/cost	(10.7)	(10.7)	0.0
(1). Sales	(10.7)	(10.7)	0.0
(2). Returns to suppliers	0.0	0.0	0.0
(3). Disposals	0.0	0.0	0.0
c. Adjustments @ standard/cost	(11.0)	(11.0)	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and losses	(1.0)	(1.0)	0.0
(3). Other	(10.0)	(10.0)	0.0
5. Inventory EOP	2,384.6	2,370.3	14.3
STOCKPILE COSTS			
1. Storage	3.7		
2. Manage	3.0		
3. Maintenance/Other	0.0		
Total Costs	6.7		
WRM BUDGET REQUEST			
1. Obligations @ cost	27.1		
a. Additional WRM	16.4		
b. Replenishment WRM	10.7		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total Request	27.1		

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**War Reserve Materiel Stockpile  
FY 2007  
(\$ in Millions)**

<u>War Reserve Material</u>	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP	2,384.6	2,370.3	14.3
2. Price Change	108.5	108.0	0.5
3. Reclassification	115.1	115.1	0.0
4. Inventory Changes			
a. Receipts @ standard/cost	88.0	88.0	0.0
(1). Purchases	87.0	87.0	0.0
(2). Returns from customers	1.0	1.0	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	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	0.0
(2). Gains and losses	0.0	0.0	0.0
(3). Other	0.0	0.0	0.0
5. Inventory EOP	2,687.5	2,672.7	14.8
STOCKPILE COSTS			
1. Storage	3.7		
2. Manage	2.8		
3. Maintenance/Other	0.0		
Total Costs	6.5		
WRM BUDGET REQUEST			
1. Obligations @ cost	93.0		
a. Additional WRM	84.5		
b. Replenishment WRM	8.5		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total Request	93.0		

**OPERATING BUDGET**  
**Industrial Operations**

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**Functional Description**

The Industrial Operations activity group of the Army Working Capital Fund (AWCF) is comprised of thirteen government-owned and operated installation activities, each with unique core competencies. These include five maintenance depots, three arsenals, two munitions production facilities, and three storage sites. The five maintenance depots are part of an enterprise of maintenance providers comprised of government and contract sources. Depot level workload represents the highest level of repair in terms of technical complexity and scope. The three arsenals produce an array of defense-related materials and components, and provide manufacturing capabilities not widely available in the private sector. The two munitions production facilities produce large caliber ammunition, rockets, bombs, missiles, and incendiary devices. The three storage sites primarily receive, store and issue ammunition or operational project stocks.

**Activity Group Composition**

The Industrial Operations activity group is comprised of the following installation activities:

**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 recognized as the center of technical expertise in the M1 Abrams Tank and is the designated depot for repair of the M60, 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, to include STRYKER. The depot performs maintenance on individual and crew-served weapons as well as land combat missiles and small arms, and is actively engaged in resetting equipment returning from operations in Iraq and Afghanistan in support of the GWOT. The depot also stores seven percent of the Nation's chemical munitions stockpile until the stockpile is demilitarized. 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 one of four Tier I ammunition depots which receives, stores, issues, renovates, modifies, maintains, and destroys conventional munitions for all DoD Services. It is also a



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Tier 1 Power Projection Platform for 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/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 stores 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 Depot 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. CCAD is also actively engaged in resetting equipment returning from operations in Iraq and Afghanistan in support of the GWOT.

**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 the maintenance of tactical missiles. In response to GWOT requirements, LEAD is rebuilding HMMWVs that are returning from theater and is

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actively engaged in rebuilding them to a configuration that will support add-on armor. 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. 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 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).

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**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 at RIA. 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, weapon simulators, demilitarization of containers, and production of a host of spare and repair parts. Several of the arsenal's most successful products include 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 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, DFAS-RI, Edgewood Chemical and Biological Center - Rock Island, Joint Munitions Command, Installation Management Agency (Northwest Region), North Central CPOC, Network Enterprise Command (Northwest Region), and TACOM-RI.

**Red River Army Depot (RRAD)** is located in Texarkana, TX. RRAD's mission is to conduct ground combat, air defense systems and tactical wheeled vehicles maintenance, certification, and related support services worldwide for the Army, DoD components, and allied nations. Systems supported include the Bradley Infantry Fighting Vehicle, Multiple Launch Rocket System (MLRS), Small Emplacement Excavator (SEE), 5-ton dump truck, Heavy Expanded Mobility Tactical Truck (HEMTT), 25-ton crane, track and roadwheels, High Mobility Multi-Purpose Wheeled Vehicle (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. RRAD is also actively engaged in resetting equipment returning from operations in Iraq and Afghanistan in support of the GWOT. Key tenants on the depot include the Defense Distribution Depot - Red River, Defense Automated Printing Service, Defense Reutilization and Marketing Office, GSA, several NAF offices, U.S. Army Health Clinic, U.S. Army 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. SIAD is the center of technical expertise in critical Operational Project Systems including Deployable Medical Systems, Petroleum and Water Systems, Force Provider, Strategic configured loads, and other items as directed.

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**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 uses 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. TYAD is also actively engaged in resetting equipment returning from operations in Iraq and Afghanistan in support of the GWOT. Key tenant activities on the depot include the Defense Automated Printing Service, U.S. Army 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 (ALC), UT and Air Combat Command (ACC) 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 the Army's main battlefield tank, the M1 Abrams, towed and self-propelled artillery, and special tool sets.

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 Life Cycle Management Command 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 Life Cycle Management Command located in Warren, MI. Tobyhanna Army Depot reports to the Communication-Electronics Life Cycle Management Command located at Ft. Monmouth, NJ. Pine Bluff Arsenal reports to the Chemical Materials Agency located at Aberdeen Proving Ground, MD. Bluegrass and Tooele Army Depots, as well as Crane Army

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Ammunition Activity and McAlester Army Ammunition Plant report to the Field Support Command located at Rock Island Arsenal, IL.

**Budget Highlights**

**Overview:**

Although the Industrial Operations activity group is comprised of an array of installation activities, the preponderance of workload and associated estimates in this budget submission relate to depot maintenance. Major combat and stability operations in Iraq and Afghanistan are placing tremendous demands on equipment. Because of higher operational tempo, rough desert environments and limited depot maintenance available in theater, operational fleets are aging four years for every year in theater – dramatically shortening their useful life. The Army has a Reset Program, designed to reverse the effects of combat stress on equipment and prepare equipment for future missions. A key component of the Reset Program is the recapitalization of equipment or “Recap”. Under Recap, depots replace and/or upgrade numerous component parts in an effort to restore equipment to near zero time, zero miles condition and to add enhanced capabilities. Recap efforts support the Army’s conversion to modular formations, a key component of transformation. The Army’s depots and their efforts to partner with industry are critical to the entire reset effort. The Army estimates it will take close to two years after the return of forces from Iraq and Afghanistan to completely reconstitute equipment used in support of OIF/OEF in addition to equipment held in our five prepositioned sets. This budget submission incorporates depot workload assumptions associated with the Reset Program (funded with Supplemental appropriations) as well as normal peacetime training requirements and all other manufacturing and storage requirements highlighted previously.

Because of actions taken to surge in support of wartime requirements, the Industrial Operations activity group has dramatically increased depot production over pre-war levels. Illustrative examples include:

	<b>Annual Pre-War</b>	<b>FY05</b>	<b>FY06 Planned</b>
Depot Aircraft	4	44	85
Helicopter Engines	< 200	> 600	> 700
Bradleys	144	318	600
HMMWVs	< 100	> 5,000	> 9000
Machine Guns	14,000	43,000	50,000
Firefinder Radars	< 1	45	45
Track Shoes	120,000	395,000	400,000

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**Personnel:**

The Industrial Operations activity group relies on two models to validate manpower staffing levels, which are predicated on specific workload assumptions. The models are the Army Workload and Performance System and the Predictive Staffing Model. Based on these models, the activity group continues to increase staffing, mostly through a combination of term and temp appointments in recognition of the fact that wartime workload is not permanent. FY 2006 civilian end strength and FTEs increase 15% and 12% respectively from levels forecast in the FY2006/2007 budget submission. These increases support higher workload levels reflected in the current submission. Staffing increases will also help bring overtime down to more sustainable levels in FY 2007, though still significantly higher than historical peacetime averages. In addition to term and temp appointments, another flexible workforce strategy employed is the use of contractor field team personnel (not reflected in the numbers below). These individuals are integrated in the production process along with government personnel and can be ramped up or down as workload requirements dictate. The use of contractor field teams will increase in FY 2006 and decrease in FY 2007 in conjunction with projected workload.

This budget also recognizes the graying and impending attrition of much of the current workforce. Activities are aggressively pursuing interns, partnering with technical colleges and schools, and limited over hire actions to "build the bench" of journeymen necessary to sustain production into the future as the retirement eligible population approaches 25% by the end of FY 2007.

<b>Personnel</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Civilian End Strength	21,687	24,062	23,359
Civilian FTEs	20,950	23,552	23,373
Military End Strength	31	28	28
Military Average Strength	31	25	25

**Revenue, Costs, Operating Results, and Rates:**

**Revenue:**

Industrial activities ended FY 2005 with less than a 2% variance from the budgeted revenue plan – a remarkable achievement given the number of installations and spectrum of production lines involved. The current budget submission reflects a 42% increase in revenue projections for FY 2006 and FY2007 from levels reflected in the previous President's Budget submission. This equates to a 25% increase above actual FY 2005 production. This increase may appear daunting, but when

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put into context, is less so given that these activities surged 20% from FY 2004 to FY 2005 production levels. Production increases will continue to be accommodated through flexible workforce strategies (extensive overtime, multiple shifts, term/temp appointments, and contractor field team support).

The increase in FY 2006 and FY 2007 revenue estimates mentioned above is attributable to better definition of evolving workload requirements as a result of Army reset and equipping conferences held subsequent to the FY2006/2007 budget submission. Revenue is expected to peak in FY 2006 and decrease in FY 2007 as projected in this budget plan; however, the FY 2007 decrease is a bit misleading. Production will not decrease dramatically. Instead, installations will be returning sizeable accumulated operating result gains (\$517 million) through customer rates, which serve to suppress revenue generation.

This budget assumes no Industrial Mobilization Cost (IMC) funding in FY 2007, which will be addressed further under the direct appropriations narrative section.

**Costs:**

FY 2006 and FY 2007 production is forecast to increase approximately 40% from levels in the FY 2006/2007 President's Budget. Costs follow this profile. The main difference between costs and revenue is that in FY 2007 costs will exceed revenue by \$517 million due to return of accumulated operating result gains through stabilized customer prices (a basic premise of working capital funds is to break even over time with no profit or loss).

Higher production levels generate cost increases across object classes. The largest increases are in supplies and materials, personnel compensation, equipment, and contracts. Selected ground system workload drivers associated with increased production include the Armored Combat Earth Mover, Paladin, Field Artillery Ammunition Supply Vehicle, High Mobility Multipurpose Wheeled Vehicle, Bradley Fighting Vehicle, Firefinder Radar, Tactical Satellite System, 105MM cannons, 120MM artillery tubes, 81MM mortars, smoke grenades, 155MM projectiles, power generators, and shelters. Selected aviation system workload drivers associated with increased production include T700 engine upgrades to the 701D, rotor blade manufacturing, and pilot modules and components for H-60 series aircraft.

**Operating Results and Rates:**

Recoverable net operating results (NOR) represent the difference between revenue and cost of goods produced within a fiscal year (with minor adjustments).

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Recoverable accumulated operating results (AOR) represent the summation of all recoverable net operating results since activity group inception along with any prior period adjustments. The goal of rate setting is to establish a rate that will bring recoverable accumulated operating results to zero in the budget year when applied to new customer orders.

Industrial activities ended FY 2005 with a positive \$29 million variance from the budgeted NOR plan – another remarkable achievement for a \$4.5 billion program. The current FY 2006 NOR forecast increases \$46 million from the FY 2006/2007 President's Budget submission. This change is primarily attributable to installations working more rate stabilized direct labor hours than the earlier budget estimate, which has the effect of spreading overhead costs over a larger revenue base (resulting in gains). Actual FY 2005 execution and the revised FY 2006 NOR forecast contribute to an FY06 AOR of \$517 million, to be returned through stabilized customer rates in FY 2007. Despite return of this sizeable AOR, the customer new order rate increases 5.5% from the FY06 rate based on changes in workload mix and cost escalation for materials and supplies used in repair and production programs.

<b>Operating Results and Rates (\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Revenue	4,551.5	5,754.1	4,784.4
Total Expenses	4,361.2	5,759.5	5,301.4
Net Operating Results	190.0	-5.4	-517.0
Accumulated Operating Results	647.1	517.0	0
Customer Revenue Rate per Direct Labor Hour (\$/DLH)	129.57	130.42	137.55
Percent Change from Prior Year	N/A	0.70%	5.46%
Unit Costs (\$/DLH)	157.33	168.04	167.60
DLH (000)	27,721	34,275	31,631
Percentage of Overtime	17.0%	16.4%	13.2%

**Cash Collections, Disbursements and Net Outlays:**

The table below shows projected cash outlays as a result of collections and disbursements. FY 2006 collections and disbursements exceed estimates reflected in the FY2006/2007 budget submission by 40% and 37% respectively. Collections and disbursements in the current submission correspond with increased workload assumptions associated with wartime requirements and return of accumulated operating result gains in FY 2007. Outlays within the Industrial Operations activity group impact the Army Working Capital Fund corporate cash



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balance, which must be maintained at not less than 7 to 10 days of operating cash and 6 months of capital disbursements.

