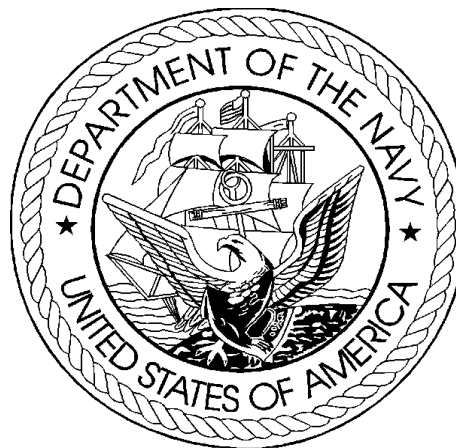


DEPARTMENT OF THE NAVY
FISCAL YEAR (FY) 2004/2005
BIENNIAL BUDGET ESTIMATES



JUSTIFICATION OF ESTIMATES
FEBRUARY 2003

NATIONAL DEFENSE SEALIFT FUND

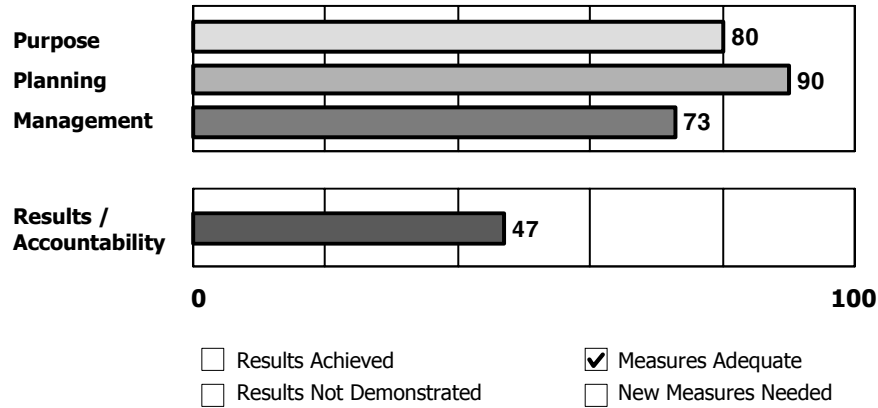
PROGRAM ASSESSMENT RATING TOOL (PART)

As part of a government-wide initiative to systematically assess Federal programs, the Department of Defense reviewed the performance of the Navy shipbuilding program. This included all of the programs included in the Shipbuilding and Conversion, Navy account and the ship construction effort in BA-1 of the National Defense Sealift Fund. The review found that there is a rigorous requirements analysis, planning, and reporting structure in-place for major shipbuilding programs. However, the shipbuilding program is limited by industrial base, political, and budgetary pressures from building ships at an optimal, efficient rate to meet long-term goals. More effort is needed to ensure that shipbuilding decisions on individual programs are consistent with long-term fleet size and capability goals. For more specific information, please see the attached exhibit.

Program: Shipbuilding

Agency: Department of Defense--Military

Bureau: Procurement



Key Performance Measures

	Year	Target	Actual
Annual Measure: Percent change in acquisition costs for individual programs from established cost of the program. Results from Virginia Class attack submarine program shown as example; data from DoD's annual Selected Acquisition Reports. The Dec 2001 report represents a two-year period (1999-2001) due to the absence of a Dec 2000 report.	1999	<10%	12%
	2001	<10%	12%
	2002	<10%	
	2003	<10%	
Annual Measure: Percentage of ship construction complete Each ship under construction has a delivery date and construction schedule. At the end of each year, the Program Manager has a goal to have a percentage of the ship construction completed. The information provided is for the first Virginia Class submarine (SSN 774).	1999	22%	24%
	2001	57%	64%
	2002	>85%	
	2003		
Long-term Measure: Number of ships in the Fleet The Navy has a baseline level of ships that it should maintain. For example, the 2001 Quadrennial Defense Review set 55 attack submarines as the baseline force that the Navy should maintain. The information shown shows planned levels for attack submarines.	2000	55	56
	2005	55	54
	2009	55	60
	2012	55	60

Rating: Adequate

Program Type: Capital Assets

Program Summary:

The shipbuilding program buys new ships and overhauls older ships for the Navy.

The assessment shows that the Navy's shipbuilding program has a clear purpose, which directly relates to the Navy's mission to defend the nation. The shipbuilding program is designed around long-term goals to maintain a specific fleet size and capability. For example, the Navy uses a baseline of 12 aircraft carriers as the minimum number needed to carry out required missions. Because of this goal, aircraft carriers are purchased at levels required to maintain this quantity. Additional findings include:

1. The Navy has specific cost, schedule, and performance goals for each shipbuilding program.
2. The Department of Defense conducts periodic reviews of programs at major milestones of development and uses a structured reporting regime to help monitor the status of ship development and cost, and construction schedule.
3. The shipbuilding program is limited by industrial base, political, and budgetary pressures that have prevented the Navy from building ships at an optimal, efficient rate to provide for the long term.
4. The Navy has experienced cost increases and schedule slips on some ship construction programs.
5. The unique attributes of each ship and the small procurement quantities within the shipbuilding program challenge the Navy from realizing efficiencies that could be achieved program-wide. Optimistic budget assumptions have exacerbated this problem.

