ARMY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2012
PRESIDENT'S BUDGET

SUBMITTED TO CONGRESS FEBRUARY 2011

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Preparation of this report cost the Department of Defense a total of approximately $60,000 in Fiscal Year 2011.

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Army Overview

Background

Working capital funds were established by Congress to more effectively control and account for the cost of programs and work performed in the Department of Defense. Under the provisions of Title 10 United States Code § 2208, the Secretary of Defense may establish working capital funds to finance inventories of supplies and industrial-type activities that provide common services, such as repair, manufacturing, or remanufacturing. Unlike profit-oriented commercial businesses, the revolving fund's goal is to break even by returning any monetary gains to appropriated fund customers through lower rates or collecting any monetary losses from customers through higher rates. Revolving fund prices are generally stabilized or fixed during the year of execution to protect customers from unforeseen fluctuations that would impact their ability to execute the programs approved by Congress.

The basic tenet of the revolving fund structure is to create a customer-provider relationship between military operating units and support organizations. This relationship is designed to make managers of the Army Working Capital Fund (AWCF) and decision-makers at all levels more aware of costs for goods and services.

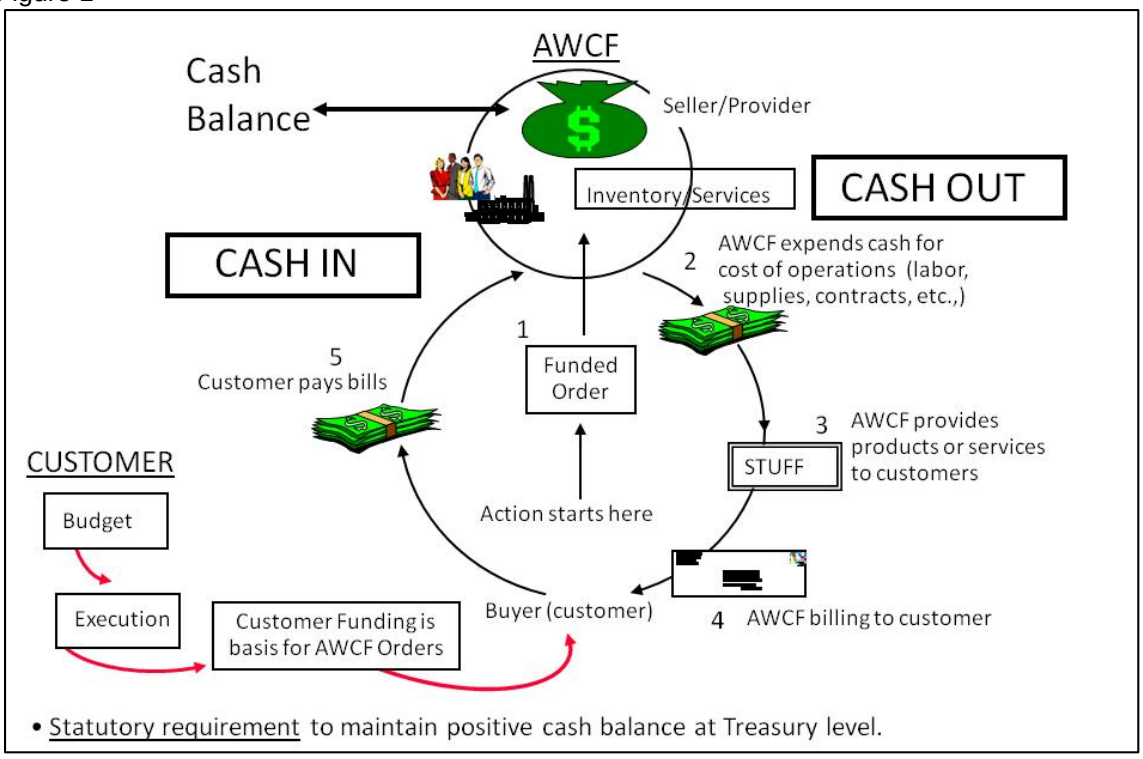
The Army's revolving fund activities evolved from two separate funds. The first type, Stock Funds, deals with procuring materiel in volume from commercial sources and selling to customers or holding in inventory. The second category, Industrial Funds, provides industrial services, such as depot maintenance, manufacturing, and ammunition storage. Both types of revolving funds are financed

A 155MM artillery shell is fired from an M777 howitzer at a target in Afghanistan.

primarily by reimbursements from customers' appropriated accounts.

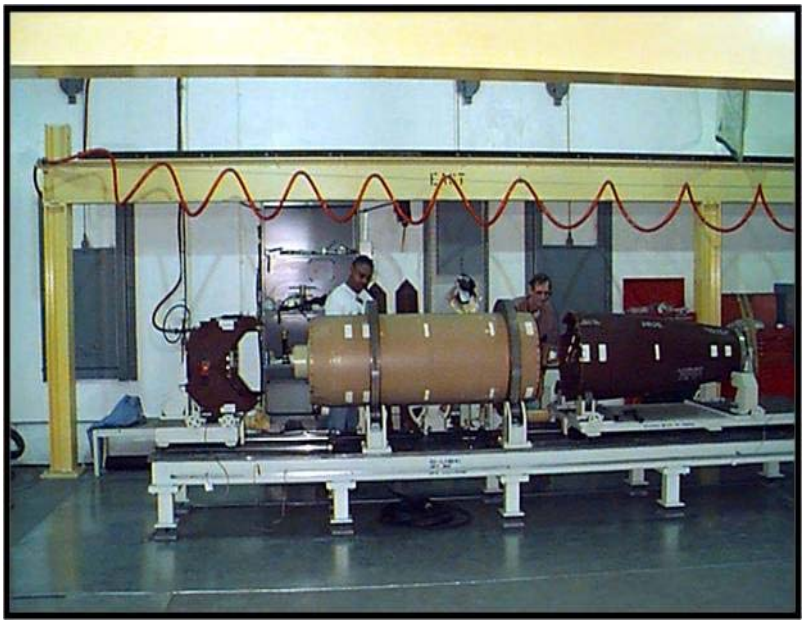
Figure 1 below shows the interaction of the customer's appropriated funds, the AWCF business operations, and cash. Customer appropriated funding is synchronized with the AWCF workload forecast during the budget development. During the year of execution, appropriated fund customers submit funded orders (1) to AWCF providers requesting services (repair, overhaul, or manufacturing) or supplies (spares or repair parts). This obligates appropriated funds. In step 2, AWCF Supply Management purchases inventory for resale to customers. Also in step 2, Industrial Operations orders materiel and hires labor, supporting the projected workload (CASH OUT). In step 3, the customer receives the completed product or service and a bill (4) for payment. The customer pays the AWCF (5) for the materiel or services (CASH IN). Proper pricing of inventory and services, and accurately forecasting workload allows a balance between CASH OUT and CASH IN. Variance between these actions results in either a gain or loss of AWCF cash. Gains are returned to customers through lower future prices while losses are recouped through higher future prices.

Figure 1



Introduction

The Fiscal Year 2012 AWCF budget request enables the Army to sustain and maintain its forces, recapitalize its combat equipment, and reset assets to future force configurations. The AWCF directly supports the materiel readiness of operating units.



Army Tactical Missile System maintenance and repair facility at Letterkenny Munitions Center.

Revolving funds encourage cost-effectiveness and provide flexibility to meet changing workload requirements in the year of execution. They also support full cost visibility and cost recovery while protecting appropriated fund customer accounts from year of execution price changes. The AWCF consists of the Supply Management and Industrial Operations activity groups, with operations spanning seventeen cities and local areas within fourteen states. The exact locations are shown in each business activity's portion of this budget. The AWCF activities disbursed more than $15.5 billion in FY 2010 to maintain the readiness and sustainability of military equipment.

Performance Measures

The budget request supports specific equipment and supply requirements funded by anticipated customer appropriations. As previously discussed, the goal of a revolving fund is to break even over the long term. The revolving fund rates established in the budget are stabilized (fixed) during the year of execution to achieve this goal while protecting customers from unforeseen fluctuations that would impact military programs approved by Congress.

Key financial measures are net operating result, accumulated operating results, and unit cost.

Net operating result (NOR) is similar to the total net income of a private business during a fiscal year. The NOR measures the activity's gain or loss within a single fiscal year, indicating how well the activity performs compared to its budget.

Accumulated operating results (AOR) are similar to equity over time for a private business. The AOR measures actual financial gains and losses, allowing prices and rates to be set at a level that brings the accumulated gains and losses to zero over the budget cycle.

The unit cost is a metric primarily used in the Supply Management activity group to relate operating costs to each dollar of sales. It is measured by dividing gross operating cost (the sum of total obligations, depreciation expense, and credit) by gross sales.

In addition to financial measures (NOR, AOR, and unit cost), operational measures assess how well the financial inputs reflected in the AWCF budget support Army strategic goals and operational readiness. Operational measures include 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). These are identified within each activity's narrative.

Logistics Modernization Program

The Army's Logistics Modernization Program (LMP) provides a modernized logistics and finance solution that allows Army Materiel Command (AMC) to provide world-class logistics readiness to Soldiers. LMP delivers a fully integrated suite of software and business processes, providing streamlined data on maintenance, repair and overhaul, finance, acquisition, spare parts, and materiel. It is the Army's core logistics information technology (IT) initiative, replacing two logistics systems: the inventory management Commodity Command Standard System; and the depot and arsenal operations Standard Depot System. Additionally, LMP meets the Army's IT logistics vision of transformation from legacy applications to a modernized logistics enterprise solution across AMC.

LMP manages approximately 4 million transactions daily and is integrated with more than 70 Department of Defense systems including interfaces with Army's other enterprise resource planning (ERP) systems currently under development. These ERP systems are Army Enterprise Systems Integration Program (AESIP), Global Combat Support System-Army (GCSS-Army), and General Fund Enterprise Business System (GFEBS). LMP was fully deployed in October 2010 and is currently used by more than 21,000 users at more than 50 Army and DOD locations, including the Army's Communications-Electronics (CECOM) Life Cycle

Management Command (LCMC), Aviation and Missile LCMC, TACOM LCMC, Joint Munitions and Lethality LCMC, Army Sustainment Command, and all depots and arsenals in the Industrial Operations activity group, as well as the Defense Finance and Accounting Service.

Activity Groups

Supply Management

The Supply Management activity group buys and manages spares and repair parts for sale to its customers, primarily Army operating units. This activity group supports and builds readiness for today's and tomorrow's challenges. The Army's equipment and operational readiness, and the strength to win the Nation's wars are directly linked to the availability of materiel. The activity group is managed by the Life Cycle Management Commands of the Army Materiel Command. Supply Management administers spares inventory for Army managed items, Non-Army managed items (NAMI), and war reserve secondary items. Supply Management consists of four major commodity groups: aviation and missile; communications-electronics; tank-automotive and armament; and NAMI. Pre-positioned war reserve materiel is retained in protected inventory and released to support deploying combat units. The war reserve stocks contain materiel from all commodity groups. As new equipment is added to Army's operational and training forces, new spares are also scheduled for inclusion in the Supply Management inventory.

Industrial Operations

The Industrial Operations activity group of the AWCF provides the Army an organic industrial capability to: conduct depot level maintenance, repair and upgrade; produce munitions and large caliber weapons; and store, maintain, and demilitarize materiel for all branches of DOD. Industrial Operations is comprised of thirteen government owned and operated installation activities, each with unique core competencies. These include five hard-iron maintenance depots, three arsenals, two munitions production facilities, and three storage sites. Although comprised of diverse organic industrial capabilities, the preponderance of workload and associated estimates in this budget submission relate to depot level maintenance, repair, and upgrade. Major combat and stability operations are placing tremendous demands on equipment resulting in much higher usage rates than in routine peacetime operations. In Afghanistan, for example, usage rates are projected at approximately 2½ times higher than comparable peacetime operations. Equipment is also employed in harsh environments and in more

demanding operations during combat missions. These factors increase the maintenance requirements beyond what is typically budgeted. The Industrial Operations activities play an integral role in providing Reset support.

An Army civilian at Sierra Army Depot in California loads a cement mixer destined for Alabama. The cement mixer is part of the excess non-standard equipment in Iraq being donated to U.S. state governments by the Army.

The Army's equipment Reset program is defined as a set of actions restoring equipment to a level of combat capability commensurate with a unit's future mission. Since FY 2007, Congress has specifically appropriated supplemental funds assisting the Army in meeting its Reset requirements. The Reset program ensures Army equipment employed in the war is replaced or restored for future missions. There are three components of Reset: replacement,[1] recapitalization,[2] and repair.[3] These repair programs must continue in order to ensure equipment returning from the combat theater is ready for the next mission. The budget submission incorporates depot workload assumptions associated with the Reset program (supplemental funding) and peacetime training operations.

[1] The purchase of new equipment to replace battle losses, worn out or obsolete equipment, and critical equipment deployed and left in theater, but needed for homeland defense, homeland security, and other critical missions.

[2] A rebuild effort that extends the equipment's useful life by returning it to a near zero-mile/zero-hour condition with either the original performance specifications or with upgraded performance specifications.

[3] A repair or overhaul effort that returns the equipment's condition to the Army standard. It includes the Special Technical Inspection and Repair program for aircraft.

Budget Highlights

Overview

The FY 2012 AWCF budget request supports the Army's plans to maintain and strengthen its war fighting readiness. It is a wartime submission supporting current operations. In recent years, the AWCF has experienced record levels of sales and revenue due to wartime operations.

This budget assumes the departure of all Soldiers from Iraq by the end of 1st quarter FY 2012 and assumes overall reduced troop strength and a lower OPTEMPO level for the Nation's continued efforts in Afghanistan, resulting in reduced demands and sales forecasts. Based on the reduced troop strength and OPTEMPO for FY 2012 the Supply Management activity group projects sales and demands at 40 percent of the FY 2010 level. For FY 2012 the Industrial Operations activity projects that new orders will approximate 74 percent of the FY 2010 level.

The sufficiency and predictability of resources is critical for accurately forecasting and executing workload. OPTEMPO assumptions assist in the development of the budget request, but as leadership decisions unfold, the projections for the AWCF can change significantly. To offset this risk, both activity groups have flexibility to adjust workload forecasts, constraining or expanding costs as necessary. The Supply Management budget includes variability target (approved obligation authority retained by the DOD Comptroller) to support spares replacement for any surge in customer demands above projected levels. Industrial Operations labor includes a mix of permanent, temporary, and term-appointment employees, in addition to contract labor to allow rapid labor increases or decreases in the event that new orders are received at unexpected levels.

Since FY 2004, more than $5.5 billion of cash has been transferred from the AWCF either to meet critical Army requirements or was directed by Congress. Through FY 2012 and the near future, the AWCF does not require repayment of any cash transferred; however, as future budgets are developed some of this transferred cash may require reimbursement to support payments to commercial vendors when undelivered orders are received. Based on recent analysis the Army believes these cash transfers have been mostly offset by not allowing credit for unserviceable spares (carcasses) returned by operating units in Iraq and Afghanistan.

Personnel

The AWCF civilian personnel posture reflects an overall decrease through FY 2012. This decrease mirrors the forecasted reductions in workload and implementation of consumable items management and spares acquisition functions moving to Defense Logistics Agency as directed by Base Realignment and Closure 2005. Changes to personnel levels are discussed within the narrative of each activity group. Civilian and military end strength and full time equivalents are shown in Table 1, below.

Table 1 - Personnel

	FY 2010	FY 2011	FY 2012
Supply Management			
Civilian End Strength	2,848	2,132	2,132
Full Time Equivalents	2,710	2,222	2,132
Military End Strength	4	4	4
Military Average Strength	4	4	4
Industrial Operations			
Civilian End Strength	26,332	24,907	23,547
Full Time Equivalents	26,338	25,246	24,021
Military End Strength	22	25	25
Military Average Strength	22	25	25
Total			
Civilian End Strength	29,180	27,039	25,679
Full Time Equivalents	29,048	27,468	26,153
Military End Strength	26	29	29
Military Average Strength	26	29	29

Revenue and Expenses

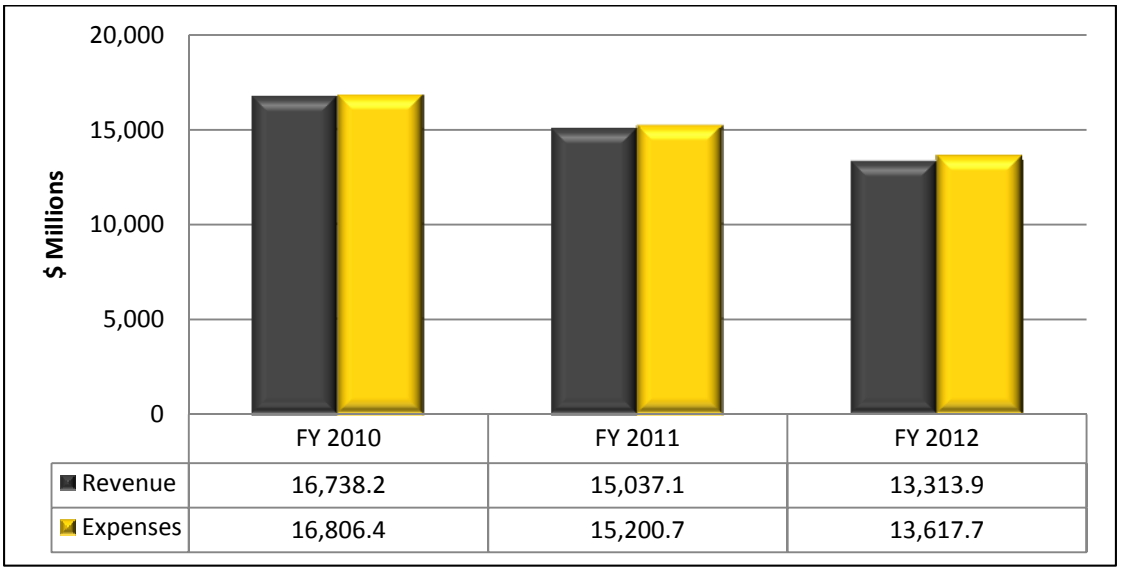
Revenue is an indicator of the combined volume of work completed by the AWCF activity groups. Expenses identify the cost of goods and services produced or sold. Both revenues and expenses are expected to decline in the budget year based on workload. Major expense drivers include cost of goods sold for Supply Management and the cost of labor and materiel consumed in Industrial Operations. Table 2 and Chart 1 on the next page show revenue and expenses for Supply Management and Industrial Operations.

Table 2 - Revenue and Expenses

($ Millions)	FY 2010	FY 2011	FY 2012
Revenue			
Supply Management			
Gross Sales	11,096.1	9,726.2	8,699.9
Less Credit	540.4	529.0	519.9
Net Supply Management	10,555.7	9,197.2	8,180.0
Industrial Operations	6,182.5	5,839.9	5,133.9
Total Revenues	16,738.2	15,037.1	13,313.9
Expenses			
Supply Management	10,680.8	9,281.9	8,305.1
Industrial Operations	6,125.6	5,918.8	5,312.6
Total Expenses	16,806.4	15,200.7	13,617.7

Note: Total revenue above does not include appropriated funds for War Reserve Secondary Items and fuel as shown on the Supply Management and Industrial Operations exhibits Fund 14, Revenue and Expenses.

Chart 1 - Revenue and Expenses



Net and Accumulated Operating Results

Financial performance is measured by comparing actual results to goals. The goal of the AWCF is to break even over time. Army considers several factors when determining the accumulated operating result (AOR) amount to return in the rates. Returning a large positive AOR balance in one year may cause the rates to drop

significantly in that year and increase significantly in the following year. In addition, the Army reviews the cash balance and the projected balance for the budget year to determine if sufficient cash exists to return the gain to the customers. In the budget, Army is withholding a total of $393.2 million of positive accumulated operating results (AOR) for future return to prevent sudden spikes in supply and industrial rates as workload decreases. In the next budget cycle, Army will evaluate its revised AOR projections, cash position, and impact on FY 2013 rates in determining the amount of retained AOR. Table 3 below shows the net and accumulated operating results for both Supply Management and Industrial Operations.

Soldiers provide security coverage for a convoy on a stretch of road in Afghanistan that is frequently attacked.

Table 3 - Operating Results

($ Millions)	FY 2010	FY 2011	FY 2012
Supply Management			
Net Operating Result	(125.1)	(84.7)	(125.2)
Retained Earnings	0.0	0.0	(125.2)
Accumulated Operating Results	335.0	250.3	0.0
Industrial Operations			
Net Operating Result	57.3	(79.0)	(178.7)
Deferred AOR	0.0	0.0	(268.0)
Accumulated Operating Results	525.6	446.7	0.0

Customer Rates

Each activity group has a unique rate structure. The Supply Management activity group adds a cost recovery rate (CRR) to the price of inventory items sold to recoup total cost. Typical cost categories within the CRR include supply operations, transportation, and distribution depot costs. 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. Activity group rates are stabilized so that the customer's buying power is protected from price swings during the year of execution. Table 4 on the next page shows the Supply Management composite cost recovery rates and Industrial Operations composite direct labor hour rates.

Table 4 - Customer Rates

	FY 2010	FY 2011	FY 2012
Supply Management	12.0%	14.8%	14.1%
Industrial Operations	$148.35	$146.64	$129.56

Customer Rate Change

The Supply Management customer rate change is expressed as a percentage change from the rate in the previous year, weighted by total sales. Line 5 on exhibit SM 5b (Customer Price Change) displays this calculation. The FY 2012 Industrial Operations price change to customer reflects a return of positive accumulated operating result to customers through reduced rates and prices. Table 5 below shows the customer rate change for both business areas.

Table 5 - Price Change to Customer

	FY 2010	FY 2011	FY 2012
Supply Management	2.1%	4.5%	1.3%
Industrial Operations	(8.2%)	(1.2%)	(11.6%)

Fund Balance with Treasury

The first OH-58D Kiowa Warrior sent back to the fight by Corpus Christi Army Depot is rolled-out during a ceremony in the depot's Hangar 44, Oct. 14, 2010.

The Defense Working Capital Fund (DWCF) Fund Balance with Treasury, account symbol 97X4930, is subdivided at the Treasury into five sub-numbered Treasury accounts. The Army's account is 97X4930.001. The current balance of funds with Treasury is equal to: the amount at the beginning of the fiscal year; plus the cumulative fiscal year to date amounts of collections, appropriations, and transfers-in; minus the cumulative fiscal year to date amounts of disbursements, withdrawals, and transfers-out. The AWCF is required to maintain a positive cash balance to prevent an Antideficiency Act violation under Title 31, United States Code, § 1517(a), *Prohibited obligations*

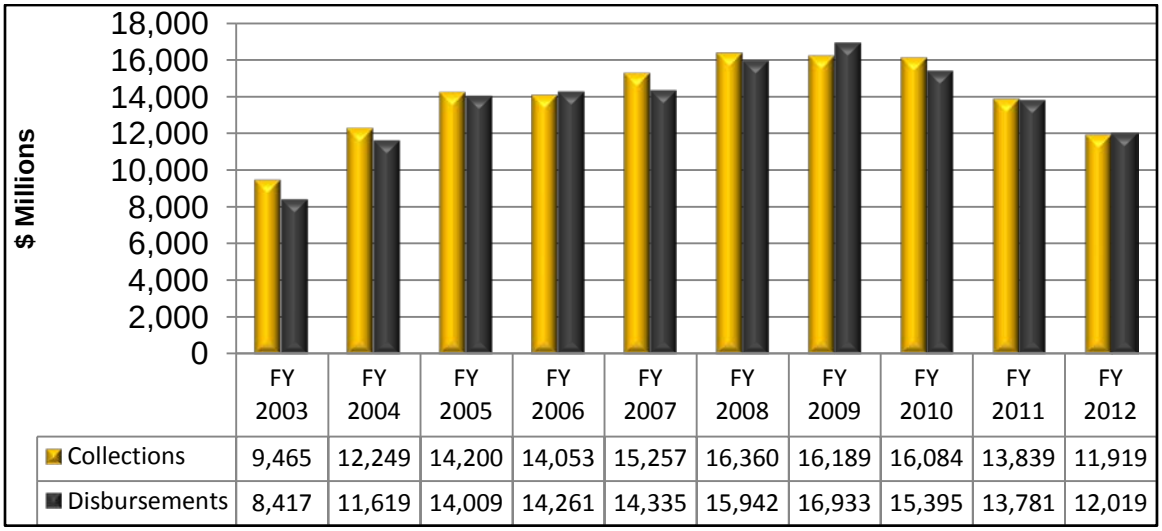
and expenditures. Unlike appropriated funds, the AWCF cash balance is not equal to outstanding obligations. Cash on hand at Treasury must be sufficient to pay bills when due and should remain sufficient to support seven to ten days of operational disbursements plus cash adequate to meet six months of capital investment program disbursements. The seven to ten day computation also adds any positive accumulative operating results returned to customers plus cash equal to undisbursed direct appropriations.[4]

The cash balance is primarily affected by cash generated from operations but the balance is also impacted by appropriations, transfers, and withdrawals. Maintaining a proper cash balance is dependent on setting rates to recover full costs, including prior year losses, and accurately projecting workload.

Cash from Operations

The day-to-day operations of the fund consume and replenish cash. The FY 2012 cash plan includes all expected collections and disbursements from the operations of both the Supply Management and Industrial Operations activity groups, including appropriations and transfers. Chart 2 below displays collections and disbursements from operations.

Chart 2 - Cash from Operations



	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Collections	9,465	12,249	14,200	14,053	15,257	16,360	16,189	16,084	13,839	11,919
Disbursements	8,417	11,619	14,009	14,261	14,335	15,942	16,933	15,395	13,781	12,019

[4] This current calculation methodology is the result of an OUSD(C) 7-10 day cash metric review directed by Title XIV Committee on Armed Services House of Representatives report on H.R 2647.

Appropriations

The AWCF has received or requested direct appropriations for increasing or replacing war reserve materiel and to cover increased fuel costs. Table 6 below shows the appropriations received or requested by AWCF.

Table 6 - Appropriations

($ Millions)	FY 2010	FY 2011	FY 2012
Base Funding			
War Reserve Secondary Items[5]	38.4	54.6	101.2
Supplemental Funding			
Army Prepositioned Stocks[6]	0.0	0.0	54.0
Fuel[7]	11.5	0.0	0.0
Total Supplemental Funding	11.5	0.0	54.0
Total Appropriated Funds	49.9	54.6	155.2

Aerial gunner provides security from the rear door of a CH-47 Chinook helicopter above Khost Province, Afghanistan.

[5] War Reserve Secondary Items – provides funding to build war reserve stock.

[6] Army Prepositioned Stocks – provides funding for replacement of war reserve stocks.