The Army is working to ensure fund solvency despite transfer of \$2 billion to the Operations and Maintenance appropriation across FY 2004 and FY 2005 in support of urgent requirements. These funds will need to be returned to the Army Working Capital Fund at a future date in order for the fund to pay its suppliers and producers of goods. Activities within the Industrial Operations activity group have the flexibility to advance bill against existing customer orders (collect against incomplete orders) as a means of buffering cash during the year of execution; however, no advance billings are planned within this budget submission.

<b>(\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Collections	4,504.6	5,697.6	4,804.4
Disbursements	<u>4,521.1</u>	<u>5,741.1</u>	<u>5,307.7</u>
Net Outlays	16.4	43.5	503.3

**New Orders and Carryover:**

New order forecasts are based on customer requirements, which include specific production outputs and schedules associated with both peacetime and wartime operations. Army Working Capital Fund activities forecast wartime (supplemental funded) requirements in budget estimates in order to properly reflect resources required (funding, personnel, equipment, and time) to execute customer requirements. Forecasting wartime requirements is difficult due to evolving operational needs as well as uncertainty over actual funding levels; however, activities gain more clarity as the year of execution approaches.

The Industrial Operations activity group receives customer orders from various sources. Primary Army sources include O&M and Procurement appropriations for end item (weapon system) work and the Supply Management activity group of the Army Working Capital Fund for secondary item (component part) work. In addition to Army sources, other Services, Defense Agencies, and Foreign Military Sales customers place orders with the Industrial Operations activity group. FY 2005 new orders received were approximately 7% less than forecast; however, 2006 and FY 2007 estimates are significantly higher (at 77% and 38% respectively) than the previous budget submission. The sizeable decrease between FY 2006 and FY 2007 is primarily due to reduced assumptions regarding wartime workload in FY 2007.

Despite a \$94.7 million Congressional mark against FY 2006 OMA funding for excess carryover (orders received but not completed at the end of a fiscal year) in

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budget forecast. This is a tribute to the intensive management of aggressive production schedules.

<b>(\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
New Orders	4,517.6	5,645.4	4,562.4
Carry-over Ceiling	1,705.6	2,220.1	1,727.0
Planned Carry-over	1,394.9	1,355.8	1,157.5

**Performance Indicators:**

Performance Indicators include net and accumulated operating results (financial), schedule conformance (timeliness), scrap, rework and repair, quality deficiency reports, and customer satisfaction (quality measures), and productive yield (productivity). FY 2005 actual results and goals for FY 2006 and FY 2007 are shown in the table below. Financial operating result measures are discussed above. Schedule conformance represents the percentage of units produced that are delivered to the customer on time. Scrap, rework and repair represents the percentage of total cost incurred for rework to correct defects. The quality deficiency report 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 for each full time equivalent position involved in production.

<b>Performance Measure/Goal</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Net Operating Results (\$M)			
(Achieve President's Budget Goal)	190.0	-5.4	-517.0
Accumulated Operating Results (\$M)			
(Achieve President's Budget Goal)	647.1	517.0	0
Schedule Conformance (95% of Units on Time)	96%	96%	96%
Scrap, Rework and Repair (2% or less)	2%	2%	2%
Quality Deficiency Report (Close in less than 48 Days)	45	45	45
Customer Satisfaction (Goal of 98%)	98%	98%	98%
Productive Yield (Goal of 1615)	1,624	1,618	1,616

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**Business Process Improvements:**

The Industrial Operations activity group is continuing to implement LEAN initiatives and has incorporated these with Six Sigma processes. Business process improvement efforts incorporate commercial best practices to reduce costs, optimize production capability, and improve quality in support of customer requirements. A portion of savings generated from specific LEAN studies and Rapid Improvement Events (RIEs) are re-invested in further studies to identify additional processes requiring improvement.

Specific examples of successful LEAN events include the following: improved inert lines process flow at McAlester Army Ammunition Plant – reduced materials handled per unit for a savings of \$1.6 million; centrally located storage planners, developed inbound truck schedules, and automated the conveyor system at Blue Grass Army Depot – resulted in a savings of \$.8M; improved manufacturing processes at Crane Army Ammunition Activity – increased M939 production from 15 to 36 per week, increased bomb production capacity by 30% (500lb, 1000lb, and 2000lb GP bombs) and Army Tactical Missile System capacity by 118%; and quadrupled production and cut cycle time in half for the HMMWV RECAP program at Red River Army Depot. LEAN events such as these will continue across the activity group, and customers will benefit via cost savings and productivity gains.

**Direct Appropriations:**

The purpose of Industrial Mobilization Capacity (IMC) funds are to compensate industrial activities for fixed overhead costs associated with holding facilities and equipment in a reserve status to support mobilization and wartime surge requirements. IMC funds are designed to keep these costs out of prices charged to customers.

Title IX supplemental funding provided \$64 million for FY 2006. In accordance with OSD direction in December 2004, this budget submission reflects no funding for IMC requirements in FY 2007. The Army is attempting to improve its IMC requirements determination process to produce more credible results, which will be reflected in future budget submissions.

<b>Industrial Mobilization Capacity (\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Requirements	69.1	69.0	62.1
Funding	99.6	64.0	0.0

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**Capital Budget:**

Working Capital Funds must capitalize and depreciate any item with an acquisition cost equal to or greater than \$100,000 and having a useful life of 2 years or greater. The capital budget reflects modest increases from the FY 2006/2007 President's Budget submission (up \$1.8 million in FY 2006 and \$1.0 million in FY 2007). FY 2005 execution was 7% less than planned; however, a significant amount of new equipment was purchased to expand depot maintenance capacity in support of wartime requirements.

Several highlights related to the capital budget for FY 2006 and FY 2007 include:

- Purchase of automatic identification technology to provide productivity and product specific data to the new enterprise resource planning system.
- Purchase of Patriot Missile repair equipment to establish in-theater Patriot Missile repair/testing capability for the Pacific region.
- Purchase of the engine load system to increase availability of helicopter engine test cells in support of dynamic workload increases in both T-700 and T-55 engines.
- Purchase of equipment for a maneuver sustainment center at Red River Army Depot that consists of a drive-through blast bay, drive-through paint system, paint system components, and a chemical cleaning system.

A detailed listing of all approved and requested capital projects is provided in the capital budget section of this submission along with supporting justification.

<b>(\$ in millions)</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Equipment	113.8	56.6	56.5
ADPE & Telecommunications	3.6	18.4	20.5
Minor Construction	16.7	18.9	15.5
Software	<u>17.8</u>	<u>21.0</u>	<u>11.0</u>
<b>TOTAL Capital Investment Program*</b>	<b>151.9</b>	<b>114.9</b>	<b>103.4</b>

\*Totals may not add due to rounding.

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**Revenue and Expenses  
(\$ in Millions)**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue			
Gross Sales:	4,451.9	5,690.0	4,784.4
Operations	4,404.7	5,625.9	4,698.7
Surcharges	0.3	-	-
Depreciation excluding Major Construction	46.8	64.1	85.7
Major Construction Depreciation	-	-	-
Other Income (DWCF IMC)	99.6	64.0	-
Refunds/Discounts (-)	-	-	-
Total Income:	4,551.5	5,754.1	4,784.4
Expenses			
Salaries and Wages:	1,499.7	1,695.4	1,672.1
Military Personnel Compensation & Benefits	3.2	3.2	2.8
Civilian Personnel Compensation & Benefits	1,496.5	1,692.2	1,669.3
Travel & Transportation of Personnel	30.6	38.7	36.2
Materials & Supplies (For Internal Operations)	1,819.9	2,635.8	2,314.0
Equipment	57.8	75.6	73.6
Other Purchases from Revolving Funds	103.4	107.7	104.8
Transportation of Things	15.4	18.1	15.3
Depreciation - Capital	46.8	64.1	85.7
Printing and Reproduction	1.6	1.8	1.8
Advisory and Assistance Services	107.4	78.7	73.1
Rent, Communication, Utilities, & Misc. Charges	79.2	85.5	88.2
Other Purchased Services	599.3	957.9	836.6
Total Expenses:	4,361.2	5,759.5	5,301.4
Operating Result	190.3	(5.4)	(517.0)

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**Revenue and Expenses  
(\$ in Millions)**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Less Surcharge Reservations	0.3	-	-
Cash (Current Year)	-	-	-
Cash (Carried Over)	0.3	-	-
Capital	-	-	-
Plus Appropriations Affecting NOR/AOR	-	-	-
Other Changes Affecting NOR:	-	-	-
Other Inventory Adjustments	-	-	-
Net Change in Work in Process	-	-	-
Net Operating Result	190.0	(5.4)	(517.0)
Prior Year Adjustments	1.9		
Prior Year Recoverable Accumulated Operating Result	455.2	647.1	517.0
Non-Recoverable Amounts (Current Year Only)	-	(124.6)	
Recoverable Accumulated Operating Result	647.1	517.0	0.0
Memo:			
Beginning Work in Process	-	-	-
Ending Work in Process	-	-	-
Cost of Goods Sold:	4,361.2	5,759.5	5,301.4

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

	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>
<b>New Orders</b>			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	1,748.9	2,388.0	1,960.2
Operations & Maintenance, ARNG	54.9	73.6	92.9
Operations & Maintenance, AR	32.9	43.4	42.4
Subtotal, O&M:	1,836.8	2,505.1	2,095.5
Aircraft Procurement	17.7	2.6	6.7
Missile Procurement	10.8	52.0	46.5
Weapons & Tracked Combat Vehicles	117.1	142.4	97.1
Procurement of Ammunition	100.1	118.8	112.7
Other Procurement	399.9	804.6	426.0
Subtotal, Procurement:	645.6	1,120.3	689.0
RDTE	25.1	24.9	26.0
BRAC	0.1	-	-
Family Housing	2.6	2.1	2.1
Military Construction	1.4	-	-
Chem Agents & Munitions Dest, Army	22.6	24.7	22.2
Other	4.5	3.1	2.7
Subtotal, Other Army:	56.4	54.8	53.1
Subtotal, Department of Army:	2,538.8	3,680.2	2,837.5
Department of Air Force O&M	106.7	111.1	98.1
Department of Air Force Investment	38.8	36.4	20.9
Department of Navy O&M	14.1	10.4	9.7
Department of Navy Investment	44.8	39.6	39.9
US Marines O&M	155.0	17.1	60.4
US Marines Investment	22.1	26.9	17.4
Department of Defense O&M	0.2	0.1	0.1
Department of Defense Investment	-	-	-
Subtotal, Other DoD Services:	381.8	241.6	246.5
Other DoD Agencies	32.6	29.6	60.9
CAWCF	1.8	-	-
Subtotal, DoD Agencies:	34.4	29.6	60.9

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**Source of Revenue  
(\$ in Millions)**

	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>
<b>b. DWCF:</b>			
Industrial Operations, Army	47.2	31.6	29.1
Supply Management, Army	1,229.6	1,338.5	1,131.8
Supply Management, Air Force	26.0	12.1	12.3
Supply Management, Navy	85.6	77.6	53.7
Supply Management, Marine Corps	0.0	0.4	0.3
DECA	0.2	0.2	0.2
DFAS	1.5	1.7	1.8
DISA	3.2	2.7	2.7
DLA	45.1	43.0	38.2
TRANSCOM	-	-	-
Other	10.3	8.1	7.3
Subtotal, DWCF:	1,448.8	1,515.9	1,277.5
<b>c. Total DoD</b>	<b>4,403.8</b>	<b>5,467.2</b>	<b>4,422.4</b>
<b>d. Other Orders:</b>			
Other Federal Agencies	16.3	16.5	17.2
Foreign Military Sales	58.3	42.2	43.9
Trust Fund	-	-	-
Nonappropriated	19.4	10.7	4.5
Non-Federal Agencies	19.9	108.7	74.4
Subtotal, Other Orders:	113.9	178.2	140.0
Total New Orders:	4,517.6	5,645.4	4,562.4
<b>2. Carry-in Orders</b>	<b>1,482.3</b>	<b>1,548.1</b>	<b>1,503.4</b>
<b>3. Total Gross Orders</b>	<b>5,999.9</b>	<b>7,193.5</b>	<b>6,065.9</b>
<b>4. Revenue (-)</b>	<b>4,451.9</b>	<b>5,690.0</b>	<b>4,784.4</b>
<b>5. End of Year Work-inProcess (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>6. FMS, BRAC, Other Federal, and Non-Federal orders (-)</b>	<b>97.1</b>	<b>96.6</b>	<b>85.3</b>
Crash Damage	56.1	51.0	38.6
<b>7. Funded Carry-over</b>	<b>1,394.9</b>	<b>1,355.8</b>	<b>1,157.5</b>



**Army Working Capital Fund  
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**Carryover Reconciliation  
(\$ in Millions)**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. Net Carry-In	1,482.3	1,548.1	1,503.4
2. Revenue	4,451.9	5,690.0	4,784.4
3. New Orders	4,517.6	5,645.4	4,562.4
4. Exclusions:			
FMS	58.3	42.2	43.9
BRAC	0.1		
Other Federal Depts & Agencies	16.3	16.5	17.2
Non-Federal and Others	39.3	119.4	78.9
Crash Damage	56.9	104.2	89.8
5. Orders for Carryover Calculation	4,346.8	5,363.0	4,332.7
6. Weighted Composite Outlay Rate	60.76%	58.60%	60.14%
7. Carryover Rate	39.24%	41.40%	39.86%
8. Allowable Carryover	1,705.6	2,220.1	1,727.0
9. Balance of Customer Orders at Year End	1,548.1	1,503.4	1,281.5
10. Work-in-progress			
11. Exclusions:			
FMS	72.2	52.4	51.9
BRAC	0.4	0.2	
Other Federal Depts & Agencies	6.9	6.9	7.2
Non-Federal and Others	17.6	37.1	26.2
Crash Damage	56.1	51.0	38.6
12. Calculated Actual Carryover	1,394.9	1,355.8	1,157.5

