

ARMY WORKING CAPITAL FUND FISCAL YEAR (FY) 2013 PRESIDENT'S BUDGET



SUBMITTED TO CONGRESS FEBRUARY 2012



Preparation of this report cost the Department of Defense a total of approximately \$60,000 in Fiscal Year 2012



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ARMY STRONG

Army Civilian Corps Creed

I am an Army civilian – a member of the Army team.

I am dedicated to our Army, our Soldiers and civilians.

I will always support the mission.

I provide stability and continuity during war and peace.

I support and defend the Constitution of the United States
and consider it an honor to serve our nation and our
Army.

I live the Army values of loyalty, duty, respect, selfless
service, honor, integrity, and personal courage.

I am an Army civilian.

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



A CH-47 Chinook helicopter delivers an M777A2 howitzer to Soldiers in Afghanistan

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.

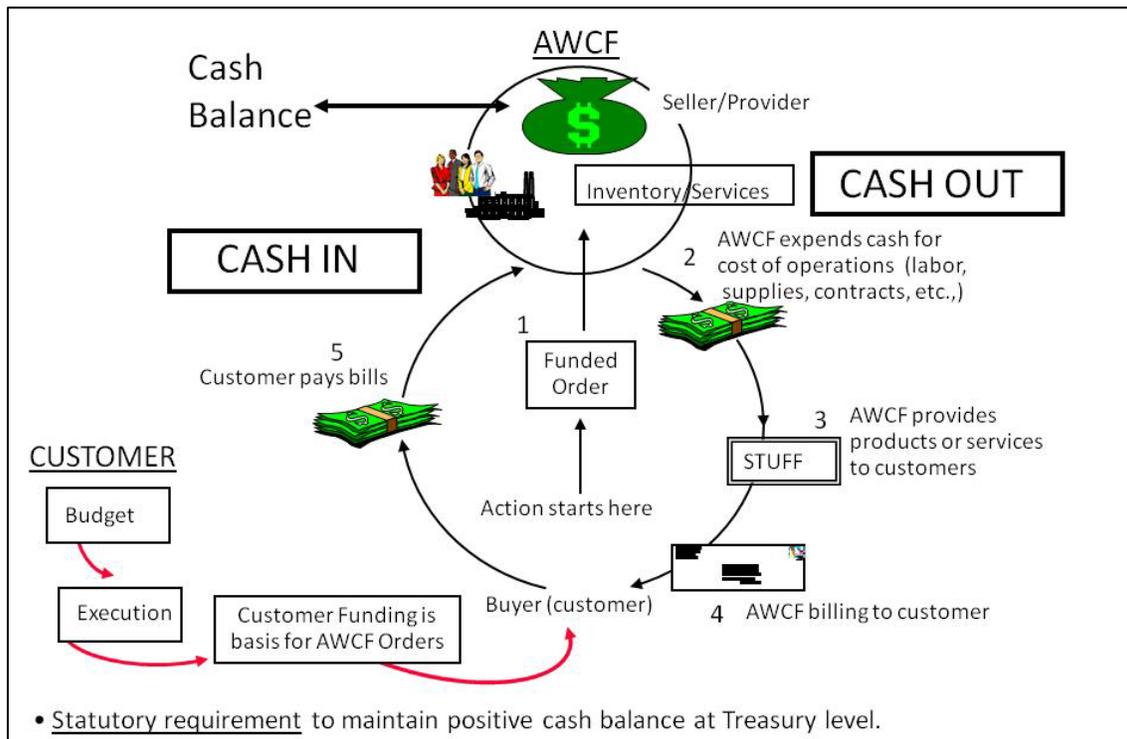
The Army's revolving fund activities evolved from two separate types of funds. The first type, known as the Stock Fund, procured spare parts in volume to either sell to customers or hold in inventory. The second type, known as the Industrial



Fund, provided industrial services to customers, such as depot maintenance, munitions and weapon systems component manufacturing, and ammunition storage. Both types of revolving funds were financed primarily by reimbursements from customer appropriated accounts.

Figure 1 below shows the interaction between customers appropriated funds, AWCF business operations, and cash. Customer appropriated funding is synchronized with AWCF workload forecasts during 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 2013 AWCF budget request supports Army efforts to sustain and maintain its forces, recapitalize its combat equipment, and reset assets to equip approved force structure. The AWCF directly supports the materiel readiness of operating units.

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 full 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 across seventeen cities and local areas within fourteen states. The exact locations are shown in each business activity's portion of the budget. The AWCF activities disbursed approximately \$13.0 billion in FY 2011 to maintain the readiness and sustainability of military equipment.

Performance Measures

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

The net operating result (NOR) represents the difference between revenue and expenses within a fiscal year. Accumulated operating result (AOR) represents the summation of all operating gains or losses since activity group inception along with any prior period adjustments. Prices and rates are 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. Adjusting the unit cost determines how much obligation authority may be distributed based on gross sales.



Corpus Christi Army Depot technicians testing a Modernized Target Acquisition Designation Sight for an AH-64 Apache attack helicopter.

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 group'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,



Welding on Letterkenny Army Depot's equipment repair line.

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 systems currently under development: Army Enterprise Systems Integration Program (AESIP); Global Combat Support System-Army (GCSS-Army); and General Fund Enterprise Business System (GFEBS). LMP deployment to all locations was completed in October 2010 and is currently used by more than 21,000 users at more than

50 Army and DOD locations. These locations include the Army's Communications-Electronics Life Cycle Management Command (LCMC), Aviation and Missile LCMC, Tank-automotive and Armaments 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. Enhancements and systems changes continue to be applied to LMP to ensure compliance with statutory and regulatory requirements.



Activity Groups

Supply Management

The Supply Management activity group buys and manages spare 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 spare parts 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 spare parts 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



A smoke grenade demonstration at Pine Bluff Arsenal.

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 the Industrial Operations 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 Resetting equipment as it retrogrades from the Theater.

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. 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 The Industrial Operations activity group is involved with both the recapitalization and repair efforts. The budget incorporates depot workload assumptions associated with the Reset program (Overseas Contingency Operations funding) and peacetime training operations.

Budget Highlights

Overview

The FY 2013 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.

The budget assumes an 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 2013, the Supply Management activity group projects sales and demands at 70 percent of the Operation Enduring Freedom FY 2010 level.

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 (STIR) program for aircraft.



For FY 2013 the Industrial Operations activity projects that new orders will approximate 80 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 changes to these assumptions materialize, the projections for the AWCF can change significantly. To offset this risk, both activity groups have flexibility to adjust to changing workload forecasts, constraining or expanding costs as necessary. The Supply Management budget request includes variability target (obligation authority retained by the DOD Comptroller) to support spares replacement for any surge in customer demands above projected levels. The Industrial Operations activity group budget request includes a mix of permanent, temporary, and term-appointment employees, in addition to contract labor, to better respond to unanticipated increases or decreases in new orders.



Resetting equipment at Red River Army Depot.

Personnel

The AWCF civilian personnel posture reflects an overall decrease through FY 2013. Changes to personnel levels are discussed within the narrative of each activity group. Civilian and military end strength and civilian full time equivalents are shown in Table 1, below.

Table 1 - Personnel

	FY 2011	FY 2012	FY 2013
Supply Management			
<i>Civilian End Strength</i>	2,015	2,025	2,025
<i>Full Time Equivalents</i>	2,456	2,090	2,025
<i>Military End Strength</i>	4	4	3
Industrial Operations			
<i>Civilian End Strength</i>	25,141	24,222	23,214
<i>Full Time Equivalents</i>	25,234	24,867	24,197
<i>Military End Strength</i>	24	26	26
Total			
<i>Civilian End Strength</i>	27,156	26,247	25,239
<i>Full Time Equivalents</i>	27,690	26,957	26,222
<i>Military End Strength</i>	28	30	29



Revenue and Expenses

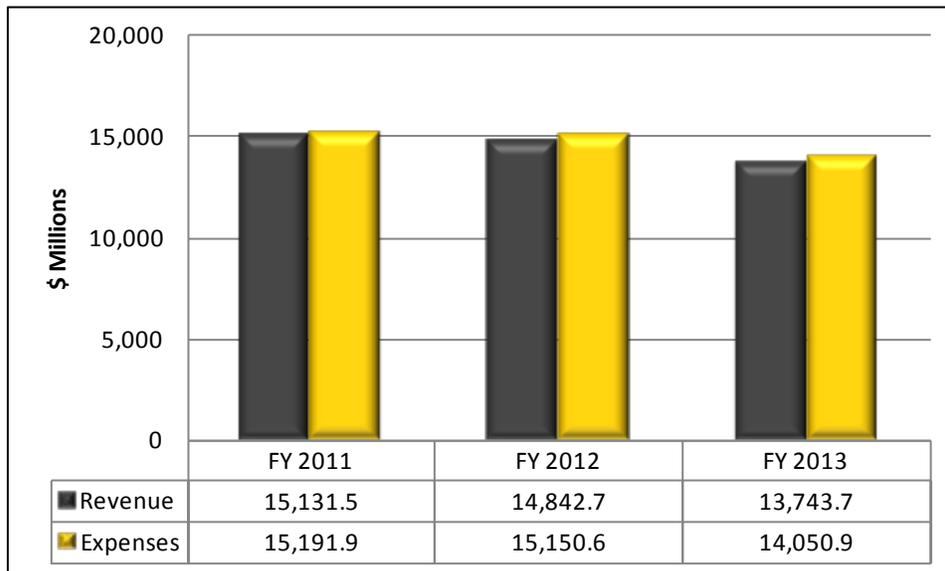
Revenue is an indicator of the combined volume of work completed by the AWCF activity groups. Expenses identify the cost of goods and services produced or sold. Both revenues and expenses are expected to decline in the budget year based on workload. Major expense drivers include cost of goods sold for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

Table 2 - Revenue and Expenses

(\$ Millions)	FY 2011	FY 2012	FY 2013
Revenue			
<i>Supply Management:</i>			
Gross Sales	10,086.8	8,791.3	7,965.5
Less Credit	515.3	530.3	525.7
<i>Net Supply Management</i>	9,571.5	8,261.1	7,439.8
<i>Industrial Operations</i>	5,560.0	6,581.6	6,303.9
Total Revenues	15,131.5	14,842.7	13,743.7
Expenses			
<i>Supply Management</i>	9,745.4	8,375.6	7,557.2
<i>Industrial Operations</i>	5,446.5	6,775.0	6,493.7
Total Expenses	15,191.9	15,150.6	14,050.9

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

Chart 1 - Revenue and Expenses



Net and Accumulated Operating Result

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. The Industrial Operations business received approval to defer the return of \$286.6 million of AOR pending resolution of potential prior year accounting issues related to inventory valuation. Table 3 below shows the net and accumulated operating results for both Supply Management and Industrial Operations.

Table 3 - Operating Results

(\$ Millions)	FY 2011	FY 2012	FY 2013
Supply Management			
<i>Net Operating Result</i>	(103.1)	(114.5)	(117.4)
<i>Accumulated Operating Result</i>	231.9	117.4	0.0
Industrial Operations			
<i>Net Operating Result</i>	113.8	(163.1)	(189.8)
<i>Deferred AOR</i>	0.0	0.0	(286.6)
<i>Accumulated Operating Result</i>	639.5	476.4	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 operating costs. Typical cost categories within the CRR include civilian pay, distribution depot costs, transportation costs, other Defense bills associated with supply operations, and costs of replacing inventory losses. 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 below shows the Supply Management composite cost recovery rates and the Industrial Operations composite direct labor hour rates.

Table 4 - Customer Rates

	FY 2011	FY 2012	FY 2013
Supply Management	14.8%	14.1%	12.8%
Industrial Operations	\$146.64	\$129.56	\$136.01



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. Table 5 below shows the customer rate change for both business areas.

Table 5 - Price Change to Customer

	FY 2011	FY 2012	FY 2013
Supply Management	4.5%	1.3%	(1.1%)
Industrial Operations	(1.2%)	(11.6%)	5.0%

Fund Balance with Treasury

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 days computation also adds any positive accumulative operating result returned to customers, plus cash equal to undisbursed direct appropriations, and a commodity/market adjustment. Army, with DOD approval, has included a further adjustment that allows cash retention for large balances in undelivered orders (spare parts due-in from vendors) associated with high OPTEMPO that will be delivered after the budget year. Comparing the projected undelivered orders with pre-war undelivered orders provides a factor to increase the 7 to 10 days balance requirement.

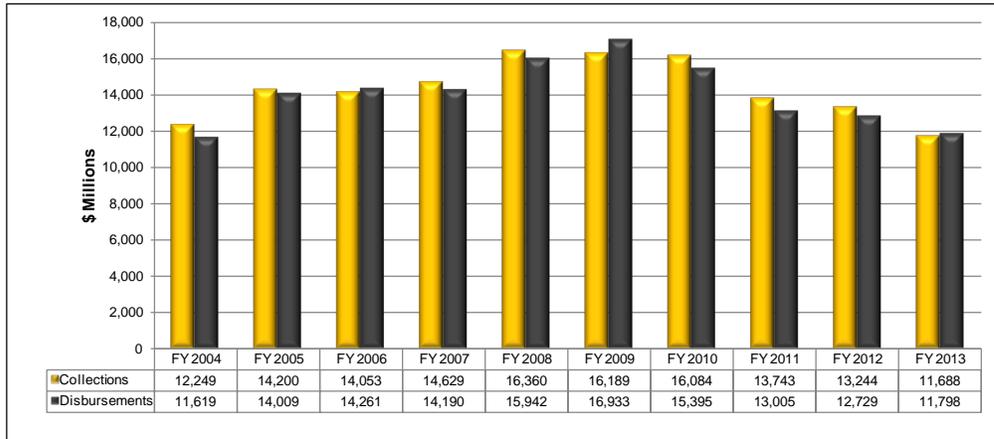
The cash balance is primarily affected by cash generated from operations but the balance is also impacted by appropriations, transfers, and withdrawals. Maintaining a proper cash balance is dependent on setting rates to recover full costs, including prior year losses, and accurately projecting workload.



Cash from Operations

The day-to-day operations of the fund consume and replenish cash. The FY 2013 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. The change in collections from FY 2012 to FY 2013 is due to lower projected Supply Management sales to operating forces in Southwest Asia.

Chart 2 - Cash from Operations



Appropriations

The AWCF has received or requested direct appropriations for increasing or replacing war reserve materiel. Table 6 below shows the appropriations received or requested by AWCF.

Table 6 - Appropriations

(\$ Millions)	FY 2011	FY 2012	FY 2013
Base Funding			
<i>War Reserve Secondary Items</i> ⁴	54.6	101.2	60.0
OCO* Funding			
<i>Army Prepositioned Stocks</i> ⁵	0.0	54.0	42.6
Total Appropriated Funds	54.6	155.2	102.6

* Overseas Contingency Operations

⁴ War Reserve Secondary Items – provides funding to build war reserve stock.

⁵ Army Prepositioned Stocks – provides funding primarily for placing Mine Resistant Ambush Protected (MRAP) secondary items in war reserve stocks.



Cash Transfers

Since FY 2004 approximately \$6.0 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 ⁶
	DECA	41.6	DOD Decision
	OMA	107.0	Congressionally directed
FY 2005	OMA	700.0	OIF/OEF
FY 2007	WTCV	107.0	MRAP ⁷ procurement
	RDTE	38.7	GFEBs ⁸
FY 2008	OMA	420.0	Congressionally directed
	MPA	30.0	MPA ⁹ 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 ¹⁰
FY 2011	OMA	483.0	Congressionally directed
FY 2012	OMA	515.0	Congressionally directed
Total Transfers		6,045.5	

⁶ (OIF/OEF) Operation Iraqi Freedom/Operation Enduring Freedom

⁷ (MRAP) Mine Resistant Ambush Protected vehicle

⁸ (GFEBs) General Fund Enterprise Business System

⁹ (MPA) Military Personnel, Army appropriation

¹⁰ (MERHCF) Medicare-Eligible Retiree Health Care Fund



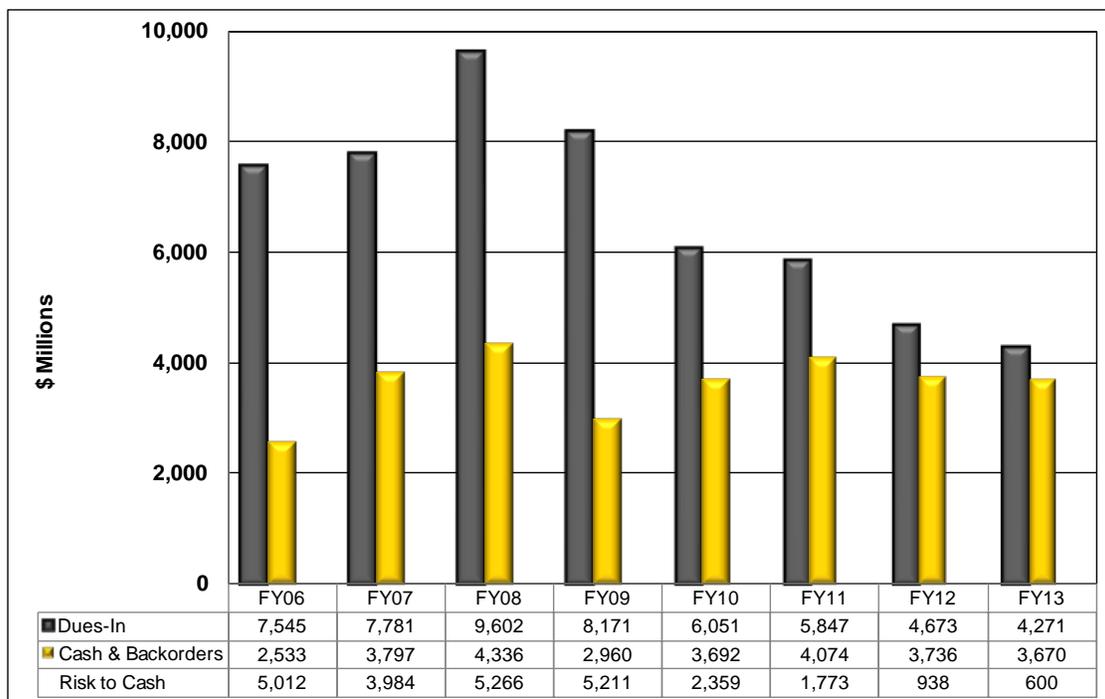
The amounts transferred were used to assist other Army programs and were excess to AWCF requirements at the time of transfer. Through FY 2013 and the near future, no transferred cash must be returned; however, as future budgets are developed, some of this transferred cash may require reimbursement to support payments to commercial vendors when undelivered orders are received. The Army has helped mitigate the effect of these cash transfers by not allowing credit for spares carcasses returned by operating units in Afghanistan and by holding the Supply Management unit cost below 1.0 for an extended period. The unit cost is further discussed in the Supply Management section of the budget.



Overhauling M249 squad automatic weapons at Anniston Army Depot.

Chart 3 below displays the potential risk to the AWCF cash balance. Based on the projected cash balance and undelivered orders there is reduced cash risk in FY 2013.