[7] Fuel – provides funding to Industrial Operations for increased fuel cost in the year of execution.

Cash Transfers

Since FY 2004 more than $5.5 billion has been transferred from the AWCF. Table 7 below provides the amount and the details of each transfer.

Table 7 - Cash Transfers

Year	Transfer To	Amount ($ Millions)	Reason
FY 2004	OMA	1,300.0	OIF/OEF[8]
	DECA	41.6	DOD Decision
	OMA	107.0	Congressionally directed
FY 2005	OMA	700.0	OIF/OEF
FY 2007	WTCV	107.0	MRAP[9] procurement
	RDTE	38.7	GFEBS[10]
FY 2008	OMA	420.0	Congressionally directed
	MPA	30.0	MPA[11] FY 2005 PCS
	OMA	141.4	OIF/OEF
	OMA	658.7	OIF
	MPA	45.5	MPA FY 2008 Payroll
	NGPA	154.3	NGPA over-strength
FY 2009	MPA	200.0	MPA FY 2008 PCS/Payroll
	OMA	823.0	Congressionally directed
FY 2010	OMA	150.0	Congressionally directed
	MPA	130.3	MPA FY 2005 MERHCF[12]
FY 2011	OMA	483.0	Congressionally directed (pending)
Total Transfers		**5,530.5**	

The amounts transferred were used either to meet critical Army requirements or were directed by Congress. Through FY 2012 and the near future, the AWCF does not require repayment of any cash transferred; however, as future budgets

[8] (OIF/OEF) Operation Iraqi Freedom/Operation Enduring Freedom

[9] (MRAP) Mine Resistant Ambush Protected vehicle

[10] (GFEBS) General Fund Enterprise Business System

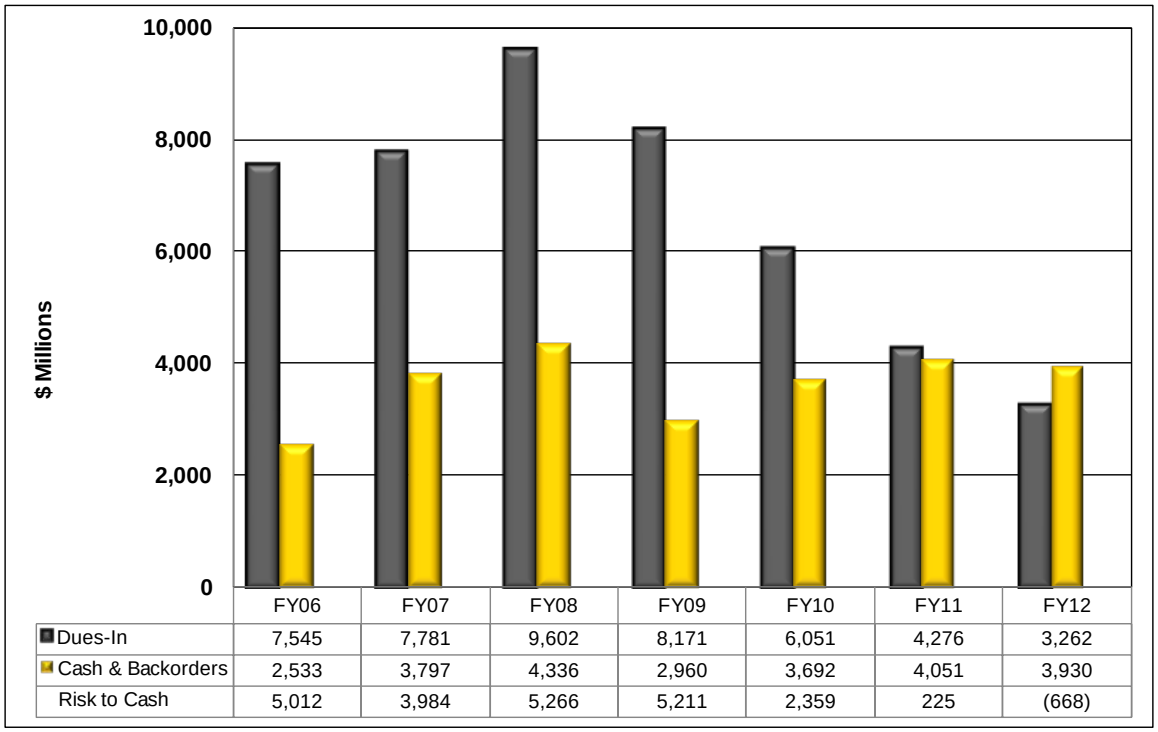
[11] (MPA) Military Personnel, Army appropriation

[12] (MERHCF) Medicare-Eligible Retiree Health Care Fund

are developed some of this transferred cash may require reimbursement to support payments to commercial vendors when undelivered orders are received. Based on recent analysis the Army believes these cash transfers have been mostly offset by not allowing credit for unserviceable spares (carcasses) returned by operating units in Iraq and Afghanistan.

Chart 3 below displays the potential risk to the AWCF cash balance. Based on the projected cash balance and undelivered orders (dues-in) there is no risk to cash in FY 2012. The risk to cash in prior years assumed a worst-case scenario, where all vendor deliveries occur in a given fiscal year – an unlikely situation.

Chart 3 - Risk to Cash



	FY06	FY07	FY08	FY09	FY10	FY11	FY12
Dues-In	7,545	7,781	9,602	8,171	6,051	4,276	3,262
Cash & Backorders	2,533	3,797	4,336	2,960	3,692	4,051	3,930
Risk to Cash	5,012	3,984	5,266	5,211	2,359	225	(668)

Note: FY 2011 and FY 2012 are projected.

Base Realignment and Closure 2005 directed transfer of consumable items management to Defense Logistics Agency (DLA). DLA is reimbursing Army for these items on order and delivered after the transfer date. The AWCF expects to receive cash transfers of $147 million in FY 2011 and $125 million in FY 2012 from Defense Logistics Agency; additional transfers may occur once validation of the deliveries between DLA and Army Materiel Command is completed.

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End of Year Cash Balance

Table 8 shows total collections, disbursements, appropriations, transfers, and ending cash balances. The 7 – 10 day cash levels are calculated using the latest methodology which includes allowance for undisbursed appropriations and return of positive accumulated operating results. Army projects the FY 2012 cash balance to be above 10-day level. No advance billings or positive cash surcharges are included in the budget submission.

Table 8 - Cash Balance

($ Millions)	FY 2010	FY 2011	FY 2012
Disbursements	15,395.0	13,780.6	12,018.9
Collections	16,083.9	13,838.7	11,919.3
Net Outlays from Operations	(688.9)	(58.1)	99.6
Direct Appropriations	49.9	54.6	155.2
Transfers In	232.0	147.0	125.0
Transfers Out	280.0	483.0	0.0
Total Net Outlays	(690.5)	223.3	(180.6)
Cash Balance - Operations	**1,399.8**	**1,430.7**	**1,600.9**
Undisbursed Direct Appropriation	408.3	154.1	164.5
Ending Cash Balance	**1,808.1**	**1,584.8**	**1,765.4**
10 day Cash Level	1,376.5	1,018.4	883.4
7 day Cash Level	1,201.9	863.1	747.3

Note: Positive net outlays decrease cash

Capital Budget

AWCF activities develop and maintain operational capabilities through production equipment acquisition, execution of minor construction projects, and software development. Equipment is acquired to replace obsolete and unserviceable equipment, modernize production and maintenance processes, and eliminate environmental hazards. The cost of capital projects is recouped through depreciation expenses included in customer rates.

A more in-depth discussion and detailed exhibits are provided in the Capital Budget section. Table 9 on the next page summarizes the AWCF capital investment program request.

An Anniston Army Depot mechanic disassembles an engine as part of a contract with BAE Systems.

Table 9 - Capital Budget

($ Millions)	FY 2010	FY 2011	FY 2012
Supply Management	59.9	19.1	22.2
Industrial Operations	229.3	195.4	182.5
Total Capital Budget	289.2	214.5	204.7
Total Cash Outlays	255.3	266.1	228.1

Minimum Capital Investment for Certain Depots and Arsenals

The National Defense Authorization Act for FY 2007 requires infrastructure investments for the five Army maintenance depots (Anniston, Alabama; Red River, Texas; Letterkenny, Pennsylvania; Tobyhanna, Pennsylvania; and Corpus Christi, Texas) at a minimum of six percent of average revenue in FY 2009 and beyond. In FY 2009 the National Defense Authorization Act added the three Arsenals (Rock Island, Illinois; Pine Bluff, Arkansas; and Watervliet, New York) to this requirement. Budgeted investment includes capital investments, as well as purchases of equipment (below the capital budget threshold); maintenance and repair of facilities; equipment paid for by other appropriations; and military construction projects. Table 10 below displays the investment budgeted in this submission. The Minimum Capital Investment exhibit in the Capital Budget section of the budget provides additional details.

An electronics mechanic at Tobyhanna (Pennsylvania) Army Depot, performs a leak and flow test on a Sidewinder missile guidance and control section.

Table 10 - Minimum Capital Investment

Minimum Required ($ Millions)	6% FY 2010	6% FY 2011	6% FY 2012
Average Revenue	5,320.7	5,516.3	5,301.2
Investment Target	319.2	331.0	318.1
Budget Investment	391.7	359.7	362.2
Percent Invested	7.4%	6.5%	6.8%

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Supply Management

Introduction

Supply Management operates in a business-like environment by relying on sales revenue rather than appropriations to finance continuing operations. This enterprise uses contract authority to procure spares and to repair carcasses returned from customers. As vendors deliver equipment components, Army uses Working Capital Fund cash to make payments and spares are delivered to inventory awaiting customer demands. Filled customer demands result in the collection of sales revenue, which replenishes cash. The bulk of demands originate from Operation and Maintenance, Army customers, primarily Army operating forces, who request spares to maintain readiness of their combat equipment. Supply Management's rates and budget assumptions are synchronized with the Army's appropriated funding requests in support of Solider and weapon system readiness.

Mission:
Provide the Army with inventory and acquisition management of spares and repair parts in support of equipment sustainment, operational readiness, and combat capability.

The Army prices spares based on the most recent acquisition cost from a commercial vendor or the most recent repair cost from a contract location or an organic maintenance depot. The price of each item includes a surcharge, known as the cost recovery rate (CRR), to recover the cost of operations. The CRR is set to:

- Recover the activity's costs such as payroll, supplies, contracts, storage, transportation, and depreciation
- Maintain a sufficient cash corpus to cover seven to ten days of operating disbursements and six months of capital disbursements
- Break even over time

Important financial measures for Supply Management include net operating result (NOR) and accumulated operating results (AOR). The NOR measures the gain or loss within a single fiscal year, monitoring how closely actual sales revenue compares to the amount in the budget. The AOR measures the accumulated gains and losses since the fund's inception. Rates are usually set during budget development to bring the AOR to zero during the budget cycle. This process returns accumulated gains through reduced rates and recovers accumulated losses through increased rates.

Capital budget obligation authority is displayed on exhibits Fund 9a, Capital Investment Summary; Fund 9b, Capital Purchase Justification; and Fund 9c, Capital Budget Execution in the Capital section of the budget.

Efficiencies and Business Process Improvements

Cost efficiency is an inherent attribute of the AWCF. The revolving fund construct promotes total cost visibility, full cost recovery, and fosters a business-like, competitive atmosphere. In the same way that commercial businesses focus on their bottom line profit, Supply Management activities focus on their Net Operating Result (NOR) and other indicators to gauge the efficiency of their operations. AWCF activities must keep their costs and prices low to ensure future viability. In accordance with Secretary Gates' emphasis on finding efficiencies within the Department, Supply Management is fully engaged in cost-cutting and business process improvement initiatives. Examples of these initiatives include:

- **Inventory Management:** The Army Materiel Command (AMC) intensively manages Supply Management inventory levels. Quarterly Senior Executive due-diligence reviews evaluate active and inactive inventory, and economic and contingency retention levels, focusing on dormant stock reduction. In addition to these quarterly reviews, the AMC conducts monthly reviews to monitor performance as it relates to sales, demands, backorders, and inventory levels. In concert with our supply chain partners, Army expects to reduce storage and transportation costs as sales decline.

- **Base Realignment and Closure Initiatives:** The BRAC Commission estimated that Supply Management activities would generate $66 million in annual savings in FY 2012 by implementing initiatives identified in its 2005 report. Those initiatives included transferring the tire management function from AMC to Defense Logistics Agency (DLA); transferring the storage and distribution functions for packaged petroleum, oils, lubricants, and compressed gases from AMC to DLA; realigning AMC Depot Level Reparable (DLR) acquisition functions to DLA; and realigning consumable item management to DLA.

Functional Description

Supply Management buys and manages an operating inventory of spare and repair parts for sale to its appropriated fund customers. It also maintains a protected inventory of spares in Army Prepositioned Stocks (APS). The AWCF operating inventory is stored and maintained primarily at three types of locations:[13]

- Tactical – at more than 260 battalion supply support activities (SSAs) under the control of Sustainment Brigade Commanders. These Soldier-manned SSAs provide spares supporting the immediate needs of combat and combat support battalions and companies. The quantity of inventory items is limited to an amount capable of transport by unit organic vehicles or aircraft.

- Installation – at more than 160 Army installation SSAs under the control of the installation Director of Logistics. These activities provide a means to retrograde unneeded materiel from tactical SSAs to meet other Army requirements. They also stock back-up inventory to meet tactical units' requirements that exceed storage capacity. When deployed to a contingency theater of operations, tactical activities receive back-up support from a theater distribution center established by the deployed force command to centrally receive, redistribute, and retrograde spares as required.[14]

- National – at DLA distribution depots and Army maintenance depots. This inventory provides a source of rapid replenishment to lower level stockage locations and for the immediate needs of the Army's maintenance depots. Examples include Defense Distribution Depot, Texarkana, Texas and Defense Distribution Depot, Tobyhanna, Pennsylvania.

The AWCF protected inventory is contained in APS located in the United States, Europe, South Korea, Kuwait, and stored aboard ships afloat off Guam and Diego Garcia. Pre-positioned war reserve materiel is retained in protected inventory and released to outfit combat and combat support units deploying to perform a combat, peacekeeping, or other contingency operation.

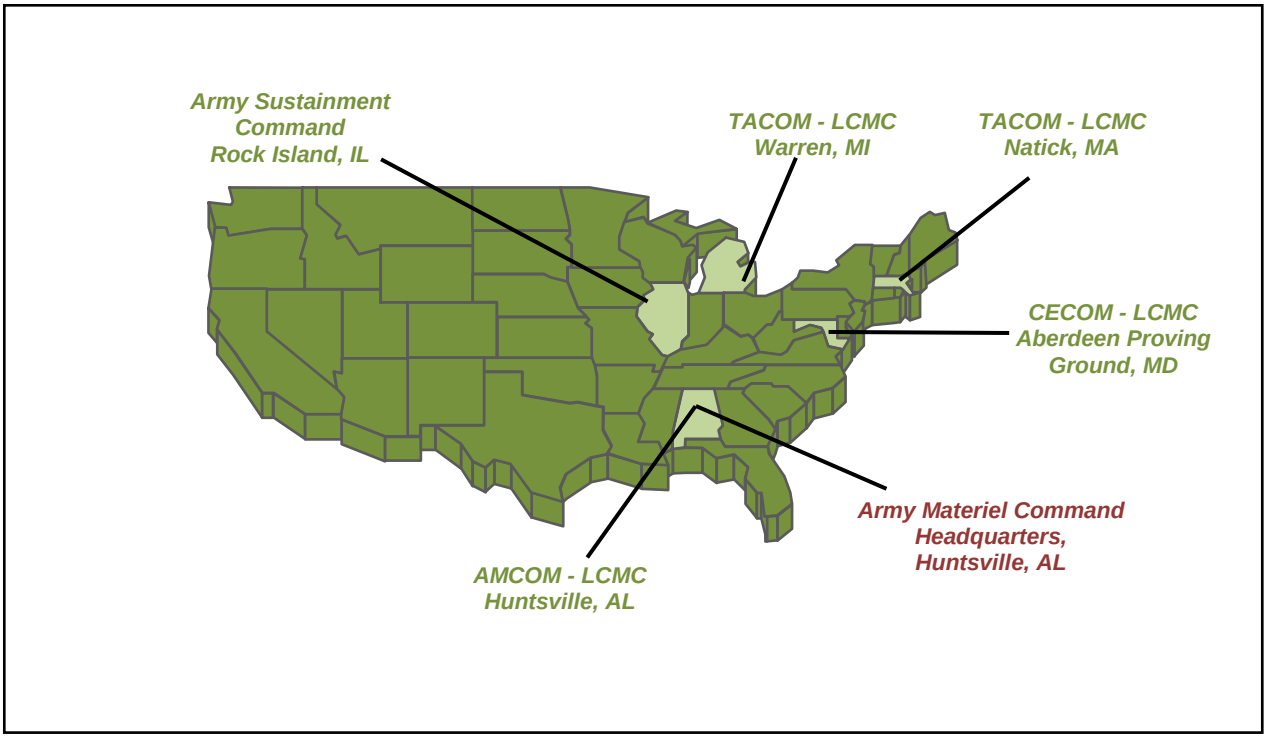
[13] These do not match Army doctrinal descriptions but do describe the functional locations of AWCF spares inventory

[14] The Theater Distribution Center supporting operations is located at Arifjan, Kuwait.

Activity Group Composition

Figure SM 1 below displays the locations of Headquarters, Army Materiel Command (AMC), each Life Cycle Management Command (LCMC) Headquarters, and Army Sustainment Command (ASC). Each LCMC acquires and manages consumable supplies and spare parts for distinct categories of weapon systems. ASC acquires and maintains the Army Prepositioned Stocks, which contain materiel from each LCMC.

Figure SM 1 - Supply Management locations



The AMC mission is complex and ranges from developing sophisticated weapon systems, to advanced research in such areas as lasers, to maintaining and distributing spare parts. AMC's mission is best summarized by three core competencies: acquisition excellence, logistics power projection, and technology generation and application. To develop, buy, and maintain state-of-the-art materiel for the Army, AMC works closely with industry, colleges and universities, the other Services, and other government agencies. Currently located at Fort Belvoir, Virginia, Headquarters, AMC will relocate to Redstone Arsenal in Huntsville, Alabama during July 2011 in accordance with the Base Realignment and Closure (BRAC) Act of 2005.

The TACOM LCMC primary mission is to develop, acquire, field, and sustain Soldier and ground systems through the integration of effective and timely acquisition, logistics, and cutting-edge technology. They support a diverse set of product lines through their life cycles, ranging from tracked combat and wheeled tactical vehicles, armaments, and watercraft, to Soldier-specific gear and biological/chemical equipment. Major weapon systems supported include the M1 Abrams tank, M2 Bradley Fighting Vehicle, and Stryker Armored Vehicle. TACOM LCMC also has the clothing and heraldry mission that is responsible for providing clothing and heraldry products to Soldiers, units, and veterans. With an authorized level of 847 civilian personnel in FY 2012, TACOM LCMC Headquarters activities are located at Detroit Arsenal in Warren, Michigan and U.S. Army Soldier Systems Center in Natick, Massachusetts.

A Stryker Brigade Combat Team destroys an abandoned compound in Afghanistan.

A CH-47 Chinook in Afghanistan delivers a HMMWV with a sling-loaded forklift.

The AMCOM LCMC (Aviation and Missile LCMC) mission is to develop, acquire, field, and sustain aviation, missile, and unmanned vehicle systems, and to ensure system readiness with seamless transition to combat operations. Major weapon systems supported include the AH-64 Apache attack helicopter, UH-60 Blackhawk helicopter, and CH-47 Chinook helicopter. With an authorized level of 563 civilian personnel in FY 2012, AMCOM LCMC Headquarters is located at Redstone Arsenal in Huntsville, Alabama. AMCOM also has operational control of all aviation logistics management functions at Fort Rucker, Alabama, home of the Army Aviation Center.

The CECOM LCMC (Communications-Electronics LCMC) mission is to develop, acquire, field, and sustain Command, Control, Communications, Computers, and Intelligence, Surveillance, and Reconnaissance (C4ISR) capabilities for the Army. With an authorized level of 722 personnel in FY 2012, CECOM LCMC Headquarters activities are located at Aberdeen Proving Ground, Maryland.

The Army Sustainment Command (ASC) mission is to synchronize distribution and sustainment of materiel to and from the field. Army Prepositioned Stocks are acquired and maintained as a part of this mission. These stocks include combat equipment and supplies, and humanitarian mission stocks, at land and sea-based positions located worldwide. The Army Sustainment Command is located at Rock Island Arsenal, Illinois.

Budget Highlights

Assumptions

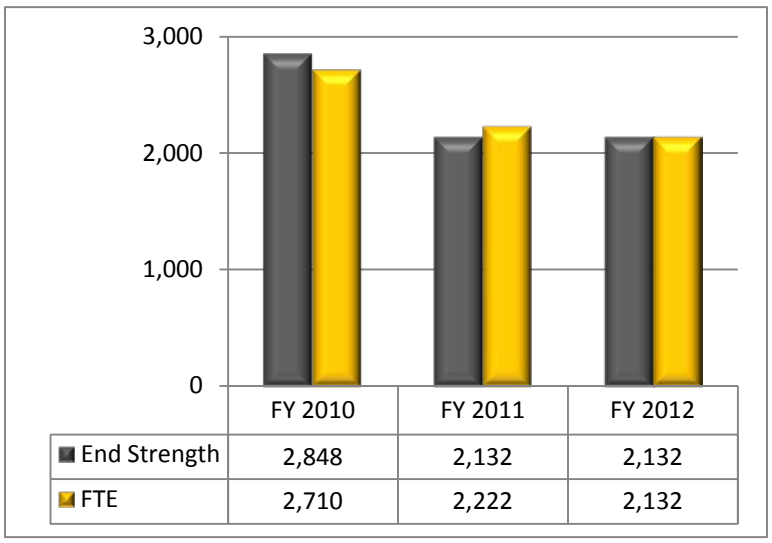
The budget represents a business plan that supports Soldiers and weapon systems readiness for base-funded operational requirements, reset of equipment, and combat activity associated with the deployed force in Overseas Contingency Operations (OCO). FY 2012 estimates assume troop strength and OPTEMPO level in OCO will be at 40 percent of FY 2010, resulting in lower levels of supply demands and sales than in previous years. If OPTEMPO levels during the year of execution exceed budget estimates, variability target is included in the budget to ensure supply funding is available to support Soldiers' supplies and spare part requirements. Variability target is further discussed in the Operating Obligation Authority section.

Twenty pallets of supplies float down over Forward Operating Base Baylough, Zabul province, Afghanistan.

Personnel

Civilian full time equivalent changes are related to workload adjustments associated with implementation of the Base Realignment and Closure (BRAC) 2005 directed consumable items transfer to the Defense Logistics Agency (DLA) and spares acquisition functions moving from AWCF. With civilian personnel transfers complete in FY 2011, civilian full time equivalent strength remains stable in FY 2012. Military end strength remains at four in FY 2012.

Chart SM 1 - Civilian Personnel

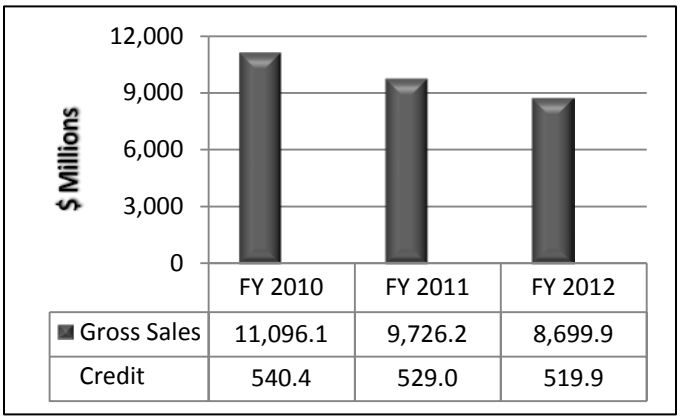


	FY 2010	FY 2011	FY 2012
End Strength	2,848	2,132	2,132
FTE	2,710	2,222	2,132

Sales

Sales and credit in this submission are impacted by reduced Overseas Contingency Operations (OCO) activity. Sales reflect income from operations and do not include direct appropriations for war reserve materiel and inventory augmentation. Currently, credit is not allowed for materiel returns in the Southwest Asia theater. Sales are displayed on several exhibits: Fund 14, Revenue and Expenses, Fund 11, Source of New Orders and Revenue, and SM 1, Supply Management Summary (sales net of credit).

Chart SM 2 - Gross Sales

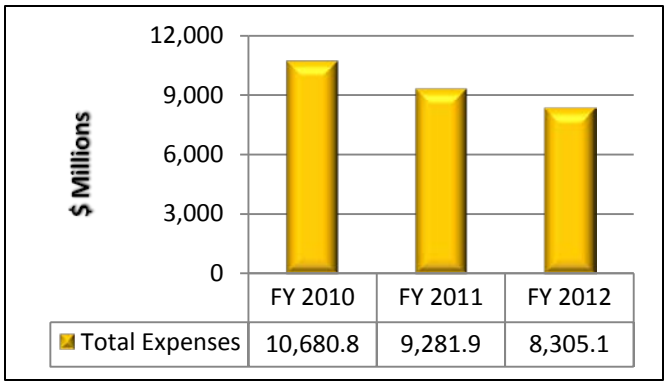


	FY 2010	FY 2011	FY 2012
Gross Sales	11,096.1	9,726.2	8,699.9
Credit	540.4	529.0	519.9

Expenses

Expenses are projected to decrease in FY 2012 in conjunction with lower sales, primarily due to reductions in the cost of goods sold. Supply operations costs and transportation costs are anticipated to decrease in conjunction with fewer OCO sales. Expenses are displayed on exhibit Fund 14, Revenue and Expenses.