**Army Working Capital Fund  
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**Changes in the Cost of Operations  
(\$ in Millions)**

		<u><b>Expenses</b></u>
<b>FY 2005 Actuals</b>		4,361.2
<b>FY 2006 Estimate in President's Budget</b>		4,107.4
<b>Estimated Impact in FY 2006 of Actual FY 2005 Actions</b>		3.8
LEAN Investments	28.7	
LEAN Savings	(33.0)	
Move to New York locality pay scales @ Tobyhanna	8.1	
<b>Pricing Adjustments:</b>		(6.5)
FY 2006 Pay Raise	(8.3)	
-Civilian Personnel	(8.3)	
-Military Personnel	(0.0)	
Inflation	1.8	
<b>Program Changes</b>		1,654.8
Military Personnel Compensation	(0.4)	
Civilian Personnel Compensation and Benefits	240.5	
Travel and Transportation of Personnel	8.4	
Material & Supplies (For Internal Operations)	914.5	
Equipment	31.2	
Other Purchases from Revolving Funds	4.7	
Transportation of Things	7.5	
Depreciation	7.6	
Printing and Reproduction	0.1	
Advisory and Assistance Services	(0.9)	
Rent, Communications, Utilities, and Miscellaneous Charges	(1.9)	
Other Purchased Services	443.5	

**Army Working Capital Fund  
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**Changes in the Cost of Operations  
(\$ in Millions)**

		<u><b>Expenses</b></u>
<b>FY 2006 Current Estimate</b>		5,759.5
<b>Pricing Adjustments</b>		127.4
Annualization of Prior Year Pay Raises	11.5	
FY 2007 Pay Raise	23.0	
-Civilian Personnel	22.9	
-Military Personnel	0.1	
Fund Price Changes	1.0	
General Purchase Inflation	92.0	
<b>Productivity Initiatives and Other Efficiencies</b>		(28.8)
List:		
LEAN Labor Costs	19.2	
LEAN Contracts	1.8	
Facilities upgrade due to LEAN improvements	0.5	
LEAN Savings	(48.6)	
Value Engineering Studies	(1.7)	
<b>Program Changes</b>		(556.7)
Military Personnel Compensation	(0.5)	
Civilian Personnel Compensation and Benefits	(52.2)	
Travel and Transportation of Personnel	(3.1)	
Material & Supplies (For Internal Operations)	(362.6)	
Equipment	(3.6)	
Other Purchases from Revolving Funds	(4.0)	
Transportation of Things	(3.3)	
Depreciation	21.6	
Printing and Reproduction	(0.0)	
Advisory and Assistance Services	(7.3)	
Rent, Communications, Utilities, and Miscellaneous Charges	0.6	
Other Purchased Services	(142.3)	
<b>FY 2007 Budget Estimate</b>		5,301.4

**Army Working Capital Fund  
Industrial Operations  
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**Industrial Mobilization Capacity (IMC)  
(\$ in Millions)  
(Hours in Thousands)**

**PART I.**

	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
<b>Anniston Army Depot</b>			
1. Total Capacity Index (DLHs)	3,968	3,968	3,968
2. Utilized Capacity Index (DLHs)	5,150	7,272	6,502
3. Reserve Capacity Index (DLHs)	-	-	-
4. Overhead Costs (as specified) (\$M)	20.5	20.9	21.2
5. IMC Requirement (\$M)	-	-	-
6. Funded IMC (\$M)	-	-	-
<b>Blue Grass Army Depot</b>			
1. Total Capacity Index (DLHs)	1,781	1,781	1,781
2. Utilized Capacity Index (DLHs)	703	738	727
3. Reserve Capacity Index (DLHs)	1,078	1,043	1,054
4. Overhead Costs (as specified) (\$M)	7.5	7.7	7.2
5. IMC Requirement (\$M)	4.6	4.5	4.3
6. Funded IMC (\$M)	6.4	4.7	-
<b>Crane Army Ammunition Activity</b>			
1. Total Capacity Index (DLHs)	3,425	3,425	3,425
2. Utilized Capacity Index (DLHs)	1,292	1,390	1,416
3. Reserve Capacity Index (DLHs)	2,133	2,035	2,009
4. Overhead Costs (as specified) (\$M)	23.5	23.9	24.3
5. IMC Requirement (\$M)	14.6	14.2	14.3
6. Funded IMC (\$M)	15.5	14.9	-
<b>Corpus Christi Army Depot</b>			
1. Total Capacity Index (DLHs)	3,817	3,817	3,817
2. Utilized Capacity Index (DLHs)	4,175	4,689	4,689
3. Reserve Capacity Index (DLHs)	-	-	-
4. Overhead Costs (as specified) (\$M)	35.1	35.6	36.3
5. IMC Requirement (\$M)	-	-	-
6. Funded IMC (\$M)	0.0	0.0	0.0
<b>Letterkenny Army Depot</b>			
1. Total Capacity Index (DLHs)	1,200	1,200	1,200
2. Utilized Capacity Index (DLHs)	2,133	2,478	1,958
3. Reserve Capacity Index (DLHs)	-	-	-
4. Overhead Costs (as specified) (\$M)	13.8	14.1	14.3
5. IMC Requirement (\$M)	-	-	-
6. Funded IMC (\$M)	-	-	-

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**Industrial Mobilization Capacity (IMC)  
(\$ in Millions)  
(Hours in Thousands)**

**McAlester Army Ammunition Plant**

1. Total Capacity Index (DLHs)	6,763	6,763	6,763
2. Utilized Capacity Index (DLHs)	1,358	1,674	1,415
3. Reserve Capacity Index (DLHs)	5,405	5,089	5,348
4. Overhead Costs (as specified) (\$M)	20.0	20.3	20.7
5. IMC Requirement (\$M)	16.0	15.3	16.4
6. Funded IMC (\$M)	20.6	17.2	-

**Pine Bluff Arsenal**

1. Total Capacity Index (DLHs)	2,288	2,288	2,288
2. Utilized Capacity Index (DLHs)	717	810	863
3. Reserve Capacity Index (DLHs)	1,571	1,478	1,425
4. Overhead Costs (as specified) (\$M)	32.3	32.1	25.1
5. IMC Requirement (\$M)	22.2	20.7	15.6
6. Funded IMC (\$M)	32.9	16.2	-

**Rock Island Arsenal**

1. Total Capacity Index (DLHs)	1,585	1,585	1,585
2. Utilized Capacity Index (DLHs)	1,072	1,169	1,155
3. Reserve Capacity Index (DLHs)	513	416	430
4. Overhead Costs (as specified) (\$M)	20.1	20.4	20.8
5. IMC Requirement (\$M)	6.5	5.4	5.6
6. Funded IMC (\$M)	12.5	9.0	-

**Red River Army Depot**

1. Total Capacity Index (DLHs)	1,849	1,849	1,849
2. Utilized Capacity Index (DLHs)	4,079	6,193	5,487
3. Reserve Capacity Index (DLHs)	-	-	-
4. Overhead Costs (as specified) (\$M)	40.4	41.0	41.7
5. IMC Requirement (\$M)	-	-	-
6. Funded IMC (\$M)	-	-	-

**Sierra Army Depot**

1. Total Capacity Index (DLHs)	498	498	498
2. Utilized Capacity Index (DLHs)	736	787	673
3. Reserve Capacity Index (DLHs)	-	-	-
4. Overhead Costs (as specified) (\$M)	2.6	2.6	2.1
5. IMC Requirement (\$M)	-	-	-
6. Funded IMC (\$M)	-	-	-

**Army Working Capital Fund  
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**Industrial Mobilization Capacity (IMC)  
(\$ in Millions)  
(Hours in Thousands)**

**Tooele Army Depot**

1. Total Capacity Index (DLHs)	541	541	541
2. Utilized Capacity Index (DLHs)	391	395	395
3. Reserve Capacity Index (DLHs)	150	146	146
4. Overhead Costs (as specified) (\$M)	2.1	2.1	1.4
5. IMC Requirement (\$M)	0.6	0.6	0.4
6. Funded IMC (\$M)	-	0.4	-

**Tobyhanna Army Depot**

1. Total Capacity Index (DLHs)	5,310	5,310	5,310
2. Utilized Capacity Index (DLHs)	5,122	6,372	6,072
3. Reserve Capacity Index (DLHs)	188	-	-
4. Overhead Costs (as specified) (\$M)	27.8	28.1	28.6
5. IMC Requirement (\$M)	1.0	-	-
6. Funded IMC (\$M)	-	-	-

**Watervliet Arsenal**

1. Total Capacity Index (DLHs)	653	653	431
2. Utilized Capacity Index (DLHs)	515	310	278
3. Reserve Capacity Index (DLHs)	138	343	153
4. Overhead Costs (as specified) (\$M)	17.4	16.0	15.8
5. IMC Requirement (\$M)	3.7	8.4	5.6
6. Funded IMC (\$M)	11.8	1.8	-

Total IMC Requirement	\$69.128	\$69.037	\$62.136
Total IMC Funding	\$99.631	\$64.021	\$0.000
Total Capacity Index (DLHs)	33,678	33,678	33,456
Total Utilized Capacity Index (DLHs)	27,443	34,275	31,631
Total Capacity Utilization (%)	72.6%	72.0%	73.2%

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

**Material Inventory Data  
(\$ in Millions)**

**FY 2005**

	<u>Total</u>	<u>Mobilization</u>	-----Peacetime-----	
			<u>Operating</u>	<u>Other</u>
Material Inventory BOP	259.692	-	259.692	-
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	1,864.501	-	1,864.501	-
B. Purchase of long lead items in advance of customer orders (+)	123.851	-	123.851	-
C. Other Purchases (list) (+)	5.274	-	3.974	1.300
D. Total Purchases	1,993.626	-	1,992.326	1.300
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,819.865	-	1,819.865	-
B. Disposals, theft, losses due to damages (-)	82.909	-	82.909	-
C. Other reductions (list) (-)	1.300	-	-	1.300
D. Total inventory adjustments	1,904.074	-	1,902.774	1.300
Material Inventory EOP	349.244	-	349.244	-

**FY 2006**

	<u>Total</u>	<u>Mobilization</u>	-----Peacetime-----	
			<u>Operating</u>	<u>Other</u>
Material Inventory BOP	349.244	-	349.244	-
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,458.590	-	2,458.590	-
B. Purchase of long lead items in advance of customer orders (+)	179.539	-	179.539	-
C. Other Purchases (list) (+)	14.085	-	12.785	1.300
D. Total Purchases	2,652.214	-	2,650.914	1.300
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	2,605.684	-	2,605.684	-
B. Disposals, theft, losses due to damages (-)	7.390	-	7.390	-
C. Other reductions (list) (-)	(0.057)	-	(1.357)	1.300
D. Total inventory adjustments	2,613.017	-	2,611.717	1.300
Material Inventory EOP	388.441	-	388.441	-

**FY 2007**

	<u>Total</u>	<u>Mobilization</u>	-----Peacetime-----	
			<u>Operating</u>	<u>Other</u>
Material Inventory BOP	388.441	-	388.441	-
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,040.560	-	2,040.560	-
B. Purchase of long lead items in advance of customer orders (+)	160.443	-	160.443	-
C. Other Purchases (list) (+)	14.554	-	13.254	1.300
D. Total Purchases	2,215.557	-	2,214.257	1.300
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	2,284.345	-	2,284.345	-
B. Disposals, theft, losses due to damages (-)	8.130	-	8.130	-
C. Other reductions (list) (-)	(0.500)	-	(1.800)	1.300
D. Total inventory adjustments	2,291.975	-	2,290.675	1.300
Material Inventory EOP	312.023	-	312.023	-

## **CAPITAL BUDGET**



<b>Supply Management Capital Investment Summary</b> <b>Department of Army</b> <b>Supply Management</b> <b>February 2006</b> (\$ in Millions)							
Line No.	Description	FY05		FY 06		FY 07	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
04-3	<b>ADPE &amp; TELECOMMUNICATIONS EQUIPMENT</b>						
	Terminal Servers			1	0.611	1	0.611
	ADP TOTAL			1	0.611	1	0.611
	<b>SOFTWARE</b>						
06-01	Future Logistics Enterprise			1	3.000	1	2.000
98-14	Common Operating Environment	1	1.300	1	2.250		2.525
04-07	Exchange Pricing	1	1.927	1	6.781	1	4.789
00-2	Logistics Modernization Program	1	21.529	1	18.700	1	18.700
06-02	National Maintenance Management. - LMP			1	0.350		
	SOFTWARE TOTAL	3	24.756	5	31.081	3	28.014
	<b>Activity TOTAL</b>	3	24.756	6	31.692	4	28.625
Total Capital Outlays			36.783		48.794		26.671
Total Depreciation Expense			58.659		90.053		94.595

SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION ADPE & TELECOMMUNICATIONS EQUIPMENT (\$ in Thousands)							A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Supply Management, Army Feb 06		C. Line No 04-3		Item Description Terminal Servers			D. Activity Identification Army Materiel Command		
Element of Cost	Quantity	FY05 Unit Cost	Total Cost	Quantity	FY 06 Unit Cost	Total Cost	Quantity	FY 07 Unit Cost	Total Cost
Terminal Servers				1	611.000	611.000	1	611.000	611.000
TOTAL				1		611.000			611.000
Narrative Justification: <b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> The current environment relies on stand-alone desktops, which require a tremendous administrative support to maintain, upgrade, conduct security and load software. This purchase is for network servers to form a local area network. <b>b. ANTICIPATED BENEFITS:</b> This is the most cost-effective method for satisfying the CECOM Acquisition Center as well as the AMC Acquisition community's automation requirement, allowing it to meet Federal automation support mandates. Benefits include reduced maintenance and support of numerous independent desktops by allowing standardization of software and maintenance. Finally, this will allow the AMC Acquisition community as a whole to provide better service to the IMMC community at a decreased cost. <b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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 will be lost. <b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes <b>e. FULLY OPERATIONAL CAPABLE DATE</b> <b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$40.683 per month									
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project:\$2,441.000 Net Present Value of Benefits: \$5,249.000 Benefit to Investment Ratio: 2.83 Payback Period: 1.91									

SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)								A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group Supply Management, Army		Date Feb 06	C. Line No 06-01		Item Description Future Logistics Enterprise (FLE)			D. Activity Identification AMC G-3		
Element of Cost		FY05 Quantity Unit Cost Total Cost			FY 06 Qty Unit Cost Total Cost			FY 07 Qty 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
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> The Future Logistics Enterprise (FLE)/Transformation effort involves the design and implementation of a logistics framework that inherently meets the operational requirements of the National Military Strategy and the early 21st Century warfighter. Its tenets include end-to-end distribution, total life cycle systems management, and an integrated knowledge environment. The FLE/Transformation will ensure that national logistics requirements and capabilities are directly tied to the warfighting CINC and tactical requirements. Incorporation of contractor supported logistics and performance based logistics requirements will be done. The depreciable asset is software. This effort will be completed in FY07.</p> <p><b>b. ANTICIPATED BENEFITS:</b> Implementation of a future Logistics Enterprise/Transformation will provide for an environment which supports exchange of data that is intelligent and provides for a means to have interactivity between multiple ERPs in a collaborative fashion. System changes with National level materiel management systems will be made to accommodate the business process changes brought about by FLE. Data will be able to be received and transmitted with minimal use of a middleware or other conversion media. Synergy will be realized by linking the multiple developmental effort of services and defense agencies together. Information exchange in support of secondary items will also be improved with linkage to industry partners in the FLE. Achievement of focused logistics needed to support Army transformation and management of secondary items as part of recapitalization will be achieved. Inefficiencies and process disconnects in areas such as reimbursable and interservice work will also be eliminated. As Air Force, Marine Corps, and industry plans materialize in the FLE, the Army program will require adjustment to provide additional integration. Improved management and visibility of s secondary items will be improved as work with joint environment.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> AMC and Army will not realize the synergy of achieving more efficient processes of having a collaborative environment through a co-evolution process achievement of information superiority and support to such effort as condition based maintenance will not be achieved. Reduced numbers of logistical and financial transactions will also not be realized. Supports the Army campaign plan and CSA direction for modulare and joint capabilities.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> DoD Directed Initiative.</p> <p><b>e. FULLY OPERATIONAL CAPABLE DATE:</b> FOC is beyond FY10</p> <p><b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$83.333/month</p>										
<p><b>ECONOMIC INDICATORS:</b></p> <p>Total Cost of the Project: \$5.000      Net Present Value of Benefits:      N/A      Benefit to Investment Ratio:      N/A      Payback Period:      N/A</p>										

SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)								A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group Supply Management, Army		Date Feb 06	C. Line No 98-14		Item Description Common Operating Environment			D. Activity Identification AMC G-3		
Element of Cost		FY05 QuantityUnit CostTotal Cost			FY 06 QtyUnit CostTotal Cost			FY 07 QuantityUnit CostTotal Cost		
Software		1	1,300.000	1,300.000	1	2,250.000	2,250.000	1	2,525.000	2,525.000
TOTAL		1		1,300.000	1		2,250.000	1		2,525.000
Narrative Justification: <b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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 the supply management activities that comprise the Army Logistics Enterprise. Creation of a Common Operating Environment (COE) will be done in a gap-fit effort. Business processes will need to align with the new architecture. The obsolete design characteristics of the non-standard and bridge systems impedes technology insertions and limits user access. Current SAP implementations create the need for 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>b. ANTICIPATED BENEFITS:</b> This effort will provide a Windows-based common technology enterprise software architecture which will pull all relevant business processes into the integrated domain and ensure the Army can maximize it's return on investment. COE will allow additional new users access to all automated logistics tools within the Army Logistics Enterprise through a single workstation. <b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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. <b>d. ECONOMIC ANALYSIS PERFORMED</b> 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. <b>e. FULLY OPERATIONAL CAPABLE DATE:</b> 4QFY07 <b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$647.533 per month										
<b>ECONOMIC INDICATORS:</b>										
Total Cost of the Project: \$36,602.000		Net Present Value of Benefits:		N/A	Benefit to Investment Ratio:		N/A	Payback Period:		N/A

SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)								A. Budget Submission FY 2007 OSD/OMB Submission			
B. Component, Activity Group Supply Management, Army		Date Feb 06	C. Line No 04-07		Item Description Exchange Pricing (EP)			D. Activity Identification AMC G-3			
Element of Cost			FY05			FY 06			FY 07		
			Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Travel			1	75.000	75.000	1	30.000	30.000	1	75.000	75.000
Contract Support			1	1,733.151	1,733.151	1	6,628.137	6,628.137	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		1,927.000	3		6,781.264	3		4,788.534
Narrative Justification:											
<p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> OSD decision in 2001 directed the Army to implement Exchange Pricing (EP) for repairable repair parts to mitigate financial problems associated with excess credit provided through the supply business area. Process functionality required to implement EP in current logistical and financial systems does not exist. To rectify this shortcoming, EP will tie customer issues and carcass turn-in together, and links unmatched returns to the financial billing process.</p> <p><b>b. ANTICIPATED BENEFITS:</b></p> <p>(1) EP stalabilizes credit for reparable secondary items, seperates credit from OPTEMPO funding, enables a multiple price/exchange price structure, significantly improves tracking of carcass returns to the supply system, reduces associated logistical and financial transactions and employee workloads, and reduces risk to AWCF-SMA cash flow by providing credit only where credit is due.</p> <p>(2) EP implementation is predicated on complete deployment of Army’s Logistics Modernization Program (LMP.) Due to LMP schedule changes, EP development, testing and fielding schedules have been adjusted to reflect Army wide fielding in 1st QTR FY 09 with the following requirements: FY05 – \$1,927,000 for program management, updating program documentation, business rules, implementation procedures, requirements determination, traceability matrices, and conducting program reviews and design meetings; FY06 - \$6,781,264 for program management, test plan development, system blueprinting, detailed functional descriptions, engineering change packages, revised process flows, and conducting program reviews and design meetings; FY07 – \$4,788.534 for change management plan revision, conversion and implementation plan revision, system integration test development, numerous system integration test working groups, metrics plan development, tactical repairable analysis, system design changes to LMP and Standard Army Retail Supply System, and conducting program reviews and design meetings; FY08 - \$10,762,495 for a 3-month system integration test, 3-month lead verification site test, problem report correction, metrics collection and evaluation, and conducting program reviews and design meetings; FY09 - \$2,824,268 for program management, Army wide implementation, and conducting program reviews. Total program cost is \$41,600,498 and includes FY03 obligations of \$4,208,000, and FY04 obligations of \$6,138,615.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> Army will not comply with OSD directive; no workload reduction associated with reduced logistical and financial transactions; continuance of a price and credit structure that may affect Army Working Capital Fund solvency because turn-ins exceed sales.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> No - Implementation of EP directed by OSD.</p> <p><b>e. FULLY OPERATIONAL CAPABLE DATE:</b> 4QFY07</p> <p><b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$693.342 per month</p>											
<b>ECONOMIC INDICATORS:</b>											
Total Cost of the Project: \$41,600.498      Net Present Value of Benefits:      N/A      Benefit to Investment Ratio:      N/A      Payback Period:      N/A											

<b>SUPPLY MANAGEMENT, ARMY CAPITAL INVESTMENT JUSTIFICATION</b> <b>SOFTWARE</b> <b>(\$ in Thousands)</b>								A. Budget Submission FY 2007 OSD/OMB Submission			
B. Component, Activity Group Supply Management, Army		Date Feb 06	C. Line No 00-2		Item Description Logistics Modernization Program - SMA			D. Activity Identification Army Materiel Command			
Element of Cost			<b>FY05</b> Quantity      Unit Cost      Total Cost			<b>FY 06</b> Quantity      Unit Cost      Total Cost			<b>FY 07</b> Quantity      Unit Cost      Total Cost		
Software			1	21,529.000	21,529.000	1	18,700.000	18,700.000	1	18,700.000	18,700.000
TOTAL					21,529.000	1		18,700.000	1		18,700.000
Narrative Justification: <b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> The current 25 year old 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 by utilizing modern information technology enablers to provide real time visibility of logistics processes. <b>b. ANTICIPATED BENEFITS:</b> 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 performance 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 twelve-year investment will total about \$281M, part of a \$369M program, which also includes the Depot Maintenance business area. <b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> AMC will be forced to maintain inefficient and unduly expensive wholesale logistics processes due to the limitations of the current automated system, Commodity Command Supply System (CCSS). 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. <b>d. ECONOMIC ANALYSIS PERFORMED?</b> A comparative analysis was performed in lieu of an economic analysis as status quo was not an option. <b>e. FULLY OPERATIONAL CAPABLE DATE:</b> <b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$311,666.00 per month											
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project: \$224,583.000    Net Present Value of Benefits:    N/A    Benefit to Investment Ratio:    N/A    Payback Period:    N/A											

ARMY WORKING CAPITAL FUND  
SUPPLY MANAGEMENT  
FY 2005  
FY 2007 Budget Submission  
February 2006  
(\$ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

<u>FY</u>	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
<b><u>SOFTWARE</u></b>							
FY05	Common Operating Environment	1.300		1.300	1.300		
FY05	Exchange Pricing	9.407		9.407	1.927	7.480	Requirement shifted to FY07 due to delay in LMP implementation.
FY05	Logistics Modernization Program (LMP) SMA	21.529		21.529	21.529		
	TOTAL	32.236		32.236	24.756	7.480	

ARMY WORKING CAPITAL FUND  
SUPPLY MANAGEMENT  
FY 2006  
FY 2007 Budget Submission  
February 2006  
(\$ 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
<b>ADPE &amp; TELECOMMUNICATIONS EQUIPMENT</b>							
FY06	Terminal Servers	0.611		0.611	0.611		
<b>SOFTWARE</b>							
FY06	Future Logistics Enterprise	3.000		3.000	3.000		
FY06	Common Operating Environment	2.250		2.250	2.250		support costs
FY06	Exchange Pricing	6.781		6.781	6.781		
FY06	Logistics Modernization Program (LMP) SMA	18.700		18.700	18.700		Past claims and transition development
FY06	NMP changes - LMP	0.350		0.350	0.350		
	<b>TOTAL</b>	<b>31.692</b>		<b>31.692</b>	<b>31.692</b>		



ARMY WORKING CAPITAL FUND  
SUPPLY MANAGEMENT  
FY 2007  
FY 2007 Budget Submission  
February 2006  
(\$ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

<u>FY</u>	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
<b>ADPE &amp; TELECOMMUNICATIONS EQUIPMENT</b>							
FY07	Terminal Servers	0.611		0.611	0.611		
SOFTWARE							
FY07	Future Logistics Enterprise	2.000		2.000	2.000		
FY07	Common Operating Environment	2.525		2.525	2.525		
FY07	Exchange Pricing	4.789		4.789	4.789		Amount shifted from FY05 due to delay in LMP implementation
FY07	NMM - LMP						
FY07	Logistics Modernization Program (LMP) SMA	18.700		18.700	18.700		Transition development
	TOTAL	28.625		28.625	28.625		

**Industrial Operations Capital Investment Summary**  
**Department of Army**  
**Industrial Operations**  
**February 2006**  
**(\$ in Millions)**

Line No.	Description		FY05		FY06		FY07	
			Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
05-12	<b>EQUIPMENT - &lt;\$500k</b> Various Capital Equipment <500K		50	14.068	37	14.028	53	17.762
05-13	<b>EQUIPMENT - &gt;\$500k&lt;\$1M</b> Various Capital Equipment >500K<1M		12	8.690	19	11.628	12	8.114
05-14	<b>EQUIPMENT-Replacement</b> ATE Systems		1	0.308				
06-01	Automated Starter Patch Fabrication System,33-520				1	1.563		
05-02	Overhaul 10 each Bridge Cranes		5	1.415				
05-17	Replace Alarm System, Phase II		1	2.383				
06-04	4 Axis Compter Numerical Controls 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	18.885				
06-22	Thermal System Test Stand				1	2.107		
07-01	Electron Beam Welder Replacement						1	1.406
07-02	Equipment for MSS Center						1	13.145
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
05-05	Cylindrical Grinder		1	1.900				
07-22	Lens 850-R		1	1.497				
	SUBTOTAL		72	49.146	65	38.142	75	49.304
05-18	<b>EQUIPMENT- Productivity</b> Electric Generator (Diesel/Natural Gas)		1	1.367				
05-09	Flight Critical Safety System		1	9.064				
05-11	Large Capacity Spin Blaster		1	2.095				
06-24	Cincinnati Gilbert Horiz Boring Machine				1	1.316		
06-25	Computer Numerical Controls Crankshaft Grinders				2	4.419		
06-26	Computer Numerical Controls Horizontal Lathes				1	1.395		

**Industrial Operations Capital Investment Summary**  
**Department of Army**  
**Industrial Operations**  
**February 2006**  
**(\$ in Millions)**