Chart 3 - Risk to Cash



Note: FY 2012 and FY 2013 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 \$154.0 million and \$118.0 million from DLA in FY 2012 and FY 2013 respectively.



End of Year Cash Balance

Table 8 below shows total collections, disbursements, appropriations, transfers, and ending cash balances. The FY 2012 ending cash balance assumes a \$600 million transfer-out (prior approval reprogramming) to support high priority emerging requirements. Army projects the FY 2013 cash balance to be above the 10-days level. No advance billings or cash surcharges are included in the budget submission.

Table 8 - Cash Balance

(\$ Millions)	FY 2011	FY 2012	FY 2013
<i>Disbursements</i>	13,004.8	12,729.0	11,797.6
<i>Collections</i>	13,742.5	13,244.1	11,687.6
<i>Net Outlays from Operations</i>	(737.7)	(515.1)	110.0
<i>Direct Appropriations</i>	54.6	155.2	102.6
<i>Transfers In</i>	0.0	154.0	118.0
<i>Transfers Out</i>	700.0	1,115.0	0.0
<i>Total Net Outlays</i>	(92.4)	290.7	(110.7)
Ending Cash Balance	1,900.5	1,609.8	1,720.4
<i>10 days Cash Level</i>	1,018.4	1,563.9	1,166.2
<i>7 days Cash Level</i>	863.1	1,360.6	978.0

Note: Positive net outlays decrease cash



Equipment once supporting Soldiers in Iraq is loaded at Sierra Army Depot for shipment to the state of Missouri.



Capital Budget

AWCF activities develop and maintain operational capabilities by acquiring or replacing production equipment, executing minor construction projects, and developing software. New 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. Unlike the operating budget which contains the annual operating costs of each activity, the capital budget justifies the purchase of assets that equal or exceed a unit cost of \$250,000 and have a useful life of two or more years.

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

Table 9 - Capital Budget

(\$ Millions)	FY 2011	FY 2012	FY 2013
Supply Management	19.0	32.6	47.9
Industrial Operations	163.4	250.5	238.5
<i>Total Capital Budget</i>	182.4	283.1	286.4
<i>Total Cash Outlays</i>	266.2	213.4	163.5



The Army Values

Loyalty



Supply Management

Introduction

The Supply Management activity group 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 and repair spare parts. As suppliers deliver equipment components, the Army Working Capital Fund expends cash and places spare parts in inventory to await 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 spare parts to maintain combat equipment readiness. The Supply Management enterprise synchronizes rates and budget assumptions with Army appropriated funding requests in support of Soldier and weapon system readiness.

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

The Army prices spare parts based on the most recent acquisition cost from a commercial vendor or the most recent repair cost from a contract or organic source of repair. The price of each item includes a surcharge, known as the cost recovery rate (CRR), to recover the cost of AWCF 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

The core financial measures for Supply Management are the net operating result (NOR) and accumulated operating result (AOR). The NOR measures the activity's gain or loss within a single fiscal year and is used to monitor how closely the activity performs compared to its budget. The AOR measures the activity's accumulated gains and losses since the fund's inception. Rates are set during budget development to break even by bringing the AOR to zero over a budget cycle. This method returns accumulated gains through reduced rates and recovers accumulated losses through increased rates. Another core financial measure, the unit cost relates operating costs to each dollar of sales. The unit cost can be set at, above, or below 1.0 depending on projected sales volume. This metric is discussed in detail in the Unit Cost section.





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 strive to constrain cost growth. In accordance with the Department of Defense emphasis on finding efficiencies, 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. Monthly 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 monthly reviews, the AMC monitors performance as it relates to sales, demands, backorders, and inventory levels. Supply Management will continue to monitor excess on-hand and excess on-order inventory in order to achieve the goals established by the Department.
- **Lean Six Sigma Initiatives:** Supply Management has initiated a Lean Six Sigma (LSS) project and several rapid improvement events that focus on inventory levels and associated overhead expenses. It is anticipated that the LSS effort will result in better inventory management and generate efficiencies in overhead.



Functional Description

Supply Management buys and manages an operating inventory of spare and repair parts for sale to 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:

- Tactical – at more than 250 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.
- National – at Defense Logistics Agency 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.

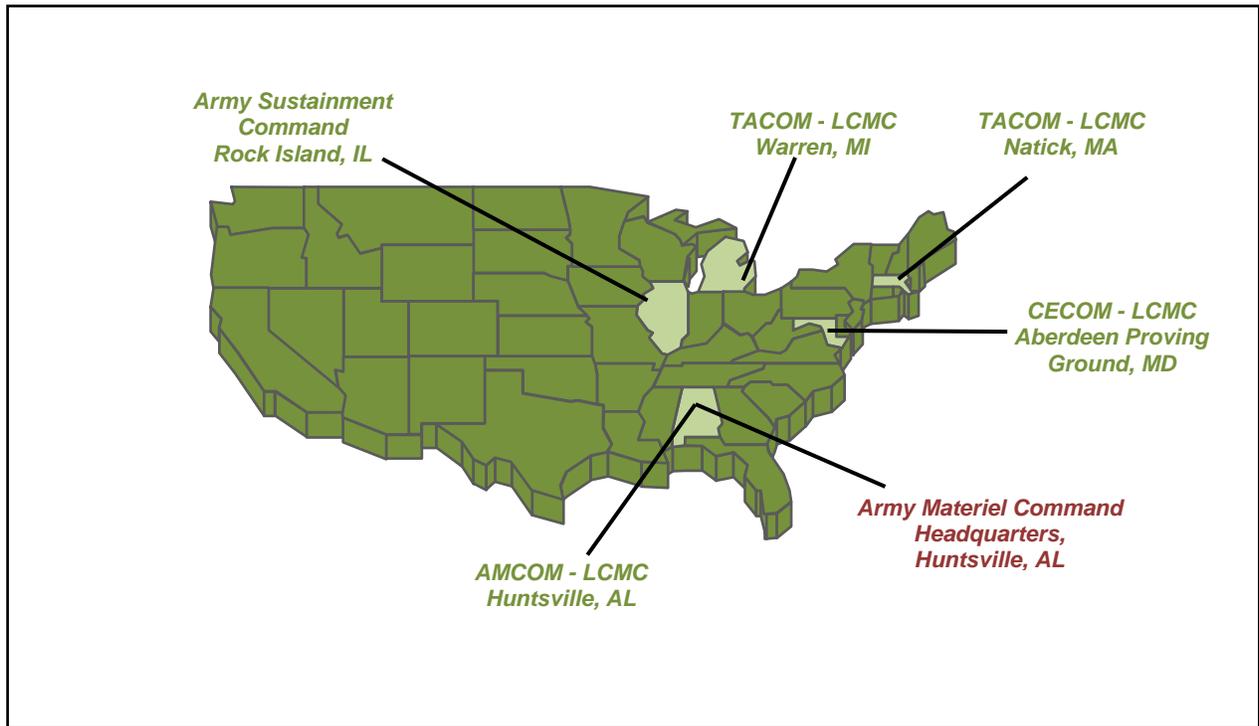
The AWCF protected inventory is contained in APS located in the United States, Europe, South Korea, Kuwait, and stored aboard ships afloat off Guam and Diego Garcia. Pre-positioned war reserve materiel is retained in protected inventory and released to outfit combat and combat support units deploying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



Activity Group Composition

Figure SM 1 below displays the locations of Headquarters, Army Materiel Command (AMC), each Life Cycle Management Command (LCMC) Headquarters, and the 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, 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.



The TACOM-LCMC (Tank-automotive and Armaments 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. The TACOM-LCMC item managers 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, MRAP, HMMWV, 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 804 civilian personnel in FY 2013, TACOM-LCMC Headquarters activities are located at Detroit Arsenal in Warren, Michigan and U.S. Army Soldier Systems Center in Natick, Massachusetts.



Soldiers prepare to ground guide their Caiman MRAP through an exercise at Camp Virginia, Kuwait.



A Soldier works on the engine and propeller of a UH-60 Blackhawk.

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, CH-47 Chinook helicopter, OH-58 Kiowa helicopter, Multiple Launch Rocket System, and Patriot missile. With an authorized level of 535 civilian personnel in FY 2013, 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 686 personnel in FY 2013, 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 worldwide land and sea-based positions. The Army Sustainment Command is located at Rock Island Arsenal, Illinois.



Budget Highlights

Assumptions

The budget represents a business plan that supports Soldier and weapon system readiness for both peacetime training and wartime operating requirements. FY 2013 estimates assume troop strength and OPTEMPO level in Overseas Contingency Operations will be at 70 percent of FY 2010 Operation Enduring Freedom levels, 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 obligation authority is available to support spare part requirements. Variability target is further discussed in the Operating Obligation Authority section.

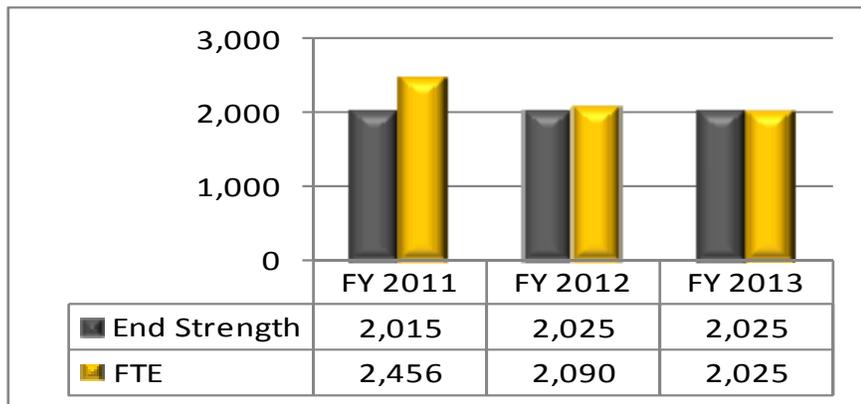


Soldiers land their AH-64 Apache as the sun sets over Kandahar Airfield, Afghanistan, Christmas Day.

Personnel

Civilian end strength reflects completion of the Base Realignment and Closure 2005 directed consumable item transfer to the Defense Logistics Agency and other efficiency initiatives. Manpower levels include secondary item managers, logistics management specialists, and general and administrative support positions.

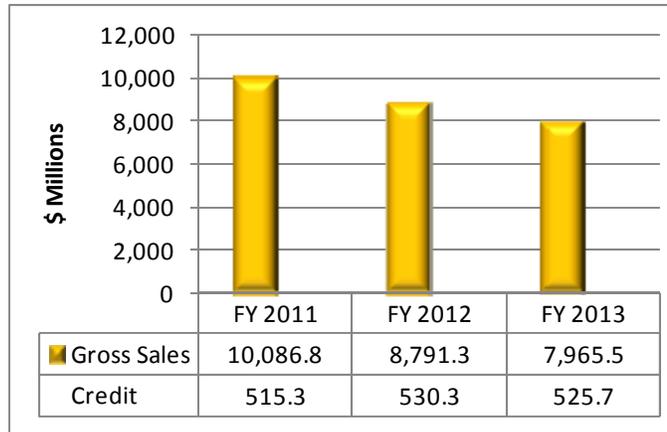
Chart SM 1 - Civilian Personnel



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 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).

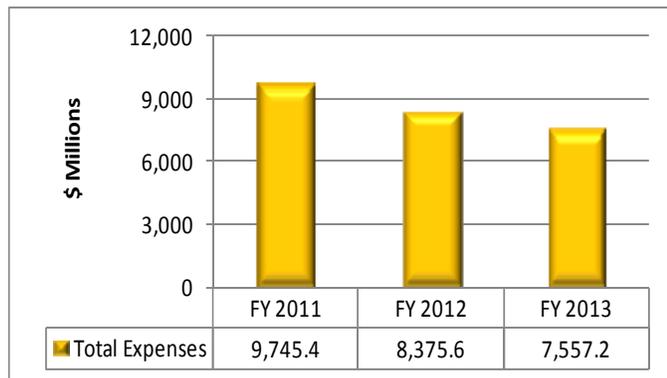
Chart SM 2 - Gross Sales



Expenses

Expenses are projected to decrease in FY 2013 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. In addition, overhead expenses decrease in FY 2013 as a result of AMC's efficiency review and reduced rates for Defense Logistics Agency services such as disposition services, receipt and issue, and storage. Expenses are displayed on exhibit Fund 14, *Revenue and Expenses*.

Chart SM 3 - Expenses



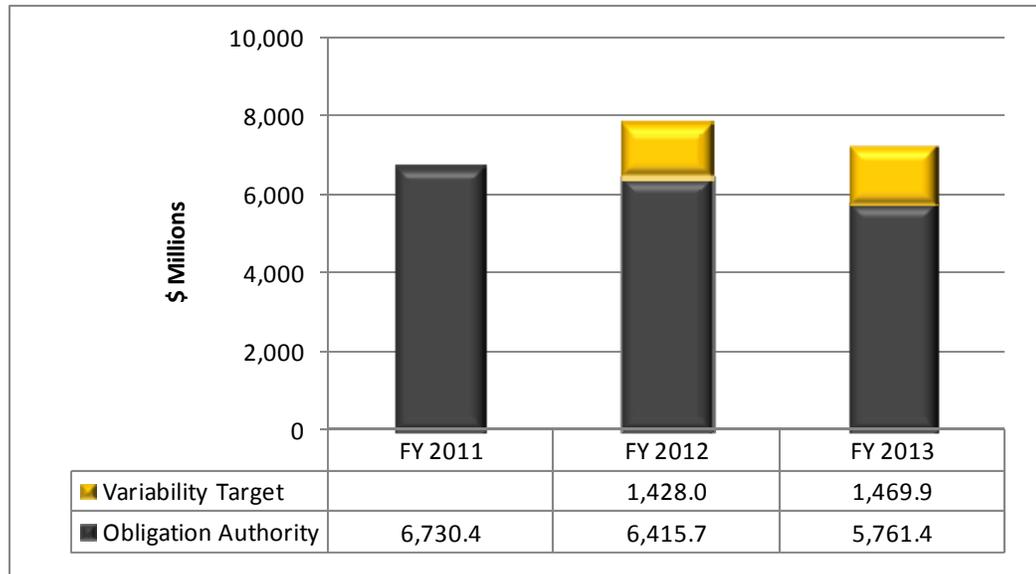
Operating Obligation Authority (Hardware)

This budget requests operating obligation authority for the acquisition and repair of replenishment spare parts and for the cost of operating the Supply Management enterprise. Obligation authority requirements are projected to decrease in FY 2013 in anticipation of reduced customer demands due to lower combat force structure and OPTEMPO. Variability target is the projected amount of additional cost authority beyond budgeted levels reflected on exhibit SM 1 that would allow for rapid response to variances in costs or changes in customer demands during the execution year if



needed. Variability target is retained by the DOD Comptroller. Operating obligation authority is displayed on exhibits SM 1, *Supply Management Summary* and SM 3b, *Operating Requirements by Weapon System*.

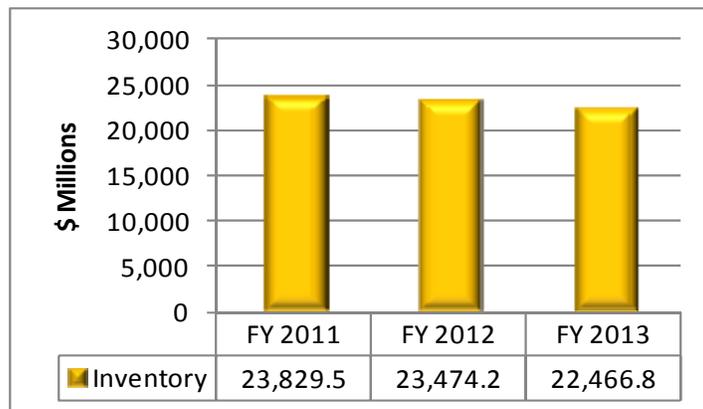
Chart SM 4 - Obligation Authority



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 are sufficient to ensure high stock availability for war efforts. Supply Management is continuing its effort to decrease inventory by reducing inactive inventory, disposing of dormant stock, and reducing replenishment below sales. Supply Management will continue to work to reduce on-order and on-hand excess inventory. Inventory is displayed on exhibit SM 4, *Inventory Status*.

Chart SM 5 - Inventory



Operating Results

The net operating result (NOR) represents the difference between revenue and expenses within a fiscal year. The accumulated operating result (AOR) represents 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, as evidenced by an AOR value of zero in FY 2013. The Supply Management NOR reflects the return of gains to customers in all years. The NOR and AOR are displayed on exhibit Fund 14, *Revenue and Expenses*.

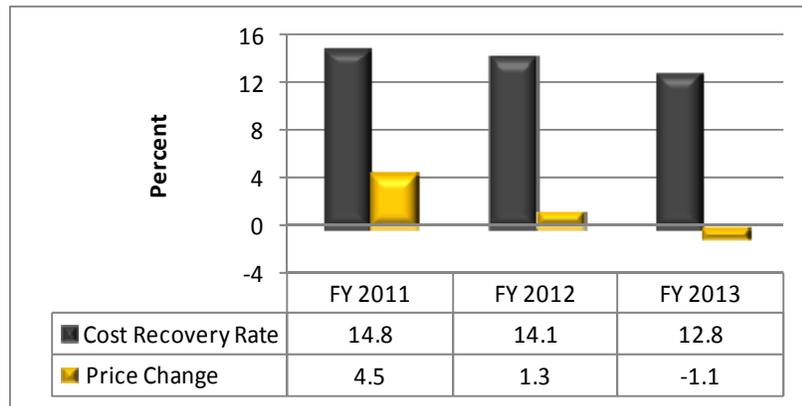
Table SM 1 - Operating Results

(\$ Millions)	FY 2011	FY 2012	FY 2013
Net Operating Result	(103.1)	(114.5)	(117.4)
Accumulated Operating Result	231.9	117.4	0.0

Cost Recovery Rate

The Supply Management cost recovery rate is set to recover full costs. Typical costs recovered include civilian pay, distribution depot costs, transportation costs, other Defense bills associated with supply operations, and costs of replacing inventory washouts. The cost recovery rate decreases in FY 2013 as a result of internal Supply Management enterprise overhead efficiencies as well as Defense Logistics Agency efficiencies. The price change is displayed on exhibit SM 5b, *Customer Price Change*.

Chart SM 6 - Cost Recovery Rate and Price Change



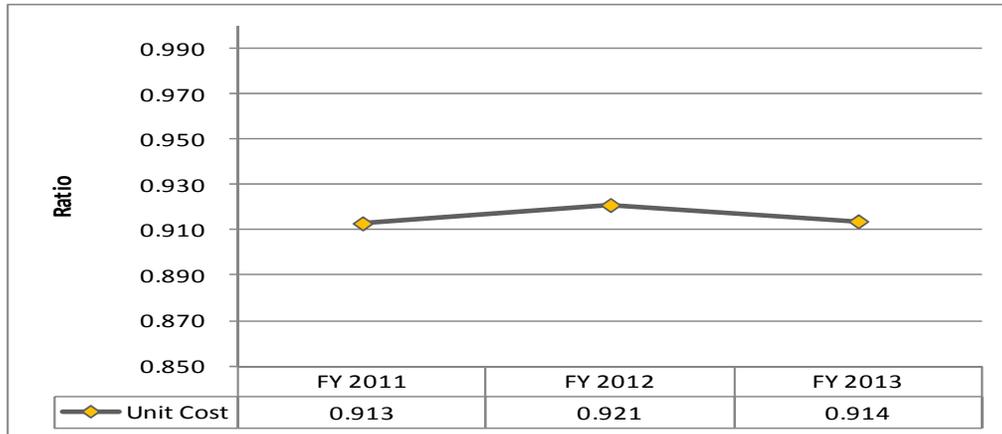
Unit Cost

The unit cost is a metric to relate operating costs to each dollar of sales. 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 below 1.0 means that the enterprise is reducing inventory by selling and not replenishing. A unit cost above 1.0 means that Supply Management is growing inventory levels by buying above the current sales level. The unit cost of less than 1.0 from FY 2011 through FY 2013



indicate a consistent effort to continue to constrain inventory based on projected declining sales volume. Chart SM 7 shows unit cost for FY 2011 through FY 2013.