Chart SM 3 - Expenses



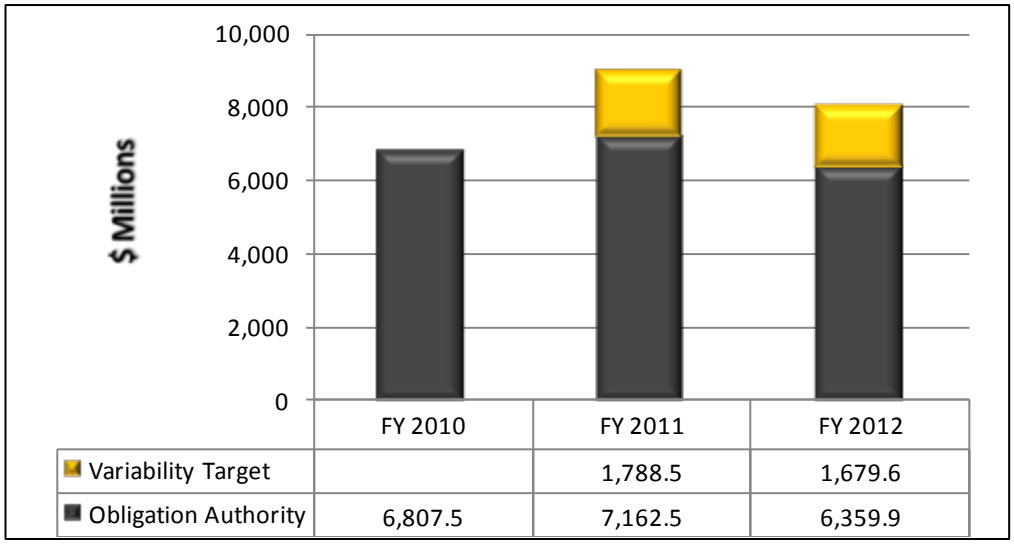
	FY 2010	FY 2011	FY 2012
Total Expenses	10,680.8	9,281.9	8,305.1

Operating Obligation Authority (Hardware)

Operating obligation authority is requested for the acquisition and repair of replenishment spares. With sales expected to decline, obligation authority flexibility is included in the form of variability target. Variability target in FY 2011 and FY 2012 is the projected amount of additional cost authority beyond budgeted levels reflected on exhibit SM 1 (Supply Management Summary) allowing for rapid response to variances in costs or changes in customer demands during the execution year. Obligation authority requirements are projected to decrease in FY 2012 commensurate with projections of reduced customer demands due to lower combat force structure and

OPTEMPO. Operating obligation authority is displayed on exhibits SM 1, Supply Management Summary and SM 3b, Operating Requirements by Weapons System.

Chart SM 4 - Obligation Authority

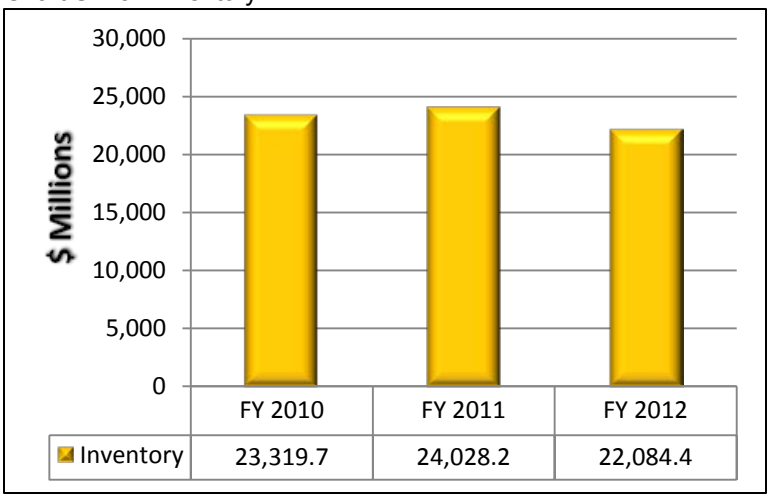


	FY 2010	FY 2011	FY 2012
Variability Target		1,788.5	1,679.6
Obligation Authority	6,807.5	7,162.5	6,359.9

Inventory

Inventory values shown in chart SM 5, include operational inventory; carcasses awaiting repair; inventory required beyond the budget year; economic and contingency retention stock; and secondary items included in war reserve. Spares inventory levels have remained high to ensure high stock availability for war efforts. Supply Management is continuing to decrease inventory by reducing replenishment by approximately eight percent in FY 2012. Inventory is displayed on exhibit SM 4, Inventory Status.

Chart SM 5 - Inventory



	FY 2010	FY 2011	FY 2012
Inventory	23,319.7	24,028.2	22,084.4

Operating Results

The net operating result (NOR) represents the difference between revenue and expenses within a fiscal year. The accumulated operating results (AOR) represent the summation of all operating gains and losses since activity group inception along with

any prior period adjustments. The AWCF operates on a break-even basis during the budget cycle. Supply Management is retaining a total of $125.2 million of positive AOR for future returns to prevent sudden spikes in rates. In the next budget cycle, Supply Management will evaluate its revised AOR projections, cash position, and impact on FY 2013 rates in determining the amount of AOR to retain. The NOR and AOR are displayed on exhibit Fund 14, Revenue and Expenses.

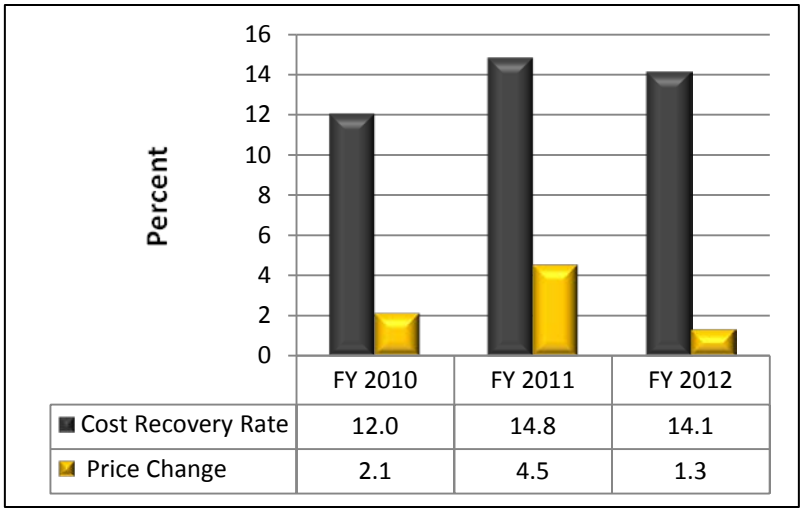
Table SM 1 - Operating Results

($ Millions)	FY 2010	FY 2011	FY 2012
Net Operating Result	(125.1)	(84.7)	(125.2)
Retained Earnings	0.0	0.0	(125.2)
Accumulated Operating Result	335.0	250.3	0.0

Cost Recovery Rate

The Supply Management cost recovery rate is set to recover full costs. Typical costs recovered are civilian pay, distribution depot costs, transportation costs, other Defense bills associated with supply operations, and costs of replacing inventory losses. The cost recovery rate has remained stable through FY 2012. The exhibit SM 5b displays Customer Price Change.

Chart SM 6 - Cost Recovery Rate and Price Change

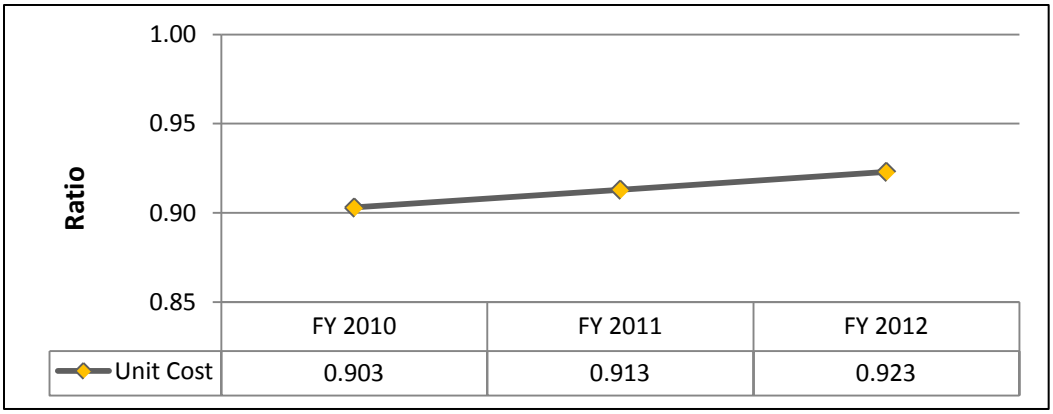


Unit Cost

The unit cost represents a cost to sales ratio. The unit cost is the maximum allowable cost incurred in the production of an output. As recommended in the Government Accountability Office (GAO) report 10-480, the Army continues to evaluate and adjust the unit cost as necessary to support contingency operations. A unit cost equal to 1.0 means there is a one-for-one replacement of inventory sold. A unit cost of less than 1.0 from FY 2010 through FY 2012 indicates a consistent effort to continue to manage inventory in relation to the projected declining sales volume. A unit cost below 1.0 means that the enterprise is reducing inventory by selling and not replenishing. A unit cost above 1.0 would indicate that

Supply Management is growing inventory to support future demands. Chart SM 7 shows unit cost for FY 2010 through FY 2012.

Chart SM 7 - Unit Cost

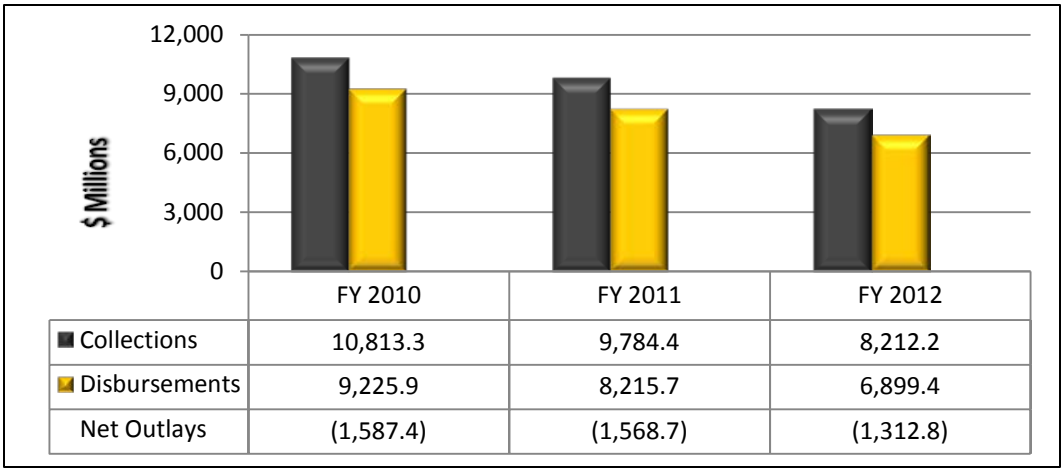


$$\textit{Unit cost} = \frac{\textit{Obligations + Credit + Depreciation expense}}{\textit{Gross sales}}$$

Collections, Disbursements, and Outlays

Collections are projected based on sales and changes in accounts receivable. Disbursements are projected based on monthly operating expenses, changes in accounts payable, and Capital Investment Program (CIP) obligations. Under the internal work performed process, used in the Logistics Modernization Program, there are no collections or disbursements between the Industrial Operations and Supply Management activity groups. The net outlays reflect the treatment of internal work performed.

Chart SM 8 - Cash Management

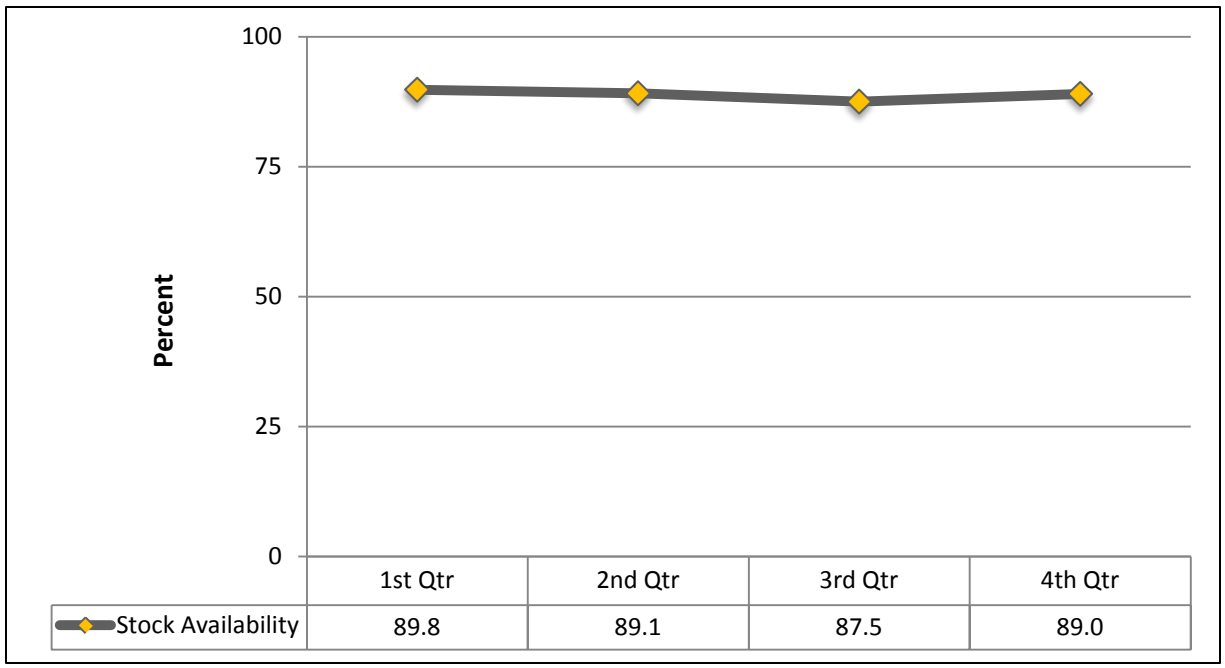


Performance Measurement

Stock Availability

Supplying and maintaining the Army's equipment remain key components of readiness. The AWCF averaged a worldwide stock availability rate of 88.9 percent during FY 2010. This was accomplished through adequate funding of hardware, proper management of the supply chain, and reliable oversight of materiel stockage requirements. Stock availability is expected to remain relatively stable as materiel is received from vendors to satisfy customers' supply requisitions. Chart SM 9 shows stock availability at the end of each quarter in FY 2010.

Chart SM 9 - Stock Availability

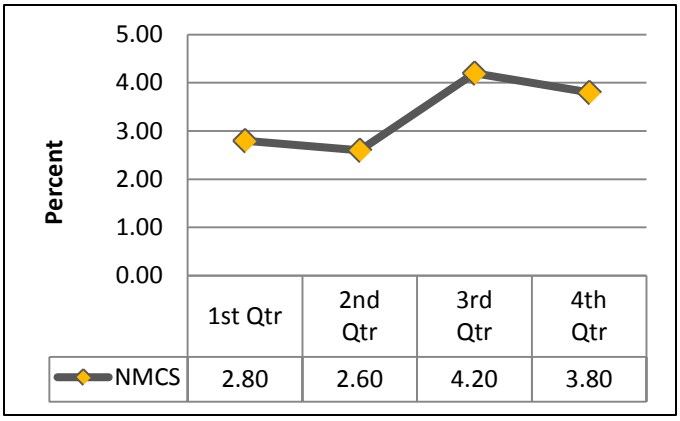


The stock availability goal, a primary performance measure relating supply system ability to fill requisitions, is 85% demand satisfaction.

Non-Mission Capable, Supply

The non-mission capable, supply (NMCS) value represents the percent of time a weapon system is not mission-capable due to lack of critical spare parts. The overall goal is to maintain NMCS at or below five percent. Chart SM 10 shows composite NMCS rates achieved at the end of each quarter in FY 2010. Non-mission capable supply for selected weapon systems is displayed on exhibit SM 3b, Operating Requirements by Weapon System.

Chart SM 10 - Non-Mission Capable, Supply

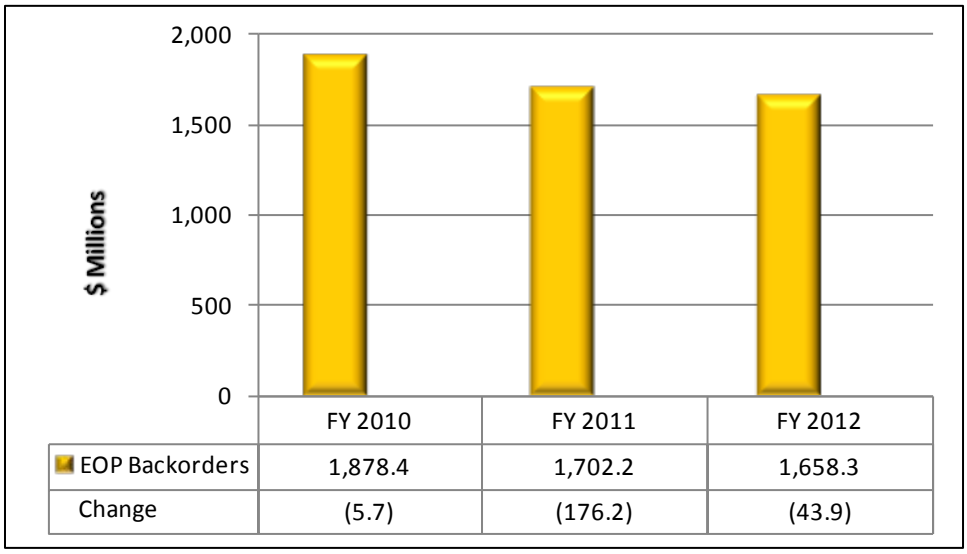


	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
NMCS	2.80	2.60	4.20	3.80

Customer Backorders

Backorders are expected to continue to decrease through FY 2012 with reductions due to both materiel deliveries and the Base Realignment and Closure directed consumable item transfer to Defense Logistics Agency. Customer backorders for the end of each fiscal year are displayed on exhibit Fund 11, Source of New Orders and Revenue.

Chart SM 11 - Customer Backorders



	FY 2010	FY 2011	FY 2012
EOP Backorders	1,878.4	1,702.2	1,658.3
Change	(5.7)	(176.2)	(43.9)

Supply Management Workload

Table SM 2 below displays Supply Management items of interest. The decreases in requisitions received and issues completed are based on deployed force activity assumptions and the BRAC 2005 directed consumable item transfer to Defense Logistics Agency.

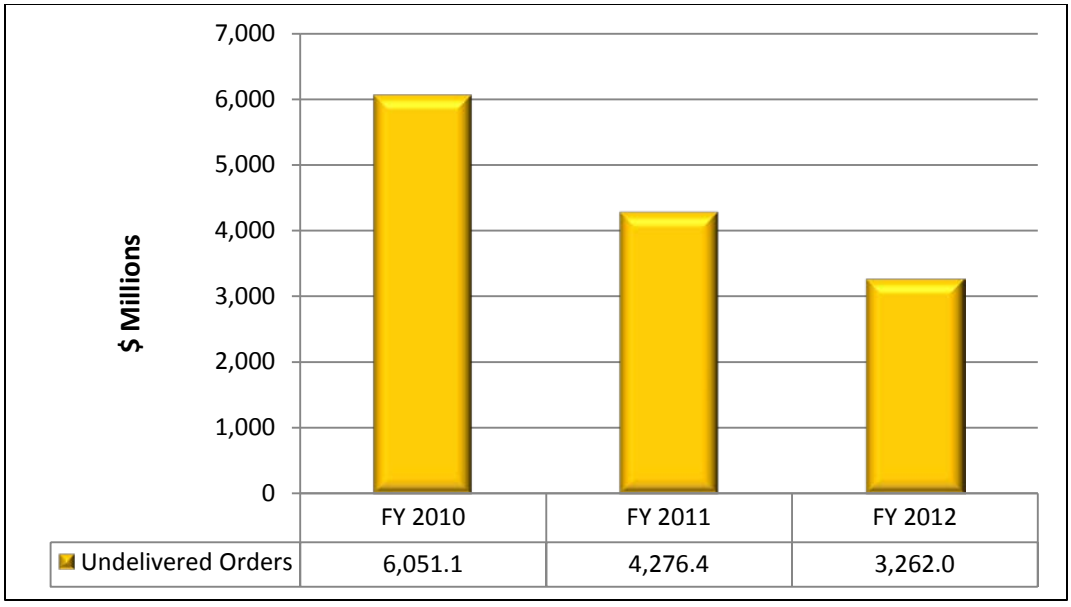
Table SM 2 - Supply Management Workload

Supply Management Workload	FY 2010	FY 2011	FY 2012
Items Managed	97,173	99,622	98,577
Requisitions Received	1,231,173	1,072,012	986,399
Issues Completed	1,060,024	939,351	864,760
Procurement Receipts	264,810	228,997	208,576
Contracts Awarded	15,320	11,419	10,424

Undelivered Orders

Undelivered orders are goods and services ordered, but not yet received by the AWCF. A sufficient cash balance is required to pay vendors upon receipt of these orders. As shown in the chart below, undelivered orders are projected to decrease through FY 2012 due to continued materiel deliveries and decreased new materiel obligations based on lower OCO requirements.

Chart SM 12 - Undelivered Orders



Appropriations

War reserve equipment positioned without secondary items would significantly jeopardize the Army's ability to complete its combat missions successfully. The secondary items purchased for war reserves support important combat weapon systems such as M1 Tanks, Bradley Fighting Vehicles, artillery howitzers, rocket launchers, and HMMWVs. The secondary items are required to support and maintain combat and lifesaving equipment of deploying forces. War reserve funding supports the Army's 2015 APS Strategy. Appropriations are displayed on exhibit Fund 14, Revenue and Expenses. War reserve inventory is displayed on exhibits SM 4, Inventory Status and SM 6, War Reserve Materiel.

Table SM 3 - Appropriations

($ Millions)	FY 2010	FY 2011	FY 2012
War Reserve Secondary Items	38.4	54.6	101.2
Supplemental Funds	0.0	0.0	54.0
Total Appropriated Funds	38.4	54.6	155.2

War reserve secondary items improve Army's ability to meet global missions by sustaining the deployed combat force until CONUS-based re-supply commences.

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Revenue and Expenses
($ in Millions)

	FY 2010	FY 2011	FY 2012
Revenue			
AMI Sales	9,120.3	7,990.3	7,339.6
NAMI Sales	1,974.4	1,732.9	1,357.3
AMC MOB Sales	1.4	3.0	3.0
Total Gross Sales	**11,096.1**	**9,726.2**	**8,699.9**
Credit and Allowances	540.4	529.0	519.9
Net Sales	**10,555.7**	**9,197.2**	**8,180.0**
Other Income	**38.4**	**54.6**	**155.2**
War Reserve-Secondary Items	38.4	54.6	155.2
Total Income	**10,594.0**	**9,251.8**	**8,335.2**
Expenses			
Cost of Materiel Sold from Inventory			
AMI	7,417.5	6,245.8	5,698.6
NAMI	1,974.4	1,732.9	1,357.3
AMC MOB	1.4	3.0	3.0
Total Cost of Materiel Sold from Inventory	**9,393.3**	**7,981.6**	**7,058.9**
Inventory Losses/Obsolescence	112.7	100.2	96.0
Salaries and Wages Total	**269.2**	**213.0**	**205.0**
Military Personnel Compensation & Benefits	0.7	0.2	0.2
Civilian Personnel Compensation & Benefits	268.5	212.8	204.8
Travel & Transportation of Personnel	4.3	3.5	2.6
Materiel & Supplies (For Internal Operations)	0.7	1.4	1.3
Equipment	1.0	0.7	0.7
Other Purchases from Revolving Funds	351.0	354.8	321.8
Transportation of Things	109.4	110.2	107.0
Depreciation - Capital	63.4	89.2	92.9
Printing and Reproduction	0.1	0.1	0.1
Advisory and Assistance Services	53.0	23.5	14.6
Rent, Communication, Utilities & Misc. Charges	7.1	14.0	14.2
Other Purchased Services	315.6	389.8	389.9
Total Expenses	**10,680.8**	**9,281.9**	**8,305.1**
Operating Result	**(86.8)**	**(30.0)**	**30.0**
Other Changes Affecting NOR:			
Less Direct Funding	(38.4)	(54.6)	(155.2)
Net Operating Result	**(125.1)**	**(84.7)**	**(125.2)**
Prior Year AOR	460.1	335.0	250.3
Less Retained Earnings	0.0	0.0	(125.2)
Accumulated Operating Result	**335.0**	**250.3**	**0.0**

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Source of New Orders and Revenue
($ in Millions)

	FY 2010	FY 2011	FY 2012
1. New Orders			
a. Orders from DOD Components			
Department of Army Total			
Operation and Maintenance, Army	7,034.7	6,153.2	5,540.4
Operation and Maintenance, ARNG	491.6	567.9	565.4
Operation and Maintenance, AR	65.8	36.0	33.7
Subtotal, Operation and Maintenance	**7,592.1**	**6,757.2**	**6,139.5**
Industrial Operations Business	541.3	501.4	385.2
Procurement Appropriations	1,392.4	1,042.8	934.2
RDT&E	8.0	6.2	5.7
All Other Army	575.0	514.1	496.7
Subtotal, Department of Army	**10,108.8**	**8,821.6**	**7,961.3**
Department of Navy	91.8	77.6	71.7
Department of Air Force	284.7	170.9	157.6
US Marine Corps	217.8	173.1	163.5
Other Department of Defense	88.3	55.5	57.5
Subtotal, Other DOD Services	**682.7**	**477.1**	**450.4**
Total DOD	**10,791.5**	**9,298.7**	**8,411.7**
b. Other Orders			
Supply Support Agreements	97.3	97.4	98.8
Foreign Military Sales	183.6	139.8	132.7
Military Assistance Programs	0.4	1.3	1.1
Other Federal Agencies	6.4	3.2	3.2
All Other	11.2	9.7	8.6
Subtotal, Other Orders	**298.8**	**251.4**	**244.4**
Total New Orders	**11,090.3**	**9,550.0**	**8,656.0**
2. Carry-In Orders (Back Orders From Prior Years)	1,884.1	1,878.4	1,702.2
3. Total Gross Orders	12,974.5	11,428.4	10,358.2
4. Less Carry out	1,878.4	1,702.2	1,658.3
5. Gross Sales	**11,096.1**	**9,726.2**	**8,699.9**
6. Less Credit and Allowances	540.4	529.0	519.9
7. Net Sales	**10,555.7**	**9,197.2**	**8,180.0**

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Supply Management Summary
($ in Millions)