Line No.	Description		FY05		FY06		FY07	
			Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
06-28	Computer Numerical Controls ID/OD Vertical Grinder, Turret Ring Gr				1	1.067		
06-33	Integrated Manufacturing Test Facility				1	2.180		
06-36	T-700 Grinding Machine				1	1.853		
07-17	Ind. Plant Equip. for Powertrain/Flexible Maint Ctr.		1	39.390				
05-20	Digital Electric Control		1	1.240				
05-22	General Purpose Hydraulic Test Stand		1	1.450				
05-21	T-700 Compressor Repair Cell		1	3.465				
05-28	GETS		1	2.500				
05-27	FireFinder Near Field Probe		1	2.126				
		SUBTOTAL	9	62.697	7	12.230		-
	<b>EQUIPMENT- New Mission</b>							
06-47	Programmable Robotic Paint System				1	1.200		
07-28	Aircraft Alignment Checker						1	1.400
06-41	Pacific Theater Missile Repair Facility				1	2.905		
05-23	T-700 Hot Section Repair Cell		1	1.991				
		SUBTOTAL	1	1.991	2	4.105	1	1.400
	<b>EQUIPMENT- Environmental</b>							
06-39	Conveyor System, Phase I				1	2.100		
07-18	Air Pollution Control Equipment						1	1.481
07-19	Conveyor System, Phase II						1	1.200
07-20	Upgrade Metal Finish Operations						1	3.104
		SUBTOTAL			1	2.100	3	5.785
	<b>EQUIPMENT TOTAL</b>	- -	82	113.834	75	56.577	79	56.489

**Industrial Operations Capital Investment Summary**  
**Department of Army**  
**Industrial Operations**  
**February 2006**  
**(\$ in Millions)**

Line No.	Description		FY05		FY06		FY07	
			Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
04-26 06-46 06-44 06-45 06-43 07-25 05-30 07-27  04-28 05-26 05-26 05-10 05-29   00-02 99-08 04-16  <								

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 05-12		Item Description Various Capital Equipment < \$500K				Various Installations		
Element of Cost				FY05			FY 06			FY 07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
VCE<500 Replacement				37		10,178.000	32		12,771.000	40		15,513.000
VCE<500 Productivity				9		2,847.000	4		942.000	7		1,954.000
VCE<500 New Mission				4		1,043.000	1		315.000	1		295.000
PAGE TOTAL						14,068.000	37		14,028.000	48		17,762.000
<p>Narrative Justification:</p> <p>a. <b>CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> This represents various equipment costing &lt; \$500K, which will improve depot efficiency through replacement, modification or addition of production and maintenance capability and compliance with mission requirements. Equipment supports organic maintenance, overhaul, rebuild, reclamation, conversion, renovation, modification and repair programs</p> <p>b. <b>ANTICIPATED BENEFITS:</b> 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 Industrial Operations to be more competitive.</p> <p>c. <b>IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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 costs, and decrease accuracy and dependability.</p> <p>d. <b>ECONOMIC ANALYSIS PERFORMED?</b> Yes, EA performed on individual equipment purchases.</p>												
<p><b>ECONOMIC INDICATORS:</b></p> <p>Total Cost of the Project    \$    45,858.000    Net Present Value of Benefits:    N/A    Benefit to Investment Ratio:    N/A    Payback Period:    NA</p>												

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT (\$ in Thousands)										Page 1 of 7		A. Budget Submission FY 2007 OSD/OMB Submission								
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 05-13		Item Description Various Capital Equipment > \$500K<\$1M				Various Installations										
Element of Cost				FY05			FY 06			FY 07										
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost								
VCE>\$500K<\$1M				12		8,690.000														
CNC Horizontal Machining Center							1	818.000	818.000											
Access Control System							1	984.000	984.000											
Extrusion Press/Loading System							1	600.000	600.000											
Vertical Grinding Machine							1	765.000	765.000											
T-700 Compressor Lathe							1	578.000	578.000											
Servo Test System							1	608.000	608.000											
PAGE TOTAL				12		8,690.000	6		4,353.000											
<p><b>CAPABILITY:</b></p> <p><b>Computer Numerical Controls (CNC) Horizontal Machining Center (ANAD):</b> This unit, located in bldg 145, operates as an integral part of the Dir of Manufacturing, by fabricating parts and stock required for ANAD's tracked vehicle programs. These programs include the M1 family of vehicles (FOV), M88 Recovery Vehicle, M60/70 Upgrade Armored Vehicle Launched Bridge (ABLV), M48 AVLB, M728 combat engineer vehicle (CEV), M113 program, M119A Towed artillery, M9 Army Corps of Engineers (ACE), small arms, Rapid Acquisition of Manufactured Parts, bridge programs, and ANAD's role in future program support. This CNC Horizontal Machining Center is 15 yrs old and due to the multi-programs supported, is deteriorating on a continual basis, to include parts obsolescence issues.</p> <p><b>Access Control System (CAAA):</b> This project will install a new Access Control System at Crane Army Ammunition Activity (CAAA) to include (14) automatic gates and Closed Circuit TV (CCTV) security camera with remote release for monitoring access areas by security personnel. Crane is an AMC approved site where Category I and Category II munitions are shipped, received, produced renovated, and demilitarized. Security in these areas is required in accordance with AR 190-11.</p> <p><b>Extrusion Press/Loading System (CAAA):</b> 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 purchase and install extrusion presses and automated remote loading system in Building 200 to produce MTV flare planks.</p> <p><b>Vertical Grinding Machine (CCAD):</b> Existing grinder is over 10 years old and has been used aggressively for multi-shift operations 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.</p> <p><b>T-700 Compressor Lathe (CCAD):</b> 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.</p> <p><b>Servo Test System (CCAD):</b> 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.</p>																				
<p><b>ECONOMIC INDICATORS:</b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 25%;">Total Cost of the Project</td> <td style="width: 15%;">\$28,485.000</td> <td style="width: 25%;">Net Present Value of Benefits:</td> <td style="width: 15%;">N/A</td> <td style="width: 20%;">Benefit to Investment Ratio:</td> <td style="width: 10%;">N/A</td> <td style="width: 5%;">Payback Period:</td> <td style="width: 10%;">NA</td> </tr> </table>													Total Cost of the Project	\$28,485.000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	NA
Total Cost of the Project	\$28,485.000	Net Present Value of Benefits:	N/A	Benefit to Investment Ratio:	N/A	Payback Period:	NA													



INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission					
Page 3 of 7															
B. Component, Activity Group, Date Army, Industrial Operations				C. Line No 05-13		Item Description Various Capital Equipment > \$500K<\$1M				Various Installations					
Feb-06															
Element of Cost				FY05			FY 06			FY 07					
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost			
Automated SDS Fill System										1	502.000	502.000			
Automate Fuze and Pre-pack System										1	906.000	906.000			
Electrical Discharge Machine							1	577.000	577.000						
Patriot Environmental Test Chamber							1	850.000	850.000						
Hexane Emission Scrubber							1	500.000	500.000						
Thermal Arc Spray System							1	601.000	601.000						
PAGE TOTAL							4		2,528.000	2		1,408.000			
CAPABILITY:															
Automated SDS Fill System (PBA): This project provides M100 Sorbent Decontamination System (SDS) to fill sorbent pouches in response to PBA's customer requirements. The status quo is to continue to rely on private industry to procure sorbent pouches and to remain inefficient and non-productive while wasting production dollars. This project supports the M295 Individual Equipment Decontamination Kit (IEDK) production line which produces approximately 20,000 units or 40,000 kits per year.															
Automate Fuze and Pre-pack System (PBA): Current fuze installation and grenade pack out operations for the M18 and M83 grenades are labor intensive and not necessarily conducive to short runs. Additionally, workers currently install live fuzes by hand. While procedures have kept incidents to a minimum, safety is still a concern. Continued production with the current line set-up requires a large workforce to man every station and several workers handling fuzes and fuzed grenades. This system will automate the installation of fuzes for fuzed grenades.															
Electrical Discharge Machine (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. This project is used for cutting electrical conductive materials to precise tolerances.															
Patriot Environmental Test Chamber (LEAD): The large environmental chamber is required for Letterkenny to conduct functional testing of complete PATRIOT radar units while under various extreme high and low temperatures. This new testing requirement exists for the REP III configuration that Letterkenny will be overhauling and testing. In addition, this equipment can be used to test all electro-mechanical assets for extreme temperature conditions and used for analysis of temperature related failures.															
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 enhance operational safety significantly by reducing the production operator exposure to dry magnesium/Teflon composition. 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. Workload is expected to be \$1.0 million per year through FY 2012.															
ECONOMIC INDICATORS:															
Total Cost of the Project		\$28,485.000		Net Present Value of Benefits:		N/A		Benefit to Investment Ratio:		N/A		Payback Period:		NA	



INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT										A. Budget Submission FY 2007
Page 4 of 7										
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 05-13		Item Description Various Capital Equipment > \$500K<\$1M				Various Installations
Element of Cost				FY05			FY 06			FY 07
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity
X1100-3B Transmission Test Stand Upgrade							1	643.000	643.000	
CD850 Transmission Test Stand Upgrade							1	805.000	805.000	
Bulldozers							2	322.000	644.000	
VXI Automated Test Equipment							1	170.000	170.000	1 173.000 173.000
PAGE TOTAL							5		2,262.000	1 173.000
<p><b>CAPABILITY:</b></p> <p><b>X1100-3B Transmission Test Stand Upgrade (ANAD):</b> ANAD currently uses one X1100-3B test stand (dtd 1984) 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 supported by the manufacturer. This component obsolescence is impacting ANAD's ability to efficiently maintain the equipment and is negatively impacting equipment operation and performance. Due to these problems the test stand's operation and efficiency is negatively impacted, including the test stand is limited to manual mode operational performance with test results being recorded by the operator.</p> <p><b>CD850 Transmission Test Stand Upgrade (ANAD):</b> Current CD850 test stand was manufactured in 1984. The unit is used for the Armored Vehicle Launched Bridge (AVLB), M728 and M60 transmissions. 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. Computer programs are obsolete and current processors along with necessary motherboards are no longer available.</p> <p><b>Bulldozers (MCAAP):</b> 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 RRMCM utilizes a fleet of six (6) D7G Caterpillar bulldozers. The dozers are 1984 models, two of which are in need of replacement. Bulldozer 12225 was taken out of service due to unserviceable engine, transmission, winch, and undercarriage. Bulldozer 12226 has unserviceable undercarriage, weak engine, and unserviceable winch. Both dozers have in excess of 10,000 estimated hours of operation. The hour meters have been changed out numerous times. To continue doing effective demolition operations at RRMCM two new bulldozers are needed to upgrade equipment pool. This bulldozer project consists of procuring two (2) new bulldozers for Burning Ground/Demolition Range support at RRMCM.</p> <p><b>VXI Automated Test Equipment (TYAD):</b> TYAD currently maintains Automated Test Equipment (ATE) to support its overhaul and repair depot maintenance mission. Many of the ATE systems have out lived their useful life and 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 diminish and cannibalization is not an option due to lack of candidates.</p>										
<b>ECONOMIC INDICATORS:</b>										
Total Cost of the Project	\$28,485.000			Net Present Value of Benefits: N/A			Benefit to Investment Ratio: N/A			Payback Period: NA

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission			
Page 5 of 7													
B. Component, Activity Group, Date Army, Industrial Operations				Feb-06		C. Line No 05-13		Item Description Various Capital Equipment > \$500K<\$1M			Various Installations		
Element of Cost				FY05			FY 06			FY 07			
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
4 Axis H Machining Center										1	850.000	850.000	
Replace Automated Storage Ret Sys										1	720.000	720.000	
Pallet Bldg Sys										1	803.000	803.000	
Upgrade 81MM Mortar RP Line										1	630.000	630.000	
PAGE TOTAL										4	3,003.000	3,003.000	
Narrative Justification: <b>CAPABILITY:</b> <b>4 Axis H Machining Center (RIA):</b> 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>Replace Automated Storage and Retrieval System (RRAD):</b> Red River Army Depot (RRAD) has an Automated Storage and Retrieval System (ASARS) which has been in operation since the 1980s. This consists of a set of storage racks with automated retrieval capability plus a system of automated guided vehicles (AGVs) that are used to move material from the rack area out to the distribution area where they are either distributed directly to the shops or are kitted prior to distribution. This system is controlled by computer. The AGVs and controller are rapidly becoming more difficult to maintain. Weapon systems supported are multiple and include HEMTTs, Bradley, MLRS, 25 Ton Cranes, and HMMWVs. <b>Pallet Building System (MCAAP):</b> The Dunnage Mill pallet building system and munitions shipping process at the Dunnage Mill is the most efficient, safest, and least costly manner. MCAAP's pallet building system operation consists of an automated pallet-building machine and automated bundle saw. The pallet-building machine is over 10 years old and is prone to breaking down regularly, slowing production. MCAAP is tasked to produce three sizes of pallets (only one size at a time can be produced) to ship the required bombs/ammunition from a Tier One facility in the first thirty days of a conflict. The existing Bundle Saw is in constant use each day, with the average cut-raw-lumber requirements increasing since 2001 due to Enduring Freedom/Iraqi Freedom and the Centralized Ammunition Management requirements. Before this technology, MCAAP needed 75 personnel per 3-shift period and many more manually-operated saws/nail guns to cut the 350,000 board feet of cut raw-lumber per day to load-out the 400 Milvan requirement; compared to only 9 personnel per 3-shift period with the automated Bundle Saw. The Pallet Building System at MCAAP's Dunnage Mill supports the conventional bombs and ammunition that is produced and shipped-out by truck and rail. <b>Upgrade 81MM Mortar RP Line (PBA):</b> The Red Phosphorus Mix and Fill Line (building 31-530) upgrade requirement still exists. The 30-year-old mixers were designed for use in the food industry, not for mixing red phosphorus (RP). They are open bowls making it more difficult to maintain proper acetone levels in the mixture and ensure consistent batch quality. Because of their open-atmosphere design, sparks ignite both the acetone and the RP. Frequent fires, although controllable, cause significant downtime and pose a safety hazard. Tooling currently used for the presses is worn and does not maintain tolerances. Compressed air comes from a remote system through old, corroded pipes exposed to outdoor temperatures causing the air used by the system to contain unacceptable amounts of dirt and moisture. Equipment other than the mixers will be 13 years old in 2004. This line no longer operates without an inordinate amount of maintenance.													
<b>ECONOMIC INDICATORS:</b>													
Total Cost of the Project		\$28,485.000		Net Present Value of Benefits:		N/A		Benefit to Investment Ratio:		N/A		Payback Period:	NA