Chart SM 7 - Unit Cost

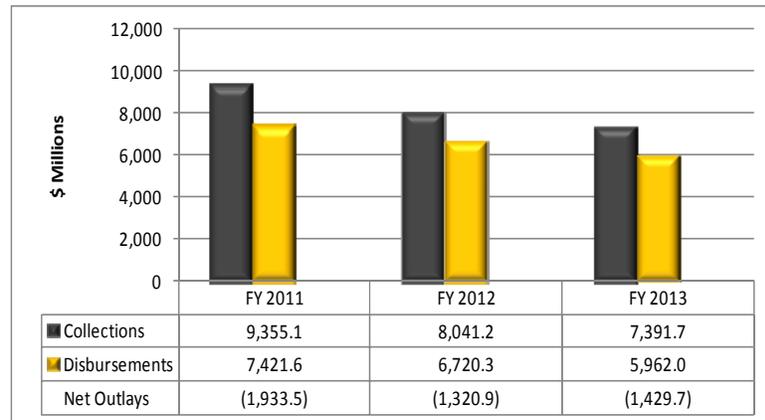


$$\text{Unit cost} = \frac{\text{Obligations} + \text{Credit} + \text{Depreciation expense}}{\text{Gross sales}}$$

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 in the Logistics Modernization Program

Chart SM 8 - Cash Management



(LMP), there are no collections or disbursements between the Supply Management and Industrial Operations activity groups as LMP treats both entities as one company. This business process happens to result in a decreased net outlay for the Supply Management activity, which is balanced by an increased net outlay for the Industrial Operations activity.

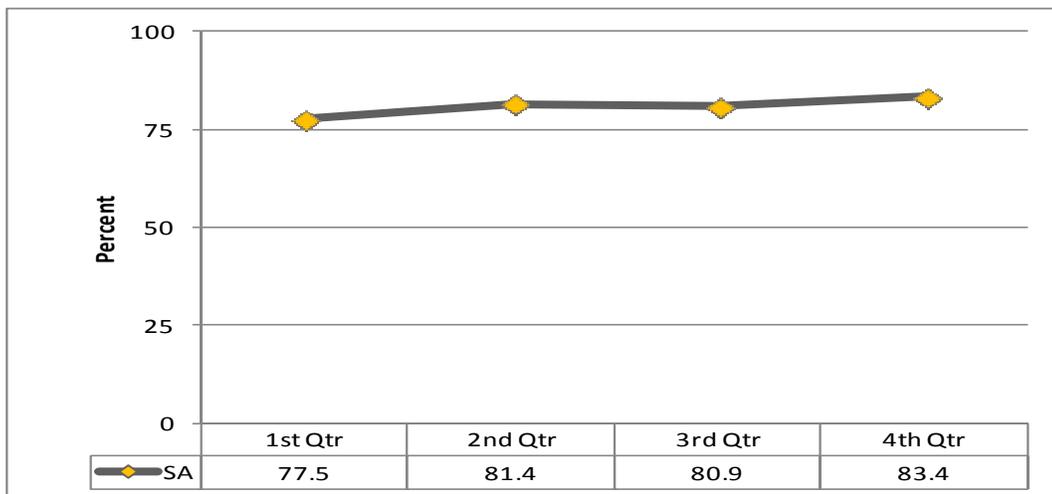


Performance Measurement

Stock Availability

Supplying and maintaining the Army's equipment remain key components of readiness. Stock availability is administered through adequate funding of hardware, proper management of the supply chain, and reliable oversight of materiel stockage requirements. After deployment of the Logistics Modernization Program (LMP) to TACOM-LCMC on 1 October 2010, overall stock availability rates decreased to 77.5%. Each deployment has resulted in a temporary decrease to the deploying LCMC stock availability as item managers adjust to the system. Rates increased through the remainder of FY 2011 and are expected to return to the 85% goal in FY 2012. Chart SM 9 shows stock availability at the end of each quarter in FY 2011.

Chart SM 9 - Stock Availability (SA)



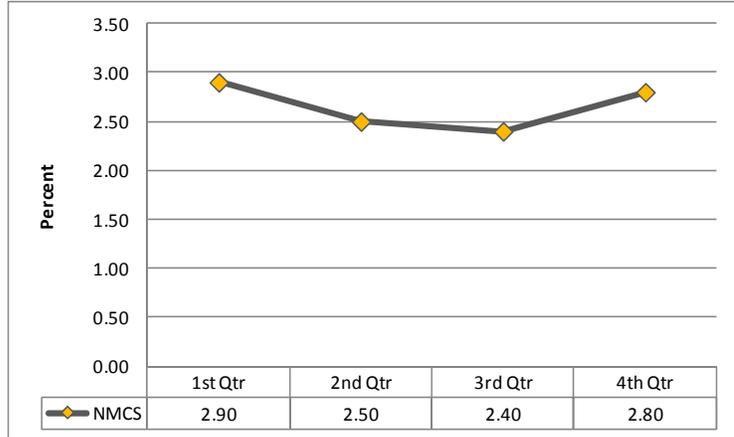
The stock availability goal, a primary performance measure relating supply system ability to fill requisitions, is 85% demand satisfaction.



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 2011. Non-mission capable supply by weapon system is displayed on exhibit SM 3b, *Operating Requirements by Weapon System*.

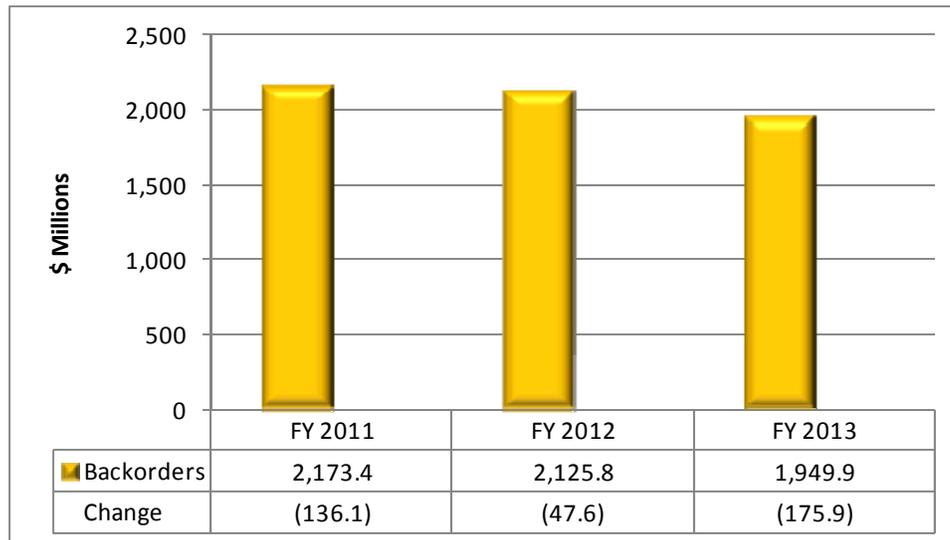
Chart SM 10 - Non-Mission Capable, Supply



Customer Backorders

Backorders are expected to decrease through FY 2013 with reductions due to both materiel deliveries and reduced demands from Overseas Contingency Operations customers. 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



Supply Management Workload

Table SM 2 below displays Supply Management workload drivers. The decreases in requisitions received and issues completed are based on deployed force activity assumptions.

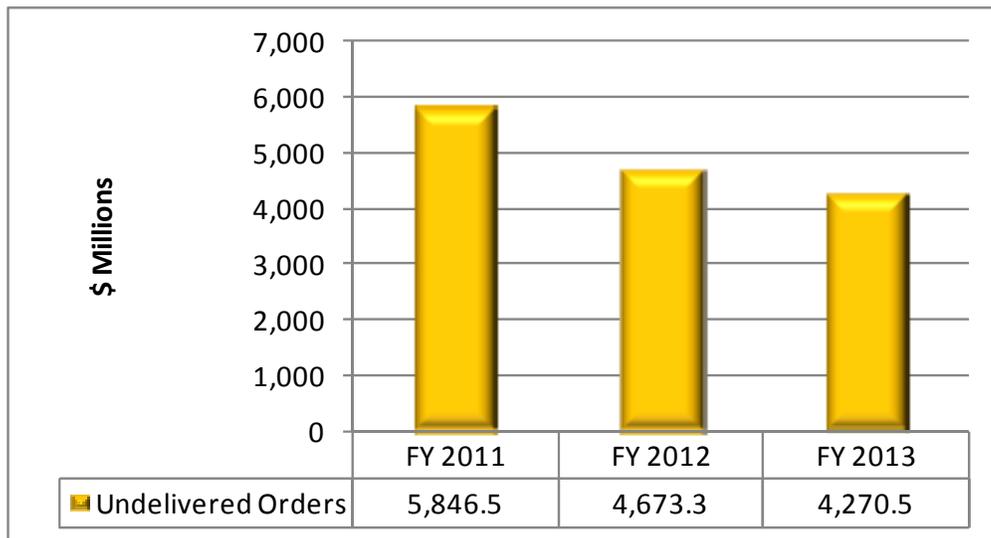
Table SM 2 - Supply Management Workload

Supply Management Workload	FY 2011	FY 2012	FY 2013
Types of Items Managed	106,954	99,622	98,577
Requisitions Received	1,149,178	1,072,012	986,399
Issues Completed	989,849	939,351	864,760
Procurement Receipts	264,810	228,997	208,576
Contracts Awarded	14,775	11,419	10,424

Undelivered Orders

Undelivered orders represent goods and services ordered, but not yet received by the AWCF. A sufficient cash balance is required to pay suppliers upon receipt of these orders. As shown in the chart below, undelivered orders are projected to decrease through FY 2013 due to continued materiel deliveries and decreased new materiel obligations based on lower deployed force assumptions.

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. War reserve funding supports the Army's 2015 APS Strategy. FY 2012 and FY 2013 Overseas Contingency Operations (OCO) funds are requested to purchase secondary items to accompany the placement of MRAP vehicles into war reserve stocks. 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 2011	FY 2012	FY 2013
War Reserve Secondary Items	54.6	101.2	60.0
OCO Funds		54.0	42.6
Total Appropriated Funds	54.6	155.2	102.6

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) 2013 Budget Estimates
Supply Management**

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

	FY 2011	FY 2012	FY 2013
Revenue			
AMI Sales	7,902.2	7,085.7	6,556.6
NAMI Sales	2,172.2	1,703.7	1,407.0
AMC MOB Sales	12.4	2.0	2.0
Total Gross Sales	10,086.8	8,791.3	7,965.5
Credit and Allowances	515.3	530.3	525.7
Net Sales	9,571.5	8,261.1	7,439.8
Other Income	54.6	155.2	102.6
War Reserve-Secondary Items	54.6	155.2	102.6
Total Income	9,626.1	8,416.3	7,542.5
Expenses			
Cost of Materiel Sold from Inventory			
AMI	6,594.7	5,587.8	5,205.6
NAMI	1,860.6	1,538.9	1,265.9
AMC MOB	12.4	2.0	2.0
Total Cost of Materiel Sold from Inventory	8,467.7	7,128.7	6,473.5
Inventory Losses/Obsolescence	78.0	96.0	90.4
Salaries and Wages Total	243.2	220.4	194.7
Military Personnel Compensation & Benefits	0.2	0.2	0.2
Civilian Personnel Compensation & Benefits	243.0	220.2	194.6
Travel & Transportation of Personnel	0.9	2.0	2.0
Materiel & Supplies (For Internal Operations)	1.0	0.9	0.8
Equipment	1.0	1.1	1.0
Other Purchases from Revolving Funds	327.1	332.8	262.5
Transportation of Things	130.2	107.4	94.7
Depreciation - Capital	76.1	92.9	86.9
Printing and Reproduction	0.1	0.1	0.1
Advisory and Assistance Services	21.2	12.7	13.4
Rent, Communication, Utilities & Misc. Charges	0.5	5.7	5.7
Other Purchased Services	398.5	374.7	331.5
Total Expenses	9,745.4	8,375.6	7,557.2
Operating Result	(119.3)	40.7	(14.8)
Other Changes Affecting NOR:			
Less Direct Funding	(54.6)	(155.2)	(102.6)
Adjustment for Non-Recoverable Expense	70.8	0.0	0.0
Net Operating Result	(103.1)	(114.5)	(117.4)
Prior Year AOR	335.0	231.9	117.4
Less Retained Earnings	0.0	0.0	0.0
Accumulated Operating Result	231.9	117.4	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Source of New Orders and Revenue
(\$ in Millions)**

	FY 2011	FY 2012	FY 2013
1. New Orders			
a. Orders from DOD Components			
Department of Army			
Operation & Maintenance, Army	7,443.6	6,731.9	6,061.5
Operation & Maintenance, ARNG	563.3	453.4	410.9
Operation & Maintenance, AR	78.1	68.5	61.4
Subtotal, O&M	8,085.0	7,253.8	6,533.9
Industrial Operations Business	610.7	550.3	398.7
Procurement Appropriations	349.2	201.9	183.9
RDT&E	2.0	1.7	1.5
All Other Army	0.0	0.0	0.0
Subtotal, Department of the Army	9,046.9	8,007.7	7,118.0
Department of Navy	145.7	119.9	109.3
Department of Air Force	251.8	214.4	197.9
US Marine Corps	105.8	121.1	108.8
Other Department of Defense	82.4	38.7	35.0
Subtotal, Other DoD Services	585.7	494.2	451.0
Total DOD	9,632.6	8,501.9	7,568.9
b. Other Orders:			
Supply Support Agreements	0.0	0.0	0.0
Foreign Military Sales	277.9	237.3	216.4
Military Assistance Programs	0.0	0.0	0.0
Other Federal Agencies	2.7	4.4	4.1
All Other	37.6	0.2	0.2
Subtotal, Other Orders	318.1	241.9	220.7
Total New Orders	9,950.7	8,743.8	7,789.6
2. Carry-In Orders (Back Orders From Prior Years)	2,309.5	2,173.4	2,125.8
3. Total Gross Orders	12,260.2	10,917.1	9,915.4
4. Less Carry out	2,173.4	2,125.8	1,949.9
5. Gross Sales	10,086.8	8,791.3	7,965.5
6. Less Credit and Allowances	515.3	530.3	525.7
7. Net Sales	9,571.5	8,261.1	7,439.8

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Supply Management Summary
(\$ in Millions)**

	Net Customer Orders	Net Sales	Obligation Operating	Targets MOB	Total
Non-Army Managed Items (NAMI)					
<i>FY 2011</i>	2,152.3	2,171.8	1,836.1	0.0	1,836.1
<i>FY 2012</i>	1,851.0	1,702.7	1,497.6	0.0	1,497.6
<i>FY 2013</i>	1,525.9	1,406.0	1,232.4	0.0	1,232.4
Army Managed Items (AMI)					
<i>Aviation</i>					
<i>FY 2011</i>	3,544.3	3,728.7	2,690.0	2.1	2,692.1
<i>FY 2012</i>	2,874.4	3,034.5	2,454.2	0.0	2,454.2
<i>FY 2013</i>	2,614.6	2,749.7	2,253.2	6.2	2,259.4
<i>Communications-Electronics</i>					
<i>FY 2011</i>	1,283.6	1,257.3	544.6	4.0	548.6
<i>FY 2012</i>	1,008.0	990.7	740.7	4.0	744.7
<i>FY 2013</i>	903.0	928.2	665.3	0.9	666.2
<i>Missiles</i>					
<i>FY 2011</i>	272.5	332.2	204.0	1.3	205.3
<i>FY 2012</i>	260.5	274.1	169.1	0.0	169.1
<i>FY 2013</i>	250.7	263.5	165.4	3.3	168.8
<i>Tank-automotive & Armaments</i>					
<i>FY 2011</i>	2,163.9	2,069.1	1,450.6	17.1	1,467.7
<i>FY 2012</i>	2,217.6	2,257.1	1,552.2	81.0	1,633.2
<i>FY 2013</i>	1,967.8	2,090.4	1,443.1	40.6	1,483.7
Total AMI					
FY 2011	7,264.3	7,387.4	4,889.2	24.5	4,913.8
FY 2012	6,360.5	6,556.4	4,916.2	85.0	5,001.2
FY 2013	5,736.0	6,031.9	4,527.1	50.9	4,578.0
AMC Mobilization					
<i>FY 2011</i>	18.8	12.3	5.1	30.1	35.2
<i>FY 2012</i>	2.0	2.0	2.0	70.2	72.2
<i>FY 2013</i>	2.0	2.0	2.0	51.7	53.7
Total Hardware					
FY 2011	9,435.4	9,571.5	6,730.4	54.6	6,785.0
FY 2012	8,213.5	8,261.1	6,415.7	155.2	6,570.9
FY 2013	7,263.9	7,439.8	5,761.4	102.6	5,864.1

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Supply Management Summary
(\$ in Millions)**

	Net		Obligation Targets		
	Customer	Net			
	Orders	Sales	Operating	MOB	Total
<i>Cost of Operations (LOGOPS)</i>					
<i>FY 2011</i>			1,123.6	0.0	1,123.6
<i>FY 2012</i>			1,057.9	0.0	1,057.9
<i>FY 2013</i>			906.5	0.0	906.5
<i>Variability Target</i>					
<i>FY 2011</i>			0.0	0.0	0.0
<i>FY 2012</i>			1,428.0	0.0	1,428.0
<i>FY 2013</i>			1,469.9	0.0	1,469.9
<i>Enterprise Software Initiative</i>					
<i>FY 2011</i>			43.9	0.0	43.9
<i>FY 2012</i>			45.0	0.0	45.0
<i>FY 2013</i>			35.0	0.0	35.0
Total Operating Obligation Authority					
FY 2011	9,435.4	9,571.5	7,897.9	54.6	7,952.5
FY 2012	8,213.5	8,261.1	8,946.6	155.2	9,101.8
FY 2013	7,263.9	7,439.8	8,172.8	102.6	8,275.4
<i>Capital Obligation Authority</i>					
<i>FY 2011</i>			19.0	0.0	19.0
<i>FY 2012</i>			32.6	0.0	32.6
<i>FY 2013</i>			47.9	0.0	47.9
Total Obligation Authority					
FY 2011	9,435.4	9,571.5	7,916.9	54.6	7,971.6
FY 2012	8,213.5	8,261.1	8,979.3	155.2	9,134.5
FY 2013	7,263.9	7,439.8	8,220.7	102.6	8,323.3
Budget Authority					
<i>War Reserve Authority</i>					
<i>FY 2011</i>			0.0	54.6	54.6
<i>FY 2012</i>			0.0	155.2	155.2
<i>FY 2013</i>			0.0	102.6	102.6
Total Budget Authority					
FY 2011			0.0	54.6	54.6
FY 2012			0.0	155.2	155.2
FY 2013			0.0	102.6	102.6