	Net Customer Orders	Net Sales	Obligation Targets Operating	MOB	Total
Non Army Managed Items (NAMI)					
FY 2010	2,070.2	1,973.6	1,831.4	0.0	**1,831.4**
FY 2011	1,880.1	1,731.4	1,570.2	0.0	**1,570.2**
FY 2012	1,476.0	1,355.816	1,205.5	0.0	**1,205.5**
Army Managed Items (AMI)					
Aviation					
FY 2010	3,633.0	3,687.2	2,603.3	1.6	**2,604.9**
FY 2011	3,096.2	3,226.8	2,487.9	2.1	**2,490.0**
FY 2012	2,896.4	2,997.0	2,419.2	0.0	**2,419.2**
Communications-Electronics					
FY 2010	1,386.8	1,431.8	419.4	3.1	**422.5**
FY 2011	1,121.5	1,146.7	808.7	4.1	**812.8**
FY 2012	974.1	984.7	741.2	4.0	**745.2**
Missiles					
FY 2010	331.5	360.5	128.8	1.0	**129.8**
FY 2011	333.9	322.2	219.2	1.3	**220.5**
FY 2012	340.4	285.9	204.4	0.0	**204.4**
Tank and Automotive					
FY 2010	3,127.0	3,101.1	1,820.6	5.6	**1,826.2**
FY 2011	2,586.3	2,767.1	2,073.5	7.3	**2,080.8**
FY 2012	2,446.3	2,553.6	1,786.7	82.1	**1,868.8**
Total AMI					
FY 2010	**8,478.3**	**8,580.7**	**4,972.0**	**11.3**	**4,983.3**
FY 2011	**7,137.9**	**7,462.8**	**5,589.3**	**14.8**	**5,604.1**
FY 2012	**6,657.1**	**6,821.2**	**5,151.5**	**86.1**	**5,237.6**
AMC Mobilization					
FY 2010	1.4	1.4	4.1	27.1	**31.1**
FY 2011	3.0	3.0	3.0	39.8	**42.8**
FY 2012	3.0	3.0	3.0	69.1	**72.1**
Total Hardware					
FY 2010	**10,549.9**	**10,555.7**	**6,807.5**	**38.4**	**6,845.9**
FY 2011	**9,021.0**	**9,197.2**	**7,162.5**	**54.6**	**7,217.1**
FY 2012	**8,136.1**	**8,180.0**	**6,359.9**	**155.2**	**6,515.1**

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Supply Management Summary
($ in Millions)

	Net Customer Orders	Net Sales	Obligation Targets Operating	MOB	Total
Cost of Operations (LOGOPS)					
FY 2010			1,111.4	0.0	**1,111.4**
FY 2011			1,110.8	0.0	**1,110.8**
FY 2012			1,057.3	0.0	**1,057.3**
Variability Target					
FY 2010			0.000	0.0	**0.0**
FY 2011			1,788.5	0.0	**1,788.5**
FY 2012			1,679.6	0.0	**1,679.6**
Enterprise Software Initiative					
FY 2010			23.8	0.0	**23.8**
FY 2011			64.0	0.0	**64.0**
FY 2012			45.0	0.0	**45.0**
Total Operating Obligation Authority					
FY 2010	**10,549.9**	**10,555.7**	**7,942.6**	**38.4**	**7,981.0**
FY 2011	**9,021.0**	**9,197.2**	**10,125.8**	**54.6**	**10,180.4**
FY 2012	**8,136.1**	**8,180.0**	**9,141.8**	**155.2**	**9,297.0**
Capital Obligation Authority					
FY 2010			59.9	0.0	**59.9**
FY 2011			19.1	0.0	**19.1**
FY 2012			22.2	0.0	**22.2**
Total Obligation Authority					
FY 2010	**10,549.9**	**10,555.7**	**8,002.6**	**38.4**	**8,040.9**
FY 2011	**9,021.0**	**9,197.2**	**10,144.9**	**54.6**	**10,199.5**
FY 2012	**8,136.1**	**8,180.0**	**9,164.0**	**155.2**	**9,319.2**
Budget Authority					
War Reserve Authority					
FY 2010			0.0	38.4	**38.4**
FY 2011			0.0	54.6	**54.6**
FY 2012			0.0	155.2	**155.2**
Inventory Augmentation					
FY 2010			0.0	0.0	**0.0**
FY 2011			0.0	0.0	**0.0**
FY 2012			0.0	0.0	**0.0**
Total Budget Authority					
FY 2010			**0.0**	**38.4**	**38.4**
FY 2011			**0.0**	**54.6**	**54.6**
FY 2012			**0.0**	**155.2**	**155.2**

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Operating Requirements by Weapons System
($ in Millions)

	FY 2010		FY 2011		FY 2012	
	Obligations	**NMCSR [1]**	**Obligations**	**NMCSR [1]**	**Obligations**	**NMCSR [1]**
AH-64, Apache	470.7	4.0%	466.9	≤ 25.0%	422.1	≤ 25.0%
CH-47D, Chinook	329.9	7.6%	319.6	≤ 25.0%	283.8	≤ 25.0%
UH-60, Black Hawk	1,351.1	2.5%	1,492.7	≤ 25.0%	1,345.2	≤ 25.0%
OH-58D, Kiowa Warrior	274.0	1.2%	198.3	≤ 25.0%	159.4	≤ 25.0%
Other Aviation	177.6	0.0%	236.7	≤ 25.0%	208.6	≤ 25.0%
MLRS	2.5	1.0%	9.3	≤ 10.0%	15.9	≤ 10.0%
Patriot	75.0	3.0%	119.9	≤ 10.0%	106.9	≤ 10.0%
Other Missile	51.2	0.0%	63.5	≤ 10.0%	81.6	≤ 10.0%
Firefinder	11.0	0.0%	13.6	≤ 10.0%	16.5	≤ 10.0%
Night Vision Goggles	26.6	1.0%	108.2	≤ 10.0%	52.6	≤ 10.0%
SINCGARS	60.0	0.0%	83.2	≤ 10.0%	59.6	≤ 10.0%
Other Communication-Electronics	321.9	1.5%	414.7	≤ 10.0%	612.4	≤ 10.0%
FMTV	22.3	2.5%	21.9	≤ 10.0%	20.5	≤ 10.0%
HEMTT	87.1	2.6%	76.7	≤ 10.0%	62.6	≤ 10.0%
HMMWV	71.5	1.2%	87.2	≤ 10.0%	85.6	≤ 10.0%
M109A6, Paladin	44.4	3.2%	14.5	≤ 10.0%	15.2	≤ 10.0%
M198, Towed Howitzer	3.8	1.0%	1.3	≤ 10.0%	1.1	≤ 10.0%
M1A1, Abrams Tank	231.9	1.6%	313.1	≤ 10.0%	269.4	≤ 10.0%
M1A2, Abrams Tank (SEP)	0.0	1.6%	0.0	≤ 10.0%	0.0	≤ 10.0%
M2/M3, Bradley Fighting Vehicle	24.8	1.5%	109.1	≤ 10.0%	88.4	≤ 10.0%
Stryker	1.7	1.3%	124.5	≤ 10.0%	244.6	≤ 10.0%
Other Tank-Automotive	1,333.3	1.1%	1,314.6	≤ 10.0%	999.4	≤ 10.0%
Subtotal	4,972.0		5,589.3		5,151.5	
NAMI	1,831.4		1,570.2		1,205.5	
AMC-MOB	4.1		3.0		3.0	
TOTAL	6,807.5		7,162.5		6,359.9	

1/ NMCS - Non Mission Capable Supply Rate represents the percent of time a weapon system is not mission capable due to lack of critical spare parts. FY 2010 is actual data. FY 2011 and FY 2012 are Army's goal.

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Inventory Status
($ in Millions)

	FY 2010 Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	29,131.3	2,633.2	13,885.1	12,613.0
2. BOP Inventory Adjustments				
a. Reclassification	0.0	(224.5)	(2,458.6)	2,683.1
b. Price Change Amount	363.3	(7.6)	187.7	183.3
c. Adjusted Inventory BOP (Lines 1+2A+2B)	29,494.6	2,401.0	11,614.2	15,479.4
3. Receipts	6,126.3	185.3	5,895.5	45.5
4. Gross Sales	11,096.1	0.0	11,096.1	0.0
5. Inventory Adjustments				
a. Capitalization	(461.5)	4.2	(184.0)	(281.8)
b. Returns from Customers	540.4	0.0	524.2	16.2
c. Returns from Customers w/o Credit	3,257.9	0.0	814.5	2,443.4
d. Returns to Suppliers	(1,223.0)	(48.9)	0.0	(1,174.1)
e. Transfers to DRMS	(3,484.5)	(13.6)	(197.6)	(3,273.3)
f. Issues/Receipts w/o Adjustments	(108.1)	(8.6)	0.0	(99.5)
g. Other	273.7	63.2	2,068.2	(1,857.7)
h. Total	(1,205.2)	(3.7)	3,025.3	(4,226.7)
6. Inventory End of Period (EOP)	23,319.7	2,582.6	9,438.9	11,298.2
7. Inventory EOP, Valued (LAC Discounted)	22,816.1	1,633.7	10,115.3	11,067.0
a. Economic Retention (MEMO)	5,398.2	0.0	0.0	5,398.2
b. Contingency Retention (MEMO)	2,881.0	0.0	0.0	2,881.0
c. Potential Transfer to DRMS (MEMO)	2,787.8	0.0	0.0	2,787.8
8. On Order EOP at Cost	5,135.7	145.4	4,990.3	0.0

9. NARRATIVE:

Inventory in the FY 2010 column of the FY 2012 President's Budget are actuals reported at a mixture of moving average cost (MAC) and standard price (SP). The inventory valuation move from SP to MAC is due to the phased conversion to LMP. Column "Other" includes inventory that stratifies beyond budget year and economic and contingency retention stock. During the fiscal year, DFAS changed the way inventory was valued. As a result, reported inventory levels decreased.

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Inventory Status
($ in Millions)

	FY 2011 Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	23,319.7	2,582.6	9,438.9	11,298.2
2. BOP Inventory Adjustments				
a. Reclassification	0.0	170.3	629.3	(799.6)
b. Price Change Amount	280.2	45.8	175.8	58.6
c. Adjusted Inventory BOP (Lines 1+2A+2B)	23,599.8	2,798.6	10,244.0	10,557.2
3. Receipts	6,767.1	175.3	6,591.7	0.0
4. Gross Sales	9,726.2	0.0	9,726.2	0.0
5. Inventory Adjustments				
a. Capitalization	(205.1)	0.0	(195.0)	(10.1)
b. Returns from Customers	3,476.2	0.0	3,005.0	471.3
c. Returns from Customers w/o Credit	6,367.8	7.0	1,305.0	5,055.8
d. Returns to Suppliers	(205.6)	(1.5)	0.0	(204.1)
e. Transfers to DRMS	(4,752.8)	(35.0)	0.0	(4,717.8)
f. Issues/Receipts w/o Adjustments	(81.0)	3.1	0.0	(84.1)
g. Other	(1,212.0)	(124.9)	274.8	(1,361.9)
h. Total	3,387.5	(151.3)	4,389.8	(851.0)
6. Inventory End of Period (EOP)	24,028.2	2,822.7	11,499.3	9,706.2
7. Inventory EOP, Valued (LAC Discounted)	24,028.2	2,822.7	11,499.3	9,706.2
a. Economic Retention (MEMO)	5,678.1	0.0	0.0	5,678.1
b. Contingency Retention (MEMO)	1,886.8	0.0	0.0	1,886.8
c. Potential Transfer to DRMS (MEMO)	2,141.3	0.0	0.0	2,141.3
8. On Order EOP at Cost	4,559.4	50.3	4,509.1	0.0
9. NARRATIVE:				

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Inventory Status
($ in Millions)

	FY 2012 Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	24,028.2	2,822.7	11,499.3	9,706.2
2. BOP Inventory Adjustments				
a. Reclassification	0.0	213.2	158.8	(372.0)
b. Price Change Amount	(77.8)	(9.8)	(64.3)	(3.7)
c. Adjusted Inventory BOP (Lines 1+2A+2B)	23,950.4	3,026.0	11,593.8	9,330.5
3. Receipts	5,657.2	117.2	5,540.0	0.0
4. Gross Sales	8,699.9	-	8,699.9	0.0
5. Inventory Adjustments				
a. Capitalization	0.0	0.0	0.0	0.0
b. Returns from Customers	3,312.8	0.0	2,876.1	436.7
c. Returns from Customers w/o Credit	4,500.0	5.0	1,046.8	3,448.2
d. Returns to Suppliers	(105.7)	(1.5)	0.0	(104.2)
e. Transfers to DRMS	(4,781.5)	(36.2)	0.0	(4,745.3)
f. Issues/Receipts w/o Adjustments	(49.2)	4.1	0.0	(53.3)
g. Other	(1,699.7)	(39.3)	(1,106.0)	(554.4)
h. Total	1,176.8	(67.9)	2,817.0	(1,572.3)
6. Inventory End of Period (EOP)	22,084.4	3,075.4	11,250.8	7,758.2
7. Inventory EOP, Valued (LAC Discounted)	22,084.4	3,075.4	11,250.8	7,758.2
a. Economic Retention (MEMO)	4,495.2			4,495.2
b. Contingency Retention (MEMO)	1,550.3			1,550.3
c. Potential Transfer to DRMS (MEMO)	1,712.7			1,712.7
8. On Order EOP at Cost	4,726.9	107.3	4,619.6	0.0
9. NARRATIVE:				

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

War Reserve Materiel
($ in Millions)

	FY 2010		
	Total	**Protected**	**Other**
1. Inventory Beginning of Period (BOP)	2,633.2	2,606.9	26.3
2. Price Change	(7.6)	(7.6)	0.0
3. Reclassification	(224.5)	(224.5)	0.0
4. Inventory Changes			
a. Receipts	185.3	151.9	33.4
(1) Purchases	185.3	151.9	33.4
(2) Returns from customers	0.0	0.0	0.0
b. Issues	(62.5)	(62.5)	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	(48.9)	(48.9)	0.0
(3) Disposals	(13.6)	(13.6)	0.0
c. Adjustments	58.8	58.8	0.0
(1) Capitalizations	4.2	4.2	0.0
(2) Gains and losses	(8.6)	(8.6)	0.0
(3) Other	63.2	63.2	0.0
5. Inventory End of Period (EOP)	2,582.6	2,522.9	59.7
6. Stockpile Costs			
a. Storage	0.0		
b. Manage	0.5		
c. Maintenance/Other	0.0		
Total	0.5		
7. WRM Budget Request			
a. Additional WRM	38.4		
b. Replenishment WRM	4.1		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	42.4		

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
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War Reserve Materiel
($ in Millions)

	FY 2011		
	Total	**Protected**	**Other**
1. Inventory Beginning of Period (BOP)	2,582.6	2,522.9	59.7
2. Price Change	45.8	45.8	0.0
3. Reclassification	170.3	170.3	0.0
4. Inventory Changes			
a. Receipts	182.3	156.7	25.7
(1) Purchases	175.3	149.7	25.7
(2) Returns from customers	7.0	7.0	0.0
b. Issues	(36.5)	(36.5)	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	(1.5)	(1.5)	0.0
(3) Disposals	(35.0)	(35.0)	0.0
c. Adjustments	(121.8)	(121.8)	0.0
(1) Capitalization	0.0	0.0	0.0
(2) Gains and losses	3.1	3.1	0.0
(3) Other	(124.9)	(124.9)	0.0
5. Inventory End of Period (EOP)	2,822.7	2,737.3	85.4
6. Stockpile Costs			
a. Storage	0.0		
b. Manage	0.5		
c. Maintenance/Other	0.0		
Total	0.5		
7. WRM Budget Request			
a. Additional WRM	54.6		
b. Replenishment WRM	3.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	57.6		

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

War Reserve Materiel
($ in Millions)

	FY 2012 Total	Protected	Other
1. Inventory Beginning of Period (BOP)	2,822.7	2,737.3	85.4
2. Price Change	(9.8)	(9.8)	0.0
3. Reclassification	213.2	213.2	0.0
4. Inventory Changes			
a. Receipts	122.2	105.8	16.5
(1) Purchases	117.2	100.8	16.5
(2) Returns from customers	5.0	5.0	0.0
b. Issues	(37.7)	(37.7)	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	(1.5)	(1.5)	0.0
(3) Disposals	(36.2)	(36.2)	0.0
c. Adjustments	(35.2)	(35.2)	0.0
(1) Capitalizations	0.0	0.0	0.0
(2) Gains and losses	4.1	4.1	0.0
(3) Other	(39.3)	(39.3)	0.0
5. Inventory End of Period (EOP)	3,075.4	2,973.6	101.9
6. Stockpile Costs			
a. Storage	0.0		
b. Manage	0.5		
c. Maintenance/Other	0.0		
Total	0.5		
7. WRM Budget Request			
a. Additional WRM	155.2		
b. Replenishment WRM	3.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other			
Total	158.2		

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
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Customer Price Change
($ in Millions)

	FY 2010	FY 2011	FY 2012
1. Total AMI Materiel Cost	8,739.0	7,407.2	7,092.9
2. Less LAC Materiel Inflation Adjustment	171.1	143.8	137.2
3. Revised Gross Sales at Cost	8,567.9	7,263.4	6,955.7
4. Cost Recovery in Dollars	1,045.3	1,098.7	996.8
5. Change to Customers			
a. Previous Year's Cost Recovery Rate	11.8%	12.0%	14.8%
b. This year's Cost Recovery Dollars plus Inflation adjustment divided by Revised Gross Sales at Cost	14.2%	17.1%	16.3%
c. Percent Change to Customer	**2.1%**	**4.5%**	**1.3%**

Industrial Operations

Introduction

The Industrial Operations activity group is comprised of thirteen government-owned and operated installation activities, each with unique core competencies. Industrial Operations promotes business-like behavior by relying on revenue instead of direct appropriations to finance continuing operations. Customers purchase services from Industrial Operations activities. These services include, but are not limited to, repairing and upgrading equipment, producing weapons and munitions, and storing and demilitarizing materiel. The goal for the Industrial Operations activity is to generate enough revenue to recover the full cost of operations while breaking even over the long term.

Mission:

- ***Provide an organic industrial capability to conduct depot level repair and upgrade***
- ***Produce munitions and large caliber weapons***
- ***Store, maintain, and demilitarize materiel for the Department of Defense***

The key financial measures for Industrial Operations are the net operating result (NOR) and accumulated operating results (AOR). The NOR measures the activity's gain or loss within a single fiscal year, and is used to monitor how well the activity performs compared to its budget. The AOR measures the activity's accumulated gains and losses since inception. Rates are set to break even by bringing the AOR to zero over a two year budget cycle. This strategy returns accumulated gains through reduced rates and recovers accumulated losses through increased rates. The rates are set to:

- Recover the activity's costs such as payroll, supplies, contracts, equipment, inventory, depreciation, and maintenance
- Maintain a sufficient cash corpus to cover seven to ten days of operating disbursements and six months of capital disbursements
- Break even over time

The Industrial Operations activity relies heavily on customers funded by direct appropriations to support its operations. The activity synchronizes rates and budget assumptions with the appropriated funding levels of its customers. Reductions to the customers' appropriated funding requests not only impact the business by adversely affecting workloading decisions and projected staffing levels, but may also affect Army and other customers' equipment readiness.

Capital budget obligation authority is displayed on exhibits Fund 9a, Capital Investment Summary; Fund 9b, Capital Purchase Justification; and Fund 9c, Capital Budget Execution, located in the capital budget section of this submission.

Efficiencies and Business Process Improvements

Cost efficiency is an inherent attribute of the AWCF. The revolving fund construct promotes total cost visibility, full cost recovery, and fosters a business-like, competitive atmosphere. In the same way that commercial businesses focus on their bottom line profit, Industrial Operations activities focus on their net operating result (NOR) and other indicators to gauge the efficiency of their operations. In accordance with Secretary Gates' emphasis on finding efficiencies within the Department, Industrial Operations has been fully engaged in cost-cutting and business process improvement initiatives for many years. Industrial Operations customers ultimately garner the benefit of these efficiencies through reduced turn-around times, lower prices, and increased throughput. Examples of these initiatives include:

Red River Army Depot reduced 60 man-hours per vehicle on the Family of Medium Tactical Vehicle (FMTV) production line as result of LSS.

- **Lean Six Sigma (LSS)**: LSS is a philosophy used in manufacturing to streamline and reduce variations in the production process. The Army Materiel Command (AMC) financial benefits from LSS initiatives averaged $300 million per year since FY 2007. These benefits come in the form of hard savings from budgeted programs, cost avoidances, and increased capacity (e.g. throughput). The Industrial Operations activity either re-invests the financial benefits or passes them on to its customers in future budgets through lower rates.

- **Value Engineering (VE)**: VE is a systematic process of function analysis identifying actions that reduce cost, increase quality, and improve mission capabilities across the entire spectrum of DOD systems, processes, and organizations. AMC has averaged over $600 million per year in cost savings and avoidances since FY 2007 from VE.

- **International Organization for Standardization (ISO)**: ISO is a worldwide federation of national standards bodies that independently audit and certify companies and organizations for conformance with established standards. The 13 Industrial Operations activities currently hold 19 ISO certifications for Quality Management Systems, International Aerospace Quality Systems, Environmental Management Systems, and Occupational Health and Safety Administration Systems.

- **Capital Investment Program (CIP) Productivity Improvements**: Industrial Operations leverages investments in equipment and facilities that increase production capacity and efficiency. From FY 2010 to FY 2012, Industrial Operations has invested or plans to invest an average of $65 million per year in productivity enhancing equipment, 57 percent of the CIP equipment investment overall.

- **Adaptable Workforce Structure**: Industrial Operations activities employ an adaptable workforce structure to maintain flexibility in response to shifting workload requirements. Activities adjust the size of their workforce through the judicious use of contractor, term and temporary personnel, and overtime to accommodate surges in workload. For example, in this budget, contractor and overtime direct labor hours decrease by 46 percent from FY 2010 to FY 2012, while the regular civilian direct labor hours decrease only eight percent to accommodate a projected reduction in workload.

- **Base Realignment and Closure (BRAC)**: The BRAC Commission estimated that Industrial Operations activities would generate $38 million in annual savings by implementing initiatives identified in its 2005 report. Those initiatives include: the relocation of tactical missile depot maintenance from Red River Army Depot to Letterkenny Army Depot; the relocation of combat vehicles from Rock Island Arsenal to Anniston Army Depot; relocation of demilitarization from Sierra Army Depot to Crane Army Ammunition Activity and McAlester Army Ammunition Plant; and the disassembly of field artillery component capability at Watervliet Arsenal.

- **Safety Improvements**: Improving safety is a high priority throughout the Army Materiel Command (AMC); it improves morale, productivity, and reduces costs. The AMC Commander sets, publishes, and tracks progress toward safety goals each year. In FY 2010, the total cost for workers' compensation decreased by $2.2 million and the number of new claims decreased by nine percent from FY 2009.

Functional Description

The AWCF Industrial Operations activity group includes five depots, three arsenals, two munitions production facilities, and three storage sites. This activity group performs the following mission functions:

- Provides depot level maintenance, repair, and modernization of weapon systems and component parts
- Manufactures, renovates, and demilitarizes materiel
- Produces munitions and large caliber weapons
- Performs a full range of ammunition maintenance services for DOD and U.S. allies
- Performs ammunition receipt, storage, and issue functions

In addition to the mission functions, ten of the thirteen activities provide installation base support for both internal operations and tenant activities. Corpus Christi Army Depot and Crane Army Ammunition Activity are tenants on Navy installations. Rock Island Arsenal receives installation base support from the Army Installation Management Command.

An Anniston Army Depot mechanic and a General Dynamics Land Systems mechanic work on a Stryker power pack.

Industrial Operations activities collaborate with the private sector through formal Public-Private Partnership (PPP) agreements to perform work or utilize facilities and equipment. Under authority granted by Title 10, United States Code, § 2474, these partnerships create opportunities for both the public and private sectors by capitalizing on each other's strengths and efficiencies. The benefits to the Army and its customers include: leveraging capacity; sustaining core maintenance capabilities; sharing of overhead costs; and enhancing technical expertise in the workforce. The benefits to private industry include: access to specialized facilities, equipment, and processes; and stimulating local economies. Current PPP agreements are held with companies such as The Boeing Company, General Dynamics Land Systems, Sikorsky Aircraft Corporation, and Honeywell International.

The five hard-iron maintenance depots (Anniston, Corpus Christi, Letterkenny, Red River, and Tobyhanna), Pine Bluff Arsenal, Rock Island Arsenal, Sierra Army Depot, and Tooele Army Depot are designated as Centers of Industrial and Technical

Excellence (CITE) for the performance of core[15] maintenance workload in support of DOD and foreign allies. The CITE designation provides authority under Title 10, United States Code, § 2474 to partner with and lease facilities to industry on programs relating to core maintenance and technical expertise.

The Shingo Prize, administered by the Jon M. Huntsman School of Business at Utah State University, is the premier award for operational excellence world-wide. Since FY 2005, the U.S. Army Materiel Command (AMC) has received 24 Shingo Prizes for various programs at its depots and arsenals, including eight at Red River Army Depot, six at Letterkenny Army Depot, and five at Tobyhanna Army Depot. This award recognizes industry leaders who promote world-class business and manufacturing processes that enable on-time delivery and customer satisfaction.

On-site examiners conduct Shingo Prize evaluations and score the following areas:

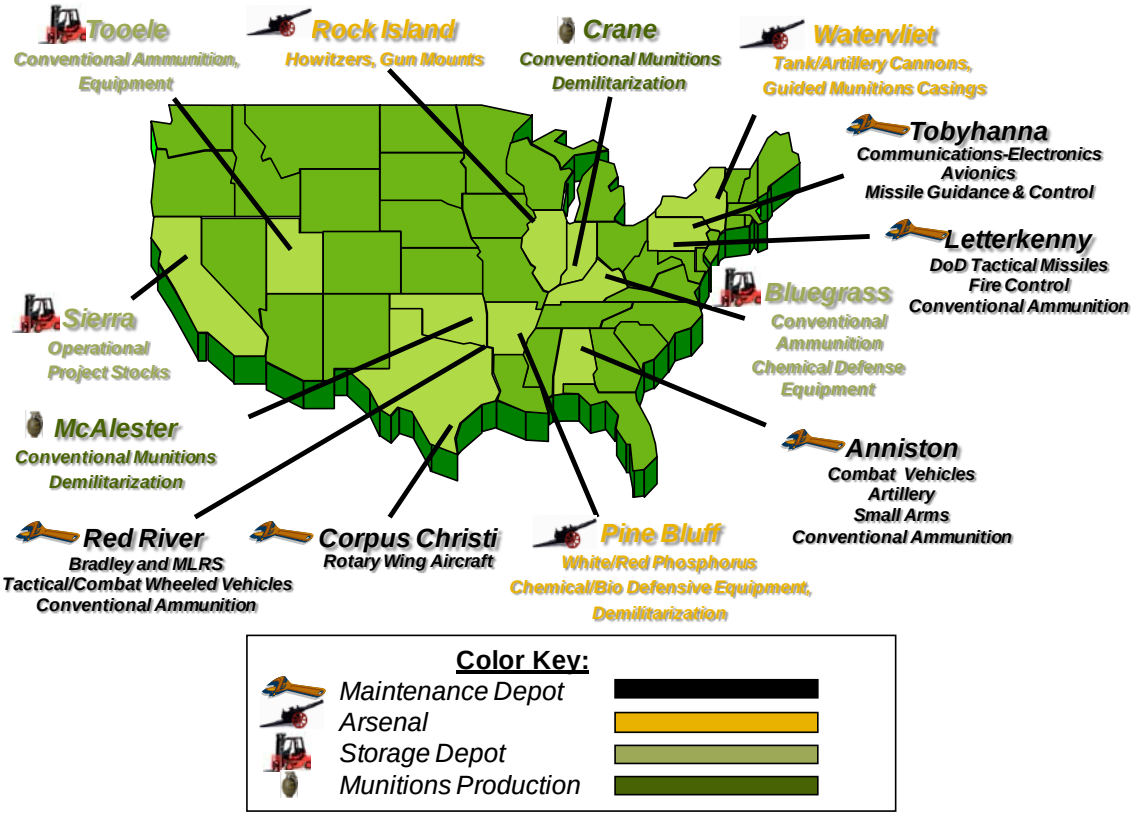
- Cost improvement
- Partnering practices with suppliers and customers
- Quality and results
- Innovation and development
- Environmental practices
- Vision and strategy
- Leadership
- Empowerment
- Continuous improvement in each of these areas

Up-armored HMMWV equipped with Objective Gunner Protection and Overhead Protection cover manufactured at Rock Island Arsenal.