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission					
B. Component, Activity Group, Date Army, Industrial Operations					C. Line No 05-13		Item Description Various Capital Equipment > \$500K<\$1M			Page 6 of 7					
Feb-06								Various Installations							
Element of Cost					FY05			FY 06			FY 07				
					Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
Pinkwater Treatment Equipment								1	738.000	738.000					
Container Handler Trucklift								1	528.000	528.000					
Schlumb Factron 720 Test Equip											1	547.300	547.300		
PAGE TOTAL								2		1,266.000	1		547.300		
CAPABILITY:															
<p><b>Pinkwater Treatment Equipment (MCAAP):</b> 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 &amp; 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. Bomb production workload is scheduled to increase yearly for the foreseeable future, and the Open Burning/Open Detonation Demil processes are being phased out. This makes the Pinkwater Treatment equipment a major player in the treatment of this explosive contaminated wastewater, pinkwater. Accelerated production schedules for FY 2004 and FY 2005 will dramatically increase the amount of pinkwater (wastewater contaminated with explosives from a conventional munitions load, assembly and pack or demil operation) generated at MCAAP. The new equipment would also be able to treat other wastewater streams that MCAAP's existing facility cannot treat. The objective of MCAAP is to procure the necessary Pinkwater Treatment Equipment in order to remain in compliance with the environmental regulations in the most efficient and least costly manner.</p>															
<p><b>Container Handler Trucklift (CAAA):</b> 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. LEMC must move the two Rough-Terrain Container Handlers to 20 loading docks to meet current mission requirements. This is placing additional strain on the existing equipment and results in lost of production and delays waiting for equipment.</p>															
<p><b>Schlumb Factron 720, Test Equip (TYAD):</b> The existing Schlumberger Factron 720/CATE 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.</p>															
ECONOMIC INDICATORS:															
Total Cost of the Project		\$28,485.000		Net Present Value of Benefits:		N/A		Benefit to Investment Ratio:		N/A		Payback Period:		NA	

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-06					C. Line No 05-13		Item Description Various Capital Equipment > \$500K<\$1M			Page 7 of 7 Various Installations		
Element of Cost				FY05			FY 06			FY 07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Rebuild Bullard VTL							1	650.000	650.000			
Rebuild Series 20 Omni Mill										1	575.000	575.000
Rebuild Series 20 Omni Mill-2										1	575.000	575.000
Upgrade Glatt Control Room							1	569.000	569.000			
PAGE TOTAL							2		1,219.000	2		1,150.000
GRAND TOTAL						12	8,690.000		11,628.000	12		8,114.000
CAPABILITY:												
<p><b>Rebuild Bullard VTL (WVA):</b> This machine is used to perform close tolerance boring and turning operations on 155MM, 105MM and 120MM M256 cannon breech mechanism components. The computer numerical control (CNC) unit and axes positioning dives control all aspects of machine operation. The CNC controls/axes drive systems for this machine are obsolete resulting in loss of reliability and dependability. The axes control drives are nearly worn out and are adversely affecting Watervliet's ability to maintain dimensional accuracy, repeatability and surface finish requirements. The objective of this project is replace the existing controls and axes drive systems as well as rebuild the entire machine.</p>												
<p><b>Rebuild Series-20 Omni Mill (WVA):</b> This machine is used to perform close tolerance milling, drilling and boring operations on 105MM, M68 and 120MM, M256 cannon breech blocks. The computer numerical control (CNC) unit which controls operation of this machine is obsolete resulting in loss of reliability and dependability. The original equipment manufacturer (OEM) no longer maintains repair parts inventory nor provides technical support for these controls. The axis control drives are nearly worn out and are adversely affecting maintaining dimensional accuracy, repeatability and surface finish requirements. The condition of mechanical properties of this machine require a total rebuild.</p>												
<p><b>Rebuild Series-20 Omin Mill 2 (WVA):</b> This machine is used to perform close tolerance milling, drilling and boring operations on 105MM, M68 and 120MM, M256 cannon breech blocks. The computer numerical control (CNC) unit which controls operation of this machine are obsolete resulting in loss of reliability and dependability. The original equipment manufacturer (OEM) no longer maintains repair parts inventory nor provides technical support for these controls. The axis control drives are nearly worn out and are adversely affecting maintaining dimensional accuracy, repeatability and surface finish requirements. The condition of mechanical properties of this machine require a total rebuild.</p>												
<p><b>Upgrade Glatt Control Room (PBA):</b> Operators now monitor process instrumentation from an extremely limited control room while operators within certain cubicles of the facility controll the operations and processes. There are no means for visually monitoring nor recording events, data, and activities within the cubicles. Process relies heavily upon operator input which is very subjective and as a result approximately 22% of the batches produced require re-blending. Due to sensitivity of the mix, approximately 75% of fires and accidents within this facility have occurred during the re-blending process.</p>												
ECONOMIC INDICATORS:												
Total Cost of the Project				\$ 28,432.000 Net Present Value of Benefits:				N/A		Benefit to Investment Ratio:		N/A
										Payback Period:		NA

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission		
EQUIPMENT- Replacement										FY 2007		
(\$ in Thousands)										OSD/OMB Submission		
B. Component, Activity Group, Date				C. Line No		Item Description				D. Activity Identification		
Army Industrial Operations				06-01		Automated Starter Patch Fabrication System				Pine Bluff Arsenal		
				FY05			FY06			FY07		
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Automated Starter Patch Fabrication System							1	1,563.000	1,563.000			
TOTAL							1		1,563.000			
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> The objectives of this project are to decrease the cost of starter patch manufacture by reducing the number of operators required from 9 to 5 and the number of operators required for making starter sleeves from 8 to 5 and to improve the quality of the starter patches. The workload projected for this project consists of providing starter patches for the M90 LVOSS Canister, the M18 and M83 Grenades, and starter sleeves for the M8 smoke pots.</p> <p><b>b. ANTICIPATED BENEFITS:</b> The cost of Starter Patches will be reduced from \$0.47 each to \$0.33 each. The cost of Starter Sleeves will be reduced by an estimated \$3.00 each. These reductions are from the decrease in labor required along with the concomitant increase in throughput.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> Rejection of the project will not affect the Arsenal's ability to manufacture grenades. Manufacturing costs of grenades and smoke pots will be higher than necessary, resulting in an inefficient use of Army and DOD funds.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes</p> <p><b>e. FULLY OPERATIONAL CAPABLE DATE:</b> Jun 07</p> <p><b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$13,026</p>												
<b>ECONOMIC INDICATORS:</b>												
Total Cost of the Project	\$1,563.000	Net Present Value of Benefits:	\$1,630.000	Benefit to Investment Ratio:	2.108	Payback Period:	5.042					

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission			
EQUIPMENT- Replacement										FY 2007			
(\$ in Thousands)										OSD/OMB Submission			
B. Component, Activity Group, Date				C. Line No		Item Description				D. Activity Identification			
Army Industrial Operations				06-05		Agilent 3070 Test Sys. Upgrade				Tobyhanna Army Depot			
Element of Cost				FY05			FY06			FY07			
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Agilent 3070 Test Sys. Upgrade							4	131.300	525.200	4	133.625	534.500	
TOTAL							4		525.200	4		534.500	
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> The maintenance for the current HP 3070 Test Stations will become increasingly difficult and expensive to obtain. Agilent, formerly HP Test and Measurement Division, announced they will no longer support the series I systems the depot currently maintains.</p> <p><b>b. ANTICIPATED BENEFITS:</b> Purchasing and installing four new controllers and new series III test heads in 06/07 will increase the speed at which circuit cards can be tested, and therefore, overhaul costs will be reduced.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> In addition to higher maintenance costs to maintain the HP 3070 Series I test stations, failure to procure system upgrades will result in high circuit card overhaul costs and increased repair cycle times.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes</p>													
<b>ECONOMIC INDICATORS:</b>													
Total Cost of the Project		\$1,059.700		Net Present Value of Benefits:		\$397.800		Benefit to Investment Ratio:		1.408		Payback Period:	4.000

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Replacement (\$ in Thousands)										A. Budget Estimate Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army Industrial Operations Feb-06				C. Line No 07-01		Item Description Electron Beam Welder Replacement				D. Activity Identification Corpus Christi Army Depot		
Element of Cost				FY05			FY06			FY07		
	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
<p>Narrative Justification:</p> <p>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: 1979 system is experiencing extensive maintenance &amp; repair. System is manually operated, does not meet safety of flight requirements for data logging (grand fathered), with no back up in case of catastrophic failure.</p> <p>b. ANTICIPATED BENEFITS: New, more reliable system, which meets ISO and flight safety requirements for process certification. Increased capacity due to fixture will allow repair of 3 parts per batch, giving the depot ability to handle surges associated with Operation Enduring Freedom.</p> <p>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Major equipment repair is forecast if this project is not funded which will shut down the depot's overhaul capability for up to 6 months during the equipment overhaul. Depot will not be able to support the Army's requirements for repair of all flight critical helicopter parts during the down period.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes</p> <p>Op Date: June 08 Dep. \$11,717/month (120 months)</p>												
<p><b>ECONOMIC INDICATORS:</b></p> <p>Total Cost of the Project      \$1,405.981      Net Present Value of Benefits:      \$706.000      Benefit to Investment Ratio:      1.580      Payback Period:      6.200</p>												

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Replacement (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army Industrial Operations                      Feb-06				C. Line No 07-02		Item Description Maneuver System Sustainment Center Equipment				D. Activity Identification Red River Army Depot		
Element of Cost				FY05			FY06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Maneuver System Sustainment Center Equipment										1	13,145.000	13,145.000
TOTAL										1		13,145.000
<p>a. <b>CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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).</p> <p>b. <b>ANTICIPATED BENEFITS:</b> 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</p> <p>c. <b>IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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</p> <p>d. <b>ECONOMIC ANALYSIS PERFORMED?</b> yes</p>												
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project      \$13,145.000    Net Present Value of Benefits:      \$68,230.000    Benefit to Investment Ratio:      2.160    Payback Period:      9.689												



INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Replacement (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army Industrial Operations Feb-06				C. Line No 07-07		Item Description T-55 Fuel Control Test Stand				D. Activity Identification Corpus Christi Army Depot		
Element of Cost				FY05			FY06			FY07		
				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
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  Op Date: November 08 Dep. \$8763/month (120 months)												
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project      \$1,051.544      Net Present Value of Benefits:      \$682.000      Benefit to Investment Ratio:      1.700      Payback Period:      6.900												



<b>INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION</b> <b>EQUIPMENT- Replacement</b> <b>(\$ in Thousands)</b>										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army Industrial Operations                      Feb-06				C. Line No 07-09		Item Description Turbine Engine Test Cells				D. Activity Identification Anniston Army Depot		
Element of Cost				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Turbine Engine Test Cells										5	807.200	4,036.000
TOTAL										5	807.200	4,036.000
Narrative Justification:  <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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.</p> <p><b>b. ANTICIPATED BENEFITS:</b> The replacement of the 5 test cells will allow for the implementation of 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes</p>												
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project      \$4,036.000      Net Present Value of Benefits:      \$964.000      Benefit to Investment Ratio:      1.264      Payback Period:      7.746												

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission		
EQUIPMENT- Replacement (\$ in Thousands)										FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date				C. Line No		Item Description				D. Activity Identification		
Army Industrial Operations				07-11		Upgrade Engine Test Cells				Red River Army Depot		
Element of Cost				FY05			FY06			FY07		
				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
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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.</p> <p><b>b. ANTICIPATED BENEFITS:</b> 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 cells will allow for more efficient operation, and reduction in maintenance costs. Continuous operation will eliminate the negative impact on production schedules, and costly workarounds..</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes</p>												
<b>ECONOMIC INDICATORS:</b>												
Total Cost of the Project		\$1,827.000		Net Present Value of Benefits:		\$1,462.000		Benefit to Investment Ratio:		1.870		Payback Period: 6.725

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission		
EQUIPMENT- New Mission (\$ in Thousands)										FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date				C. Line No		Item Description		D. Activity Identification				
Army Industrial Operations				Feb-06		06-47		Programmable Robotic Paint System		Letterkenny Army Depot		
Element of Cost				FY05			FY06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Programmable Robotic Paint System							1	1,200.000	1,200.000			
TOTAL							1		1,200.000			
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> Existing capability is use of human painters within the paint booth in the Care and Preservation Facility, Directorate of Supply and Transportation.</p> <p><b>b. ANTICIPATED BENEFITS:</b> Significant labor saving will be realized. Robotic painting is anticipated to reduce the cycle time to paint a HMMWV (in and out paint time). By reducing the paint time, the depot will have the ability to paint more vehicles in a given time period. Along with the reduced painting time, the programmable robots will allow multiple HMMWV variants to be painted once the paint programs are created. Variant paint program and color pattern will be determined by a touch of a button.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> Status Quo operation will continue. Cost for human painting of HMMWVs will continue. As HMMWV production increases, existing painting operations may not be able to keep up with production due to limitations of booths and painters.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED? No</b></p> <p>Note: Projected Operational Date is May 2007. Depreciation Schedule is \$10,000/mon for 10 years.</p>												
<b>ECONOMIC INDICATORS:</b>												
Total Cost of the Project		\$1,200.000		Net Present Value of Benefits:		\$1,907.838		Benefit to Investment Ratio:		2.680		Payback Period:
												5.010