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Operating Requirements by Weapon System
(\$ in Millions)**

	FY 2011		FY 2012		FY 2013	
	Obligations	NMCRS ¹	Obligations	NMCRS ¹	Obligations	NMCRS ¹
<i>AH-64, Apache</i>	576.0	5.0%	418.7	≤ 25.0%	397.9	≤ 25.0%
<i>CH-47D, Chinook</i>	426.5	6.0%	350.9	≤ 25.0%	330.7	≤ 25.0%
<i>UH-60, Black Hawk</i>	1,257.8	4.0%	1,469.3	≤ 25.0%	1,337.5	≤ 25.0%
<i>OH-58D, Kiowa Warrior</i>	274.1	2.0%	178.8	≤ 25.0%	157.1	≤ 25.0%
<i>Other Aviation</i>	155.6	0.0%	205.6	≤ 25.0%	189.4	≤ 25.0%
<i>MLRS</i>	2.5	3.0%	6.7	≤ 10.0%	9.2	≤ 10.0%
<i>Patriot</i>	183.2	2.0%	96.4	≤ 10.0%	125.5	≤ 10.0%
<i>Other Missile</i>	14.3	0.0%	48.2	≤ 10.0%	17.8	≤ 10.0%
<i>Firefinder</i>	43.0	0.1%	12.9	≤ 10.0%	12.9	≤ 10.0%
<i>Night Vision Goggles</i>	43.5	0.2%	2.1	≤ 10.0%	70.7	≤ 10.0%
<i>SINGARS</i>	63.6	0.0%	41.1	≤ 10.0%	41.1	≤ 10.0%
<i>Other Communication-Electronics</i>	261.5	1.5%	456.7	≤ 10.0%	382.1	≤ 10.0%
<i>FMTV</i>	9.8	2.5%	10.0	≤ 10.0%	9.5	≤ 10.0%
<i>HEMTT</i>	42.4	2.0%	70.6	≤ 10.0%	61.5	≤ 10.0%
<i>HMMWV</i>	21.5	1.1%	37.7	≤ 10.0%	36.4	≤ 10.0%
<i>M109A6, Paladin</i>	7.9	3.5%	12.3	≤ 10.0%	5.9	≤ 10.0%
<i>M198, Towed Howitzer</i>	1.0	3.6%	2.6	≤ 10.0%	1.2	≤ 10.0%
<i>M1A1, Abrams Tank</i>	259.9	2.3%	326.8	≤ 10.0%	121.3	≤ 10.0%
<i>M1A2, Abrams Tank (SEP)</i>	0.0	2.0%	0.0	≤ 10.0%	0.0	≤ 10.0%
<i>M2/M3, Bradley Fighting Vehicle</i>	50.3	1.5%	93.2	≤ 10.0%	18.7	≤ 10.0%
<i>Stryker</i>	160.8	0.3%	303.0	≤ 10.0%	247.7	≤ 10.0%
<i>Other Tank-Automotive</i>	1,034.1	2.1%	703.8	≤ 10.0%	952.9	≤ 10.0%
Subtotal	4,889.2		4,847.5		4,527.1	
<i>NAMI</i>	1,836.1		1,497.6		1,232.4	
<i>AMC-MOB</i>	5.1		2.0		2.0	
TOTAL	6,730.4		6,347.0		5,761.4	

^{1/} NMCRS - Non Mission Capable Rate- Supply represents the percent of time a weapon system is not mission capable due to lack of critical spare parts. FY 2011 is actual data. FY 2012 and FY 2013 are Army's goal.

**Army Working Capital Fund
Fiscal Year (FY) 2013 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. <i>Reclassification</i>	81.0	632.5	188.5	(740.0)
b. <i>Price Change Amount</i>	60.0	3.3	30.1	26.6
c. <i>Adjusted Inventory BOP (Lines 1+2A+2B)</i>	23,460.7	3,218.4	9,657.5	10,584.8
3. Receipts	9,138.3	99.4	9,038.9	0.0
4. Gross Sales	10,086.8	0.0	10,086.8	0.0
5. Inventory Adjustments				
a. <i>Capitalization</i>	(524.0)	21.9	(473.1)	(72.7)
b. <i>Returns from Customers</i>	515.3	0.1	274.0	241.3
c. <i>Returns from Customers w/o Credit</i>	3,723.1	0.0	2,584.5	1,138.6
d. <i>Returns to Suppliers</i>	(2,630.5)	(199.8)	(810.2)	(1,620.5)
e. <i>Transfers to DRMS</i>	(2,859.7)	(12.5)	(1,079.1)	(1,768.2)
f. <i>Issues/Receipts w/o Adjustments</i>	(53.4)	(0.1)	(3.0)	(50.3)
g. <i>Other</i>	3,146.5	(211.2)	3,357.7	0.0
h. Total	1,317.3	(401.7)	3,850.9	(2,131.9)
6. Inventory End of Period (EOP)	23,829.5	2,916.1	12,460.4	8,453.0
7. Inventory EOP, Revalued (LAC Discounted)	19,327.4	2,365.1	10,106.3	6,856.0
a. <i>Economic Retention (MEMO)</i>				2,987.2
b. <i>Contingency Retention (MEMO)</i>				1,075.5
c. <i>Potential Transfer to DRMS (MEMO)</i>				1,778.1
8. On Order EOP at Cost	6,280.1	81.6	6,198.5	0.0

9. **NARRATIVE:** The FY 2013 budget includes a blend of Inventory valued at Standard Price (SP), Moving Average Cost (MAC) and Latest Acquisition Cost (LAC). The blend of inventory valuation is due to the conversion to LMP. Column "Other" includes inventory that stratifies beyond the budget year, economic and contingency retention stock and inventory excess to requirement objectives.

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

	FY 2012			
	Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	23,829.5	2,916.1	12,460.4	8,453.0
2. BOP Inventory Adjustments				
<i>a. Reclassification</i>	0.0	27.8	210.0	(237.8)
<i>b. Price Change Amount</i>	(891.0)	6.1	(22.9)	(874.1)
<i>c. Adjusted Inventory BOP (Lines 1+2A+2B)</i>	22,938.5	2,950.0	12,647.5	7,341.0
3. Receipts	8,770.3	185.3	8,585.1	0.0
4. Gross Sales	8,791.3	0.0	8,791.3	0.0
5. Inventory Adjustments				
<i>a. Capitalization</i>	(845.5)	(359.4)	(434.9)	(51.3)
<i>b. Returns from Customers</i>	530.3	0.0	146.8	383.5
<i>c. Returns from Customers w/o Credit</i>	2,523.2	0.0	901.2	1,622.0
<i>d. Returns to Suppliers</i>	(2,686.3)	(91.4)	(9.1)	(2,585.8)
<i>e. Transfers to DRMS</i>	(2,712.3)	(21.0)	(121.0)	(2,570.3)
<i>f. Issues/Receipts w/o Adjustments</i>	(58.6)	(2.0)	(2.5)	(54.1)
<i>g. Other</i>	3,806.0	28.2	3,454.4	323.5
<i>h. Total</i>	556.7	(445.6)	3,934.8	(2,932.4)
6. Inventory End of Period (EOP)	23,474.2	2,689.6	16,376.0	4,408.6
7. Inventory EOP, Revalued (LAC Discounted)	19,265.4	2,207.4	13,439.9	3,618.2
<i>a. Economic Retention (MEMO)</i>				1,295.4
<i>b. Contingency Retention (MEMO)</i>				867.9
<i>c. Potential Transfer to DRMS (MEMO)</i>				427.5
8. On Order EOP at Cost	5,884.1	76.5	5,807.6	0.0

9. **NARRATIVE:** The FY 2013 budget includes a blend of Inventory valued at Standard Price (SP), Moving Average Cost (MAC) and Latest Acquisition Cost (LAC). The blend of inventory valuation is due to the conversion to LMP. Column "Other" includes inventory that stratifies beyond the budget year, economic and contingency retention stock and inventory excess to requirement objectives.

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Inventory Status
(\$ in Millions)**

	FY 2013			
	Total	Mobilization	Operating	Other
1. Inventory Beginning of Period (BOP)	23,474.2	2,689.6	16,376.0	4,408.6
2. BOP Inventory Adjustments				
<i>a. Reclassification</i>	167.8	(4.9)	(1,021.9)	1,194.6
<i>b. Price Change Amount</i>	633.1	40.7	(84.2)	676.6
<i>c. Adjusted Inventory BOP (Lines 1+2A+2B)</i>	24,275.1	2,725.4	15,269.8	6,279.8
3. Receipts	7,679.2	150.2	7,529.0	0.0
4. Gross Sales	7,965.5	0.0	7,965.5	0.0
5. Inventory Adjustments				
<i>a. Capitalization</i>	(464.3)	0.0	(413.1)	(51.1)
<i>b. Returns from Customers</i>	525.7	0.0	304.9	220.8
<i>c. Returns from Customers w/o Credit</i>	2,372.6	0.0	854.1	1,518.5
<i>d. Returns to Suppliers</i>	(2,549.9)	(66.4)	(7.8)	(2,475.8)
<i>e. Transfers to DRMS</i>	(2,598.4)	(12.0)	(205.8)	(2,380.7)
<i>f. Issues/Receipts w/o Adjustments</i>	(57.6)	0.0	(2.6)	(55.0)
<i>g. Other</i>	1,250.0	0.0	1,250.0	0.0
<i>h. Total</i>	(1,521.9)	(78.4)	1,779.8	(3,223.3)
6. Inventory End of Period (EOP)	22,466.8	2,797.2	16,613.1	3,056.5
7. Inventory EOP, Revalued (LAC Discounted)	18,438.2	2,295.6	13,634.2	2,508.5
<i>a. Economic Retention (MEMO)</i>				671.1
<i>b. Contingency Retention (MEMO)</i>				458.4
<i>c. Potential Transfer to DRMS (MEMO)</i>				351.7
8. On Order EOP at Cost	5,269.0	68.5	5,200.5	0.0
9. NARRATIVE: The FY 2013 budget includes a blend of Inventory valued at Standard Price (SP), Moving Average Cost (MAC) and Latest Acquisition Cost (LAC). The blend of inventory valuation is due to the conversion to LMP. Column "Other" includes inventory that stratifies beyond the budget year, economic and contingency retention stock and inventory excess to requirement objectives.				

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**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	3.3	3.3	0.0
3. Reclassification	632.5	632.5	0.0
4. Inventory Changes			
a. Receipts	99.4	98.1	1.3
(1) Purchases	99.4	98.1	1.3
(2) Returns from customers	0.1	0.1	0.0
b. Issues	(212.3)	(212.3)	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	(199.8)	(199.8)	0.0
(3) Disposals	(12.5)	(12.5)	0.0
c. Adjustments	(189.5)	(189.5)	0.0
(1) Capitalizations	21.9	21.9	0.0
(2) Gains and losses	(0.1)	(0.1)	0.0
(3) Other	(211.2)	(211.2)	0.0
5. Inventory End of Period (EOP)	2,916.1	2,855.1	61.0
6. Stockpile Costs			
a. Storage	0.0		
b. Manage	0.3		
c. Maintenance/Other	0.0		
Total	0.0		
7. WRM Budget Request			
a. Additional WRM	52.6		
b. Replenishment WRM	2.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	54.6		

NARRATIVE:

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**War Reserve Materiel
(\$ in Millions)**

	FY 2012 Total	Protected	Other
1. Inventory Beginning of Period (BOP)	2,916.1	2,855.1	61.0
2. Price Change	6.1	5.8	0.3
3. Reclassification	27.8	27.5	0.3
4. Inventory Changes			
a. Receipts	185.3	181.8	3.5
(1) Purchases	185.3	181.8	3.5
(2) Returns from customers	0.0	0.0	0.0
b. Issues	(112.4)	(112.4)	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	(91.4)	(91.4)	0.0
(3) Disposals	(21.0)	(21.0)	0.0
c. Adjustments	(333.2)	(333.2)	0.0
(1) Capitalizations	(359.4)	(359.4)	0.0
(2) Gains and losses	(2.0)	(2.0)	0.0
(3) Other	28.2	28.2	0.0
5. Inventory End of Period (EOP)	2,689.6	2,624.6	65.0
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	0.0		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	155.2		

NARRATIVE:

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**War Reserve Materiel
(\$ in Millions)**

	FY 2013 Total	Protected	Other
1. Inventory Beginning of Period (BOP)	2,689.6	2,624.6	65.0
2. Price Change	40.7	40.7	0.0
3. Reclassification	(4.9)	(4.9)	0.1
4. Inventory Changes			
a. Receipts	150.2	147.2	2.9
(1) Purchases	150.2	147.2	2.9
(2) Returns from customers	0.0	0.0	0.0
b. Issues	(78.4)	(78.4)	0.0
(1) Sales	0.0	0.0	0.0
(2) Returns to Suppliers	(66.4)	(66.4)	0.0
(3) Disposals	(12.0)	(12.0)	0.0
c. Adjustments	0.0	0.0	0.0
(1) Capitalizations	0.0	0.0	0.0
(2) Gains and losses	0.0	0.0	0.0
(3) Other	0.0	0.0	0.0
5. Inventory End of Period (EOP)	2,797.2	2,729.1	68.0
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	100.0		
b. Replenishment WRM	2.6		
c. Repair WRM	0.0		
d. Assemble/Disassemble	0.0		
e. Other	0.0		
Total	102.6		

NARRATIVE:

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Customer Price Change
(\$ in Millions)**

	FY 2011	FY 2012	FY 2013
1. Total AMI Materiel Cost	7,407.2	7,092.9	6,688.0
2. Less LAC Materiel Inflation Adjustment	143.8	137.2	129.4
3. Revised Gross Sales at Cost	7,263.4	6,955.7	6,558.7
4. Cost Recovery in Dollars	1,097.1	999.8	859.1
5. Change to Customers			
a. Previous Year's Cost Recovery Rate	12.0%	14.8%	16.3%
b. This year's Cost Recovery Dollars plus Inflation adjustment divided by Revised Gross Sales at Cost	17.1%	16.3%	15.1%
c. Percent Change to Customer	4.5%	1.3%	-1.1%

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.

The core financial measures for Industrial Operations are the net operating result (NOR) and accumulated operating result (AOR). The NOR measures the activity's gain or loss within a single fiscal year and is used to monitor how closely the activity performs compared to its budget. The AOR measures the activity's accumulated gains and losses since the fund's inception. Rates are set during budget development to break even by bringing the AOR to zero over a budget cycle. This method 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 customer appropriated funding requests impact the business by adversely affecting workloading decisions and projected staffing levels and may also affect equipment readiness of supported customers.

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***



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. To increase efficiency and maintain their competitive edge, Industrial Operations activities have 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:



Tobyhanna Army Depot reduced man-hours by 5,188 and repair cost by \$590 thousand per system on the AN/MST-T1(V) Mini-MUTES as a 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 \$378 million per year since FY 2008. 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 \$700 million per year in cost savings and avoidances since FY 2008 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 thirteen Industrial Operations activities currently hold twenty 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 2011 to FY 2013, Industrial Operations has invested or plans to invest an average of \$64 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 31 percent from FY 2011 to FY 2013, while the regular civilian direct labor hours remain relatively stable.
- **Safety Improvements:** Improving safety is a high priority throughout the Army Materiel Command (AMC); it improves morale and productivity and reduces costs. The AMC Commander sets, publishes, and tracks progress toward safety goals each year. Tobyhanna Army Depot (TYAD), Corpus Christi Army Depot (CCAD), McAlester Army Ammunition Plant (MCAAP), and Crane Army Ammunition Activity (CAAA) are recognized as Star sites in the Occupational Safety and Health Administration's Voluntary Protection Program (VPP). VPP participants must maintain an effective safety and health management system that meets rigorous performance-based criteria. In addition, the three highest cost avoidance dollar estimates recognized by the National Safety Council for DOD sites in 2010 were CAAA (\$1.5M), CCAD (\$2.1M), and MCAAP (\$2.2M).

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.

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.



Pine Bluff Arsenal employee smooths a chemical canister.

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) and 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 core¹¹ 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 twenty-seven Shingo Prizes for various programs at its depots and arsenals, including eight at Red River Army Depot, seven at Letterkenny Army Depot, and six 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.

¹¹ 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.



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

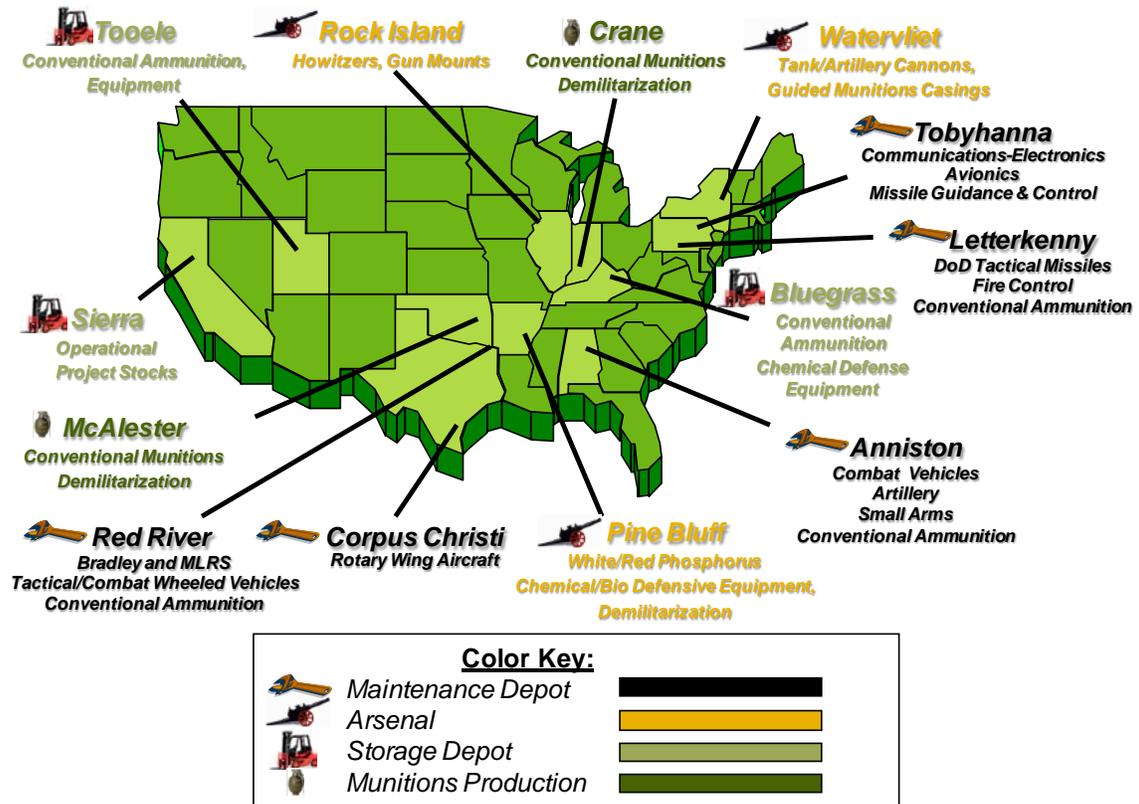


The Aviation Ground Power Unit (AGPU) rebuild program at Letterkenny Army Depot received the Shingo Prize in 2011.