[15] Title 10, United States Code, § 2464. Core Logistics Capabilities - Government-owned and Government-operated equipment and facilities required to ensure a ready and controlled source of technical competence and resources necessary to ensure effective and timely response to a mobilization, national defense contingency situations, and other emergency requirements.

Activity Group Composition

Figure IO 1 - Industrial Operations Activity Group Composition



U.S. Army Materiel Command (AMC)

AMC is currently located at Ft. Belvoir, Virginia and serves as the management command for the Industrial Operations activity group. Activities in this group fall under the direct command and control of the Life Cycle Management Commands (LCMCs), each aligned with the nature of its mission. In accordance with the Base Realignment and Closure (BRAC) Act of 2005, AMC Headquarters will complete its relocation to Redstone Arsenal in Huntsville, Alabama in July 2011. The Industrial Operations activities and their major core mission functions are described below.

Anniston Army Depot (ANAD)

Location: Anniston, Alabama
2010 Workforce: 4,226
Description: A vital part of the community since opening in 1942, the depot's annual economic impact is estimated to be $1.1 billion and indirectly supports over 18,000 jobs in the Anniston area. It is the only Army depot capable of

performing maintenance on both heavy and light-tracked combat vehicles, and their components. The depot is the designated Center of Industrial and Technical Excellence for the M1 Abrams Tank and is the primary depot for the repair of the Armored Vehicle Launched Bridge, and the M728 and M88 combat vehicles. ANAD also has responsibility for the overhaul of the M113 Family of Vehicles, Stryker, M9 Armored Combat Earthmover, small arms, and towed and self-propelled artillery. The depot is actively engaged in the Reset of equipment returning from operations in Iraq and Afghanistan, performing maintenance on individual and crew-served weapons, land combat missiles, and small arms. The depot currently stores a portion of the Nation's chemical munitions stockpile pending demilitarization. ANAD also provides installation support to attached organizations and assigned operating facilities.

Blue Grass Army Depot (BGAD)

Location: Richmond, Kentucky
2010 Workforce: 1,144
Description: BGAD is a Strategic Mobility Power Projection ammunition depot with the mission to receive, store, issue, renovate, modify, maintain, and demilitarize conventional munitions for all DOD services. BGAD stores and manages all Army Special Operations Forces ammunition. The depot is DOD's primary center for surveillance, receipt, storage, issue, testing, and minor repair of Individual Protection Chemical Defense Equipment. Additionally, BGAD maintains an Industrial Services capability providing receipt, storage, cutting, and fabrication of raw materials and metal parts for high visibility programs such as the Mine Resistant Ambush Protected (MRAP) family of vehicles. Anniston Munitions Center, located at Anniston Army Depot, is under the command and control of BGAD and serves as a multifunctional production facility, primary missile storage and maintenance depot, and as a storage and demilitarization depot for other conventional ammunition items. BGAD also provides installation support to attached organizations and assigned operating facilities.

Crane Army Ammunition Activity (CAAA)

Location: Crane, Indiana
2010 Workforce: 925
Description: CAAA serves as a primary ammunition storage and distribution site within the DOD for the U.S. Central and Northern regions. CAAA's mission is to produce and renovate conventional ammunition and ammunition-related components. This includes manufacturing, engineering, and product assurance in support of production. Other functions are storing, shipping, demilitarizing, and disposing of conventional ammunition and related items. CAAA's diverse manufacturing capabilities range from the production of 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 excellence for the production of pyrotechnic devices including signal smoke, illuminating and infrared flares, and distress signals. Letterkenny Munitions Center (LEMC), located at Letterkenny Army Depot, is under the command and control of CAAA. LEMC stores, maintains, distributes, and demilitarizes conventional ammunition.

Corpus Christi Army Depot (CCAD)

Location: Corpus Christi, Texas
2010 Workforce: 4,064
Description: The CCAD mission is to overhaul, repair, modify, retrofit, test, and modernize helicopters and associated components for government agencies and U.S. allies. 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. Designated as the Center of Industrial and Technical Excellence for rotary wing aircraft, CCAD supports the Apache, Blackhawk, Chinook, Cobra, Kiowa, Iroquois, Pavehawk, and Seahawk helicopters. CCAD is also actively engaged in the Reset of equipment returning from operations in Iraq and Afghanistan.

Letterkenny Army Depot (LEAD)

Location: Chambersburg, Pennsylvania
2010 Workforce: 1,691
Description: LEAD performs maintenance, modification, storage, and demilitarization operations on tactical missiles and ammunition. It has unique tactical missile repair capabilities supporting a variety of DOD missile systems including the Patriot and its ground support and radar equipment. LEAD is the designated Center of Industrial and Technical Excellence for air defense and tactical missile ground support equipment. In addition, it supports repair and maintenance on a multitude of generators and accommodates surge levels of repair and recapitalization (RECAP) for the High Mobility Multipurpose Wheeled Vehicle (HMMWV) family. LEAD is rebuilding HMMWVs that are returning from Southwest Asia. LEAD also provides installation support to attached organizations and assigned operating facilities.

McAlester Army Ammunition Plant (MCAAP)

Location: McAlester, Oklahoma
2010 Workforce: 1,735
Description: MCAAP is located on 45,000 acres in southeastern Oklahoma. It has six ammunition production, maintenance and renovation complexes and is a major ammunition storage site for all branches of the Armed Forces. In addition, the plant has nearly 2,300 storage magazines and six million square feet of covered explosive storage space. MCAAP produces and renovates conventional ammunition, bombs, warheads, rockets, missiles, and 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. The Red River Munitions Center (RRMC), located at Red River Army Depot, is under the command and control of MCAAP. RRMC stores, maintains, and distributes conventional ammunition. MCAAP also provides installation support to attached organizations and assigned operating facilities.

Pine Bluff Arsenal (PBA)

Location: Pine Bluff, Arkansas
2010 Workforce: 1,028
Description: With a local economic impact exceeding $160 million annually, PBA produces, renovates, and stores more than 60 different conventional ammunition products ranging in caliber from 40 mm to 175 mm. Specialties include production of munitions containing payloads for smoke, non-lethal, riot control, incendiary, illumination, and infrared uses. Designated the Center of Industrial and Technical Excellence for Chemical and Biological Defense Equipment, PBA is a leader in the field of protective mask fabrication, repair, and re-certification, and represents the Army's sole facility for the repair and rebuild of a series of masks and breathing apparatus. It provides maintenance, upgrade, storage, and mission support for various mobile and powered Soldier support systems. PBA has strengthened business initiatives by forming Public-Private Partnerships with the Clara Barton Center for Domestic Preparedness, and with the Department of Homeland Security. The arsenal also provides installation support to attached organizations and assigned operating facilities.

Rock Island Arsenal-Joint Manufacturing and Technology Center (RIA-JMTC)

Location: Rock Island, Illinois
2010 Workforce: 1,785
Description: RIA-JMTC manufactures weapons, weapon components, and mobile maintenance systems. RIA-JMTC is currently producing the M119A2 Howitzer, Forward Repair System, Shop Equipment Contact Maintenance, as well as manufacturing artillery, gun mounts, recoil mechanisms, small arms, aircraft weapon sub-systems, and weapons simulators. In addition, it produces a host of spare and repair parts and demilitarizes containers. RIA-JMTC is the only multi-purpose and vertically integrated metal manufacturer in DOD and is a designated Center for Industrial and Technical Excellence for large shop-sets. The center possesses the unique technical expertise and equipment to manufacture high quality and sustainable products. RIA-JMTC strives to remain on the cutting edge of technological developments and has recently added titanium casting and composite armor production to its long list of metal manufacturing capabilities.

Red River Army Depot (RRAD)

Location: Texarkana, Texas
2010 Workforce: 3,318
Description: RRAD's mission is to conduct ground combat, and tactical systems sustainment maintenance operations, and related support services worldwide for the Army, other DOD components, and allied nations. Systems supported include the Bradley Fighting Vehicle System (BFVS), Multiple Launch Rocket System (MLRS), Small Emplacement Excavator (SEE), five-ton dump truck, Heavy Expanded Mobility Tactical Truck (HEMTT), 25-ton crane, track and road wheels, High Mobility Multipurpose Wheeled Vehicle (HMMWV), M800 and M900 series trucks, and various configurations of trailers. In addition, it has been named as the depot source of repair for the Mine Resistant Ambush Protected (MRAP) vehicle. RRAD is designated as the Center of Industrial and Technical Excellence for tactical wheeled vehicles, BFVS, MLRS chassis, SEE, and rubber products necessary for depot maintenance missions. RRAD continuously engages in business process improvements to maximize both production capacity and flexibility to assume new programs. The depot has accommodated surge levels for repair and recapitalization of light and heavy tracked vehicles, road wheels and track, electronic systems, missile systems, towed and self-propelled artillery, tactical wheeled vehicles, and support equipment. RRAD also provides installation support to attached organizations and assigned operating facilities.

Sierra Army Depot (SIAD)

Location: Herlong, California
2010 Workforce: 1,144
Description: SIAD provides a complete range of logistics support, as the Center of Industrial and Technical Excellence for Reverse Osmosis Water Purification Units (ROWPU) as well as Operational Project (OPROJECT) stocks, including receipt, storage, repair, shipping, maintenance, containerization, and fabrication of assets. SIAD supports critical OPROJECT systems including deployable medical systems, petroleum and water systems, strategic configured loads, and Force Provider. SIAD is the redistribution point for containers of secondary items returning from Southwest Asia. It also provides installation support to attached organizations and assigned operating facilities.

Tooele Army Depot (TEAD)

Location: Tooele, Utah
2010 Workforce: 522
Description: Designated as the Center of Industrial and Technical Excellence for Ammunition Peculiar Equipment (APE), TEAD is the life cycle engineering depot for the design, development, manufacturing and fielding of munitions systems and APE throughout the world. The depot receives, stores, issues, renovates, modifies, maintains, and destroys conventional munitions for all of DOD. TEAD provides America's joint fighting forces with munitions and APE in support of military missions before, during, and after any contingency. It also provides installation support to attached organizations and assigned operating facilities.

Tobyhanna Army Depot (TYAD)

Location: Tobyhanna, Pennsylvania
2010 Workforce: 4,124
Description: TYAD is a full-service repair, overhaul, and fabrication facility for communications-electronics systems, equipment, and select missile guidance systems, and it provides for the maintenance, issue, and disposal of assigned commodities for DOD and other customers. It is designated as the Center of Industrial and Technical Excellence for Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), electronics, avionics, and missile guidance and control. TYAD is the Air Force Technology Repair Center for radio and satellite communication equipment, computers, air traffic control, surveillance, and range threat systems. The depot is also actively engaged in the Reset of equipment returning from operations in Iraq and

Afghanistan. It provides installation support to attached organizations and assigned operating facilities.

Watervliet Arsenal (WVA)

Location: Watervliet, New York
2010 Workforce: 626
Description: WVA produces armaments, mortars, recoilless rifles, howitzers and is recognized as the premier cannon-maker for the Army. This includes all life cycle support elements from research and development through prototype, manufacturing, testing support, legacy system support, and technical expertise. The guns manufactured at WVA provide the firepower for the Army's main battle tank, the M1A1 Abrams. WVA also provides installation support to attached organizations and assigned operating facilities.

Budget Highlights

Assumptions

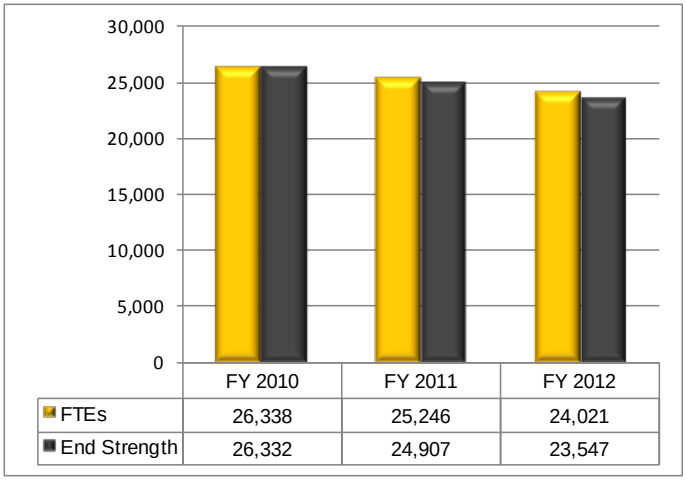
This submission represents a business plan that supports equipment readiness requirements and assumes a lower operating tempo (OPTEMPO) for the Nation's continued efforts in Overseas Contingency Operations (OCO). The budget reflects workload assumptions developed in coordination with our customers that support both baseline and Reset requirements. However, as unit rotations and weapon system delivery schedules shift, annual projections can change significantly. To offset these risks, the Industrial Operations activity remains poised to increase or decrease output in order to accommodate customers' changing demands.

Personnel

Civilian end-strength represents the number of personnel employed at the end of each fiscal year. Full time equivalents (FTEs) represent the manpower level of effort necessary to accomplish the projected workload on an annual basis. The Industrial Operations labor pool includes a mix of permanent, temporary, and term-appointment employees, in addition to contract labor, which allows for workforce flexibility to accommodate workload surge or reduction. In addition to civilian personnel, the Industrial Operations activities are authorized 26 military personnel, which are primarily installation Commanders, Sergeants Major, and test pilots.

Maintaining a trained and ready workforce is critical to this labor intensive business area. Industrial Operations activities engage in various intern and apprentice programs to help meet this requirement. Due to the specialized nature of the work and skill level requirements, training may require two to three years before an employee is able to perform specific tasks without supervision.

Chart IO 1 - Civilian Personnel

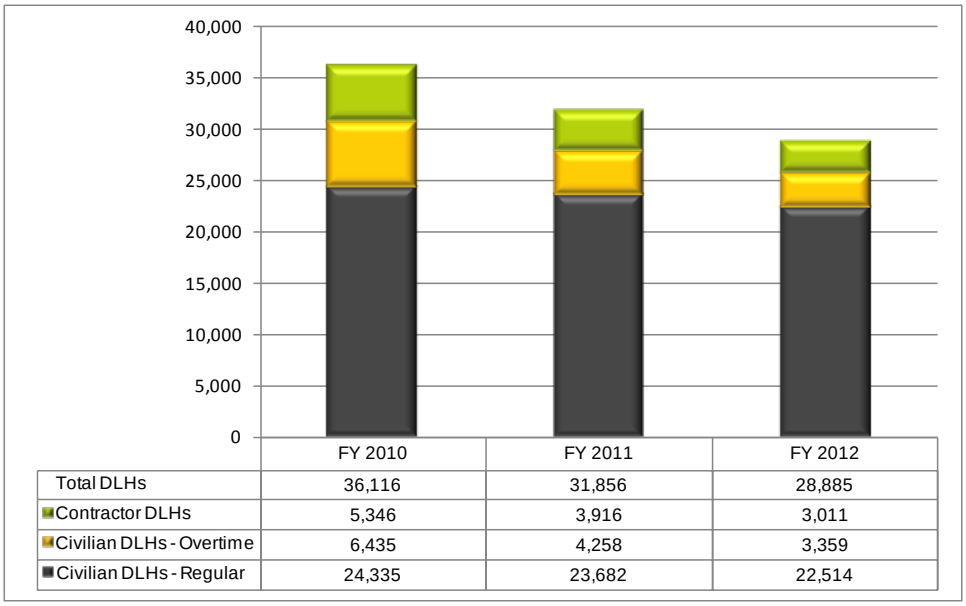


	FY 2010	FY 2011	FY 2012
FTEs	26,338	25,246	24,021
End Strength	26,332	24,907	23,547

Direct Labor Hour (DLH)

Total direct labor hours (DLHs) represent the number of hours required to complete the Industrial Operations direct mission workload. FY 2012 DLHs are decreasing along with anticipated workload. Should requirements for additional work occur in the year of execution, Industrial Operations activities are prepared to increase overtime and contractor DLHs to augment the regular hours performed by the civilian workforce.

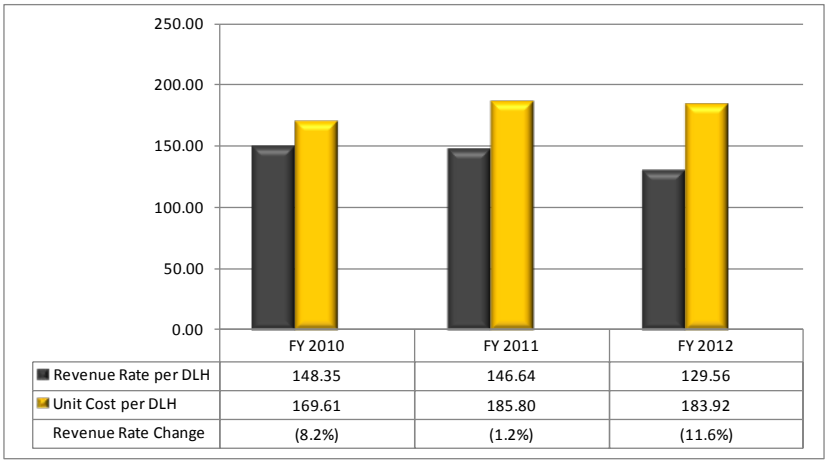
Chart IO 2 - Direct Labor Hours



	FY 2010	FY 2011	FY 2012
Total DLHs	36,116	31,856	28,885
Contractor DLHs	5,346	3,916	3,011
Civilian DLHs - Overtime	6,435	4,258	3,359
Civilian DLHs - Regular	24,335	23,682	22,514

Direct Labor Hour Rate

Chart IO 3 - Direct Labor Hour



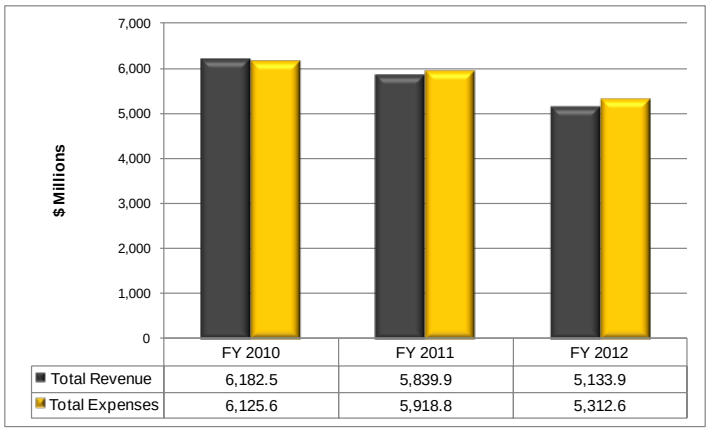
	FY 2010	FY 2011	FY 2012
Revenue Rate per DLH	148.35	146.64	129.56
Unit Cost per DLH	169.61	185.80	183.92
Revenue Rate Change	(8.2%)	(1.2%)	(11.6%)

The composite rate is an aggregate hourly rate established in the budget cycle and used to price rate-stabilized workload. It is comprised of direct labor and material costs, overhead costs (mission indirect and non-mission indirect costs) and accumulated operating result adjustments that are designed to return gains or recover losses. In contrast to rate-stabilized workload, cost reimbursable workload represents workload that is prototype in nature or has very little repair history. It is not included in the stabilized rate calculation until sufficient repair information has been established. The composite rate calculation is complex and influenced by several factors: 1) commodity mix of the workload planned (labor intensive, material intensive or both); 2) the amount of gains to be returned or losses to be recovered over the budget years; 3) the amount of stabilized direct labor hours available to return gains or recover losses; and 4) the number of total direct labor hours available to distribute overhead cost (stabilized and non-stabilized workload). A change to the revenue rate directly affects the total revenue and new order values for the budget year. The revenue rate decreases from FY 2011 to FY 2012 due to the return of prior year accumulated operating results (AOR).

Unlike the revenue rate, which is adjusted for AOR and applied to only new rate stabilized workload, the unit cost per direct labor hour represents total costs of work performed on both prior year and current year orders. The unit cost does not include adjustments for AOR. In this budget the return of operating gains to customers causes the revenue rate to be lower than unit cost.

Revenue and Expenses

Chart IO 4 - Revenue and Expenses



The Industrial Operations revenue amount represents earnings from work performed on various customer appropriations. Total expenses include materiel, labor, storage, and other direct or indirect costs associated with the products or services being provided. Revenue and expense projections decrease in FY 2012 as Industrial Operations activities anticipate a reduction in workload. Additionally, FY 2012 revenue reflects the return of significant operational gains back to customers. Revenue and expenses are displayed on exhibit Fund 14, Revenue and Expenses.

Operating Result

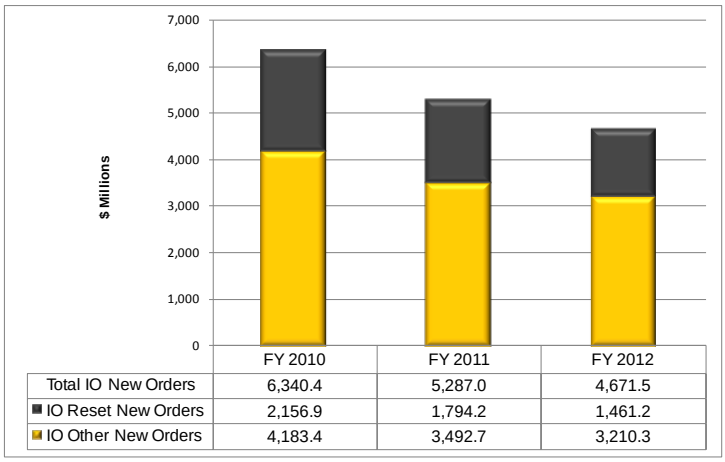
The net operating result (NOR) represents the difference between revenue and expenses within a fiscal year. The AOR represents the summation of all operating gains or losses since activity group inception along with any prior period adjustments. AOR at the end of FY 2010 was $525.6 million. Industrial Operations set rates to return $79.0M and $178.7 million of this AOR in FY 2011 and FY 2012, respectively. The Industrial Operations business received approval to defer the return of $268.0 million AOR until FY 2013 and FY 2014. This extended return of AOR is designed to maintain a stable rate profile as workload may decline further. A stable rate profile is important because it simplifies customer budgeting and helps industrial sites remain competitive. The NOR, deferred AOR, and AOR are displayed on exhibit Fund 14, Revenue and Expenses.

Table IO 1 - Operating Results

($ Millions)	FY 2010	FY 2011	FY 2012
Net Operating Result	57.3	(79.0)	(178.7)
Deferred AOR	0.0	0.0	(268.0)
Accumulated Operating Results	525.6	446.7	0.0

New Orders

Chart IO 5 - New Orders

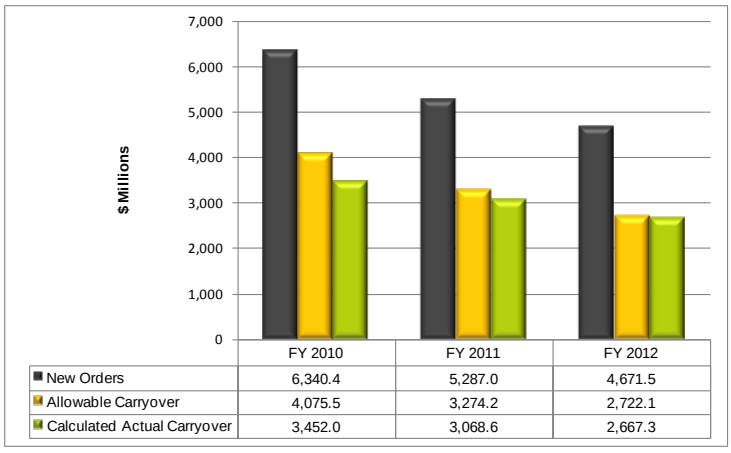


	FY 2010	FY 2011	FY 2012
Total IO New Orders	6,340.4	5,287.0	4,671.5
IO Reset New Orders	2,156.9	1,794.2	1,461.2
IO Other New Orders	4,183.4	3,492.7	3,210.3

Industrial Operations activities develop workload projections based on close coordination with customers and their delivery schedule requirements. This budget includes workload assumptions associated with base program requirements and anticipated Reset workload funded in the Overseas Contingency Operations (OCO) request. FY 2012 total new order estimates decrease primarily due to lower projections of Army Reset and workload from other services. The Reset program ensures Army equipment is restored to a level of combat capability commensurate with a unit's future mission. Exhibit Fund 11, Source of New Orders and Revenue, displays total new order estimates by fund category.

Carryover

Chart IO 6 - New Orders and Carryover



	FY 2010	FY 2011	FY 2012
New Orders	6,340.4	5,287.0	4,671.5
Allowable Carryover	4,075.5	3,274.2	2,722.1
Calculated Actual Carryover	3,452.0	3,068.6	2,667.3

Carryover, or unfilled orders, is the dollar value of work that has been ordered and funded by customers but not completed by the industrial activities by the end of the fiscal year. Carryover leads to better planning, better decision making, and cost efficiencies. It provides lead time to assemble necessary workforce skill sets and to coordinate workload routing. Carryover also prevents production line stoppages and ensures the activities have funded work to provide a smooth transition between fiscal years. The amounts depicted in the allowable carryover display exclude estimates for:

- Aviation crash and battle damaged aircraft
- 4th quarter customer orders from other services
- Public-Private Partnership between Anniston Army Depot and General Dynamics for M1 tanks

Based on new order projections and estimated workload completions, the FY 2012 carryover amount is below the allowable carryover amount as displayed on exhibits Fund 11, Source of New Orders and Revenue and Fund 11a, Carryover Reconciliation.