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION										A. Budget Submission		
EQUIPMENT- New Mission (\$ in Thousands)										FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date				C. Line No		Item Description		D. Activity Identification				
Army Industrial Operations				Feb-06		07-28		Aircraft Alignment Checker		Corpus Christi Army Depot		
Element of Cost				FY05			FY06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Aircraft Alignment Checker										1	1,400.000	1,400.000
TOTAL										1		1,400.000
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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.</p> <p><b>b. ANTICIPATED BENEFITS:</b> Reduction in cycle time for the Blackhawk RECAP overhaul program plus a database record for each airframe for future comparisons as the airframe ages. Relief of workload from the Aircraft Alignment fixture, providing more time for working crash damage aircraft. Meets LEAN requirements for having alignment checker co-located in the RECAP production hangar.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> Depot will continue to experience scheduling conflicts which will impact their ability to complete RECAP aircraft in the required 180 days.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes.</p>												
<b>ECONOMIC INDICATORS:</b>												
Total Cost of the Project		\$1,400.000		Net Present Value of Benefits:		\$2,158.000		Benefit to Investment Ratio:		3.413		Payback Period:
												2.829

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 06-39		Item Description Conveyor System, Phase I			D. Activity Identification Crane Army Ammo Activity			
Element of Cost				FY05			FY06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Conveyor System, Phase I							1	2,100.000	2,100.000			
TOTAL							1		2,100.000			
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> Currently, Crane Army Ammunition Activity is the only source available to the Navy for production of Magnesium Teflon (MTV) Decoy Flares. Currently, the production operator is exposed to the MTV, which is a safety hazard. 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.</p> <p><b>b. ANTICIPATED BENEFITS:</b> 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> 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.</p> <p><b>e. FULLY OPERATIONAL CAPABLE DATE:</b> May 2007</p> <p><b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$17,500</p>												
<p><b>ECONOMIC INDICATORS:</b></p> <p>Total Cost of the Project      \$2,100.000    Net Present Value of Benefits:    N/A      Benefit to Investment Ratio:      N/A      Payback Period:      N/A</p>												

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 07-18		Item Description Air Pollution Control Equipment-Blg 409				D. Activity Identification Anniston Army Depot		
Element of Cost				FY05			FY 06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Air Pollution Control Equip.										1		1,481.000
TOTAL										1		1,481.000
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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.</p> <p>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</p> <p><b>b. ANTICIPATED BENEFITS:</b> 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> Non-Compliance with the NESHAP and severe limitations on ANAD painting operations.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> This proposal is exempt from a formal economic analysis in accordance with the Department of the Army Economic Analysis handbook, dated July 1995, page 3, para 2-2, c (2). An exemption is applicable for this project based on US Environmental Protection Agency and Alabama Department of Environmental Management regulatory compliance limits for hazardous air pollutants, especially the Miscellaneous Metal Parts and Products National Environmental Standards for Hazardous Air Pollutants.</p>												
<p><b>ECONOMIC INDICATORS:</b></p> <p>Total Cost of the Project      \$1,481.000    Net Present Value of Benefits:    N/A      Benefit to Investment Ratio:    N/A      Payback Period:      N/A</p>												



INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 07-19		Item Description Conveyor System, Phase II			D. Activity Identification Crane Army Ammo Activity			
Element of Cost				FY05			FY06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Conveyor System, Phase II										1	1,200.000	1,200.000
TOTAL										1		1,200.000
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> Currently, Crane Army Ammunition Activity is the only source available to the Navy for production of Magnesium Teflon Decoy Flares. Currently, the production operator is exposed to the MTV, which is a safety hazard. 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.</p> <p><b>b. ANTICIPATED BENEFITS:</b> 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> 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.</p> <p><b>e. FULLY OPERATIONAL CAPABLE DATE:</b> May 2008</p> <p><b>f. MONTHLY DEPRECIATION ESTIMATE:</b> \$10,000</p>												
<p><b>ECONOMIC INDICATORS:</b></p> <p>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</p>												

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION EQUIPMENT- Environmental (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 07-20		Item Description Upgrade Metal Finish Operations				D. Activity Identification Anniston Army Depot		
Element of Cost				FY05			FY 06			FY 07		
				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
<p>a. <b>CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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 instead of being done in the same building. 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.</p> <p>b. <b>ANTICIPATED BENEFITS:</b> This project will renovate the facility to install automated plating lines, which will help to eliminate worker safety and environmental concerns due to spills and leaks. Also security issues with the small arms components will be significantly reduced because anodizing can be done in the secure facility. 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.</p> <p>c. <b>IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> Negative environment impacts will continue to increase. Security of the small arms components will remain an issue. Finally, the cost savings realized with the improved operational equipment will not be realized</p> <p>d. <b>ECONOMIC ANALYSIS PERFORMED?</b> Yes</p>												
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project      \$3,104.000    Net Present Value of Benefits:      \$728.700    Benefit to Investment Ratio:      1.255    Payback Period:      N/A												

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION ADPE & TELECOMMUNICATIONS EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army, Industrial Operations                      Feb-06				C. Line No 04-26		Item Description Miscellaneous ADPE < \$500k				D. Activity Identification Various Installations		
Element of Cost				FY05			FY 06			FY 07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Miscellaneous ADPE < \$500k				9	2,994.000	2,994.000	4	1,512.000	1,512.000	5	1,817.000	1,817.000
TOTAL				9		2,994.000	4		1,512.000	5		1,817.000
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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.</p> <p><b>b. ANTICIPATED BENEFITS:</b> 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes. Various</p>												
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project      \$6,323.000    Net Present Value of Benefits:    NA      Benefit to Investment Ratio:      NA      Payback Period:      NA												



INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION ADPE & TELECOMMUNICATIONS EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army Industrial Operations Feb-06				C. Line No 06-44		Item Description IT Replacement				D. Activity Identification Tobyhanna Army Depot		
Element of Cost				FY05			FY06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
IT Replacement							1	1,743.664	1,743.664			
TOTAL							1		1,743.664			
<p>Narrative Justification:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? Yes An EA has been submitted as part of the depot's BCA submission.</p>												
<p><b>ECONOMIC INDICATORS:</b></p> <p>Total Cost of the Project      \$1,743.664    Net Present Value of Benefits:      \$1,130.000    Benefit to Investment Ratio:      2.400    Payback Period:      N/A</p>												

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION ADPE & TELECOMMUNICATIONS EQUIPMENT (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission		
B. Component, Activity Group, Date Army Industrial Operations                      Feb-06				C. Line No 06-43		Item Description IT/ADPE				D. Activity Identification Tobyhanna Army Depot		
Element of Cost				FY05			FY06			FY07		
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
IT/ADPE							1	2,752.048	2,752.048			
TOTAL							1		2,752.048			
<p>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.</p> <p>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.</p> <p>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.</p> <p>d. ECONOMIC ANALYSIS PERFORMED? . Yes    An    EA has been submitted as part of the depot's BCA submission.</p>												
<b>ECONOMIC INDICATORS:</b>												
Total Cost of the Project		\$2,752.048		Net Present Value of Benefits:		\$1,978.581		Benefit to Investment Ratio:		1.062		Payback Period:                      N/A







INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION MINOR CONSTRUCTION (\$ in Thousands)							A. Budget Submission FY 2007 OSD/OMB Submission		
Page 1 of 2									
B. Component, Activity Group, Date Army, Industrial Operations      Feb-06		C. Line No 05-26		Item Description Various Minor Construction <\$750K			D. Activity Identification Various Installations		
Element of Cost		FY05 Quantity      Unit Cost      Total Cost		FY 06 Quantity      Unit Cost      Total Cost			FY 07 Quantity      Unit Cost      Total Cost		
Various Minor Construction <\$750									
TOTAL				See Page 2			See Page 2		See Page 2
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> This represents various minor construction projects costing &lt; \$750K, 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).</p> <p><b>b. ANTICIPATED BENEFITS:</b> 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Yes</p> <p>Continued on page 2</p>									
<b>ECONOMIC INDICATORS:</b> Total Cost of the Project      See Pg. 2      Net Present Value of Benefits:      NA      Benefit to Investment Ratio:      NA      Payback Period:      NA									

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Element of Cost		Quantit	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost																																																																																																																																																												
Various Minor Construction <\$750		31	14,588.000	14,588.000	37	18,943.000	18,943.000	33	15,469.000	15,469.000																																																																																																																																																												
TOTAL		31		14,588.000	37		18,943.000	33		15,469.000																																																																																																																																																												
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Total Cost of the Project		\$49,000.000	Net Present Value of Benefits:		NA	Benefit to Investment Ratio:		NA	Payback Period: NA																																																																																																																																																													

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission			
B. Component, Activity Group, Date Army Industrial Operations Feb-06				C. Line No 00-02		Item Description Logistics Modernization Program (LMP)				D. Activity Identification Various			
Element of Cost				FY05			FY06			FY07			
				Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Development/ Modification				1	6,350.00	6,350.000	1	6,350.000	6,350.000	1	6,350.00	6,350.000	
TOTAL				1		6,350.000	1		6,350.000	1		6,350.000	
<p>Narrative Justification:</p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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. 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.</p> <p><b>b. ANTICIPATED BENEFITS:</b> LMP is a twelve year project to correct the deficiencies noted above. It will enable the Army to take advantage of commercial expertise and experience and investments in process improvement and Information Technology (IT). LMP employs a broad-based commercial Enterprise Resource Planning (ERP) package, SAP America's S/W suite and integral business processes that when deployed, will meet the performance requirements of the modernized services. 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> AMC will be forced to maintain inefficient and expensive wholesale logistics processes due to the limitations of the Standard Depot System, the current automated system. The system is outdated and technically vulnerable. The COBOL 74 compiler supporting the system is not supported by the manufacturer.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> A comparative analysis was performed. Status quo was not an option.</p>													
<b>ECONOMIC INDICATORS:</b>													
Total Cost of the Project		\$19,050.000		Net Present Value of Benefits:		N/A		Benefit to Investment Ratio:		N/A		Payback Period: N/A	

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission	
B. Component, Activity Group, Date Army Industrial Operations                      Feb-06				C. Line No 99-08		Item Description Army Workload and Performance System (AWPS)			D. Activity Identification Various Installations		
Element of Cost				FY05		FY06		FY07			
		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Army Workload and Performance System (AWPS)		1	4,315.000	4,315.000	1	3,915.000	3,915.000	1	4,564.000	4,564.000	
TOTAL		1		4,315.000	1		3,915.000	1		4,564.000	
<p><b>Narrative Justification:</b></p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> General Accounting Office concluded in February 1997 that the Army cannot identify and prioritize its institutional workload. The material weakness stated that "...managers at all levels do not have the information needed to improve work performance, improve organizational efficiency, and determine support staffing needs, manpower budgets, and personnel reductions."</p> <p><b>b. ANTICIPATED BENEFITS:</b> The AWPS will assist the Army Materiel Command (AMC) and its subordinate MSCs in managing complex workload and employment strategies in the Industrial Operations business area. Production and resource controllers at MSC/AMC can isolate key scheduling and cost problems at the product level, and evaluate the dollar and manpower impact of various workload changes through the sophisticated "what if" capability. Funding supports Program management, Help Desk, IT support, Training and Field Support from contractor IE's, maintenance of tech documentation WEB support and completion of the AWPS/Logistics Modernization Program (LMP) Interface at Arsenals and Ammunition sites.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> AWPS is in final stage of development and deployment. Without additional expenditures, there will be no full integration with the new LMP financial and workload control data base. In addition, production support of Logistics/Ammunition AWPS will cease causing the AWPS to be non-operational. Funding shortfalls will also jeopardize enhancements to the basic system for Base Operations and Indirect Mission and sophisticated "what-if" capability (Priority module) for senior managers at MSCs and HQAMC cannot be incorporated into AWPS for Ammunition and Manufacturing sites. The system, as is, only partially corrects noted material weakness and future fielding is needed to include the Manufacturing mission function at the AMC Arsenals.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> No. Exempt. Congressional Mandate.</p> <p><b>e. FULLY OPERATIONAL CAPABLE DATE:</b> Ongoing</p>											
<b>ECONOMIC INDICATORS:</b>											
Total Cost of the Project		\$12,794.000		Net Present Value of Benefits:		N/A		Benefit to Investment Ratio:		N/A	
								Payback Period:		N/A	

INDUSTRIAL OPERATIONS CAPITAL INVESTMENT JUSTIFICATION SOFTWARE (\$ in Thousands)										A. Budget Submission FY 2007 OSD/OMB Submission			
B. Component, Activity Group, Date Army, Industrial Operations Feb-06				C. Line No 04-16		Item Description Industrial Base Modernization/ERP				D. Activity Identification Various Activities			
Element of Cost				Quantity	FY05 Unit Cost	Total Cost	Quantity	FY06 Unit Cost	Total Cost	Quantity	FY07 Unit Cost	Total Cost	
Industrial Base Modernization/ERP				1	7,106.000	7,106.000	1	10,606.000	10,606.000				
TOTAL				1		7,106.000	1		10,606.000				
<p><b>Narrative Justification:</b></p> <p><b>a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:</b> 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 Logistics Modernization Program (LMP). 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 system in support of Army's RECAP Program is also required. Supporting processes to include data collection capability and Automatic Identification Technology (AIT) are outside the current business processes and user base associated with the LMP. The thrust of this project is to develop an industrial base modernized system that fully integrates the requirements performed by the numerous unique legacy systems currently used by the 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 FY07.</p> <p><b>b. ANTICIPATED BENEFITS:</b> A fully integrated ERP will increase maintenance depot operational efficiencies and reduce overall depot costs. Will reduce automation sustainment costs, software fee: 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.</p> <p><b>c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:</b> 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. Additionally, 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.</p> <p><b>d. ECONOMIC ANALYSIS PERFORMED?</b> Completed Jun 01.</p>													
<b>ECONOMIC INDICATORS:</b>													
Total Cost of the Project		\$17,712.000		Net Present Value of Benefits:		\$46.335		Benefit to Investment Ratio:		1.770		Payback Period:	5.520