Activity Group Composition

Figure IO 1 - Industrial Operations Activity Group Composition



The U.S. Army Materiel Command (AMC) is located in Huntsville, Alabama and serves as the management command for the Industrial Operations activity group. Installations or activities in this group fall under the direct command and control of the Life Cycle Management Commands (LCMCs), each aligned in accordance with the nature of its mission. AMC Headquarters completed its relocation to Redstone Arsenal in July 2011 in accordance with the BRAC Act of 2005. The following are descriptions of the Industrial Operations activities and their major core mission functions.



Anniston Army Depot (ANAD)

Location: Anniston, Alabama

2011 Workforce: 3,782



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 eighteen thousand 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 Southwest Asia, 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

2011 Workforce: 1,028



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

2011 Workforce: 996



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 allow for the production of detonators weighing only twenty grams to forty thousand-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

2011 Workforce: 4,090



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, Kiowa, and Pave Hawk helicopters. CCAD is also actively engaged in the Reset of equipment returning from operations in Southwest Asia.



Letterkenny Army Depot (LEAD)

Location: Chambersburg, Pennsylvania

2011 Workforce: 1,714



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 also provides installation support to attached organizations and assigned operating facilities.

McAlester Army Ammunition Plant (MCAAP)

Location: McAlester, Oklahoma

2011 Workforce: 1,489



Description: MCAAP is located on forty-five thousand 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

2011 Workforce: 940



Description: With a local economic impact exceeding \$160 million annually, PBA produces, renovates, and stores more than sixty 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

2011 Workforce: 1,637



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

2011 Workforce: 3,242



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), twenty-five 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

2011 Workforce: 1,162



Description: SIAD provides a complete range of logistics support, as the Center of Industrial and Technical Excellence for Reverse Osmosis Water Purification Units as well as operational project stocks, including receipt, storage, repair, shipping, maintenance, containerization, and fabrication of assets. SIAD supports critical systems such as 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

2011 Workforce: 501



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

2011 Workforce: 3,974



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

2011 Workforce: 586



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 battlefield tank, the M1A1 Abrams. WVA also provides installation support to attached organizations and assigned operating facilities.



Budget Highlights

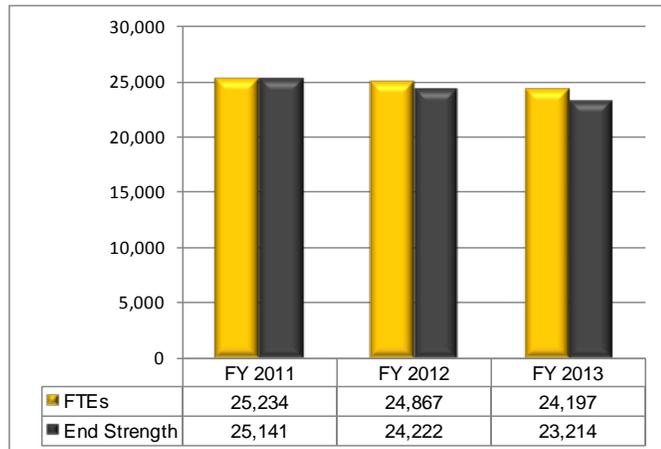
Assumptions

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 equivalent (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 allow for workforce flexibility to accommodate workload changes. In addition to civilian personnel, the Industrial Operations activities employ twenty-six military personnel, which include primarily installation commanders, Sergeants Major, and test pilots.

Chart IO 1 - Civilian Personnel (excludes contractors)

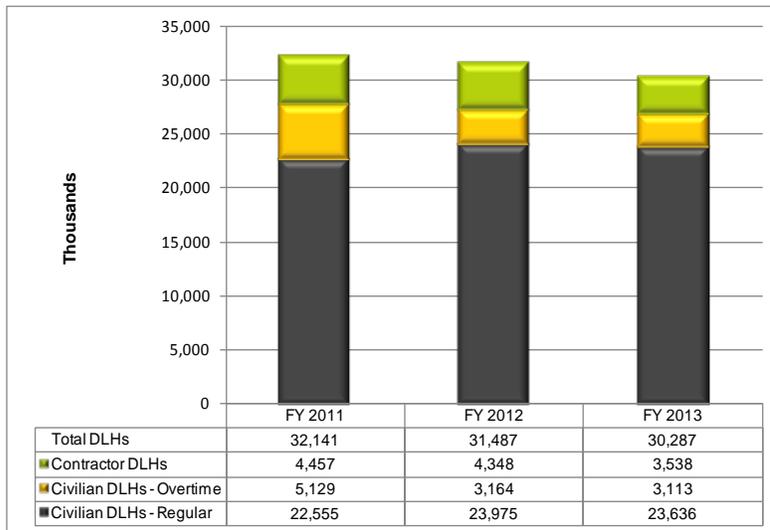


Maintaining a trained and ready workforce is critical to this labor intensive business area. Industrial Operations activities engage in various intern and apprentice programs to help meet this requirement. Due to the specialized nature of the work and skill level requirements, training may require two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



Direct Labor Hour (DLH)

Chart IO 2 - Direct Labor Hours



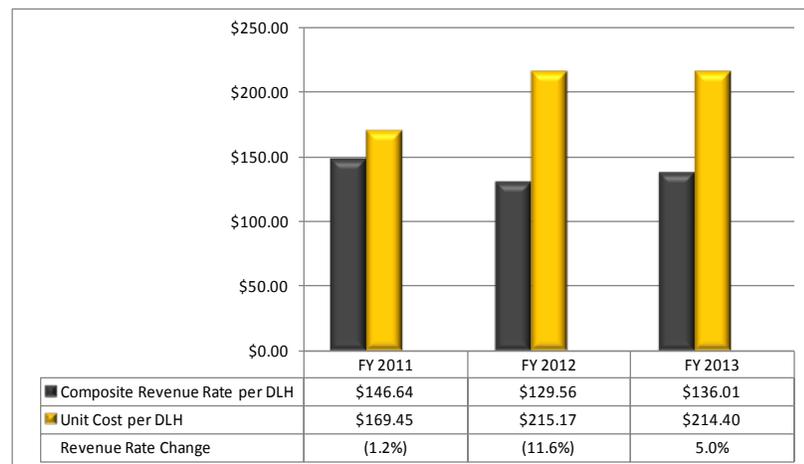
Total direct labor hours (DLHs) represent the number of hours required to complete the Industrial Operations direct mission workload. FY 2013 DLHs decrease slightly as new orders are expected to decrease, but production remains high to complete work carried over from prior fiscal years. IO activities remain prepared to

increase overtime and contractor DLHs in the event workload estimates increase.

Direct Labor Hour Rate

Chart IO 3 - Direct Labor Hour

The composite revenue 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 revenue 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

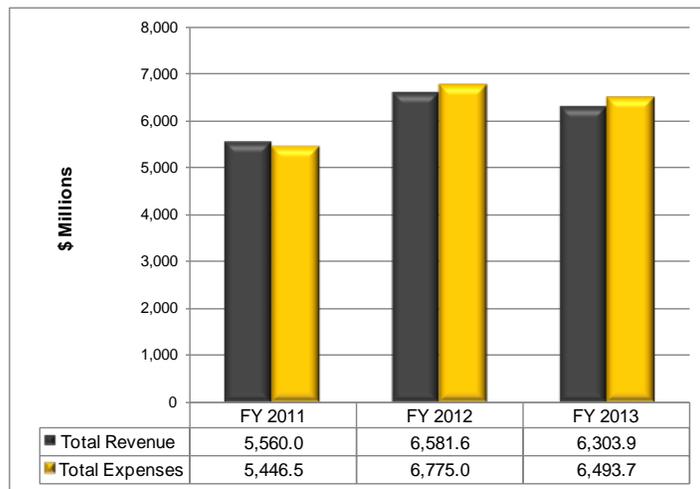


recovered over the budget years; 3) the amount of stabilized direct labor hours available to return gains or recover losses; and 4) the number of total direct labor hours available to distribute overhead cost (stabilized and non-stabilized workload). A change to the composite revenue rate directly affects the total revenue and new order values for the budget year. The FY 2013 composite revenue rate is \$136.01 and is set to return \$189.8 million of prior year accumulated operating result (AOR). Unlike the composite 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

The Industrial Operations revenue amount represents earnings from work performed on various customer appropriations. Total expenses cover full costs, including material, labor, storage, and other direct or indirect costs associated with the products or services being provided. Revenue and expense projections increase in FY 2012 as activities increase production to

Chart IO 4 - Revenue and Expenses



reduce carryover, including \$865 million for HMMWV Reset/RECAP received relatively late in FY 2011. FY 2012 and FY 2013 revenue reflects the return of operational gains back to customers. Revenue and expenses are displayed in more detail 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 2011 was \$639.4 million. Industrial Operations set rates to return \$163.1 million and \$189.8 million of this AOR in FY 2012 and FY 2013, respectively. The Industrial Operations business received approval from DOD Comptroller to defer the return of \$286.6 million of AOR pending resolution of potential prior year accounting issues related to inventory



valuation. The Recoverable Net Operating Result (NOR), Deferred Accumulated Operating Result (AOR), and AOR are displayed on Table IO 1 - Operating Results and Exhibit Fund 14, *Revenue and Expenses*.

Table IO 1 - Operating Results

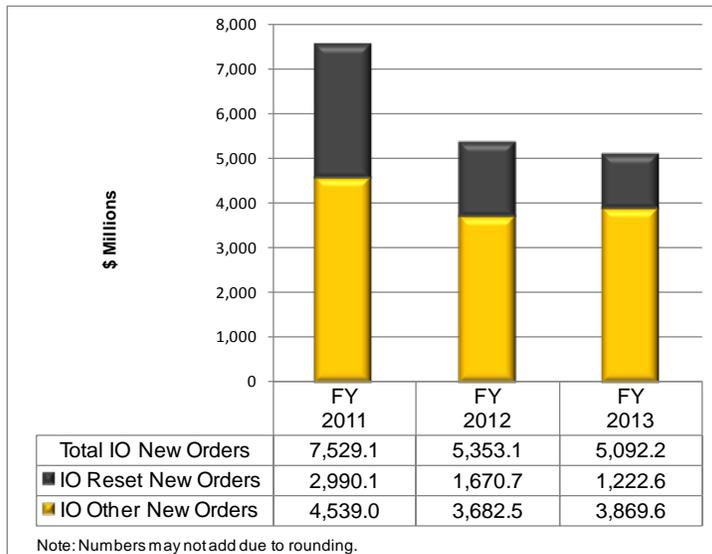
(\$ Millions)	FY 2011	FY 2012	FY 2013
Recoverable Net Operating Result	113.8	(163.1)	(189.8)
Deferred AOR	0.0	0.0	(286.6)
Accumulated Operating Result	639.5	476.4	0.0

New Orders

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 included in the Overseas Contingency Operations (OCO) request. The Reset program ensures Army equipment is restored to a

level of combat capability commensurate with a unit's future mission. FY 2011 New Orders include \$865 million received in June 2011 for HMMWV Reset/RECAP. The projected workload in FY 2013 decreases slightly, in line with customer projections and budgeted depot maintenance requirements. Exhibit Fund 11, *Source of New Orders and Revenue*, displays total new order estimates by fund category.

Chart IO 5 - New Orders



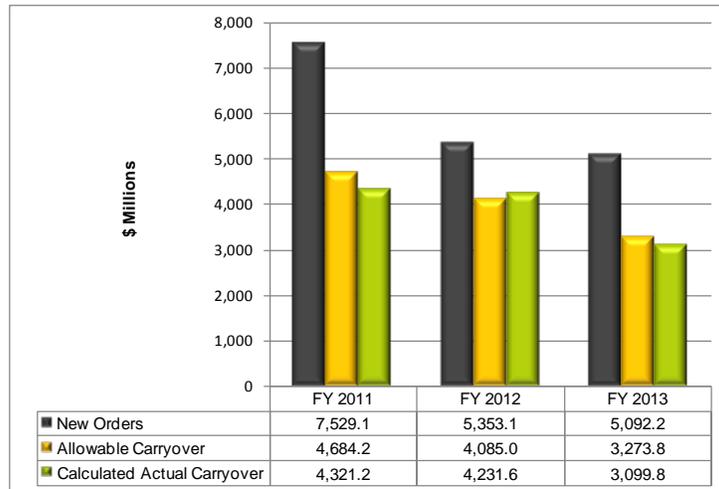
Carryover

Carryover, or unfilled orders, represents the dollar value of work that has been ordered and funded by customers but not completed by the industrial activities at 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, to establish supply chains 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. Army expects to be \$147 million over the



carryover ceiling in FY 2012, but plans to work down its carryover balance by over \$1 billion in FY 2013, returning under the allowable ceiling, as displayed on Exhibit Fund 11, *Source of New Orders and Revenue*, and Exhibit Fund 11a, *Carryover Reconciliation*.

Chart IO 6 - New Orders and Carryover



Performance Measurements

Performance measurements and goals for the Industrial Operations activity group include Recoverable Net Operating Result (NOR) and Productive Yield. FY 2011 actual results and projections for FY 2012 and FY 2013 are shown on Table IO 2 - Performance Measurements.

Table IO 2 - Performance Measurements

Measurements/Goals	FY 2011	FY 2012	FY 2013
Recoverable Net Operating Result	113.8	(163.1)	(189.8)
Productive Yield (Goal 1,615)	1,539	1,620	1,622

The customer rates in this budget return prior year gains, as reflected by the negative NOR, and also preserves \$286.6 million of Accumulated Operating Result (AOR) for resolution of potential prior year accounting issues.

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



Sierra Army Depot mechanic performs repairs on the circuit breakers of a Reverse Osmosis Water Purification Unit during Reset.



productive yield for FY 2011 was lower than planned due largely to training and the deployment of the Logistics Modernization Program (LMP) at the final ten Industrial Operations activities. Projections for FY 2012 and FY 2013 meet the productive yield goal.

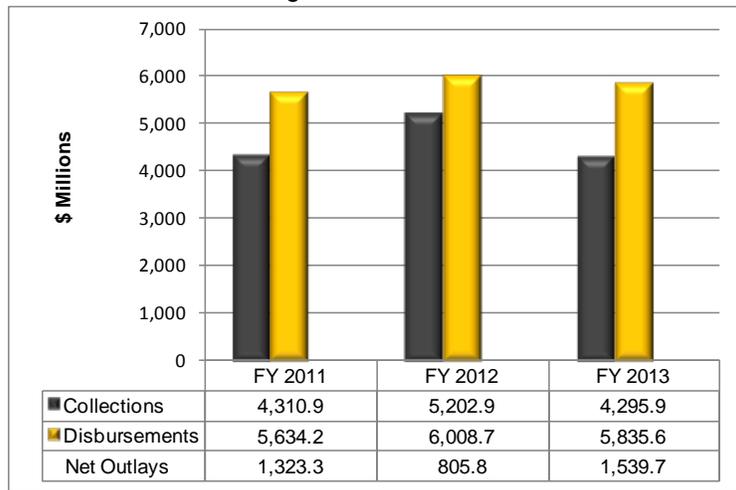
Appropriations

No direct appropriations are requested in this submission.

Collections, Disbursements, and Outlays

Collections are calculated based on projected 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 result (AOR) to customers (\$189.8 million

Chart IO 7 - Cash Management



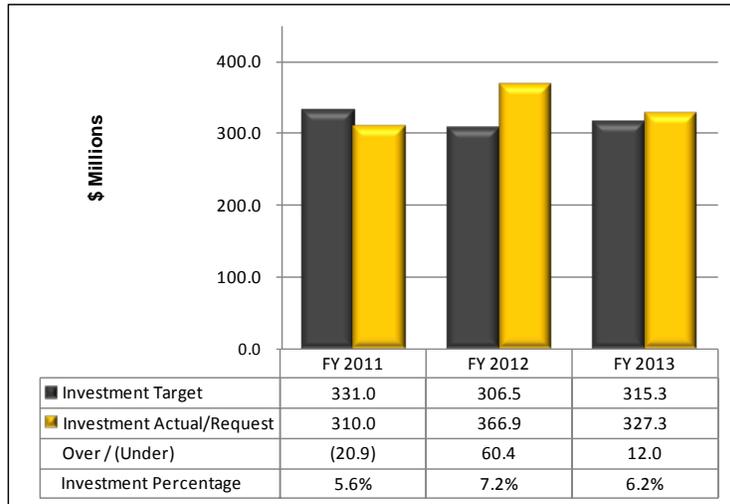
in FY 2013) and the treatment of internal work performed under the Logistics Modernization Program (LMP). Under the internal work performed process, there are no collections or disbursements between the Industrial Operations and Supply Management activity groups as LMP treats both entities as one company. This business process happens to result in an increased net outlay for the Industrial Operations activity, which is balanced by a decreased net outlay for the Supply Management activity.



Minimum Capital Investment for Certain Depots and Arsenals

The National Defense Authorization Acts for FY 2007 and FY 2009 require the five Army maintenance depots (Anniston, Red River, Letterkenny, Tobyhanna, and Corpus Christi) and the three arsenals (Rock Island, Pine Bluff, and Watervliet) to invest the equivalent of at least six percent of funded workload in capital programs. The National Defense

Chart IO 8 – Minimum Capital Investment



Authorization Act for FY 2012 modified the types of investments and funded workload covered by the statute, and also added Tooele Army Depot to this requirement. Army has applied the new guidance to the FY 2012 and FY 2013 estimates.

The chart displays the total investment target and total investment amount planned. Army investment did not meet the six percent minimum requirement in FY 2011 due to year of execution changes, primarily related to software development programs that will now execute in FY 2012. Army plans to exceed the six percent investment requirement in FY 2012 and FY 2013, as displayed in Exhibit Fund 6, *Minimum Capital Investment for Certain Depots and Arsenals*. This exhibit also provides investment details by category for each depot and arsenal location.