Performance Measurements

Performance measurements and goals for the Industrial Operations activity group include Net Operating Result (NOR) and Productive Yield. FY 2010 actual results and projections for FY 2011 and FY 2012 are shown on table IO 2.

Table IO 2 - Performance Measurements

Measurements/Goals	FY 2010	FY 2011	FY 2012
Net Operating Result	57.3	(79.0)	(178.7)
Productive Yield (Goal 1,615)	1,602	1,617	1,616

The customer rates in the budget return prior year gains, and also preserve AOR to lessen the projected impacts of decreasing workload on future rates. Productive yield represents the average number of regular direct labor hours for each full time equivalent position involved in production and is an indicator of whether direct labor employees can support projected workload. The goal is 1,615 productive labor hours per employee. The Industrial Operations activity projections meet this goal.

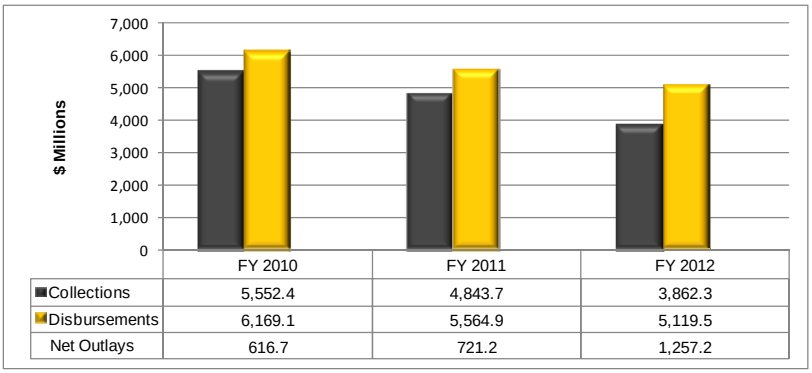
Tooele Army Depot employee transfers 155 rounds from a straddle carrier to a loading dock in preparation for shipment.

Appropriations

The Industrial Operations activity group received an $11.5 million appropriation for fuel price increases in FY 2010 as displayed under revenue on Exhibit Fund 14, Revenue and Expenses. No direct appropriations are requested in the budget.

Collections, Disbursements, and Outlays

Chart IO 7 - Cash Management



	FY 2010	FY 2011	FY 2012
Collections	5,552.4	4,843.7	3,862.3
Disbursements	6,169.1	5,564.9	5,119.5
Net Outlays	616.7	721.2	1,257.2

Collections are projected based on revenue and changes in accounts receivable. Disbursements are projected based on monthly operating expenses, changes in accounts payable, and Capital Investment Program (CIP) obligations. Net outlays reflect the return of accumulated operating results (AOR) to customers ($178.7 million in FY 2012) and the treatment of internal work performed under the Logistics Modernization Program (LMP). Under the internal work performed process, there are no collections or disbursements between the Industrial Operations and Supply Management activity groups. This business process happens to result in an increased net outlay for the Industrial Operations activity.

McAlester Army Ammunition Plant employee checks the correct filling of a general purpose bomb.

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Revenue and Expenses
($ in Millions)

	FY 2010	FY 2011	FY 2012
Revenue			
Gross Sales:	6,157.0	5,839.9	5,133.9
Operations	6,102.1	5,740.3	5,023.8
Surcharges	0.0	0.0	0.0
Depreciation excluding Major Construction	54.9	99.6	110.1
Major Construction Depreciation	0.0	0.0	0.0
Other Income (DWCF IMC)	0.0	0.0	0.0
Other Income (Unfunded Depreciation)	13.9	0.0	0.0
Other Income (Direct Appropriation Fuel)	11.5	0.0	0.0
Total Income:	6,182.5	5,839.9	5,133.9
Expenses			
Salaries and Wages:	2,291.3	2,132.6	1,973.3
Military Personnel Compensation & Benefits	2.8	3.2	3.3
Civilian Personnel Compensation & Benefits	2,288.5	2,129.4	1,970.0
Travel & Transportation of Personnel	57.6	59.7	56.4
Materials & Supplies (For Internal Operations)	2,021.6	2,155.2	1,954.6
Equipment	79.9	113.4	83.5
Other Purchases from Revolving Funds	216.0	203.7	184.2
Transportation of Things	16.4	12.1	11.4
Depreciation - Capital	68.8	99.6	110.1
Printing and Reproduction	2.7	2.3	2.3
Advisory and Assistance Services	173.4	129.7	114.4
Rent, Communication, Utilities, & Misc. Charges	95.8	99.9	100.0
Other Purchased Services	1,102.2	910.6	722.4
Total Expenses:	6,125.6	5,918.8	5,312.6
Revenue less costs incurred before extraordinary items	56.9	(79.0)	(178.7)
Less Surcharge Reservations	0.0	0.0	0.0
Cash (Current Year)	0.0	0.0	0.0
Cash (Carried Over)	0.0	0.0	0.0
Capital	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0
Other Changes Affecting NOR:	0.4	0.0	0.0
Other Inventory Adjustments	0.4	0.0	0.0
Net Change in Work in Process	0.0	0.0	0.0
Net Operating Result	57.3	(79.0)	(178.7)
Other Changes Affecting AOR			
a. AOR Beginning of Year (Unadjusted)	462.6	525.6	446.7
b. +/- Prior Year Adjustments	5.7	0.0	0.0
c. Equals AOR BOY (Adjusted)	468.3	525.6	446.7
d. +/- Net Operating Results	57.3	(79.0)	(178.7)
e. - Congressional Directed Transfer	0.0	0.0	0.0
f. - Deferred AOR	0.0	0.0	(268.0)
g. Equals Recoverable AOR EOP	525.6	446.7	0.0

EXHIBIT FUND 14
REVENUE AND EXPENSES

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Source of New Orders and Revenue
($ in Millions)

	FY 2010	FY 2011	FY 2012
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	2,757.4	2,688.5	2,409.2
Operations & Maintenance, ARNG	58.8	88.3	62.7
Operations & Maintenance, AR	70.6	96.8	68.6
Subtotal, O&M:	2,886.8	2,873.6	2,540.5
Aircraft Procurement	181.6	75.3	64.0
Missile Procurement	34.8	6.3	1.6
Weapons & Tracked Combat Vehicles	161.4	41.5	61.6
Procurement of Ammunition	194.7	121.9	96.8
Other Procurement	527.3	140.7	82.0
Subtotal, Procurement:	1,099.8	385.7	305.9
RDTE	14.8	7.7	7.2
BRAC	4.6	3.0	0.0
Family Housing	2.2	1.8	2.0
Military Construction	3.2	0.0	0.0
Chem Agents & Munitions Dest, Army	9.9	20.9	16.6
Other	4.1	0.2	0.1
Subtotal, Other Army:	38.7	33.5	26.0
Subtotal, Department of Army:	4,025.3	3,292.9	2,872.4
Department of Air Force O&M	123.4	80.2	65.1
Department of Air Force Investment	63.2	24.0	27.9
Department of Navy O&M	17.6	30.5	21.1
Department of Navy Investment	37.7	16.2	9.4
US Marines O&M	99.4	117.2	95.5
US Marines Investment	37.6	12.6	9.1
Department of Defense O&M	2.6	1.0	1.0
Department of Defense Investment	0.0	25.7	0.0
Subtotal, Other DoD Services:	381.6	307.3	229.0
Other DoD Agencies	58.3	24.0	20.4
CAWCF	0.0	0.0	0.0
Subtotal, DoD Agencies:	58.3	24.0	20.4

Note: New Orders include estimates for Reset Workload- FY10 $2,156.9, FY11 $1,794.2, FY12 $1,461.2

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Source of New Orders and Revenue
($ in Millions)

	FY 2010	FY 2011	FY 2012
b. DWCF:			
Industrial Operations, Army	61.0	31.9	32.5
Supply Management, Army	1,317.3	1,316.2	1,259.6
Supply Management, Air Force	33.0	40.9	36.2
Supply Management, Navy	49.7	65.0	49.0
Supply Management, Marine Corps	5.0	4.3	4.3
DECA	0.2	0.0	0.0
DFAS	1.0	0.4	0.4
DISA	3.3	2.7	2.1
DLA	19.5	14.7	14.8
TRANSCOM	0.3	0.0	0.0
Other	36.0	44.2	62.5
Subtotal, DWCF:	1,526.4	1,520.2	1,461.4
c. Total DoD	5,991.6	5,144.3	4,583.3
d. Other Orders:			
Other Federal Agencies	19.7	10.1	11.5
Foreign Military Sales	237.1	87.7	27.4
Trust Fund			
Nonappropriated	4.7	2.2	2.1
Non-Federal Agencies	87.3	42.7	47.2
Subtotal, Other Orders:	348.8	142.7	88.3
Total New Orders:	6,340.4	5,287.0	4,671.5
2. Carry-in Orders	3,800.4	3,983.7	3,430.8
3. Total Gross Orders	10,140.7	9,270.7	8,102.3
4. Revenue (-)	6,157.0	5,839.9	5,133.9
5. End of Year Work-inProcess (-)			
6. FMS, BRAC, Other Federal, and Non-Federal orders (-)	347.9	244.5	140.1
Crash Damage	104.2	65.1	114.3
4th Quarter Other Service Workload	47.0	39.7	28.1
Public Private Partnership	32.6	12.8	18.7
7. Funded Carry-over	3,452.0	3,068.6	2,667.3
8. Allowable Carry-over	4,075.5	3,274.2	2,722.1
9. Over/(Under) Allowable Carry-over	(623.6)	(205.6)	(54.9)
Memo:			
Depots-Allowable Carry-over	3,260.4	2,619.4	2,177.7
Over/(Under) Allowable Carry-over	(498.8)	(164.4)	(43.9)
Ordnance-Allowable Carry-over	815.1	654.8	544.4
Over/(Under) Allowable Carry-over	(124.7)	(41.1)	(11.0)

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Carryover Reconciliation
($ in Millions)

	FY 2010	FY 2011	FY 2012
1. Net Carry-In	3,800.4	3,983.7	3,430.8
2. Revenue	6,157.0	5,839.9	5,133.9
3. New Orders	6,340.4	5,287.0	4,671.5
4. Exclusions:			
FMS	237.1	87.7	27.4
BRAC	4.6	3.0	0.0
Other Federal Depts & Agencies	19.7	10.1	11.5
Non-Federal and Others	92.0	44.9	49.4
Crash Damage	77.0	76.9	122.2
4th Quarter Other Service Workload	59.4	45.5	31.7
Public Private Partnerships	118.6	12.8	42.6
5. Weighted Composite Outlay Rate	33.80%	39.31%	40.97%
6. Carryover Rate	66.20%	60.69%	59.03%
7. 2nd Year Procurement Outlay Rates			
A. Aircraft Procurement	58%	58%	58%
B. Missile Procurement	52%	52%	52%
C. Weapons & Tracked Combat Vehicles	42%	42%	42%
D. Procurement of Ammunition	54%	54%	54%
E. Other Procurement	62%	62%	62%
F. Airforce Investment	55%	55%	55%
G. Navy Investment	50%	50%	50%
H. Marines Investment	50%	50%	50%
I. DoD Investment	64%	64%	64%
8. 2nd year Procurement Carryover Rates			
A. Aircraft Procurement	42%	42%	42%
B. Missile Procurement	48%	48%	48%
C. Weapons & Tracked Combat Vehicles	58%	58%	58%
D. Procurement of Ammunition	46%	46%	46%
E. Other Procurement	38%	38%	38%
F. Airforce Investment	45%	45%	45%
G. Navy Investment	50%	50%	50%
H. Marines Investment	50%	50%	50%
I. DoD Investment	37%	37%	37%
9. Allowable Carryover	3,794.8	3,038.2	2,589.7
Prior Year Proc. Carryover	280.7	236.0	132.5
Total Allowable Carryover	4,075.5	3,274.2	2,722.1
10. Balance of Customer Orders at Year End	3,983.7	3,430.8	2,968.4
11. Exclusions:			
FMS	258.3	195.5	113.9
BRAC	24.2	2.9	2.9
Other Federal Depts & Agencies	16.1	5.9	6.0
Non-Federal and Others	49.3	40.2	17.2
Crash Damage	104.2	65.1	114.3
4th Quarter Other Service Workload	47.0	39.7	28.1
Public Private Partnerships	32.6	12.8	18.7
12. Calculated Actual Carryover	3,452.0	3,068.6	2,667.3

EXHIBIT FUND 11a
CARRYOVER RECONCILIATION

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

($ in Millions)

		Expenses
FY 2010 Actual		**6,125.6**
FY 2011 Estimate in President's Budget		**6,607.1**
Pricing Adjustments		(17.7)
FY 2011 Pay Raise	(17.7)	
-Civilian Personnel	(17.7)	
-Military Personnel	0.0	
Materials and Supplies	0.0	
Other	0.0	
Productivity Initiatives and Other Efficiencies		
Lean Program	14.5	
Value Engineering Program	16.4	
Reinvestment of Lean savings (-) and Value Engineering (-)	(30.9)	
Program Changes		(670.6)
Labor		
Travel	15.5	
Material	(591.7)	
Equipment	(1.9)	
Transportation	(1.0)	
Depreciation	18.7	
Advisory and Assistance Services	(4.5)	
Other Purchased Services	(168.1)	
Other	62.4	
FY 2011 Current Estimate		**5,918.8**
Pricing Adjustments		45.3
FY 2011 Pay Raise		
-Civilian Personnel	0.0	
-Military Personnel	0.0	
Materials and Supplies	24.7	
Other	20.6	
Productivity Initiatives and Other Efficiencies		0.0
Lean Program	15.5	
Value Engineering Program	10.5	
Reinvestment of Lean savings (-)	(26.0)	
Program Changes		(651.5)
Labor	(159.4)	
Travel	(4.2)	
Material	(225.3)	
Equipment	(31.6)	
Transportation	(0.9)	
Depreciation	10.5	
Advisory and Assistance Services	(17.2)	
Other Purchased Services	(201.8)	
Other	(21.6)	
FY 2012 Budget Estimate		**5,312.6**

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Material Inventory Data
($ in Millions)

FY 2010

			------Peacetime------	
	Total	Mobilization	Operating	Other
Material Inventory BOP	650.0	0.0	650.0	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	1,973.2	0.0	1,973.2	0.0
B. Purchase of long lead items in advance of customer orders (+)	105.1	0.0	105.1	0.0
C. Other Purchases (list) (+)				
D. Total Purchases	2,078.4	0.0	2,078.4	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	2,021.6	0.0	2,021.6	0.0
B. Disposals, theft, losses due to damages (-)	34.5	0.0	34.5	0.0
C. Other reductions (list) (-)				
D. Total inventory adjustments	2,056.2	0.0	2,056.2	0.0
Material Inventory EOP	672.3	0.0	672.3	0.0

FY 2011

			------Peacetime------	
	Total	Mobilization	Operating	Other
Material Inventory BOP	672.3	0.0	672.3	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	1,906.4	0.0	1,906.4	0.0
B. Purchase of long lead items in advance of customer orders (+)	126.6	0.0	126.6	0.0
C. Other Purchases (list) (+)				
D. Total Purchases	2,033.0	0.0	2,033.0	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	2,155.2	0.0	2,155.2	0.0
B. Disposals, theft, losses due to damages (-)	18.7	0.0	18.7	0.0
C. Other reductions (list) (-)				
D. Total inventory adjustments	2,173.9	0.0	2,173.9	0.0
Material Inventory EOP	531.4	0.0	531.4	0.0

FY 2012

			------Peacetime------	
	Total	Mobilization	Operating	Other
Material Inventory BOP	531.4	0.0	531.4	0.0
Purchases				
A. Purchases to Support Customer Orders (+)	1,750.5	0.0	1,750.5	0.0
B. Purchase of long lead items in advance of customer orders (+)	159.6	0.0	159.6	0.0
C. Other Purchases (list) (+)	13.6	0.0	13.6	0.0
D. Total Purchases	1,923.7	0.0	1,923.7	0.0
Material Inventory Adjustments				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,954.6	0.0	1,954.6	0.0
B. Disposals, theft, losses due to damages (-)	18.6	0.0	18.6	0.0
C. Other reductions (list) (-)				
D. Total inventory adjustments	1,973.2	0.0	1,973.2	0.0
Material Inventory EOP	481.9	0.0	481.9	0.0

EXHIBIT FUND 16
MATERIAL INVENTORY DATA

Capital Budget

Introduction

The primary goal of the Capital Investment Program (CIP) within the AWCF is to establish a capability for reinvestment in the infrastructure of business areas in order to facilitate mid and long term cost reductions. The objective is to improve product and service quality and timeliness, reduce costs, and foster state-of-the-art business operations. The CIP provides the framework for planning, coordinating, and controlling AWCF resources and expenditures to obtain capital assets. Included in the capital budget are the following types of assets: automated data processing equipment (ADPE); non-ADPE equipment; automated data processing software, whether internally or externally developed; and minor construction.

The capital budget justifies the purchase of assets that equal or exceed capitalization thresholds and have a useful life of two or more years. Except for minor construction projects, the capital budget includes items purchased by a revolving fund with a unit cost that is greater than or equal to $250,000. The capitalization threshold for Minor Construction is $100,000.

The main outload pad of McAlester (Oklahoma) Army Ammunition Plant (MCAAP) is filled with inert bombs ready for loading into vans. MCAAP is DOD's largest explosive storage facility.

Headquarters, Army Materiel Command conducts a thorough vetting process to ensure capital projects deliver a positive return on investment and comply with strategic plans for each industrial facility. Capital projects within the Industrial Operations enterprise focus primarily on replacing and upgrading equipment, while the Supply Management enterprise focus solely on software development in support of the Logistics Modernization Program.

The table below shows categories and respective values of the Industrial Operations capital budget and the projected capital cash outlays.

Table CIP 1 – Industrial Operations Capital Budget

($ Millions)	FY 2010	FY 2011	FY 2012
Equipment	142.9	102.6	98.2
ADPE & Telecommunications	9.6	14.1	16.9
Software	46.8	45.2	38.2
Minor Construction	30.0	33.5	29.2
Total	229.3	195.4	182.5
Capital Cash Outlays	*203.7*	*226.1*	*198.8*

The table below shows the Supply Management capital budget and associated cash outlays.

Table CIP 2 – Supply Management Capital Budget

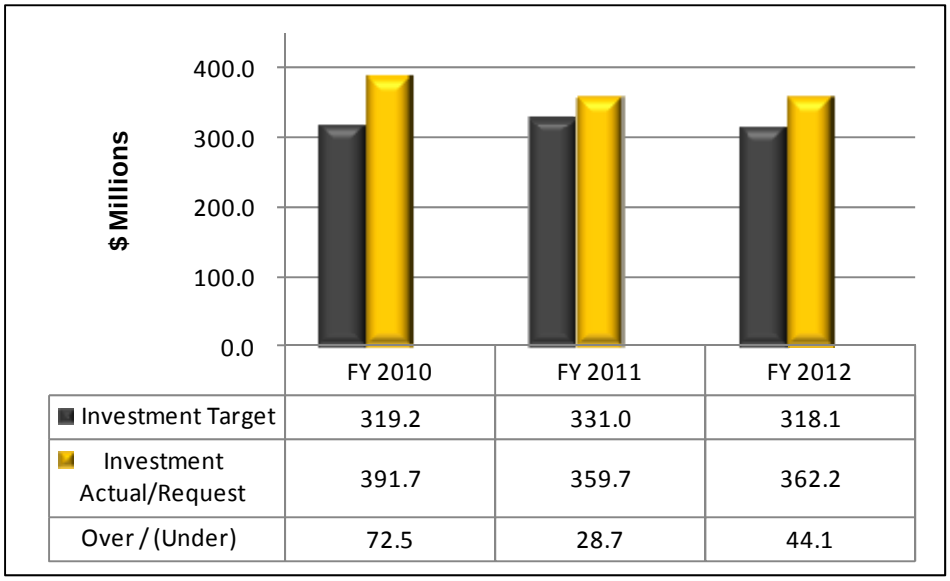
($ Millions)	FY 2010	FY 2011	FY 2012
Software (LMP)	59.9	19.1	22.2
Capital Cash Outlays	*51.6*	*40.0*	*29.3*

Capital budget obligation authority is displayed on the following exhibits: Fund 9a, Capital Investment Summary; Fund 9b, Capital Purchase Justification; and Fund 9c, Capital Budget Execution.

Minimum Capital Investment for Certain Depots and Arsenals

The National Defense Authorization Act for FY 2007 requires the five Army maintenance depots (Anniston, Red River, Letterkenny, Tobyhanna, and Corpus Christi) to invest in their infrastructure, a minimum of six percent of average revenue starting in FY 2009. The National Defense Authorization Act for FY 2009 added the three arsenals (Rock Island, Pine Bluff, and Watervliet) to this requirement. The chart below displays the total investment target and total investment amount requested in the budget. Budgeted amounts include capital investments as well as purchases of non-capital equipment, maintenance and repair of facilities, equipment paid for by other appropriations, productivity investments, and Military Construction projects. Total Army investment meets the six percent minimum requirement. Exhibit Fund 6, Minimum Capital Investment for Certain Depots and Arsenals, displays the investment details by category for each depot and arsenal location.

Chart CIP 2 – Minimum Capital Investment



	FY 2010	FY 2011	FY 2012
Investment Target	319.2	331.0	318.1
Investment Actual/Request	391.7	359.7	362.2
Over / (Under)	72.5	28.7	44.1

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Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Capital Investment Summary
($ in Millions)

Line No	Description	FY 2010 Quantity	FY 2010 Total Cost	FY 2011 Quantity	FY 2011 Total Cost	FY 2012 Quantity	FY 2012 Total Cost
	SOFTWARE						
00-2	*Logistics Modernization Program (LMP)*	1	59.938	1	19.075	1	22.202
	SOFTWARE TOTAL	1	59.938	1	19.075	1	22.202
	Activity TOTAL	1	59.938	1	19.075	1	22.202
	Total Capital Outlays		51.559		39.997		29.346
	Total Depreciation Expense		63.399		89.224		92.904

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Capital Purchase Justification
($ in Thousands)

SOFTWARE

Line No	Item Description	Activity Identification
00-02	*Logistics Modernization Program (LMP)*	*Supply Management*

	FY 2010			FY 2011			FY 2012		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Core Logistics Modernization Program (LMP)	1	59,938.000	59,938.000	1	19,075.000	19,075.000	1	22,202.000	22,202.000
Total	1		59,938.000	1		19,075.000	1		22,202.000

Narrative Justification

CORE LMP:

a. **Capability of existing equipment and shortcomings:** Logistics Modernization Program (LMP) leverages the continued evolution of commercial market driven business process improvements. The fully deployed LMP solution is expected to continue to require enhancements and upgrades to maintain superior supply chain functionality. The requested funding supports the enhancements associated with Army Prepositioned Stock, budget stratification, business intelligence, and other necessary enhancements. Additionally, these funds allow the implementation of Item Unique Identification (IUID).

b. **Anticipated Benefits:** LMP leverages commercial expertise, experience, and investments in supply chain process improvements and Information Technology (IT). The LMP solution employs an integrated commercial Enterprise Resource Planning (ERP) package provided by Systems Applications and Products (SAP) America. FY 2012 funding is requested to: implement Army Prepositioned Stock functionality; re-engineer the spares inventory stratification interface; support integration and technical exchange workshops; sustainment training; develop an improved business intelligence dashboard; support IUID processes and warranty management.

c. **Impact Without Proposed Capital Investments:** Failure to fund LMP would prohibit AMC functional requirements for Army Prepositioned Stock, spares inventory stratification, and business intelligence. It would reduce or eliminate error-prone and labor intensive manual reconciliation between Global Combat Support System (GCSS)-Army and LMP. The management of total life cycle repair history, total cost of ownership would also be affected and halt data processing services at Computer Sciences Corporation (CSC).

d. **Economic Analysis Performed:** In FY 2005, a Business Case Analysis was completed for LMP. In March 2008 an updated Economic Analysis was completed and validated by ODASA-CE in June 2008.

e. **Full Operational Capability Date:** 2010

ECONOMIC INDICATORS:
Investment Cost $476,994.000 Present Value of Benefits: $1,287,000.000 Benefit to Investment Ratio: 2.698 Payback Period: 9.5

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Supply Management

Capital Budget Execution
($ in Millions)

		Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	SOFTWARE							
FY 2010	*Logistics Modernization Program*		59.938		59.938	58.188	(1.750)	Carryover to FY11
FY 2010	**TOTAL**		**59.938**		**59.938**	**58.188**	**(1.750)**	

		Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	SOFTWARE							
FY 2011	*Logistics Modernization Program*		19.075		19.075	19.075		
FY 2011	**TOTAL**		**19.075**		**19.075**	**19.075**		

		Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	SOFTWARE							
FY 2012	*Logistics Modernization Program*		22.202		22.202	22.202		
FY 2012	**TOTAL**		**22.202**		**22.202**	**22.202**		

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Investment Summary
($ in Millions)

Line No.	Description	FY 2010		FY 2011		FY 2012	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
05-13	**EQUIPMENT CAPABILITIES**						
	- Replacement	54	50.566	39	44.356	2	50.751
	- Productivity	49	92.350	31	56.037	26	45.956
	- New Mission	0	0.000	1	1.200	2	0.720
	- Environmental	0	0.000	2	1.000	3	0.739
	EQUIPMENT TOTAL	103	142.916	73	102.593	33	98.166
	ADPE & Telecommunications Equipment Capabilities						
04-26	*Miscellaneous ADPE*	4	1.463	3	0.926	2	0.718
06-46	*Automatic Identification Technology (AIT)*	1	8.099	1	13.200	1	16.200
	ADPE & TELECOMMUNICATIONS EQUIPMENT TOTAL	5	9.562	4	14.126	3	16.918
	SOFTWARE DEVELOPMENT						
99-08	*Army Workload and Performance System (AWPS)*	1	4.865	1	4.779	1	2.900
07-35	*Environmental Safety and Occupational Health Program (ESOHP)*	0	0.000	0	0.000	1	3.500
10-02	*Automatic Identification Technology (AIT) Software*	1	1.890	0	0.000	0	0.000
11-01	*Manufacturing Execution System (MES)*	1	9.000	1	17.800	1	20.875
10-03	*Defense Property Accounting System - Enhanced (DPAS-E)*	0	0.000	1	2.939	1	1.392
00-02	*Logistics Modernization Program (LMP)*	1	24.938	1	9.775	1	9.515
11-02	*Integration of Automatic Technology (AIT) with LMP*	1	4.400	1	3.000	0	0.000
11-03	*Expanded Ammunition Functionality in LMP*	1	1.706	1	6.893	0	0.000
	SOFTWARE TOTAL	6	46.799	6	45.186	5	38.182
	MINOR CONSTRUCTION CAPABILITIES						
05-26	*Various Minor Construction $100K <$750K*	78	30.000	47	33.540	39	29.242
	MINOR CONSTRUCTION TOTAL	78	30.000	47	33.540	39	29.242
	ACTIVITY GROUP TOTAL	192	229.277	130	195.445	80	182.508
	Total Capital Outlays		203.697		226.058		198.784
	Total Depreciation Expense		68.781		99.570		110.078

Note:
FY10 Carryover to FY11:
AIT $3.501M
Depot Workload Dashboard $0.426M
Environmental Safety and Occupational Health Program $2.500M
AIT Software $2.810M
LMP $2.650M

Total Carryover $16.211M

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Purchase Justification
($ in Thousands)

EQUIPMENT

Line No *05-13* | Item Description *Equipment* | Activity Identification *Industrial Operations*

	FY 2010			FY 2011			FY 2012		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Replacement	54		50,566.000	39		44,356.000	2		50,751.000
Productivity	49		92,350.000	31		56,037.000	26		45,956.000
New Mission	0		0.000	1		1,200.000	2		720.000
Environmental	0		0.000	2		1,000.000	3		739.000
Total	103		142,916.000	73		102,593.000	33		98,166.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: This exhibit represents equipment purchases costing more than $250K, which will improve the installations' efficiency through replacement, modification or addition of production and maintenance capability and compliance with new mission requirements. Equipment supports organic maintenance, overhaul, rebuild, reclamation, conversion, renovation, modification and repair programs.