Department of Army  
Industrial Operations  
FY 2005  
FY 2007 Budget Submission  
February 2006  
(\$ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

<u>FY</u>	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
<b><u>EQUIPMENT</u></b>							
<b>EQUIPMENT - &lt;\$500k</b>							
FY05	Various Capital Equipment <500K	21.672	(7.145)	14.527	14.068	(0.459)	Moved to various projects for reprogramming
<b>EQUIPMENT - &gt;\$500k&lt;\$1m</b>							
FY05	Various Capital Equipment >\$500K<\$1M	6.104	2.639	8.743	8.690	(0.053)	Moved to various projects for reprogramming
<b>EQUIPMENT-Replacement</b>							
FY05	ATE Systems	0.172	0.137	0.309	0.308	(0.001)	Cost Increase
FY05	Upgrade 5 each Bridge Cranes	1.418	(0.003)	1.415	1.415		Moved to VCE <\$500K for use in various projects
FY05	Replace Alarm System, Phase II	2.383		2.383	2.383		
FY05	PM460 Obsolescence/Sustainment	18.886	(0.001)	18.885	18.885		Accelerated from FY06 to FY05 \$1K moved to VCE <\$500K
FY05	Cylindrical Grinder Replacement	2.594	(0.694)	1.900	1.900		Moved for Laser Cutting System
FY05	LENS 850-R		1.570	1.570	1.497	(0.073)	New project reprogrammed from VCE <\$500K and VCE >\$500<\$1M
<b>EQUIPMENT- Productivity</b>							
FY05	Electric Generator (Diesel/Natural Gas)	1.367		1.367	1.367		
FY05	Flight Critical Parts Inspection & Treatment Eqpt	8.505	0.575	9.080	9.064	(0.016)	To cover cost over runs
FY05	Large Capacity Spin Blast	2.724	(0.629)	2.095	2.095		To cover cost over runs Flight Critical Parts/Laser Cutting Sys
FY05	Ind. Plant Equip. for Powertrain/Flexible Maint. Ct	38.258	1.175	39.433	39.390	(0.043)	To cover cost of Hot Salt Bath Option
FY05	Digital Electric Control(DEC) Unit	1.240		1.240	1.240		
FY05	General Purpose Hydraulic Test Stand	1.547		1.547	1.450	(0.097)	
FY05	T-700 Compressor Repair Cell	3.306	0.159	3.465	3.465		To cover cost over runs
FY05	GETS-B2 Version	2.500		2.500	2.500		
FY05	Firefinder Near Field Probe System	1.827	0.318	2.145	2.126	(0.019)	Reprogrammed from VCE <\$500K
<b>EQUIPMENT - New Mission</b>							
FY05	T-700 Hot Section Repair Cell	2.306	(0.300)	2.006	1.991	(0.015)	To cover cost over runs Laser Cutting Sys/T-700 Compressor Rpr Cell

Department of Army  
Industrial Operations  
FY 2005  
FY 2007 Budget Submission  
February 2006  
(\$ in Millions)

PROJECTS ON THE FY 2006/2007 PRESIDENT'S BUDGET

<u>FY</u>	<u>Approved Project Title</u>	<u>Approved Project Amount</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
<b>ADPE &amp; TELECOMMUNICATIONS EQUIPMENT</b>							
FY05	Miscellaneous ADPE < \$500K	2.500	0.512	3.012	2.994	(0.018)	New Projects Network Upgrade/Elec. Data Storage
FY05	Network Farm Upgrade		0.616	0.616	0.615	(0.001)	New project reprogrammed from VCE <\$500
<b>MINOR CONSTRUCTION</b>							
FY05	Minor Construction < \$500K	8.548	0.412	8.960	8.465	(0.495)	Increase to DMO Storage Bldg
FY05	Various Minor Construction >\$500K < \$750K	5.018	1.519	6.537	6.123	(0.414)	New Projects/reprogrammings
FY05	Environmental Remediation f/ ABG	0.930		0.930	0.930		
FY05	White Phosphorus Facility Upgrade 34-110		1.280	1.280	1.209	(0.071)	New Project reprogrammed from LOC MDC10551
<b>SOFTWARE</b>							
FY05	Logistics Modernization Program (LMP)	6.350		6.350	6.350		
FY05	Army Workload & Performance System (AWPS)	5.593	(1.278)	4.315	4.315		Excess OA reprogrammed to various projects
FY05	ERP/Industrial Base Modernization (IBM)	17.706	(10.600)	7.106	7.106		OA Transfer
	TOTAL	163.455	(9.738)	153.716	151.941	(1.775)	

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<b>EQUIPMENT</b>							
<b>EQUIPMENT - &lt;\$500K</b>							
FY06	Various Capital Equipment < \$500K	14.561		14.561	14.028	(0.533)	No prior submission/Approval of project
<b>EQUIPMENT - &gt;\$500k&lt;\$1M</b>							
FY 06	Various Capital Equipment >\$500K<\$1M	9.531		9.531	11.628	2.097	No prior submission/Approval of project
<b><u>EQUIPMENT-Replacement</u></b>							
FY06	HP3070 Circuit Board Test System	0.496		0.496	0	(0.496)	Project Cancelled
FY06	ATE Systems	0.456		0.456	0	(0.456)	Project Cancelled
FY06	Automated Starter Patch Fabrication System				1.563	1.563	No prior submission/Approval of project
FY06	4 Axis CNC Horizontal Mill	1.054		1.054	1.054		
FY06	Agilent 30 Test System Upgrade	0.525		0.525	0.525		
FY06	Engine Load System	6.111		6.111	6.111		
FY06	Jig Borer	1.126		1.126	1.126		
FY06	Thermal System Test Stand	2.107		2.107	2.107		
<b><u>EQUIPMENT-Productivity</u></b>							
FY06	Cincinnati Gilbert Horiz Boring Machine	1.316		1.316	1.316		
FY06	CNC Crankshaft Grinders	4.419		4.419	4.419		
FY06	CNC Horizontal Lathes	1.395		1.395	1.395		
FY06	CNC ID/OD Vertical Grinder, Turret Ring Gr	1.067		1.067	1.067		
FY06	Gas Turbine Engine Facility - Equipment	0.883		0.883	0	(0.883)	Project cancelled
FY06	Integrated Manufacturing Test Facility	2.185		2.185	2.180	(0.005)	Adjusted estimate
FY06	T-700 Grinding Machine	1.853		1.853	1.853		
<b><u>EQUIPMENT - New Mission</u></b>							
FY06	PATRIOT MADF Tools & Equipment	2.905		2.905	0	(2.905)	Project cancelled
FY06	Programmable Robotic Paint System				1.200	1.200	No prior submission/Approval of project
FY06	Pacific Theater Missile Repair Facility				2.905	2.905	No prior submission/Approval of project
<b><u>EQUIPMENT-Environmental</u></b>							
FY06	Conveyor System, Phase I	3.150		3.150	2.100	(1.050)	Adjusted estimate
<b><u>ADPE &amp; TELECOMMUNICATIONS EQUIPMENT</u></b>							
FY06	Miscellaneous ADPE < \$500k	1.512		1.512	1.512		
FY06	Industrial Base Modernization AIT	5.549		5.549	11.798	6.249	AIT-CCAD rolled into Industrial Base Modernization AIT
FY06	IT Replacement	1.744		1.744	1.744		
FY06	INFRASTRUCTURE SERVER UPDATE	0.580		0.580	0.580		
FY06	IT/ADPE	2.752		2.752	2.752		
FY06	AIT-CCAD	6.249		6.249	0	(6.249)	AIT-CCAD rolled into Industrial Base Modernization AIT



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<b>MINOR CONSTRUCTION</b>							
FY06	Various Minor Construction < \$500K	7.120		7.120	0	(7.120)	VMC<500 rolled into VMC<750
FY06	Various Minor Construction < \$750K	6.508		6.508	18.943	12.435	VMC<500 rolled into VMC<750
FY06	Access Control & Change House	0.750		0.750	0	(0.750)	VMC<500 rolled into VMC<750
FY06	Construct Radioactive Mtrls Storage Bldg	0.750		0.750	0	(0.750)	VMC<500 rolled into VMC<750
FY06	Heat & Insulate Car Level Warehouse	0.611		0.611	0	(0.611)	VMC<500 rolled into VMC<750
FY06	Heat & Insulate Ground Level Warehouse	0.611		0.611	0	(0.611)	VMC<500 rolled into VMC<750
FY06	MC Dust Collector	0.743		0.743	0	(0.743)	VMC<500 rolled into VMC<750
FY06	Shelter For Ammunition Mission Vehicles	0.750		0.750	0	(0.750)	VMC<500 rolled into VMC<750
FY06	Shipping/Receiving Bldg 3325/3333	0.759		0.759	0	(0.759)	Project cancelled
<b>SOFTWARE</b>							
FY06	LMP	6.350		6.350	6.350		Requirements Increase
FY06	Army Workload and Performance System (AWPS)	3.915		3.915	3.915		
FY06	Industrial Base Modernization	10.606		10.606	10.606	0.000	
FY06	Industrial Base Modernization	0.079		0.079	0.079		
	TOTAL	113.078		113.078	114.856	1.778	

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<b><u>EQUIPMENT</u></b>							
<b>EQUIPMENT - &lt;\$500K</b>							
FY07	Various Capital Equipment < \$500K	15.068		15.068	17.762	2.694	Requirements Increase
<b>EQUIPMENT - &gt;\$500k&lt;\$1M</b>							
FY07	Various Capital Equipment >\$500K<\$1M	5.423		5.423	8.114	2.691	Requirements Increase
<b>EQUIPMENT-Replacement</b>							
FY07	ATE Systems	0.173		0.173		(0.173)	Rolled in VCE>500K<1M
FY07	Agilent 30 Test System Upgrade	0.535		0.535	0.535		
FY07	EB Welder Replacement	1.406		1.406	1.406		
FY07	Equipment for MSS Center	2.481		2.481	13.145	10.664	Requirements Increase
FY07	T-55 Fuel Control Test Stand	1.052		1.052	1.052		
FY07	T-700 Engine Test Equipment	1.427		1.427	1.427		
FY07	Turbine Engine Test Cells	4.036		4.036	4.036		
FY07	Upgrade Engine Test Cells	1.827		1.827	1.827		
<b>EQUIPMENT-Productivity</b>							
FY07	Gas Turbine Engine Facility - Equipment	14.723		14.723		(14.723)	Cancelled per MSC
<b>EQUIPMENT - New Mission</b>							
FY07	LENS 850-R	1.768		1.768	0	(1.768)	Moved to FY05 1.768M
FY07	Aircraft Alignment Checker				1.400	1.400	No prior submission/Approval of project
<b>EQUIPMENT-Environmental</b>							
FY07	Air Pollution Control Equipment	2.000		2.000	1.481	(0.519)	Requirements Decrease
FY07	Conveyor System, Phase II	1.200		1.200	1.200		
FY07	Upgrade Metal Finish Operations	3.104		3.104	3.104		

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<b>ADPE &amp; TELECOMMUNICATIONS EQUIPMENT</b>							
FY07	Miscellaneous ADPE < \$500k	1.817		1.817	1.817		
FY07	IT/ADPE	3.175		3.175		(3.175)	Project cancelled
FY07	IT Replacement	0.706		0.706		(0.706)	Project cancelled
FY07	AIT-CCAD	4.249		4.249		(4.249)	AIT-CCAD and AIT ANAD combined into Industrial Base Modernization AIT
FY07	Industrial Base Modernization AIT	5.549		5.549	17.498	11.949	AIT-CCAD and AIT ANAD combined into Industrial Base Modernization AIT
FY07	Information Technology Center	0.620		0.620	0.620		
FY07	Data Back-up System Modernization	0.538		0.538	0.538		
FY07	AIT-ANAD	7.700		7.700		(7.700)	AIT-CCAD and AIT ANAD combined into Industrial Base Modernization AIT
<b>MINOR CONSTRUCTION</b>							
FY07	Various Minor Construction < \$500K	4.740		4.740		(4.740)	VMC<500 rolled into VMC<750
FY07	Various Minor Construction <\$750K	4.864		4.864	15.469	10.605	VMC<500 rolled into VMC<750
FY07	Heat & Insulate Car Level Warehouse	0.622		0.622		(0.622)	VMC<500 rolled into VMC<750
FY07	Heat & Insulate Ground Level Warehouse	0.622		0.622		(0.622)	VMC<500 rolled into VMC<750
FY07	MC Dust Collector	0.636		0.636		(0.636)	VMC<500 rolled into VMC<750
FY07	Addition to Bldg 200, PH II	0.750		0.750		(0.750)	VMC<500 rolled into VMC<750
FY07	Temp Controlled Mix Preparation and Storage Facility	0.764		0.764		(0.764)	VMC<500 rolled into VMC<750
<b>SOFTWARE</b>							
FY07	LMP	6.350		6.350	6.350		Requirements increase
FY07	Army Workload and Performance System (AWPS)	2.380		2.380	4.564	2.184	Requirements increase
FY07	Industrial Base Modernization AIT Software	0.079		0.079	0.079		
	TOTAL	102.383		102.383	103.424	1.040	