**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

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

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Revenue			
Gross Sales:	5,469.4	6,542.6	6,268.0
Operations	5,394.9	6,451.7	6,173.4
Surcharges	0.0	0.0	0.0
Depreciation excluding Major Construction	74.5	90.8	94.6
Other Income (DWCFF IMC)	0.0	0.0	0.0
Other Income (Unfunded Depreciation)	56.8	39.0	35.9
Other Income (Other)	33.9	0.0	0.0
 Total Income:	 5,560.0	 6,581.6	 6,303.9
Expenses			
Salaries and Wages:	2,190.5	2,110.5	1,935.0
Military Personnel Compensation & Benefits	2.8	3.3	3.4
Civilian Personnel Compensation & Benefits	2,187.6	2,107.2	1,931.7
Travel & Transportation of Personnel	57.2	61.6	57.5
Materials & Supplies (For Internal Operations)	1,773.4	3,105.0	3,138.4
Equipment	63.0	96.5	79.9
Other Purchases from Revolving Funds	178.8	134.0	130.3
Transportation of Things	6.9	18.5	16.5
Depreciation - Capital	131.3	129.8	130.4
Printing and Reproduction	2.2	2.9	3.0
Advisory and Assistance Services	170.0	124.1	115.7
Rent, Communication, Utilities, & Misc. Charges	77.5	93.4	87.4
Other Purchased Services	795.7	898.5	799.4
Total Expenses:	5,446.5	6,775.0	6,493.7
 Revenue less costs incurred before extraordinary items	 113.5	 (193.4)	 (189.8)
 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:	0.3	30.4	0.0
Other Inventory Adjustments	0.0	0.0	0.0
Non-Recoverable Expenses	0.3	30.4	0.0
 Recoverable Net Operating Result	 113.8	 (163.1)	 (189.8)
 Other Changes Affecting AOR			
a. AOR Beginning of Year (Unadjusted)	525.6	639.5	476.4
b. +/- Prior Year Adjustments	0.0	0.0	0.0
c. Equals AOR BOY (Adjusted)	525.6	639.5	476.4
d. +/- Net Operating Results	113.8	(163.1)	(189.8)
e. - Congressional Directed Transfer	0.0	0.0	0.0
f. - Deferred AOR	0.0	0.0	(286.6)
g. Equals Recoverable AOR EOP	639.5	476.4	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Source of New Orders and Revenue
(\$ in Millions)**

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
1. New Orders			
a. Orders from DoD Components:			
Department of Army			
Operations & Maintenance, Army	2,847.6	2,608.0	2,645.0
Operations & Maintenance, ARNG	68.4	151.6	90.6
Operations & Maintenance, AR	75.3	79.2	116.2
Subtotal, O&M:	2,991.3	2,838.8	2,851.8
Aircraft Procurement	229.2	56.7	44.5
Missile Procurement	26.7	8.1	8.2
Weapons & Tracked Combat Vehicles	159.1	56.6	4.0
Procurement of Ammunition	164.4	132.4	104.7
Other Procurement	1,547.2	145.5	129.4
Subtotal, Procurement:	2,126.6	399.5	290.7
RDTE	50.4	8.4	7.7
BRAC	5.6	0.1	0.1
Family Housing	2.7	1.9	2.0
Military Construction	0.1	0.0	0.0
Chem Agents & Munitions Dest, Army	3.7	7.3	5.3
Other	5.4	0.1	0.1
Subtotal, Other Army:	67.8	17.8	15.2
Subtotal, Department of Army:	5,185.7	3,256.1	3,157.6
Department of Air Force O&M	118.5	79.3	79.0
Department of Air Force Investment	63.8	45.6	57.6
Department of Navy O&M	24.5	14.3	15.3
Department of Navy Investment	28.7	12.1	26.9
US Marines O&M	150.9	79.4	80.6
US Marines Investment	31.9	5.9	14.4
Department of Defense O&M	13.3	0.1	0.1
Department of Defense Investment	44.1	0.0	0.0
Subtotal, Other DoD Services:	475.7	236.7	274.0
Other DoD Agencies	54.4	40.9	36.2
CAWCF			
Subtotal, DoD Agencies:	54.4	40.9	36.2

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Source of New Orders and Revenue
(\$ in Millions)**

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
b. DWCF:			
Industrial Operations, Army	35.5	21.5	22.0
Supply Management, Army	1,358.4	1,403.0	1,327.8
Supply Management, Air Force	44.1	38.0	47.6
Supply Management, Navy	49.4	52.5	58.0
Supply Management, Marine Corps	2.9	4.3	4.3
DECA	0.1	0.1	0.1
DFAS	0.2	0.3	0.3
DISA	1.0	2.1	2.4
DLA	41.0	125.8	15.7
TRANSCOM	0.1	0.0	0.0
Other	11.5	12.8	13.5
Subtotal, DWCF:	1,544.3	1,660.2	1,491.6
c. Total DoD			
	7,260.1	5,193.9	4,959.4
d. Other Orders:			
Other Federal Agencies	70.6	3.4	2.5
Foreign Military Sales	176.6	86.7	56.0
Trust Fund	0.0	0.0	0.0
Nonappropriated	5.9	5.8	5.6
Non-Federal Agencies	15.9	63.3	68.8
Subtotal, Other Orders:	269.0	159.2	132.8
Total New Orders:	7,529.1	5,353.1	5,092.2
2. Carry-in Orders	3,716.6	5,776.3	4,586.8
3. Total Gross Orders	11,245.6	11,129.4	9,679.1
4. Revenue (-)	5,469.4	6,542.6	6,268.0
5. End of Year Work-inProcess (-)	0.0	0.0	0.0
6. FMS, BRAC, Other Federal, and Non-Federal orders (-)	310.8	281.5	237.4
Crash Damage	119.8	73.7	73.9
HMMWV Recap/Reset	864.9	0.0	0.0
4th Qtr Other Service Wkld	159.6	0.0	0.0
7. Funded Carry-over	4,321.2	4,231.6	3,099.8
8. Allowable Carry-over	4,684.2	4,085.0	3,273.8
9. Over/(Under) Allowable Carry-over	(363.0)	146.6	(174.0)

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Carryover Reconciliation
(\$ in Millions)**

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
1. Net Carry-In	3,716.6	5,776.3	4,586.8
2. Revenue from Operations	5,469.4	6,542.6	6,268.0
3. New Orders	7,529.1	5,353.1	5,092.2
4. Exclusions:			
FMS	176.6	86.7	56.0
BRAC	5.6	0.1	0.1
Other Federal Depts & Agencies	70.6	3.4	2.5
Non-Federal and Others	21.8	69.1	74.4
Crash Damage	86.1	67.7	71.5
HMMWV Recap/Reset	864.9	0.0	0.0
4th Qtr Other Service Wkld	160.0	0.0	0.0
5. Orders for Carryover Calculation	6,143.4	5,126.1	4,887.8
2nd Yr Orders for Carryover Calculation	1,238.4	2,249.8	463.1
6. Weighted Composite Outlay Rate	31.6%	38.4%	37.8%
2nd Yr Weighted Composite Outlay Rate	60.9%	58.9%	49.2%
7. Carryover Rate	68.4%	61.6%	62.2%
2nd Yr Carryover Rate	39.1%	41.1%	50.8%
8. Allowable Carryover (1st Year Outlay Rate)	4,199.8	3,160.1	3,038.6
Prior Year 2nd Yr Outlay Rate	484.3	924.9	235.2
Total Allowable Carryover	4,684.2	4,085.0	3,273.8
9. Balance of Customer Orders at Year End	5,776.3	4,586.8	3,411.0
10. Exclusions:			
FMS	216.8	171.5	141.0
BRAC	3.2	2.7	2.7
Other Federal Depts & Agencies	38.7	31.9	30.9
Non-Federal and Others	52.1	75.4	62.8
Crash Damage	119.8	73.7	73.9
HMMWV Recap/Reset	864.9	0.0	0.0
4th Qtr Other Service Wkld	159.6	0.0	0.0
11. Calculated Actual Carryover	4,321.2	4,231.6	3,099.8

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Changes in the Cost of Operations
(\$ in Millions)**

		Expenses
FY 2011 Actual		5,446.5
FY 2012 Estimate in President's Budget		5,312.6
Pricing Adjustments		8.5
FY 2012 Pay Raise	0.0	
-Civilian Personnel	0.0	
-Military Personnel	0.0	
Materials and Supplies	5.2	
Other	3.3	
Productivity Initiatives and Other Efficiencies		0.0
Lean Program	19.7	
Value Engineering Program	0.0	
Reinvestment of Lean savings (-)	(19.7)	
Program Changes		1,453.9
Labor	137.3	
Travel	5.3	
Material	1,151.6	
Equipment	12.9	
Transportation	7.1	
Depreciation	19.7	
Advisory and Assistance Services	9.7	
Other Purchased Services	109.7	
Other	0.6	
FY 2012 Current Estimate		6,775.0
Pricing Adjustments		55.1
FY 2013 Pay Raise	8.0	
-Civilian Personnel	7.9	
-Military Personnel	0.1	
Materials and Supplies	19.1	
Other	28.0	
Productivity Initiatives and Other Efficiencies		0.0
Lean Program	1.4	
Value Engineering Program	1.5	
Reinvestment of Lean savings (-)	(2.9)	
Program Changes		(336.3)
Labor	(183.5)	
Travel	(5.2)	
Material	14.3	
Equipment	(18.0)	
Transportation	(2.3)	
Depreciation	0.6	
Advisory and Assistance Services	(10.5)	
Other Purchased Services	(131.7)	
Other	(0.0)	
FY 2013 Budget Estimate		6,493.7

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

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

FY 2011				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Material Inventory BOP	672.3	0.0	672.3	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,402.4	0.0	2,402.4	0.0
B. Purchase of long lead items in advance of customer orders (+)	70.4	0.0	70.4	0.0
C. Other Purchases (list) (+)	63.0	0.0	63.0	0.0
D. Total Purchases	2,535.7	0.0	2,535.7	0.0
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	1,773.4	0.0	1,773.4	0.0
B. Disposals, theft, losses due to damages (-)	9.6	0.0	9.6	0.0
C. Other reductions (list) (-)	43.1	0.0	43.1	0.0
D. Total inventory adjustments	1,826.0	0.0	1,826.0	0.0
Material Inventory EOP	1,382.0	0.0	1,382.0	0.0
FY 2012				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Material Inventory BOP	1,382.0	0.0	1,382.0	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,676.7	0.0	2,676.7	0.0
B. Purchase of long lead items in advance of customer orders (+)	50.1	0.0	50.1	0.0
C. Other Purchases (list) (+)	70.5	0.0	70.5	0.0
D. Total Purchases	2,797.3	0.0	2,797.3	0.0
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	3,105.0	0.0	3,105.0	0.0
B. Disposals, theft, losses due to damages (-)	40.5	0.0	40.5	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustments	3,145.5	0.0	3,145.5	0.0
Material Inventory EOP	1,033.7	0.0	1,033.7	0.0
FY 2013				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Material Inventory BOP	1,033.7	0.0	1,033.7	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	2,795.4	0.0	2,795.4	0.0
B. Purchase of long lead items in advance of customer orders (+)	53.6	0.0	53.6	0.0
C. Other Purchases (list) (+)	66.8	0.0	66.8	0.0
D. Total Purchases	2,915.8	0.0	2,915.8	0.0
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	3,138.4	0.0	3,138.4	0.0
B. Disposals, theft, losses due to damages (-)	37.3	0.0	37.3	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustments	3,175.7	0.0	3,175.7	0.0
Material Inventory EOP	773.8	0.0	773.8	0.0

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Minimum Capital Investment for Certain Depots and Arsenal
(\$ in Millions)**

	<u>FY 2011</u>	<u>FY 2012*</u>	<u>FY 2013*</u>
<u>Anniston Army Depot</u>			
Average Revenue for Investment	1,049.650	813.281	722.137
Capital Investment Program	10.364	43.166	24.222
Facilities Sustainment, Restoration and Modernization	19.188	3.438	2.552
Equipment (Fund 1a- 500 lines)	6.848	11.489	8.373
Productivity Enhancements	0.000	0.000	0.000
MILCON	0.000	0.000	0.000
Actual/ Budgeted Investment	36.400	58.093	35.147
Required Investment	62.979	48.797	43.328
Investment Over / (Under) Required Amount	(26.579)	9.296	(8.182)
<u>Corpus Christi Army Depot</u>			
Average Revenue for Investment	1,310.158	1,331.091	1,477.984
Capital Investment Program	52.238	54.256	59.154
Facilities Sustainment, Restoration and Modernization	12.321	1.100	1.100
Equipment (Fund 1a- 500 lines)	10.161	29.587	30.026
Productivity Enhancements	0.000	0.000	0.000
MILCON	0.000	0.000	37.200
Actual/ Budgeted Investment	74.720	84.943	127.480
Required Investment	78.609	79.865	88.679
Investment Over / (Under) Required Amount	(3.890)	5.078	38.801
<u>Letterkenny Army Depot</u>			
Average Revenue for Investment	648.121	648.013	715.475
Capital Investment Program	9.857	12.210	24.918
Facilities Sustainment, Restoration and Modernization	11.532	6.645	6.745
Equipment (Fund 1a- 500 lines)	0.905	0.000	0.000
Productivity Enhancements	0.000	0.000	0.000
MILCON	0.000	0.000	0.000
Actual/ Budgeted Investment	22.294	18.855	31.663
Required Investment	38.887	38.881	42.929
Investment Over / (Under) Required Amount	(16.593)	(20.026)	(11.266)
<u>Red River Army Depot</u>			
Average Revenue for Investment	964.087	820.106	894.785
Capital Investment Program	8.690	43.913	32.152
Facilities Sustainment, Restoration and Modernization	22.942	5.506	4.938
Equipment (Fund 1a- 500 lines)	3.584	6.264	4.241
Productivity Enhancements	0.012	0.150	0.150
MILCON	0.000	44.000	0.000
Actual/ Budgeted Investment	35.228	99.833	41.481
Required Investment	57.845	49.206	53.687
Investment Over / (Under) Required Amount	(22.617)	50.627	(12.206)

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Minimum Capital Investment for Certain Depots and Arsenal
(\$ in Millions)**

	<u>FY 2011</u>	<u>FY 2012*</u>	<u>FY 2013*</u>
<u>Tobyhanna Army Depot</u>			
Average Revenue for Investment	840.285	829.757	848.226
Capital Investment Program	13.235	26.225	19.797
Facilities Sustainment, Restoration and Modernization	37.710	1.745	1.745
Equipment (Fund 1a- 500 lines)	12.247	15.072	15.265
Productivity Enhancements	0.363	0.498	0.498
MILCON	0.000	0.000	0.000
Actual/ Budgeted Investment	63.555	43.540	37.305
Required Investment	50.417	49.785	50.894
Investment Over / (Under) Required Amount	13.138	(6.246)	(13.588)
<u>Pine Bluff Arsenal</u>			
Average Revenue for Investment	199.098	159.772	162.862
Capital Investment Program	10.803	6.238	10.094
Facilities Sustainment, Restoration and Modernization	3.656	0.290	0.292
Equipment (Fund 1a- 500 lines)	3.360	3.037	3.253
Productivity Enhancements	1.749	0.000	0.000
MILCON	0.000	0.000	0.000
Actual/ Budgeted Investment	19.568	9.564	13.639
Required Investment	11.946	9.586	9.772
Investment Over / (Under) Required Amount	7.622	(0.022)	3.867
<u>Rock Island Arsenal</u>			
Average Revenue for Investment	375.033	335.011	276.502
Capital Investment Program	17.462	19.033	14.295
Facilities Sustainment, Restoration and Modernization	10.260	0.000	0.000
Equipment (Fund 1a- 500 lines)	13.053	7.240	3.508
Productivity Enhancements	0.000	0.000	0.000
MILCON	0.000	0.000	0.000
Actual/ Budgeted Investment	40.775	26.273	17.803
Required Investment	22.502	20.101	16.590
Investment Over / (Under) Required Amount	18.273	6.172	1.213
<u>Watervliet Arsenal</u>			
Average Revenue for Investment	129.821	111.622	102.709
Capital Investment Program	14.071	16.966	12.664
Facilities Sustainment, Restoration and Modernization	3.190	6.000	6.000
Equipment (Fund 1a- 500 lines)	0.238	0.000	0.000
Productivity Enhancements	0.000	0.000	0.000
MILCON	0.000	0.000	0.000
Actual/ Budgeted Investment	17.499	22.966	18.664
Required Investment	7.789	6.697	6.163
Investment Over / (Under) Required Amount	9.710	16.268	12.501

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Minimum Capital Investment for Certain Depots and Arsenal
(\$ in Millions)**

	<u>FY 2011</u>	<u>FY 2012*</u>	<u>FY 2013*</u>
<u>Tooele Army Depot</u>			
Average Revenue for Investment		58.861	54.405
Capital Investment Program		1.900	3.224
Facilities Sustainment, Restoration and Modernization		0.214	0.216
Equipment (Fund 1a- 500 lines)		0.715	0.725
Productivity Enhancements		0.000	0.000
MILCON		0.000	0.000
	Actual/ Budgeted Investment	2.829	4.165
	Required Investment	3.532	3.264
Investment Over / (Under) Required Amount		(0.703)	0.901
<u>TOTAL ARMY</u>			
Average Revenue for Investment	5,516.253	5,107.513	5,255.086
Capital Investment Program	136.719	223.906	200.519
Facilities Sustainment, Restoration and Modernization	120.799	24.937	23.588
Equipment (Fund 1a- 500 lines)	50.396	73.404	65.391
Productivity Enhancements	2.124	0.648	0.648
MILCON	0.000	44.000	37.200
	Actual/ Budgeted Investment	310.039	366.895
	Required Investment	330.975	315.305
Investment Over / (Under) Required Amount		(20.936)	12.041
Investment percentage		5.6%	7.2%
		6.2%	

* Note: FY 2012 and 2013 investment calculations reflect FY 2012 NDAA changes and the inclusion of Tooele Army Depot. Average revenue accounts for all mission related revenue (i.e. storage, manufacturing, maintenance, repair, and overhaul). Revenue from tenant functions is excluded. In addition, facility sustainment costs are excluded from budgeted capital in FY 2012 and 2013.

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 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 with a unit cost that is greater than or equal to \$250,000 and have a useful life of two or more years.

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 focuses solely on software development and enhancements in support of the Logistics Modernization Program. The table below shows the Supply Management capital budget and associated cash outlays.

Table CIP 1 – Supply Management Capital Budget

(\$ Millions)	FY 2011	FY 2012	FY 2013
Software	19.0	32.6	47.9
<i>Capital Cash Outlays</i>	<i>50.8</i>	<i>25.5</i>	<i>31.0</i>

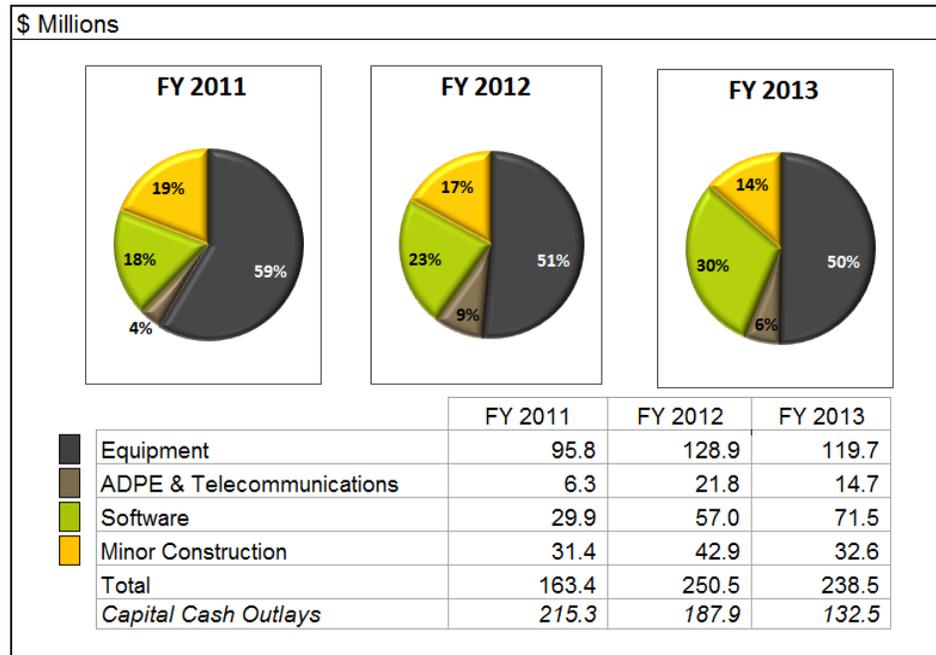


M1 tank Reset program at Anniston Army Depot.