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

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If acquired, equipment support capability would provide for mission needs and would impact in the following ways: reduce mission capability, cause failure to meet present and future workload requirements, increase man-hour expenditures, cause inability to meet production schedules, lead to excessive downtime, increase maintenance costs, and decrease accuracy and dependability.

d. ECONOMIC ANALYSIS PERFORMED? Economic Analyses have been performed on individual projects when required and are available upon request.

ECONOMIC INDICATORS:

Investment Cost | Present Value of Benefits: | Benefit to Investment Ratio: | Payback Period:

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Purchase Justification
($ in Thousands)

AUTOMATED DATA PROCESSING EQUIPMENT (ADPE) AND TELECOMMUNICATIONS

Line No	Item Description			Activity Identification					
04-26	*Miscellaneous ADPE < $1M*			*Industrial Operations*					
	FY 2010			**FY 2011**			**FY 2012**		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Miscellaneous ADPE < $1M	4		1,463.000	3		926.000	2		718.000
Total	4		1,463.000	3		926.000	2		718.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: These miscellaneous information management projects replace old/obsolete and unreliable equipment with state-of-the-art equipment.

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

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

d. ECONOMIC ANALYSIS PERFORMED? Economic Analyses have been performed on individual projects when required and are available upon request.

ECONOMIC INDICATORS:
Investment Cost Present Value of Benefits: Benefit to Investment Ratio: Payback Period:

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Purchase Justification
($ in Thousands)

AUTOMATED DATA PROCESSING EQUIPMENT (ADPE) AND TELECOMMUNICATIONS

Line No	Item Description	Activity Identification
06-46	*Automatic Identification Technology (AIT)*	*Industrial Operations*

	FY 2010			FY 2011			FY 2012		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
AIT	1		8,099.000	1		13,200.000	1		16,200.000
Total	1		8,099.000	1		13,200.000	1		16,200.000

Narrative Justification
Narrative Justification:

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army Working Capital Fund (AWCF) Industrial Operations activities currently have extremely limited Automatic Identification Technology (AIT) capability. Current automated capabilities do not tie into an Enterprise Resource Planning (ERP), nor do they send data to shop floor control systems or inventory/accountability systems. This requires depot personnel to manually key data into systems resulting in expenditure of many man hours that could be used to perform other vital depot functions. Presently, AMC installations do not have the required business process hardware to support the use of automated reporting in their respective shop floor operations. They are unable to capitalize on labor/production reporting and material movement essential to delivering a modernized and efficient business solution to the shop floor. Presently AMC depots/arsenals/plants/activities/centers do not have the capability to read radio frequency identification device (RFID) and interface with the wide area work flow (WAWF). They are unable to electronically accept vendor pallets and cases and report receipt to the WAWF.

b. ANTICIPATED BENEFITS: The AIT implementation contract will provide hardware acquisition, installation, test, and configuration as an industrial base expansion of the initial implementation at Corpus Christi and Tobyhanna Army depots. This will establish a state-of-the-art AIT capability to automatically capture the source data required to fully use the potential of the Single Army Logistics Enterprise (SALE). The FY 2012 funds will continue the initial AIT program implementation at Tobyhanna and Corpus Christi depots with AIT installation at Letterkenny, Red River, and Anniston Army depots. FY 2012 funds will also provide IUID hardware and software for the 13 AMC AWCF-funded industrial base organizations. This IUID capability is required to meet OSD mandates to mark tangible property. IUID hardware acquired will include parts marking equipment, verification devices, management software and other capabilities. FY 2012 funding will also provide implementation of the AIT Enterprise solution to the Sierra Army Depot, and begin implementation at the Rock Island Arsenal and Pine Bluff Arsenal. FY 2012 funding will finish AIT installation at Rock Island and Pine Bluff Arsenals and installation at Watervliet Arsenal, Crane Army Ammunition Activity and McCalister Army Ammunition Plant.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Failure to fund would prohibit the Army from realizing many tangible (man-hours) and intangible (real time data) benefits inherent in implementing AIT. In addition, the Army will not conform to OSD mandated AIT, RFID, WAWF and IUID policies. Currently, the intense data requirements require diverting labor and productivity to manually inputting data.

d. ECONOMIC ANALYSIS PERFORMED? AIT and IUID are directed by OSD; therefore, an EA is not required for AIT and IUID implementation at AMC Industrial facilities. Reference policy memorandum, Acting DUSD (AT&L), 2 Oct 2003.

ECONOMIC INDICATORS:
Investment Cost $60,104.000 Present Value of Benefits: Benefit to Investment Ratio: Payback Period:

Army Working Capital Fund
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Capital Purchase Justification
($ in Thousands)

SOFTWARE

Line No	Item Description	Activity Identification
99-08	*Army Workload and Performance System (AWPS)*	*Industrial Operations*

	FY 2010			FY 2011			FY 2012		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Army Workload and Performance System (AWPS)	1		4,865.000	1		4,779.000	1		2,900.000
Total	1		4,865.000	1		4,779.000	1		2,900.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: The Army Workload and Performance System (AWPS) is a management tool used to measure Army Materiel Command (AMC) installations cost and schedule performance, document future workload, and determine work force requirements based on workload across AMC installations. Certification for depot maintenance installations was completed in FY 2000. AWPS for the ammunition mission was declared "operational" in FY 2001. In July 2003, the Army implemented the Logistics Modernization Program (LMP) at Tobyhanna Army Depot. These changes required significant revisions to the AWPS processing logic. With LMP as the new source data for AWPS, the certification of the system is required for each site. FY 2012 funding supports program management, help desk, IT support, training and field support from contractor IE, CORE, business objects, maintenance of technical documentation web support, and continued deployment of the AWPS-Logistics Modernization Program (LMP) Interface at deployment sites. This system impacts the AWCF workforce and their continued ability to create world-best quality ammunition.

b. ANTICIPATED BENEFITS: Through the implementation of AWPS, installations have changed their processes for managing workload and determining manpower requirements. Installations are using the AWPS to determine work center imbalances in manpower installations and to determine future manpower requirements based on projected workload. Life Cycle Management Commands (LCMC) have changed their processes for managing workload and determining manpower requirements at their subordinate installations. The AMC and LCMCs have incorporated AWPS into the budgeting process. The AMC and DA staff will utilize the AWPS to justify manpower requirements to Congress.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: Without AWPS funding, it would reduce commanders' ability to manage manpower in a timely manner; and jeopardize installation staffing requests. This invites congressional criticism, delays approval of manpower requests; hinders a commanders' ability to manage programs, manage cost, and schedule performance in a timely manner.

d. ECONOMIC ANALYSIS PERFORMED? No, exempt. GAO 03-21 Dated 30 Oct 2002, references the House Committee on National Security direction to Army to develop AWPS.

ECONOMIC INDICATORS:

Investment Cost	$9,059.000	Present Value of Benefits:	Benefit to Investment Ratio:

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Industrial Operations

Capital Purchase Justification
($ in Thousands)

SOFTWARE

Line No	Item Description			Activity Identification					
07-35	*Environmental, Safety & Occupational Health*			*Industrial Operations*					
	FY 2010			**FY 2011**			**FY 2012**		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Environmental, Safety and Occupational Health Program (ESOHP)	0		0.000	0		0.000	1		3,500.000
Total	0		0.000	0		0.000	1		3,500.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Current operations identified as the Environmental, Safety, and Occupational Health Program (ESOHP) are disparate, non-standardized systems and interfaces that reside within the Army Materiel Command (AMC) Single Army Logistics Enterprise (SALE). This stovepipe-architecture of non-standardized systems and interfaces does not allow AMC to properly manage safety related hazards and risks across the command. Continued support of ESOHP external operations jeopardizes the SALE and ESOHP compliance to the DoD Business Enterprise Architecture (BEA).

b. ANTICIPATED BENEFITS: ESOHP and AMC Safety Performance Improvement Reporting (ASPIRE) is a cross functional area that provides a safety incident management system that may be driven by regulation, permit, or command policy. It includes identification, response and investigation phases of an operational incident or near-miss. The incident is identified by type such as: explosive, fire, chemical release, medical, etc. The specific resources and procedures for responding are identified in an integrated response plan. An incident event triggers the appropriate response, communication with responding and affected parties, tools to analyze event, and tracks resource expenditures. Post incident investigation provides tools to identify causes and analyze trends, identify corrective action, follow-up on corrective actions as well as make internal and external reports. The ESHOP reference library provides an integrated and standardized data set which allows for the connection of hazard data directly to the product material master. This data set could preclude unsafe storing and handling of materials that may result in explosive or reactive fashion if not properly handled. This initiative will help achieve a DoD goal to reduce lost workdays by 50% and support the AMC Command General's number one priority - safety. ESOHP provides a critical component to production and capacity planning for AMC depot maintenance and munitions production.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: AMC will continue to have non-standardized metrics for safety, impairing the commands' ability to manage industrial safety risks.

d. ECONOMIC ANALYSIS PERFORMED: No, exempt.

ECONOMIC INDICATORS:
Investment Cost $4,500.000 Present Value of Benefits: Benefit to Investment Ratio:

Army Working Capital Fund
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Capital Purchase Justification
($ in Thousands)

SOFTWARE

Line No *11-01* | Item Description *Manufacturing Execution System* | Activity Identification *Industrial Operations*

	FY 2010			FY 2011			FY 2012		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Manufacturing Execution System (MES)	1		9,000.000	1		17,800.000	1		20,875.000
Total	1		9,000.000	1		17,800.000	1		20,875.000

Narrative Justification

a. **CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS:** Manufacturing Execution System**(**MES) provides a system that integrates with Enterprise Resource Planning (ERP) and will operate effectively with any enterprise solution being deployed to the Army Working Capital Fund (AWCF) Industrial Operations Activities. MES can be defined as a system or set of systems that can manage the end-to-end processes in a plant from an order to a shipment. However, it will not integrate the other IT systems residing on an installation's network. Lack of modernized technology at the industrial base shop floor has caused inefficiency and ineffectiveness in performing the arsenals' and depots' missions because of the loss of the visibility of work in process causing material cost escalation, labor costs increases caused by continuous causative research, and processes which are not in conformance with the lean concept. On-going initiatives that include Automatic Identification Technology (AIT) and MES will provide for a combination of AIT enablers with the automated information systems (AIS) to track materiel in motion, provide for real time data, and management of the end-to-end business processes in an industrial plant. The lack of interfaces and data integration from the existing legacy systems and also from the Logistics Modernization Program (LMP) will not allow installations to achieve full potential of real-time information unless required interfaces and data feeds are provided.

b. **ANTICIPATED BENEFITS:** Currently, most industrial base sites' functionality is satisfied through the use of unique software programs or applications, external to a core system. The key for success in any modernization effort requires standardizing and integrating business practices to increase the operational effectiveness of the Materiel Enterprise.

c. **IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT:** MES integration addresses the interface of the MES with several IT systems that currently operate on all AMC depots/arsenals/ammo plants. MES integration will allow a seamless interface through both wired and wireless networks and existing servers to increase the efficiency and effectiveness of all components. Without this integration the various IT components and systems that make up AWCF Industrial Operations' network will continue to operate in a stove-pipe inefficient environment.

d. **ECONOMIC ANALYSIS PERFORMED:** Completed May 2006 and updated April 2009.

ECONOMIC INDICATORS:
Investment Cost $73,300.000 Present Value of Benefits: $178,800.000 Benefit to Investment Ratio: 2.439 Payback Period: 5.964 Years

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($ in Thousands)

SOFTWARE

Line No *10-03* | Item Description *DPAS-E* | Activity Identification *Industrial Operations*

		FY 2010			FY 2011			FY 2012	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Defense Property Accounting System - Enhanced (DPAS-E)	0		0.000	1		2,939.000	1		1,392.000
Total	0		0.000	1		2,939.000	1		1,392.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Defense Property Accounting System-Enhanced (DPAS-E) leverages the continued evolution of web-based commercial market driven business process improvements. DPAS/DPAS-E provides the property accounting supporting capabilities to depot Army Working Capital Fund (AWCF) operations, provides depreciation of AWCF assets, and reports AWCF assets status into the industrial base systems. As such, the DPAS/DPAS-E supports the fully deployed Logistics Modernization Program (LMP) solution to maintain superior supply chain functionality. The funding requested herein addresses the enhancements associated with including Army and Army Materiel Command (AMC) requirements to existing DPAS-E baseline to migrate installation property book accounting activities by 31 Dec 2010. HQDA G4 decision approved continued use of DPAS and migration to DPAS-E for AMC AWCF Depot installations as a bridging solution until full capability is developed in the Single Army Logistics Enterprise (SALE). The current Army Property Book and Unit Supply-Enhanced (PBUSE) accounting system requires extensive enhancements to acquire the functionality and capabilities currently provided by DPAS and to be provided in DPAS-E with Army and AMC requirements in support of industrial base operation and AWCF asset accounting, depreciation, tracking, and reporting. The property book solution in Global Combat Support System - Army (GCSS-A) does not incorporate the functionality and capabilities requirements to subsume DPAS/DPAS-E. Based on Read Only Memory (ROM) provided by PM DPAS, the Army and AMC requirements (functional capabilities) are planned for deployment in two phases. The first phase is basis for fielding and migration in FY10 from DPAS legacy to DPAS-E. The second phase requirements are planned to be follow-on enhancement change packages for AMC users in FY 2011 (item numbers correspond to the PM DPAS ROM, Dec 2009). FY 2011 has six items: Item 1 - Maintenance and utilization capabilities in DPAS, Item 2 - Authorization management, Item 3 - AMC Installation Supply System (AMCISS/LMP Logistics) Interface, Item 4 - Logistics The Army Authorization Documents System (LOGTAADS) Interface, Item 5 - Standard Study Number - Line Item Number (SSN-LIN) Automated Management and Integrity System (SLAMIS) Interface, Item 6 - General Fund Enterprise Business System (GFEBS) Interface, Items 7 - 13, Additional capabilities required for Army reporting.

.b. ANTICIPATED BENEFITS: AMC business activities include: depots, arsenals, labs, Test, Measurement, and Diagnostic Equipment (TMDE), and Research, Development, and Engineering (RD&E), identified as AMC special installations. DPAS/DPAS-E is designed to support Industrial Base Operations (IBO) and to feed IBO reporting systems and processes impacting AWCF funding, production, and developmental programs. Migrating AMC special installations to DPAS-E ensures continuous uninterrupted depot operations, continued AWCF depreciation capabilities and reporting until subsumed by General Fund Enterprise Business System (GFEBS). Assured net-worthiness certification, PM DPAS life-cycle sustainment system support, and administration avoids the increased costs to sustain DPAS legacy until requirements are subsumed in a SALE property book solution. DPAS-E is used by other DoD Services for IBO, property book, and maintenance accounting and reporting. Costs to sustain DPAS-E are shared with other Services which reduces the sustainment burden. DPAS-E enables the Army to take advantage of commercial expertise, experience, and investments in supply chain process improvements and Information Technology (IT DPAS-E supports Item Unique Identification (IUID) processes, warranty management, maintenance and utilization functions, total cost of ownership for major and secondary items, and feeds AWCF and IBO reporting. Completion of Phase One postures AMC users to migrate to DPAS-E by DPAS legacy termination; Phase Two deploys additional HQDA mandated requirements for full operation capability.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: PM DPAS sustainment support for DPAS legacy terminates 31 Dec 2010. AMC will assume full cost of sustainment for DPAS legacy under separate contract at estimated annual costs exceeding DPAS-E development costs. Without funding, there is inability to maintain Business Enterprise Architecture (BEA) compliance and execute OSD IUID mandates, meet AMC functional requirements for DoD and Army property and fiscal accounting, depreciation of AWCF assets and reporting, perform property book accounting and management using Information Management Systems and to support AWCF operations, feed AWCF and IBO reporting requirements, reduce or eliminate error-prone and labor intensive manual functions, manage total life cycle repair history, and manage total cost of ownership.

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d. ECONOMIC ANALYSIS PERFORMED: EA under way, recently received G-8 Policy Decision to include DPAS-E, an AWCF Capital Investment Program.

ECONOMIC INDICATORS:

Investment Cost $4,331.000 Present Value of Benefits: Benefit to Investment Ratio: Payback Period:

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Capital Purchase Justification
($ in Thousands)

SOFTWARE

Line No	Item Description		Activity Identification					
00-02	*Logistics Modernization Program*		*Industrial Operations*					
	FY 2010			**FY 2011**			**FY 2012**	
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Logistics Modernization Program (LMP)	1		24,938.000	1		9,775.000	1		9,515.000
Total	1		24,938.000	1		9,775.000	1		9,515.000

Narrative Justification

a. Capability of existing equipment and shortcomings: Logistics Modernization Program (LMP) leverages the continued evolution of commercial market driven business process improvements. The fully deployed LMP solution is expected to continue to require enhancements and upgrades to maintain superior supply chain functionality. The requested funding supports the enhancements associated with Army Prepositioned Stock, budget stratification, business intelligence, and other necessary enhancements. Additionally, these funds allow the implementation of Item Unique Identification (IUID). LMP Data processing center requirements will be transitioned from a contractor facility to government owned data processing facility, requiring a significant investment in hardware and software in order to reduce sustainment costsWeapon systems equipment will support National Level Logistics.

b. Anticipated Benefits: LMP leverages commercial expertise, experience, and investments in supply chain process improvements and Information Technology (IT). The LMP solution employs an integrated commercial Enterprise Resource Planning (ERP) package provided by Systems Applications and Products (SAP) America. FY 2012 funding is requested to: implement Army Prepositioned Stock functionality; re-engineer the spares inventory stratification interface; support integration and technical exchange workshops; sustainment training; develop an improved business intelligence dashboard; support IUID processes ar warranty management.

c. Impact Without Proposed Capital Investments: Failure to fund LMP would prohibit AMC functional requirements for Army Prepositioned Stock, spares inventory stratification, and business intelligence. It would reduce or eliminate error-prone and labor intensive manual reconciliation between Global Combat Support System (GCSS)-Army and LMP. The management of total life cycle repair history, total cost of ownership would also be affected and halt data processing services at Computer Sciences Corporation (CSC).

d. Economic Analysis Performed: In FY 2005, a Business Case Analysis was completed for LMP. In March 2008 an updated Economic Analysis was completed and validated by ODASA-CE in June 2008.

ECONOMIC INDICATORS:

Investment Cost	$476,994.000	Present Value of Benefits:	$ 1,287,000.000	Benefit to Investment Ratio:	2.698

Payback Period: 9.5 Years

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($ in Thousands)

MINOR CONSTRUCTION

Line No	Item Description	Activity Identification
05-26	*Various Minor Construction <$750K*	*Industrial Operations*

	FY 2010			FY 2011			FY 2012		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction $100K < $750K	78		30,000.000	47		33,540.000	39		29,242.000
Total	78		30,000.000	47		33,540.000	39		29,242.000

Narrative Justification

a. CAPABILITY OF EXISTING EQUIPMENT AND SHORTCOMINGS: Various minor construction projects costing <$750K, will improve the efficiency of the industrial operations through new, modernized additions to renovate existing facilities. The construction projects are additions or modifications to meet mission needs and improve the quality of life (safety/environmental concerns).

b. ANTICIPATED BENEFITS: The projects will increase productivity and allow for quality of life improvements. Specifically, the efficiency of the mission work will improve with better plant layout, better electrical distribution, and improved lighting, heating, ventilation and air conditioning. The projects specific to quality of life improvements will improve worker morale and eliminate potential health and safety concerns.

c. IMPACT WITHOUT PROPOSED CAPITAL INVESTMENT: If not approved facility conditions may continue to decline.

d. ECONOMIC ANALYSIS PERFORMED? Economic Analyses have been performed on individual projects when required and are available upon request.

ECONOMIC INDICATORS:

Investment Cost	Present Value of Benefits:	Benefit to Investment Ratio:	Payback Period:

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Capital Budget Execution
($ in Millions)

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT - Replacement						
FY10	Bulldozer	0.398	0.017	0.415	0.415	0.000	
FY10	Replace Blast Booth - Bldg 350	0.370	0.020	0.390	0.000	0.390	Project not executed
FY10	Bulldozer D8T CAT DEMIL - CAAA	0.619	0.000	0.619	0.619	0.000	
FY10	Bulldozer D-7R	0.450	(0.450)	0.000	0.000	0.000	
FY10	Railroad Ballast Regulator	0.312	(0.312)	0.000	0.000	0.000	
FY10	Railroad Tie Inserter	0.347	(0.347)	0.000	0.000	0.000	
FY10	Horizontal Boring	0.000	0.447	0.447	0.447	0.000	
FY10	Super Stacker	0.000	0.585	0.585	0.585	0.000	
FY10	Grader	0.000	0.260	0.260	0.260	0.000	
FY10	D8 Tractor	0.000	0.500	0.500	0.500	0.000	
FY10	Grinding Cell	7.194	(5.394)	1.800	1.800	0.000	
FY10	Downdraft Paint Booth Replacement	0.874	(0.874)	0.000	0.000	0.000	
FY10	Factron 720 Test System Replacement	1.176	(1.176)	0.000	0.000	0.000	
FY10	MILCON Tails (C4ISR Finishing Center Equip)	9.929	(0.098)	9.831	9.831	0.000	
FY10	Replace Pacific Press Brake K200-12	0.300	(0.300)	0.000	0.000	0.000	
FY10	Spot Welder, Replacement for Almar	0.303	(0.303)	0.000	0.000	0.000	
FY10	VXI ATE Test System Replacement	0.340	(0.340)	0.000	0.000	0.000	
FY10	Rain Test System	0.000	0.351	0.351	0.351	0.000	
FY10	COMSEC Intrusion Detection System	0.000	0.497	0.497	0.497	0.000	
FY10	Boring Mill Cell, 6-IN Spingle (G&L)	1.857	0.012	1.869	1.869	0.000	
FY10	Horizontal Mach Center, (Cincinnati T-50)	1.759	(1.759)	0.000	0.000	0.000	
FY10	Water Jet Cutting System	0.587	(0.587)	0.000	0.000	0.000	
FY10	Boring Mill Cell, 6-IN Spindle (G&L)	1.759	0.012	1.771	1.771	0.000	
FY10	Boring Mill Cell, 6-IN Spindle (G&L)	1.857	(1.857)	0.000	0.000	0.000	
FY10	Mill Machine	0.000	0.711	0.711	0.711	0.000	
FY10	Horizontal Machining Center	0.000	5.073	5.073	5.073	0.000	
FY10	Deep Hole Boring Machine	0.000	1.697	1.697	1.697	0.000	
FY10	Horizontal Maching Centers (2)	0.000	3.518	3.518	3.518	0.000	
FY10	Hydraulic Press Brake	0.419	(0.419)	0.000	0.000	0.000	
FY10	CNC Long Bed Cylindrical Grinder	0.616	(0.616)	0.000	0.000	0.000	
FY10	CNC Lathe	0.513	(0.003)	0.510	0.510	0.000	
FY10	CNC Lathe	0.476	(0.109)	0.367	0.367	0.000	
FY10	5-Axis Horizontal Boring Machine	0.000	4.873	4.873	4.873	0.000	
FY10	Digital X-Ray Imaging	0.000	0.268	0.268	0.268	0.000	
FY10	Replacement for Water Jet 411	0.972	(0.972)	0.000	0.000	0.000	
FY10	High Capacity Tool Room Lathe	0.000	0.297	0.297	0.297	0.000	
FY10	Horizontal Boring Mill	1.123	(1.123)	0.000	0.000	0.000	
FY10	Replace Shot Blast Booth at 210	0.000	2.517	2.517	2.517	0.000	
FY10	Replace Paint Booth at 210	0.000	2.107	2.107	2.107	0.000	

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($ in Millions)

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT - Replacement cont.						
FY10	Purchase Gantry Crane	1.861	0.116	1.977	1.977	0.000	
FY10	Purchase Landfill Compactor	0.376	0.019	0.395	0.395	0.000	
FY10	Purchase Box Scraper	0.784	(0.784)	0.000	0.000	0.000	
FY10	Rebuild Research and Development Lathe	0.650	(0.650)	0.000	0.000	0.000	
FY10	Replace Cincinnati 15" Univ. Chucking Lathe, WV12316	0.000	0.650	0.650	0.650	0.000	
FY10	New Haas Machines (3)	1.200	0.000	1.200	1.200	0.000	
FY10	New Plunge Die Sinking Electric Discharge Machining (EDM) (2)	0.350	(0.350)	0.000	0.000	0.000	
FY10	Two New Hones (3)	0.900	(0.900)	0.000	0.000	0.000	
FY10	New Horizontal Boring Mill (RT1250) (Substitute Project)	0.000	1.625	1.625	1.625	0.000	
FY10	Rotary Forge Control System (5)	0.975	(0.975)	0.000	0.000	0.000	
FY10	New Haas HS - 4R Milling Machine (6)	0.000	0.975	0.975	0.975	0.000	
FY10	New Klink Grinder (Substitute Project)	0.000	0.825	0.825	0.825	0.000	
FY10	New Vertical Mill (Substitute Project)	0.000	1.250	1.250	1.250	0.000	
FY10	G Wheeled Scraper	0.000	0.467	0.467	0.467	0.000	
FY10	Cat D6 Bulldozer	0.000	0.319	0.319	0.319	0.000	
	Sub Total Replacement	**41.646**	**9.310**	**50.956**	**50.566**	**0.390**	