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

Chart CIP 1 – Industrial Operations Capital budget



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*.



**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

Capital Investment Summary

(\$ in Millions)		FY 2011		FY 2012		FY 2013	
Line No.	Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
00-02	SOFTWARE						
	<i>Logistics Modernization Program (LMP)</i>	1	19.075	1	32.644	1	47.886
	SOFTWARE TOTAL	1	19.075	1	32.644	1	47.886
	ACTIVITY TOTAL	1	19.075	1	32.644	1	47.886
	<i>Total Capital Outlays</i>		50.846		25.480		31.000
	<i>Total Depreciation Expense</i>		76.148		92.904		86.900

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management

Capital Purchase Justification
(\$ in Millions)

SOFTWARE

Line No <i>00-02</i>	Item Description <i>Logistics Modernization Program (LMP)</i>			Activity Identification <i>Supply Management</i>					
	FY 2011			FY 2012			FY 2013		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
<i>Logistics Modernization Program (LMP)</i>	1		19.075	1		32.644	1		47.886
Total	1		19.075	1		32.644	1		47.886

Narrative Justification:

Logistics Modernization Program (LMP) leverages commercial market driven business process improvements. Although LMP is functional at each of AMC's commodity commands, it continues to require enhancements and upgrades to maintain superior supply chain management and obtain auditable financial statements. Additionally, it is not yet integrated into overarching Army transformation efforts. Work continues to achieve these goals. The budget includes the following LMP enhancements:

- In FY 2012, software licenses (\$9.681) and core LMP (\$22.963). The core LMP software licenses are required to support the Army plan to obtain ownership from the current service provider.
- In FY 2013, Army Prepositioned Stock (APS) will establish a war reserve secondary items requirements determination process into LMP (\$4.271). National Maintenance Program (NMP) will improve the work loading and management processes for depot-level work performed (\$1.708). Included in the breakout is: NAMI (\$11.400), LMP Budget Module (\$10.500) and core LMP (\$20.007).

An LMP business case analysis was completed in FY 2005 and updated and validated by ODASA-CE in June 2008.

Investment Cost: \$252.763 Present Value of Benefits: \$1,287.000 Benefit to Investment Ratio: 5.092 Payback Period: 9.5

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Supply Management**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	SOFTWARE						
FY11	<i>Logistics Modernization Program</i>	19.075	0.000	19.075	19.075	0.000	
FY11	TOTAL	19.075	0.000	19.075	19.075	0.000	
FY12	Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	SOFTWARE						
FY12	<i>Logistics Modernization Program</i>	32.644	0.000	32.644	32.644	0.000	
FY12	TOTAL	32.644	0.000	32.644	32.644	0.000	
FY13	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
	SOFTWARE						
FY13	<i>Logistics Modernization Program</i>	47.886	0.000	47.886	47.886	0.000	
FY13	TOTAL	47.886	0.000	47.886	47.886	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

Capital Investment Summary

(\$ in Millions)		FY 2011		FY 2012		FY 2013	
Line No.	Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
05-13	EQUIPMENT CAPABILITIES						
	- Replacement	40	41.310	43	63.858	32	35.567
	- Productivity	36	51.083	26	63.770	28	82.141
	- New Mission	2	2.567	0	0.000	0	0.000
	- Environmental	2	0.859	2	1.264	1	1.950
	EQUIPMENT TOTAL	80	95.819	71	128.892	61	119.658
	ADPE & Telecommunications Equipment Capabilities						
04-26	Miscellaneous ADPE	1	0.265	1	0.265	1	0.713
06-46	Automatic Identification Technology (AIT)	1	6.064	1	21.500	1	14.000
	ADPE & TELECOMMUNICATIONS EQUIPMENT TOTAL	2	6.329	2	21.765	2	14.713
	SOFTWARE DEVELOPMENT						
99-08	Army Workload and Performance System (AWPS)	1	4.779	1	3.133	1	1.380
07-35	Environmental Safety and Occupational Health Program (ESOHP)	0	0.000	1	3.500	1	1.000
11-01	Manufacturing Execution System (MES)	1	2.605	0	0.000	0	0.000
10-03	Defense Property Accounting System - Enhanced (DPAS-E)	1	2.900	1	1.392	0	0.000
00-02	Logistics Modernization Program (LMP)	1	11.580	1	48.960	1	69.073
11-02	Integration of Automatic Technology (AIT) with LMP	1	1.550	0	0.000	0	0.000
11-03	Expanded Ammunition Functionality with LMP	1	6.460	0	0.000	0	0.000
	SOFTWARE TOTAL	6	29.874	4	56.985	3	71.453
	MINOR CONSTRUCTION CAPABILITIES						
05-26	Various Minor Construction \$100K <\$750K	49	31.371	44	42.871	41	32.645
	MINOR CONSTRUCTION TOTAL	49	31.371	44	42.871	41	32.645
	ACTIVITY GROUP TOTAL	137	163.393	121	250.513	107	238.469
	Total Capital Outlays		215.338		187.946		132.538
	Total Depreciation Expense		131.259		129.824		130.425

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations

Capital Purchase Justification
(\$ in Millions)

Equipment				Total Cost		
Line No.	Item Description	Activity Identification				
05-13	Various Capital Equip.	Industrial Operations	FY 2011	FY 2012		FY 2013
	Replacement		41.310	63.858		35.567
	Productivity		51.083	63.770		82.141
	New Mission		2.567	0.000		0.000
	Environmental		0.859	1.264		1.950
	Total		95.819	128.892		119.658

Narrative Justification:

This exhibit displays funding requirements for 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. This equipment supports organic maintenance, overhaul, rebuild, reclamation, conversion, renovation, modification, and repair programs.

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.

If not acquired, equipment support capability would not provide for mission needs and would impact in the following ways: reduce mission capability; fail to meet present and future workload requirements; increase man-hour expenditures; delay production; lead to excessive production-line downtime; increase maintenance costs; and decrease accuracy and dependability.

Economic analyses have been performed on individual projects when required and are available upon request.

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations

Capital Purchase Justification
(\$ in Millions)

Automated Data Processing Equipment (ADPE) and Telecommunications					
Line No.	Item Description	Activity Identification	Total Cost		
			FY 2011	FY 2012	FY 2013
04-26	Misc. ADPE<\$1M	Industrial Operations			
	Miscellaneous ADPE<\$1M		0.265	0.265	0.713
	Total		0.265	0.265	0.713

Narrative Justification:

These miscellaneous information management projects replace outdated, obsolete, and unreliable equipment with state-of-the-art equipment.

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

Without this investment, systems and equipment will become unreliable; downtime will increase and administrative costs will rise. Users may have difficulty communicating with higher headquarters, other installations, and customers via electronic means. Data may be at risk for release to unauthorized users.

Economic Analyses have been performed on individual projects when required and are available upon request.

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations

Capital Purchase Justification
(\$ in Millions)

Automated Data Processing Equipment (ADPE) and Telecommunications					
Line No.	Item Description	Activity Identification	Total Cost		
			FY 2011	FY 2012	FY 2013

	Automatic Identification Technology (AIT)		6.064	21.500	14.000
	Total		6.064	21.500	14.000

Narrative Justification:

Army Materiel Command's mission of maintaining, manufacturing, and remanufacturing Army materiel is impacted by the limited availability of AIT on the shop floors of arsenals, depots, and production facilities. AIT allows data collection and transmission to Automated Information Systems (AIS). This funding request supports implementation of an enterprise program which optimizes resources, establishes standardization, and increases capabilities.

Continued implementation of AIT enterprise will provide state-of-the-art commercial and governmental off-the-shelf solutions that will enable the integration of AIT with AIS for data collection, keyless data entry, processing, storage, retrieval, transmission, and tracking of assets through the use of Radio Frequency Identification (RFID) technology. These funds provide technical engineering services, instruction and training, warranty, maintenance, documentation, and program management support. The modernized capabilities provided by moving from fragmented AIT and IT operations to a more consolidated enterprise solution will provide more efficient operations and optimize limited resources.

Without funding, Army will not conform to DOD and Army mandated AIT and Item Unique Identification (IUID) Program implementation directives and policies, and the shop operations will not effectively utilize and take full advantage of the Enhanced Industrial Base (EIB) module in LMP at depots, arsenals, and ammunition plants.

Economic analysis not required. AIT and IUID are directed by OSD Policy Memorandum, Acting DUSD (AT&L), 2 Oct 2003.

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations

Capital Purchase Justification
(\$ in Millions)

Software					
Line No.	Item Description	Activity Identification	Total Cost		
			FY 2011	FY 2012	FY 2013
99-08	AWPS	Industrial Operations			
	Army Workload Performance System (AWPS)		4.779	3.133	1.380
	Total		4.779	3.133	1.380

Narrative Justification:

AWPS is a management tool used to measure AMC installations' cost and schedule performance, document future workload, and determine work force requirements based on projected workload. With LMP as the new source of data for AWPS, recertification of the system is required for each installation. FY 2013 funding supports program management, help desk, IT support, training and field support, maintenance of technical documentation, web support, and continued deployment of the AWPS-LMP program interface.

Installations are using AWPS to determine work center imbalances in manpower and to determine future manpower requirements based on projected workload. AMC and its subordinate commands have incorporated AWPS into the budgeting process, justifying manpower requirements to Congress.

Lack of funding reduces the ability to manage manpower in a timely manner, jeopardizing installation staffing requests. This delays approval of manpower requests, hindering program and cost management.

Exempt from economic analysis. Reference GAO Report 03-21, dated 30 Oct 2002.

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations

Capital Purchase Justification
(\$ in Millions)

Software			Total Cost		
Line No.	Item Description	Activity Identification	FY 2011	FY 2012	FY 2013
07-35	ESOHP	Industrial Operations			
	Environmental, Safety and Occupational Health Program (ESOHP)		0.000	3.500	1.000
	Total		0.000	3.500	1.000

Narrative Justification:

Currently, the Environmental, Safety, and Occupational Health Program (ESOHP) are disparate, non-standardized systems and interfaces that reside within AMC's Single Army Logistics Enterprise (SALE). This does not allow AMC to properly manage safety related hazards and risks across the command.

ESOHP and AMC Safety Performance Improvement Reporting (ASPIRE) 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 (explosive, fire, chemical release, medical, etc.) and 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, analyzes the event, and tracks resource expenditures. Post incident investigation provides tools to identify causes and analyze trends, identify corrective action, follow-up on corrective actions, and prepare internal and external reports. The ESOHP reference library provides an integrated and standardized data set which allows for the connection of hazard data directly to the product material master. This initiative will help achieve a DOD goal to reduce lost workdays by 50% and support the AMC Commanding General's #1 priority - Safety.

Without this investment, AMC will continue to have non-standardized metrics for safety, impairing the command's ability to efficiently manage industrial safety risks.

Exempt from economic analysis. Safety related exemption.

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations

Capital Purchase Justification
(\$ in Millions)

Software			Total Cost		
Line No.	Item Description	Activity Identification	FY 2011	FY 2012	FY 2013
00-02	LMP	Industrial Operations			
	Logistics Modernization Program (LMP)		11.580	48.960	69.073
	Integration of Automatic Technology (AIT) with LMP		1.550	0.000	0.000
	Expanded Ammunition Functionality with LMP		6.460	0.000	0.000
	Total		19.590	48.960	69.073

Narrative Justification:

Logistics Modernization Program (LMP) leverages commercial market driven business process improvements. Although LMP is functional at each of AMC's commodity commands, it continues to require enhancements and upgrades to maintain superior supply chain management and obtain auditable financial statements. Additionally, it is not yet integrated into overarching Army transformation efforts. Work continues to achieve these goals. The budget includes the following LMP enhancements:

- In FY 2011, Alternative Dispute Resolution (\$3.840) and core LMP (\$7.740)
- In FY 2012, Expanded Ammunition Functionality (\$4.149) is included on the LMP line.
- In FY 2013, Expanded Ammunition Functionality (\$8.707) and LMP Budget Module (\$4.500) are included on the LMP line.

An LMP business case analysis was completed in FY 2005 and updated and validated by ODASA-CE in June 2008.

Investment Cost: \$252.763 Present Value of Benefits: \$1,287.000 Benefit to Investment Ratio: 5.092 Payback Period: 9.5

Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations

Capital Purchase Justification
(\$ in Millions)

Minor Construction				Total Cost	
Line No.	Item Description	Activity Identification			
05-26	Various Minor Construction<\$750K	Industrial Operations	FY 2011	FY 2012	FY 2013
	Minor Construction \$250K-\$750K		31.371	42.871	32.645
	Total		31.371	42.871	32.645

Narrative Justification:

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

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.

Economic Analyses have been performed on individual projects when required and are available upon request.

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT							
EQUIPMENT - Replacement							
FY11	Bulldozer D8T CAT DEMIL	0.614	0.000	0.614	0.614	0.000	
FY11	973 Tracked End Loader LEMC	0.448	0.000	0.448	0.448	0.000	
FY11	Scraper	0.557	(0.048)	0.509	0.509	0.000	
FY11	Mobile Crane with Electromagnet	0.380	(0.380)	0.000	0.000	0.000	
FY11	Mobile Crane	0.000	0.650	0.650	0.650	0.000	
FY11	M819 RP Wastewater Treatment System	0.000	1.914	1.914	1.914	0.000	
FY11	Transmission Dynamometer	0.595	(0.595)	0.000	0.000	0.000	
FY11	Grader	0.351	(0.351)	0.000	0.000	0.000	
FY11	Landis Grinder Replacement	1.632	(0.551)	1.081	1.081	0.000	
FY11	Container Handler Truck, Lift	0.000	0.512	0.512	0.512	0.000	
FY11	D8 Tractor	0.586	(0.586)	0.000	0.000	0.000	
FY11	Railroad Tamper Rebuild	0.000	0.478	0.478	0.478	0.000	
FY11	Gioria Grinder Replacement	1.200	(0.054)	1.146	1.146	0.000	
FY11	Superstacker	0.000	0.502	0.502	0.502	0.000	
FY11	Rotating Electric Test Stand	1.431	(0.034)	1.397	1.397	0.000	
FY11	WaterJet Cutting Machine	0.000	0.330	0.330	0.330	0.000	
FY11	Robotic Water jet Stripping System	1.295	0.001	1.296	1.296	0.000	
FY11	Jig Grinder	1.637	(1.637)	0.000	0.000	0.000	
FY11	Replace Paint Carousel	0.896	(0.334)	0.562	0.562	0.000	
FY11	Jig Bore	0.818	0.682	1.500	1.500	0.000	
FY11	Factron ATE Replacement	1.514	(1.514)	0.000	0.000	0.000	
FY11	Refrigerant Recovery, Recycling, and Reclamation, Equipment	0.290	(0.290)	0.000	0.000	0.000	
FY11	Cylinder Grinder	0.260	0.137	0.397	0.397	0.000	
FY11	Engine Lathe	0.545	0.000	0.545	0.545	0.000	
FY11	Horizontal Boring Milling Machine	1.123	(0.081)	1.042	1.042	0.000	
FY11	Electron Beam Welder	2.471	(0.213)	2.258	2.258	0.000	
FY11	In-Line Transmission Dynamometer	0.343	(0.343)	0.000	0.000	0.000	
FY11	Multi-Axis Horizontal Machining Cell	3.129	(0.250)	2.879	2.879	0.000	
FY11	Multi-Axis Turning Center	0.376	(0.376)	0.000	0.000	0.000	
FY11	CNC 5-Axis Vertical Mill	1.655	0.289	1.944	1.944	0.000	
FY11	Lathe Vertical CNC 48 inch	0.952	0.225	1.177	1.177	0.000	
FY11	Horizontal Production Cell	3.274	(0.211)	3.063	3.063	0.000	
FY11	CNC Lathe	0.343	(0.343)	0.000	0.000	0.000	
FY11	Lathe, Chucking, CNC, 24- inch	0.365	0.040	0.405	0.405	0.000	
FY11	Lathe, Chucking, CNC, 24 inch	0.365	0.040	0.405	0.405	0.000	
FY11	Lathe, Chucking, CNC, 24 inch	0.615	(0.039)	0.576	0.576	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
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EQUIPMENT

EQUIPMENT - Replacement cont.

FY11	Boring Mill	1.944	(0.373)	1.571	1.571	0.000	
FY11	Aluminum Oxide Blast in Bldg 208	0.423	(0.423)	0.000	0.000	0.000	
FY11	Swiss Lathe (M32Y)	0.674	(0.212)	0.462	0.462	0.000	
FY11	Press Brake Machine (230 ton)	0.317	0.100	0.417	0.417	0.000	
FY11	Blast Booth System Upgrade	0.590	0.255	0.845	0.845	0.000	
FY11	Replace Three Power Washers	1.821	(0.355)	1.466	1.466	0.000	
FY11	Box Scraper	0.632	(0.025)	0.607	0.607	0.000	
FY11	Replace Crane B-426	0.470	0.162	0.632	0.632	0.000	
FY11	Rebuild K&T Horizontal Machining Center	0.725	(0.429)	0.296	0.296	0.000	
FY11	One New 30 ft CNC Lathe	2.000	(0.491)	1.509	1.509	0.000	
FY11	Two J&L Lathe Replacements	0.900	(0.151)	0.749	0.749	0.000	
FY11	New Side Winder Grinder	0.950	0.069	1.019	1.019	0.000	
FY11	New Gun drill	0.650	(0.045)	0.605	0.605	0.000	
FY11	Mini-Load Stacker Upgrade 370 ASRS	0.000	1.446	1.446	1.446	0.000	
FY11	New ID Cylindrical Grinder	2.200	0.210	2.410	2.056	0.354	
	Sub Total Replacement	44.356	(2.692)	41.664	41.310	0.354	

EQUIPMENT

EQUIPMENT - Productivity

FY11	Rough Terrain Container Handler (RTCH)	0.545	0.066	0.611	0.611	0.000	
FY11	Railroad Brush Cutter	0.000	0.411	0.411	0.411	0.000	
FY11	Bomb Heat Treating System	1.387	(1.387)	0.000	0.000	0.000	
FY11	Gantry Wash System, Bldg 351	0.000	0.778	0.778	0.778	0.000	
FY11	Phase II, Install Automated Surveillance for MEVA sites	1.344	(0.014)	1.330	1.330	0.000	
FY11	Phase 1, Install Automated Surveillance for MEVA Sites	2.359	(0.082)	2.277	2.277	0.000	
FY11	Container Handler Truck, Lift	0.564	0.000	0.564	0.564	0.000	
FY11	Land Mobile Radio System	1.192	0.112	1.304	1.304	0.000	
FY11	Laser Cutting Table	0.000	0.682	0.682	0.682	0.000	
FY11	CNC Vertical Turret Lathe	1.699	(1.699)	0.000	0.000	0.000	
FY11	Vertical Machining Center	0.000	0.598	0.598	0.598	0.000	
FY11	Rebuild SIG Riflers	0.985	(0.985)	0.000	0.000	0.000	
FY11	Retrofit Control and Drives on CM Lathe	0.450	(0.179)	0.271	0.271	0.000	
FY11	Modular Robotic Welding System	0.000	1.205	1.205	1.205	0.000	
FY11	Turning Machining Center	1.450	(0.159)	1.291	1.291	0.000	
FY11	Grab Barrier for RRAD 22	0.000	0.788	0.788	0.788	0.000	
FY11	5 Axis Horizontal Mach Ctr	0.635	0.020	0.655	0.655	0.000	
FY11	Grab Barrier for Commercial Gate	0.000	0.720	0.720	0.720	0.000	
FY11	Purchase Laser Cutting Machine	0.000	0.687	0.687	0.687	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency	Explanation
EQUIPMENT							
EQUIPMENT - Productivity cont.							
FY11	Deep Hole Drilling Machine	1.520	(0.057)	1.463	1.463	0.000	
FY11	Rebuild Heller Mill	0.495	(0.098)	0.397	0.397	0.000	
FY11	Blade Handling System	2.923	0.105	3.028	3.028	0.000	
FY11	Electron Beam Welder	1.700	(1.700)	0.000	0.000	0.000	
FY11	GLATT Control Room Upgrade	1.974	(1.974)	0.000	0.000	0.000	
FY11	Engine Test Cell Upgrade (Dynos)	4.390	(0.001)	4.389	4.389	0.000	
FY11	Rebuild RD&D Lathe	0.600	0.075	0.675	0.675	0.000	
FY11	Rotor Blade Facility MCA Equip	6.881	(0.111)	6.770	6.770	0.000	
FY11	Vacuum Furnace	0.999	(0.999)	0.000	0.000	0.000	
FY11	CNC 5-Axis Profile Milling Machine	0.517	0.000	0.517	0.517	0.000	
FY11	Anti-Ice Valve Test Stands	0.810	(0.810)	0.000	0.000	0.000	
FY11	UH60 Main Blade Leading Edge Sheath Replacement and Spreader Tools	0.879	0.005	0.884	0.884	0.000	
FY11	Vertical Stretch Press	2.174	(2.174)	0.000	0.000	0.000	
FY11	WP Plant Emergency Generator	0.000	0.818	0.818	0.818	0.000	
FY11	Heavy Equipment Hauler for EoFLCC	0.000	0.629	0.629	0.629	0.000	
FY11	50K lb Forklift for EoFLCC	0.000	0.368	0.368	0.368	0.000	
FY11	Transmission CMMs	0.720	(0.720)	0.000	0.000	0.000	
FY11	CNC Electric Tube Bender	0.464	(0.464)	0.000	0.000	0.000	
FY11	Blade Facility Production Equip	4.974	(4.974)	0.000	0.000	0.000	
FY11	Horizontal Drilling and Boring Mill	2.352	(2.352)	0.000	0.000	0.000	
FY11	AGV Fleet Replacement	0.000	1.156	1.156	1.156	0.000	
FY11	Robotic Metal Spray Booth #4	0.000	1.106	1.106	1.106	0.000	
FY11	Bridge Cranes for RBF	0.000	0.417	0.417	0.417	0.000	
FY11	New Procurement of Mobile Crane	1.651	(1.651)	0.000	0.000	0.000	
FY11	UPS for EO/Night Vision	1.155	0.156	1.311	1.311	0.000	
FY11	UPS and Generator for Mission Software	1.080	0.002	1.082	1.082	0.000	
FY11	Elevated Test Chamber Burn System Modification	0.350	0.100	0.450	0.450	0.000	
FY11	UPS MATES	0.460	0.311	0.771	0.771	0.000	
FY11	Smart Transmission Test Systems (STTS)	0.000	10.350	10.350	10.350	0.000	
FY11	Water Jet Cutting Machine	0.359	(0.029)	0.330	0.330	0.000	
	Sub Total Productivity	52.037	(0.954)	51.083	51.083	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency	Explanation
EQUIPMENT							
EQUIPMENT - New Mission							
FY11	OH-58 Alignment Fixtures	0.000	1.947	1.947	1.947	0.000	
FY11	Enhanced Position Location and Reporting System Test Station	0.000	0.620	0.620	0.620	0.000	
FY11	Rapid Bore Machine	1.200	(1.200)	0.000	0.000	0.000	
	Sub Total New Mission	1.200	1.367	2.567	2.567	0.000	
EQUIPMENT							
EQUIPMENT - Environmental							
FY11	Chrome Plate Line (Covered Tanks)	0.674	0.276	0.950	0.950	0.000	
FY11	Retrofit CARC Paint Booth	0.475	0.384	0.859	0.859	0.000	
FY11	VOC Upgrade	0.525	(0.525)	0.000	0.000	0.000	
	Sub Total Environmental	1.000	(0.141)	0.859	0.859	0.000	
	Total Various Capital Equipment	98.593	(2.420)	96.173	95.819	0.354	
ADPE & TELECOMMUNICATIONS EQUIPMENT							
FY11	Telephone System Conversion to VOIP	0.273	(0.273)	0.000	0.000	0.000	
FY11	Miscellaneous ADPE - Conference Room Upgrade	0.265	0.000	0.265	0.265	0.000	
FY11	Enterprise Level Industrial Plant Equipment Maintenance System	0.388	(0.388)	0.000	0.000	0.000	
FY11	Automatic Identification Technology	13.200	0.000	13.200	6.064	7.136	Carryover to FY12 Approved
	Sub Total ADPE	14.126	(0.661)	13.465	6.329	7.136	
SOFTWARE DEVELOPMENT							
FY11	Army Workload Performance System (AWPS)	4.779	0.000	4.779	4.779	0.000	
FY11	Environmental Safety and Occupational Health Program (ESOHP)	0.000	0.000	0.000	0.000	0.000	
FY11	Manufacturing Execution System (MES)	17.800	(15.195)	2.605	2.605	0.000	Contract cancelled. Balance of funds returned
FY11	Defense Property Accounting System - Enhanced (DPAS-E)	2.939	0.000	2.939	2.900	0.039	
	Logistics Modernization Program (LMP)						
FY11	Core LMP	9.775	1.805	11.580	11.580	0.000	
FY11	Integration of Automatic Technology (AIT) with LMP	3.000	(1.000)	2.000	1.550	0.450	
FY11	Expanded Ammunition Functionality with LMP	6.893	(0.433)	6.460	6.460	0.000	
	Sub Total Software	45.186	(14.823)	30.363	29.874	0.489	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency	Explanation
MINOR CONSTRUCTION							
FY11	Construct 4500 sq ft South Pad Shed ADMC	0.500	0.000	0.500	0.500	0.000	
FY11	Munitions Shed, Site 6	0.362	(0.035)	0.327	0.327	0.000	
FY11	CDE Storage Facility 3	0.000	0.617	0.617	0.617	0.000	
FY11	Upgrade Tire Shop	0.501	(0.501)	0.000	0.000	0.000	
FY11	High Explosive Magazine G508	0.000	0.700	0.700	0.584	0.116	
FY11	High Explosive Magazine G504 Replacement	0.700	(0.121)	0.579	0.579	0.000	
FY11	ADMC - Construct Svc Mag 4 Demo Area	0.000	0.700	0.700	0.700	0.000	
FY11	Construct Field Bldg South Pad Complex	0.500	(0.500)	0.000	0.000	0.000	
FY11	Heating Replacement Bldg 508	0.000	0.736	0.736	0.736	0.000	
FY11	Main Gate Access Road	0.595	(0.595)	0.000	0.000	0.000	
FY11	Enclose Dock 601	0.350	(0.350)	0.000	0.000	0.000	
FY11	Himes Range Repair	0.000	0.666	0.666	0.666	0.000	
FY11	Bldg 213 Wash Rack Upgrade	0.000	0.630	0.630	0.630	0.000	
FY11	Construct Change House at ADMC	0.745	(0.745)	0.000	0.000	0.000	
FY11	Heat and Insulate Bldg 365	0.000	0.550	0.550	0.550	0.000	
FY11	Lightning/Fire, Life Safety Upgrade Bldg 200/2504	1.224	(0.481)	0.743	0.743	0.000	
FY11	Upgrade Bldg (60) for Admin. Ofcs (CPAC, Contracting, COE)	0.000	0.432	0.432	0.432	0.000	
FY11	Bldg 136 Intrusion Detection & Fire Protection Upgrade	0.000	0.324	0.324	0.324	0.000	
FY11	Upgrade 480 Bus Duct Bldgs 20& 335	0.700	0.020	0.720	0.720	0.000	
FY11	Annex to Bldg 44-100	0.637	(0.637)	0.000	0.000	0.000	
FY11	Replace East Unit Substation (2A3)	0.000	0.500	0.500	0.500	0.000	
FY11	Fire Station Expansion	0.725	(0.725)	0.000	0.000	0.000	
FY11	Manufacturing Facility Upgrade Bldg 151	0.595	0.132	0.727	0.727	0.000	
FY11	Manufacturing Facility Upgrade Bldg 165	0.711	(0.711)	0.000	0.000	0.000	
FY11	Expand Hardstand at GS 99	0.749	0.000	0.749	0.749	0.000	
FY11	Expand Apron	0.724	(0.001)	0.723	0.723	0.000	
FY11	Construct 7 acre Hardstand	0.727	(0.001)	0.726	0.726	0.000	
FY11	Lightning/Fire, Life Safety Upgrade Bldg 160	0.462	(0.462)	0.000	0.000	0.000	
FY11	Inert Storage Facility - Bldg 3740/2700 (5328 Area)	0.568	0.055	0.623	0.623	0.000	
FY11	AMMO Break/Restroom Bldg 2384	0.335	(0.335)	0.000	0.000	0.000	
FY11	Inert Storage Facility	0.604	(0.604)	0.000	0.000	0.000	
FY11	Metal Pallet Storage Building	0.430	0.000	0.430	0.430	0.000	
FY11	Remote Multi-Purpose Explosives Processing Building	0.000	0.700	0.700	0.700	0.000	
FY11	Upgrade Fire Protection System, B. 31-530	0.477	0.217	0.694	0.694	0.000	
FY11	Upgrade Fire Protection System B. 34-630	0.477	0.151	0.628	0.628	0.000	
FY11	Upgrade Fire Protection System B. 33-820	0.284	0.096	0.380	0.380	0.000	
FY11	Fire Protection System in Bldg 33-620	0.341	0.136	0.477	0.477	0.000	
FY11	North Park Upgrade	0.735	(0.735)	0.000	0.000	0.000	
FY11	Box and Crate Building	0.742	(0.038)	0.704	0.704	0.000	
FY11	AED Assembly Shop	0.748	(0.013)	0.735	0.735	0.000	
FY11	Fire Suppression in Bldg 1235	0.343	0.184	0.527	0.527	0.000	
FY11	Materiel Analysis Lab Addition	0.301	(0.301)	0.000	0.000	0.000	
FY11	Renovate Building 378	0.424	(0.424)	0.000	0.000	0.000	
FY11	Maintenance Storage Building One	0.530	(0.001)	0.529	0.529	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY11	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency	Explanation
MINOR CONSTRUCTION cont.							
FY11	HAWK	0.000	0.747	0.747	0.747	0.000	
FY11	Power Pack Mating Facility	0.725	(0.725)	0.000	0.000	0.000	
FY11	Drain Pit Renovations to Bldg 321	0.000	0.600	0.600	0.600	0.000	
FY11	Renovate Building 397	0.000	0.645	0.645	0.645	0.000	
FY11	Expand Security Fence, Bldg 370	0.684	(0.109)	0.575	0.575	0.000	
FY11	Maintenance Storage Building Two	0.530	(0.530)	0.000	0.000	0.000	
FY11	New Equipment Training Staging Area	0.261	(0.261)	0.000	0.000	0.000	
FY11	HVAC Bldg 4, Bay 2	0.591	(0.591)	0.000	0.000	0.000	
FY11	Office Expansion	0.744	(0.744)	0.000	0.000	0.000	
FY11	Building 74 Addition	0.729	(0.729)	0.000	0.000	0.000	
FY11	HVAC BCA (Bldg 3 bay 4)	0.825	0.000	0.825	0.825	0.000	
FY11	Upgrades to Building 16	0.825	0.000	0.825	0.825	0.000	
FY11	Building 73 Restrooms	0.731	(0.119)	0.612	0.612	0.000	
FY11	HVAC Bldg 73	0.601	0.066	0.667	0.667	0.000	
FY11	HVAC Bldg 3 Bay 3	0.816	(0.816)	0.000	0.000	0.000	
FY11	AERUC - Maint Facility Improvements	0.000	0.713	0.713	0.713	0.000	
FY11	Production Area Storage Facility	0.725	0.000	0.725	0.725	0.000	
FY11	Titanium Welding Facility	0.725	0.000	0.725	0.725	0.000	
FY11	Electrical System Upgrade	0.725	0.000	0.725	0.725	0.000	
FY11	South Boundary Fencing	0.747	0.000	0.747	0.747	0.000	
FY11	Renovate Engine Assembly Area	0.745	0.000	0.745	0.745	0.000	
FY11	Emergency Operations Center (EOC)	0.749	0.000	0.749	0.749	0.000	
FY11	Upgrade Facility for Conference Center/Auditorium	0.733	0.000	0.733	0.733	0.000	
FY11	Building 330 Renovation	0.000	0.700	0.700	0.700	0.000	
FY11	Oil and Water Recovery System	0.220	(0.220)	0.000	0.000	0.000	Below new MC threshold
FY11	Maintenance Facility Improvements	0.713	0.000	0.713	0.713	0.000	
FY11	Replace Substation 2A1-A	0.400	0.274	0.674	0.640	0.034	
FY11	Replace Underground Electrical Cables	0.150	(0.150)	0.000	0.000	0.000	Below new MC threshold
	Sub Total Minor Construction	33.540	(2.019)	31.521	31.371	0.150	
	TOTAL	191.445	(19.923)	171.522	163.393	8.129	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY12	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency	Explanation
EQUIPMENT		128.892	0.000	128.892	128.892	0.000	
FY12	EQUIPMENT - Replacement Various Capital Equipment - Replacement	63.858	0.000	63.858	63.858	0.000	
FY12	EQUIPMENT - Productivity Various Capital Equipment - Productivity	63.770	0.000	63.770	63.770	0.000	
FY12	EQUIPMENT - New Mission Various Capital Equipment - New Mission	0.000	0.000	0.000	0.000	0.000	
FY12	EQUIPMENT - Environmental Various Capital Equipment - Environmental	1.264	0.000	1.264	1.264	0.000	
ADPE & TELECOMMUNICATIONS EQUIPMENT		21.765	0.000	21.765	21.765	0.000	
FY12	Miscellaneous ADPE < \$1M	0.265	0.000	0.265	0.265	0.000	
FY12	Automatic Identification Technology (AIT)	21.500	0.000	21.500	21.500	0.000	
SOFTWARE DEVELOPMENT		56.985	0.000	56.985	56.985	0.000	
FY12	Army Workload and Performance System (AWPS)	3.133	0.000	3.133	3.133	0.000	
FY12	Environmental Safety and Occupational Health Program (ESOHP)	3.500	0.000	3.500	3.500	0.000	
FY12	Defense Property Accounting System - Enhanced (DPAS-E)	1.392	0.000	1.392	1.392	0.000	
FY12	Logistics Modernization Program (LMP)	48.960	0.000	48.960	48.960	0.000	
FY12	Integration of Automatic Technology (AIT) with LMP	0.000	0.000	0.000	0.000	0.000	
FY12	Expanded Ammunition Functionality with LMP	0.000	0.000	0.000	0.000	0.000	
MINOR CONSTRUCTION		42.871	0.000	42.871	42.871	0.000	
FY12	Various Minor Construction <\$750K	42.871	0.000	42.871	42.871	0.000	
TOTAL		250.513	0.000	250.513	250.513	0.000	

**Army Working Capital Fund
Fiscal Year (FY) 2013 Budget Estimates
Industrial Operations**

**Capital Budget Execution
(\$ in Millions)**

FY13	Approved Project Title	Approved Project Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
EQUIPMENT		119.658	0.000	119.658	119.658	0.000	
FY13	EQUIPMENT - Replacement Various Capital Equipment - Replacement	35.567	0.000	35.567	35.567	0.000	
FY13	EQUIPMENT - Productivity Various Capital Equipment - Productivity	82.141	0.000	82.141	82.141	0.000	
FY13	EQUIPMENT - New Mission Various Capital Equipment - New Mission	0.000	0.000	0.000	0.000	0.000	
FY13	EQUIPMENT - Environmental Various Capital Equipment - Environmental	1.950	0.000	1.950	1.950	0.000	
ADPE & TELECOMMUNICATIONS EQUIPMENT		14.713	0.000	14.713	14.713	0.000	
FY13	Miscellaneous ADPE < \$1M	0.713	0.000	0.713	0.713	0.000	
FY13	Automatic Identification Technology (AIT)	14.000	0.000	14.000	14.000	0.000	
SOFTWARE DEVELOPMENT		71.453	0.000	71.453	71.453	0.000	
FY13	Army Workload and Performance System (AWPS)	1.380	0.000	1.380	1.380	0.000	
FY13	Environmental Safety and Occupational Health Program (ESOHP)	1.000	0.000	1.000	1.000	0.000	
FY13	Manufacturing Execution System (MES)	0.000	0.000	0.000	0.000	0.000	
FY13	Defense Property Accounting System - Enhanced (DPAS-E)	0.000	0.000	0.000	0.000	0.000	
FY13	Logistics Modernization Program (LMP)	69.073	0.000	69.073	69.073	0.000	
FY13	Integration of Automatic Technology (AIT) with LMP	0.000	0.000	0.000	0.000	0.000	
FY13	Expanded Ammunition Functionality with LMP	0.000	0.000	0.000	0.000	0.000	
MINOR CONSTRUCTION		32.645	0.000	32.645	32.645	0.000	
FY13	Various Minor Construction <\$750K	32.645	0.000	32.645	32.645	0.000	
TOTAL		238.469	0.000	238.469	238.469	0.000	

Soldier's Creed

I am an American Soldier.

I am a Warrior and a member of a team.

I serve the people of the United States and live the Army Values.

I will always place the mission first.

I will never accept defeat.

I will never quit.

I will never leave a fallen comrade.

I am disciplined, physically and mentally tough, trained and proficient in my warrior tasks and drills.

I always maintain my arms, my equipment and myself.

I am an expert and I am a professional.

I stand ready to deploy, engage, and destroy the enemies of the United States of America in close combat.

I am a guardian of freedom and the American way of life.

I am an American Soldier.