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Capital Budget Execution
($ in Millions)

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT - Productivity						
FY10	Super Stacker	0.484	(0.484)	0.000	0.000	0.000	
FY10	Wheel-A-Brator	0.000	0.319	0.319	0.319	0.000	
FY10	CNC Machine Center	0.000	0.338	0.338	0.338	0.000	
FY10	G Wheeled Scraper	0.000	0.467	0.467	0.467	0.000	
FY10	973 Track Loader Demil Letterkenny Munition Center (LEMC)	0.473	(0.003)	0.470	0.470	0.000	
FY10	Cat D6 Bulldozer	0.000	0.319	0.319	0.319	0.000	
FY10	Excavator (325DL)	0.325	(0.325)	0.000	0.000	0.000	
FY10	Phase 1, Install Automated Surveillance for MEVA Sites	2.359	(2.359)	0.000	0.000	0.000	
FY10	Smoke Mix Control Room	0.000	0.600	0.600	0.600	0.000	
FY10	Rough Handler B32 230	0.357	(0.357)	0.000	0.000	0.000	
FY10	Video Inspection Equipment	0.000	0.399	0.399	0.399	0.000	
FY10	Horizontal Multi Access Turning Center	0.000	0.350	0.350	0.350	0.000	
FY10	Smart Transmission Test System (STTS)	87.913	(14.239)	73.674	73.674	0.000	
FY10	STTS Engineering Support 1	0.000	0.999	0.999	0.999	0.000	
FY10	STTS Engineering Support 2	0.000	3.000	3.000	3.000	0.000	
FY10	Long Bed Manual/CNC Lathe	0.675	0.000	0.675	0.611	0.064	Project executed at lower price
FY10	FY09 Scrubber Project	0.000	0.090	0.090	0.000	0.090	
FY10	Replace Water Jet, 350	0.391	(0.391)	0.000	0.000	0.000	
FY10	Paint Carousel (Replacement for Pallet Booth)	1.179	(0.840)	0.339	0.305	0.034	Project executed at lower price
FY10	LM - Star Automated Test Equipment	2.964	(0.064)	2.900	2.415	0.485	Project executed at lower price
FY10	LM - Star Additional Test Equipment	0.000	0.000	0.000	0.000	0.000	
FY10	Mobil Crane	0.000	1.827	1.827	0.000	1.827	Project not executed
FY10	Receiver Automated Test Station (RATS)	0.000	0.673	0.673	0.673	0.000	
FY10	COMSEC Receiving Conveyor	0.000	0.271	0.271	0.271	0.000	
FY10	Bulk Cooling Filtration/Distribution System	0.000	0.493	0.493	0.493	0.000	
FY10	Double Grinder Bridge Crane for Building 4 Bay 6	0.000	0.375	0.375	0.375	0.000	
FY10	Laser Paint Removal System	0.000	0.585	0.585	0.585	0.000	
FY10	Falcon 300 CNC Lathe	0.000	0.000	0.000	0.000	0.000	
FY10	Hydraulic Shear	0.386	(0.386)	0.000	0.000	0.000	
FY10	Devileg Horizontal Boring Mill	0.673	(0.673)	0.000	0.000	0.000	
FY10	Electric Discharge Machining (EDM) Ram	0.511	(0.511)	0.000	0.000	0.000	
FY10	Heavy Tactical Transmission Test Stand	0.322	(0.153)	0.169	0.000	0.169	Project not executed
FY10	Drive Through Paint Booth Building 561 West	0.000	1.091	1.091	1.091	0.000	
FY10	Rebuild, Retrofit Heller Mill, WV 12170	0.475	(0.475)	0.000	0.000	0.000	
FY10	Replace Cincinnati 15HS, WV 11790	0.950	0.000	0.950	0.950	0.000	
FY10	Replace Cincinnati 15IN Universal Chucking Lathe, WV 12316	0.650	0.000	0.650	0.650	0.000	
FY10	Rebuild ASRS, WV 12115	0.650	0.000	0.650	0.650	0.000	
FY10	Purchase and Install Gantry Crane at LTS	1.862	0.115	1.977	1.977	0.000	
FY10	Purchase and Install Modular Breakrooms (308,309,310)	0.000	0.369	0.369	0.369	0.000	
FY10	Electron Beam (EB) Welder	0.000	0.000	0.000	0.000	0.000	
FY10	Assembly Line Conveyor Building 345 (HEMTT A2)	0.989	(0.989)	0.000	0.000	0.000	

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Budget Execution
($ in Millions)

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
	EQUIPMENT - Productivity cont.						
FY10	Automated Laser Guided Forklift System	0.860	(0.860)	0.000	0.000	0.000	
FY10	Blasting Facility for 561	0.716	(0.716)	0.000	0.000	0.000	
FY10	Drive Through Paint Booth (South 323)	0.379	(0.379)	0.000	0.000	0.000	
FY10	Climate Control Encl for Eng Rebuild	1.561	(1.561)	0.000	0.000	0.000	
FY10	Large Caterpillar Tractor to Tow Vehicles	0.291	(0.291)	0.000	0.000	0.000	
FY10	Road Wheel Chemical Agent Resistant Coating (CARC) Paint Work Cell - Building 4	0.688	(0.688)	0.000	0.000	0.000	
FY10	Rebuild Rotary Grinder , WV 12482	0.600	(0.600)	0.000	0.000	0.000	
	Sub Total Productivity	**109.683**	**(14.664)**	**95.019**	**92.350**	**2.669**	
	EQUIPMENT - New Mission						
FY10	Depot Information Center	0.425	(0.345)	0.000	0.000	0.000	
FY10	Next Generation Electronics Repair (Phase 3)	0.345	(0.425)	0.000	0.000	0.000	
FY10	New Gun Drill Machine	1.200	(1.200)	0.000	0.000	0.000	
	Sub Total New Mission	**1.970**	**(1.970)**	**0.000**	**0.000**	**0.000**	
	EQUIPMENT - Environmental						
FY10	BGMC Crane with Magnetic Pick Up	0.398	(0.398)	0.000	0.000	0.000	
	Sub Total Environmental	**0.398**	**(0.398)**	**0.000**	**0.000**	**0.000**	
	Total Various Capital Equipment	**153.697**	**(7.722)**	**145.975**	**142.916**	**3.059**	

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Budget Execution
($ in Millions)

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
ADPE & TELECOMMUNICATIONS EQUIPMENT							
FY10	Wireless Backbone	0.362	0.000	0.362	0.362	0.000	
FY10	IBM - AIT	16.300	(4.700)	11.600	8.099	3.501	$3.501M Carryover to FY11
FY10	DNC System Upgrade	0.485	0.000	0.485	0.485	0.000	
FY10	Voice Over IP Upgrade	0.252	0.000	0.252	0.252	0.000	
FY10	Gigabit Network	0.400	(0.036)	0.364	0.364	0.000	
				0.000		0.000	
	Sub Total ADPE	**17.799**	**(4.736)**	**13.063**	**9.562**	**3.501**	
SOFTWARE DEVELOPMENT							
FY10	Army Workload and Performance System (AWPS)	4.865	0.000	4.865	4.865	0.000	
FY10	Expanded Ammunition Functionality in LMP	1.706	0.000	1.706	1.706	0.000	
FY10	Depot Workload Dashboard	0.426	0.000	0.426	0.000	0.426	$0.426M Carryover to FY11
FY10	Environmental Safety and Occupational Health Program (ESOHP)	2.500	0.000	2.500	0.000	2.500	$2.50M Carryover to FY11
FY10	Automatic Identification Technology (AIT)	0.000	4.700	4.700	1.890	2.810	$2.81M Carryover to FY11
FY10	Manufacturing Execution System (MES)	9.000	0.000	9.000	9.000	0.000	
FY10	Core LMP	25.688	1.900	27.588	24.938	2.650	$2.65M Carryover to FY11
FY10	Integration of AIT with LMP	4.400	0.000	4.400	4.400	0.000	
	Sub Total Software	**48.585**	**6.600**	**55.185**	**46.799**	**8.386**	

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Budget Execution
($ in Millions)

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
MINOR CONSTRUCTION							
FY10	Construct Milvan Repair Facility @ Anniston Defense Munition Center (ADMC)	0.350	(0.350)	0.000	0.000	0.000	
FY10	Construct North Pad Upgrade @ Anniston Defense Munition Center (ADMC)	0.735	(0.735)	0.000	0.000	0.000	
FY10	Container Staging Area	0.723	(0.723)	0.000	0.000	0.000	
FY10	Munitions Igloo to Replace E1203	1.424	(1.424)	0.000	0.000	0.000	
FY10	CDE Storage Shed 1	0.000	0.609	0.609	0.609	0.000	
FY10	CDE Storage Shed 2	0.000	0.609	0.609	0.609	0.000	
FY10	Construct Outside Storage Complex, Anniston Defense Munition Center (ADMC)	0.000	0.400	0.400	0.400	0.000	
FY10	ISD Operations Support Building	0.000	0.734	0.734	0.734	0.000	
FY10	CDE Receipt & Storage Center	0.000	0.621	0.621	0.621	0.000	
FY10	Hazardous Material Storage	0.000	0.439	0.439	0.439	0.000	
FY10	Manufacturing Facility Upgrade Bldg 160	0.442	(0.442)	0.000	0.000	0.000	
FY10	Dock Expansion C11G & 12G Letterkenny Munition Center (LEMC)	0.403	0.000	0.403	0.403	0.000	
FY10	Inert Storage Facility Bldg 3810 - Letterkenny Munition Center (LEMC)	0.542	0.006	0.548	0.548	0.000	
FY10	Magnesium Recovery Pilot Plant	0.356	(0.356)	0.000	0.000	0.000	
FY10	Manufacturing Facility Upgrade Bldg 104	0.743	(0.743)	0.000	0.000	0.000	
FY10	Manufacturing Facility Upgrade Bldg 136	0.381	(0.381)	0.000	0.000	0.000	
FY10	Manufacturing Facility Upgrade Bldg 138	0.459	(0.459)	0.000	0.000	0.000	
FY10	Manufacturing Facility Upgrade Bldg 200	0.736	(0.736)	0.000	0.000	0.000	
FY10	Manufacturing Facility Upgrade Bldg 2520	0.281	(0.281)	0.000	0.000	0.000	
FY10	Office & Restroom Addition Bldg 2363 Letterkenny Munition Center (LEMC)	0.313	0.000	0.313	0.313	0.000	
FY10	Staging Lot Bldg 3382	0.359	(0.359)	0.000	0.000	0.000	
FY10	Fire Suppression System Building 174	0.000	0.386	0.386	0.386	0.000	
FY10	B179 Shower/Change Facility	0.000	0.208	0.208	0.208	0.000	
FY10	B177 Shower/Change Facility	0.000	0.217	0.217	0.217	0.000	
FY10	Replace Vehicle Wash Facility	0.747	(0.021)	0.726	0.726	0.000	
FY10	Upgrade Fire Protection System, B. 32-620	0.326	(0.008)	0.318	0.318	0.000	
FY10	Upgrade Fire Protection System, B. 33-630	0.000	0.463	0.463	0.463	0.000	
FY10	Upgrade Fire Protection System, B. 33-520	0.443	(0.035)	0.408	0.408	0.000	
FY10	Upgrade Fire Protection System, B. 33-530	0.470	(0.009)	0.461	0.461	0.000	
FY10	Upgrade Fire Protection System, B. 34-650	0.468	(0.468)	0.000	0.000	0.000	
FY10	Replace Heat System Bldg 1223 & 1228	0.000	0.290	0.290	0.290	0.000	
FY10	Water Line Bldg 1400	0.000	0.694	0.694	0.694	0.000	
FY10	Heat Bldg 1228	0.285	(0.285)	0.000	0.000	0.000	
FY10	Expand Container Loading Pad K-8	0.000	0.690	0.690	0.690	0.000	
FY10	Expand Container Loading Pad K-9	0.000	0.690	0.690	0.690	0.000	
FY10	Fire Suppression System Bldg 174	0.285	(0.285)	0.000	0.000	0.000	
FY10	Upgrade Road to Building 1400 Complex	0.000	0.624	0.624	0.624	0.000	
FY10	Upgrade 1315 Staging Apron	0.000	0.175	0.175	0.175	0.000	
FY10	Battery Shop	0.000	1.300	1.300	1.300	0.000	
FY10	Multiple EOY projects	0.000	1.759	1.759	1.759	0.000	
FY10	Materiel Analysis Lab Addition	0.000	0.301	0.301	0.301	0.000	
FY10	Renovate Building 378	0.000	0.419	0.419	0.419	0.000	
FY10	HVAC	0.000	0.000	0.000	0.000	0.000	

Army Working Capital Fund
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Industrial Operations

Capital Budget Execution
($ in Millions)

FY10	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
MINOR CONSTRUCTION, cont.							
FY10	Stroudsburg Access Control Point	0.686	(0.686)	0.000	0.000	0.000	
FY10	Break Room/Restroom Letterkenny Munition Center (LEMC)	0.000	0.335	0.335	0.335	0.000	
FY10	Paving of Parking Lots - Phase 2	0.746	(0.453)	0.293	0.293	0.000	
FY10	HVAC	0.724	(0.010)	0.714	0.714	0.000	
FY10	Hap Arnold Blvd Active Vehicle Barrier	0.000	0.563	0.563	0.563	0.000	
FY10	CPL D'Amato St Active Vehicle Barrier	0.000	0.556	0.556	0.556	0.000	
FY10	Upgrade Building 147	0.750	0.000	0.750	0.750	0.000	
FY10	Generator Repair Facility 128	0.261	0.000	0.261	0.261	0.000	
FY10	Intrusion Detection Upgrade	0.725	(0.176)	0.549	0.549	0.000	
FY10	Stryker Support Facility	0.725	0.000	0.725	0.725	0.000	
FY10	Air Makeup Units for Bldg 400	1.457	0.000	1.457	1.457	0.000	
FY10	Bldg 513 Overload Storage	0.653	0.000	0.653	0.653	0.000	
FY10	Tool Crib Expansion	0.724	0.000	0.724	0.724	0.000	
FY10	Bldg 5 Addition	0.725	0.000	0.725	0.725	0.000	
FY10	Additions to Bldg 15 for ADA Compliance	0.511	0.000	0.511	0.511	0.000	
FY10	Construct Admin Bldg for Maintenance	0.658	0.000	0.658	0.658	0.000	
FY10	Construct Restrooms at 592N	0.148	(0.148)	0.000	0.000	0.000	
FY10	Construct Change Rooms at 323 North	0.193	0.325	0.518	0.518	0.000	
FY10	Extend Paint Annex (323 East)	0.554	0.000	0.554	0.554	0.000	
FY10	Commercial Vehicle ACP	0.000	0.749	0.749	0.749	0.000	
FY10	Construct Break Room Bldg 561N	0.000	0.243	0.243	0.243	0.000	
FY10	Staging Area Bldg 561	0.000	0.476	0.476	0.476	0.000	
FY10	Replace Underground Electrical Cables	0.150	0.000	0.150	0.150	0.000	
FY10	Replace Substation 1A4	0.397	0.000	0.397	0.397	0.000	
FY10	Conduct MC to Accommodate COOP Site	0.000	0.726	0.726	0.726	0.000	
FY10	Construct Hardstand at PS04	0.491	0.000	0.491	0.491	0.000	
FY10	Relocate Contractor's Staging Yard to OTC	0.283	(0.283)	0.000	0.000	0.000	
FY10	Press Break Machines Bldg 411	0.633	(0.633)	0.000	0.000	0.000	
FY10	Upgrade Vehicle Materiel Staging Area at 493S	0.729	(0.729)	0.000	0.000	0.000	
FY10	Remodel Bathrooms (304, 306, 307, 308, 309, 310)	0.000	0.639	0.639	0.639	0.000	
FY10	Conduct MC for EOC (move to FY11)	0.778	(0.778)	0.000	0.000	0.000	
FY10	Construct 7.5 Acre Hardstand at 309	0.763	(0.763)	0.000	0.000	0.000	
FY10	Construct Gravel Hardstand at WWL Site (move out to FY11)	0.778	(0.778)	0.000	0.000	0.000	
FY10	Upgrade Bldg 60 for LMP (cancelled)	0.750	(0.750)	0.000	0.000	0.000	
FY10	Hardstand across from 311	0.778	0.000	0.778	0.778	0.000	
FY10	Construct Gravel Roads (LTS Area) (Moved up from FY11)	0.000	0.000	0.000	0.000	0.000	
	Sub Total Minor Construction	**28.041**	**1.959**	**30.000**	**30.000**	0.000	
	TOTAL	**248.122**	**(3.898)**	**244.224**	**229.277**	**14.947**	

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Budget Execution
($ in Millions)

FY11	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT	**114.154**	**(15.961)**	**102.593**	**102.593**	0.000	
FY11 **EQUIPMENT-Replacement**						
Various Capital Equipment - Replacement	79.915	(33.959)	44.356	44.356	0.000	
FY11 **EQUIPMENT-Productivity**						
Various Capital Equipment - Productivity	32.511	17.526	56.037	56.037	0.000	
FY11 **EQUIPMENT - New Mission**						
Various Capital Equipment - New Mission	1.728	(0.528)	1.200	1.200	0.000	
FY11 **EQUIPMENT-Environmental**						
Various Capital Equipment - Environmental	0.000	1.000	1.000	1.000	0.000	
ADPE & TELECOMMUNICATIONS EQUIPMENT	**17.138**	**(3.012)**	**14.126**	**14.126**	0.000	
FY11 Miscellaneous ADPE < $1M	0.538	0.388	0.926	0.926	0.000	
FY11 Automatic Identification Technology (AIT)	16.600	(3.400)	13.200	13.200	0.000	
SOFTWARE DEVLOPMENT	**38.562**	**6.624**	**45.186**	**45.186**	0.000	
FY11 Manufacturing Execution System (MES)	17.800	0.000	17.800	17.800	0.000	
FY11 Expanded Ammunition Functionality in LMP	6.893	0.000	6.893	6.893	0.000	
FY11 Army Workload and Performance System (AWPS)	4.967	(0.188)	4.779	4.779	0.000	
FY11 Logistics Modernization Program (LMP)	5.391	4.384	9.775	9.775	0.000	
FY11 Defense Property Accounting System - Enhanced (DPAS-E)	0.000	2.939	2.939	2.939	0.000	
FY11 Depot Workload Dashboard	0.511	(0.511)	0.000	0.000	0.000	
FY11 Integration of AIT with LMP	3.000	0.000	3.000	3.000	0.000	
MINOR CONSTRUCTION	**33.540**	**0.000**	**33.540**	**33.540**	0.000	
FY11 Various Minor Construction <$750K	33.540	0.000	33.540	33.540	0.000	
TOTAL	**203.394**	**(12.349)**	**195.445**	**195.445**	**0.000**	

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Capital Budget Execution
($ in Millions)

FY12	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT	**98.166**	**0.000**	**98.166**	**98.166**		
FY12 **EQUIPMENT - Replacement**						
Various Capital Equipment - Replacement	50.751		50.751	50.751		
FY12 **EQUIPMENT - Productivity**						
Various Capital Equipment - Productivity	45.956		45.956	45.956		
FY12 **EQUIPMENT - New Mission**						
Various Capital Equipment - New Mission	0.720		0.720	0.720		
FY12 **EQUIPMENT-Environmental**						
Various Capital Equipment - Environmental	0.739		0.739	0.739		
ADPE & TELECOMMUNICATIONS EQUIPMENT	**16.918**	**0.000**	**16.918**	**16.918**		
FY12 Miscellaneous ADPE < $1M	0.718		0.718	0.718		
FY12 Automatic Identification Technology (AIT)	16.200		16.200	16.200		
SOFTWARE DEVELOPMENT	**38.182**	**0.000**	**38.182**	**38.182**		
FY12 Army Workload and Performance System (AWPS)	2.900		2.900	2.900		
FY12 Logistics Modernization Program (LMP)	9.515		9.515	9.515		
FY12 Environmental, Safety and Occupational Health Program (ESOHP)	3.500		3.500	3.500		
FY12 Manufacturing Execution System (MES)	20.875		20.875	20.875		
FY12 Defense Property Accounting System - Enhanced (DPAS-E)	1.392		1.392	1.392		
MINOR CONSTRUCTION	**29.242**	**0.000**	**29.242**	**29.242**		
FY12 Various Minor Construction <$750K	29.242		29.242	29.242		
TOTAL	**182.508**	**0.000**	**182.508**	**182.508**		

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
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Minimum Capital Investment for Certain Depots and Arsenals
($ in Millions)

	3 Year Average			Budgeted Capital			Difference Positive Numbers Exceed Required Investment		
	FY 2010	FY 2011	FY 2012	FY 2010	FY 2011	FY 2012	FY 2010	FY 2011	FY 2012
							6.0%	6.0%	6.0%
ANAD									
Revenue	1,133.592	1,049.650	914.109						
Capital Investment Program				10.841	18.734	27.700			
Facilities Sustainment, Restoration and Modernization				19.725	14.180	9.336			
Equipment (Fund 1a- 500 lines)				22.997	14.439	8.851			
Productivity Enhancements				0.397	0.400	0.350			
MILCON				3.300	0.000	0.000			
Actual/ Budgeted Investment				57.260	47.753	46.238			
Required Investment				68.016	62.979	54.847			
Over (+)/ Under (-) Investment							(10.756)	(15.226)	(8.609)
CCAD									
Revenue	1,214.109	1,310.158	1,312.444						
Capital Investment Program				83.623	51.598	28.207			
Facilities Sustainment, Restoration and Modernization				12.862	22.125	22.950			
Equipment (Fund 1a- 500 lines)				11.102	29.156	29.587			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				107.587	102.879	80.745			
Required Investment				72.847	78.609	78.747			
Over (+)/ Under (-) Investment							34.740	24.269	1.998
LEAD									
Revenue	547.547	648.121	660.661						
Capital Investment Program				6.481	9.619	6.309			
Facilities Sustainment, Restoration and Modernization				19.820	10.000	10.000			
Equipment (Fund 1a- 500 lines)				0.759	1.771	1.807			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				27.060	21.391	18.116			
Required Investment				32.853	38.887	39.640			
Over (+)/ Under (-) Investment							(5.793)	(17.497)	(21.524)

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Minimum Capital Investment for Certain Depots and Arsenals
($ in Millions)

	3 Year Average			Budgeted Capital			Difference Positive Numbers Exceed Required Investment		
	FY 2010	FY 2011	FY 2012	FY 2010	FY 2011	FY 2012	FY 2010	FY 2011	FY 2012
							6.0%	6.0%	6.0%
RRAD									
Revenue	939.898	964.087	942.413						
Capital Investment Program				10.637	13.428	29.326			
Facilities Sustainment, Restoration and Modernization				10.040	10.540	2.538			
Equipment (Fund 1a- 500 lines)				4.477	8.098	5.039			
Productivity Enhancements				0.006	0.000	0.000			
MILCON				0.000	0.000	45.000			
Actual/ Budgeted Investment				25.160	32.067	81.903			
Required Investment				56.394	57.845	56.545			
Over (+)/ Under (-) Investment							(31.234)	(25.779)	25.358
TYAD									
Revenue	813.997	840.285	820.966						
Capital Investment Program				24.228	15.473	23.808			
Facilities Sustainment, Restoration and Modernization				32.828	35.886	29.458			
Equipment (Fund 1a- 500 lines)				14.207	19.642	16.955			
Productivity Enhancements				0.436	0.502	0.502			
MILCON				9.484	0.000	0.000			
Actual/ Budgeted Investment				81.183	71.503	70.723			
Required Investment				48.840	50.417	49.258			
Over (+)/ Under (-) Investment							32.343	21.086	21.465
PBA									
Revenue	183.115	199.098	193.528						
Capital Investment Program				7.003	9.993	4.241			
Facilities Sustainment, Restoration and Modernization				3.730	3.439	3.750			
Equipment (Fund 1a- 500 lines)				6.414	5.243	3.891			
Productivity Enhancements				0.740	1.300	1.300			
MILCON				25.000	0.000	0.000			
Actual/ Budgeted Investment				42.886	19.975	13.182			
Required Investment				10.987	11.946	11.612			
Over (+)/ Under (-) Investment							31.900	8.029	1.570

EXHIBIT FUND 6
MINIMUM CAPITAL INVESTMENT FOR CERTAIN DEPOTS AND ARSENALS

Army Working Capital Fund
Fiscal Year (FY) 2012 Budget Estimates
Industrial Operations

Minimum Capital Investment for Certain Depots and Arsenals
($ in Millions)

	3 Year Average			Budgeted Capital			Difference Positive Numbers Exceed Required Investment		
	FY 2010	FY 2011	FY 2012	FY 2010	FY 2011	FY 2012	FY 2010	FY 2011	FY 2012
							6.0%	6.0%	6.0%
RIA									
Revenue	363.773	375.033	333.375						
Capital Investment Program				14.394	20.392	20.867			
Facilities Sustainment, Restoration and Modernization				11.202	12.711	3.559			
Equipment (Fund 1a- 500 lines)				8.502	9.000	6.000			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				34.098	42.103	30.426			
Required Investment				21.826	22.502	20.003			
Over (+)/ Under (-) Investment							12.272	19.601	10.424
WVA									
Revenue	124.697	129.821	123.654						
Capital Investment Program				9.896	15.817	14.371			
Facilities Sustainment, Restoration and Modernization				6.584	6.200	6.500			
Equipment (Fund 1a- 500 lines)				0.000	0.000	0.000			
Productivity Enhancements				0.000	0.000	0.000			
MILCON				0.000	0.000	0.000			
Actual/ Budgeted Investment				16.480	22.017	20.871			
Required Investment				7.482	7.789	7.419			
Over (+)/ Under (-) Investment							8.998	14.228	13.451
TOTAL ARMY									
Revenue	5,320.729	5,516.253	5,301.150						
Capital Investment Program				**167.103**	**155.053**	**154.830**			
Facilities Sustainment, Restoration and Modernization				**116.791**	**115.081**	**88.091**			
Equipment (Fund 1a- 500 lines)				**68.458**	**87.350**	**72.130**			
Productivity Enhancements				**1.579**	**2.202**	**2.152**			
MILCON				**37.784**	**0.000**	**45.000**			
Actual/ Budgeted Investment				**391.715**	**359.686**	**362.203**			
Required Investment				**319.244**	**330.975**	**318.069**			
Over (+)/ Under (-) Investment							72.471	28.711	44.134
Investment percentage							**7.4%**	**6.5%**	**6.8%**

EXHIBIT FUND 6
MINIMUM CAPITAL INVESTMENT FOR CERTAIN DEPOTS AND ARSENALS

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