In response to these findings the Administration will:

1. Improve the cost estimates for the shipbuilding program or, in some cases, fully budget to cost estimates.
2. Work to ensure that shipbuilding decisions are made with long term fleet size and capability goals in mind.
3. Institute program-wide goals rather than the ship specific goals that are currently used.

Program Funding Level (in millions of dollars)

<u>2002 Actual</u>	<u>2003 Estimate</u>	<u>2004 Estimate</u>
9,798	9,457	12,161

NATIONAL DEFENSE SEALIFT FUND

Summary Narrative:

The request of \$1,062.8 million in FY 2004 funds the procurement, operations and maintenance and the related Research and Development of sealift assets utilized for prepositioning, surge and Ready Reserve Force (RRF) requirements established by the DoD Mobility Requirements Study (MRS) and the MRS Bottom Up Review Update (BURU). The importance of substantial enhancements to our strategic mobility was first identified in the 1991 MRS and was validated in the FY 1995 MRS BURU. Based upon ship configurations, a total of 19 prepositioning/surge ships will be required to satisfy the MRS BURU requirements. The final LMSR ship was funded in FY1999. Construction is also underway on the last of three planned Maritime Prepositioning Force Enhancement (MPF(E)) Ships for the Marine Corps. A 20th LMSR was funded in FY2000 to replace one LMSR taken up as MPF(E) number 3.

The NDSF budget request includes \$13.4 million in FY 2004 for the continuation of research and development efforts for the Strategic Sealift Technology Development Program and for new ship platforms programmed in the FYDP. Furthermore, \$203.1 million is budgeted in FY 2004 for costs associated with maintenance of the National Defense Reserve Fleet, which includes the Ready Reserve Force. In addition, \$123.9 million is budgeted for costs associated with the maintenance and alterations of Department of Defense (DoD) Mobilization Assets, such as Fast Sealift Ships (FSS), Large Medium Speed Roll-on/Roll-off (LMSR) vessels, Fleet Hospital ships (T-AH).

The NDSF funds the operation, maintenance, and support (O&S) of current strategic sealift assets. These operations, other than RRF vessels, are funded on a reimbursable basis to the NDSF Appropriation. The individual Defense components order these services from the NDSF via a funded Economy Act order. The NDSF purchases these O&S services by issuing reimbursable orders to the Navy Working Capital Fund (NWCF) or the Transportation Working Capital Fund (TWCF).

NATIONAL DEFENSE SEALIFT FUND

Supplemental Exhibits Index

<u>NDSF Budget Activity/Programs</u>		<u>Pages</u>
Strategic Sealift Acquisition [LMSR New Construction/Conversion program, T-AKE, MPF(F), Maritime Academy training ship]	BA 1	4-19
DoD Mobilization Assets [FSS Maint, LMSR Maint , Mobilization Alterations ,T-AH Maint]	BA 2	20-24
Research and Development [National Defense Sealift Research and Development]	BA 4	25-29
Ready Reserve Force [Operations and Maintenance of the NDRF to include the RRF]	BA 5	30-36

NDSF SUMMARY FINANCIAL DATA

FY 2004/2005 President's Biennial Budget

February 2003

The following exhibits provide summary financial management information and supporting data.

(TOA \$ Millions)

NDSF Budget Activity - Programs:	FY 2002	FY 2003	FY 2004	FY 2005	FY2006	FY2007	FY2008	FY2009	Total Program
Strategic Ship Acquisition : (NDSF BA 1)	360.8	386.3	722.3	742.5	788.2	448.1	1,252.1	4,024.7	8,724.9
T-AOE(X)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,578.8	1,578.8
MPF(F)	0.0	0.0	0.0	0.0	0.0	0.0	1,190.7	2,413.8	3,604.5
T-AKE	360.8	386.3	722.3	742.5	788.2	448.1	61.4	32.1	3,541.7
DoD Mobilization Assets (NDSF BA 2)	170.2	272.8	123.9	149.5	845.6	138.5	151.0	207.1	2,058.8
- Other Mobilization Programs	8.9	11.3	0.0	0.0	0.0	0.0	0.0	0.0	20.2
- FSS Maint	59.8	59.1	46.0	49.9	49.6	49.1	50.1	51.0	414.6
- LMSR Maint	83.0	75.1	62.2	68.4	67.7	67.0	68.7	69.9	562.1
- DOD Mob. Alts	3.6	110.3	0.0	9.4	711.5	0.0	9.3	62.9	907.1
- T-AH Maint	14.9	17.1	15.6	21.8	16.7	22.5	22.9	23.3	154.8
Sealift R&D: (NDSF BA 4)	9.7	14.1	13.4	34.3	38.7	37.3	41.9	34.3	223.8
NDRF / RRF O&M (NDSF BA 5)	248.7	254.5	203.1	220.2	228.8	231.9	285.9	250.7	1,923.7
Users O&M:(1)									
Total (2/3)	789.4	927.6	1,062.8	1,146.6	1,901.3	855.8	1,730.9	4,516.8	12,931.2

UNCLASSIFIED

P-27 EXHIBIT
 FY 2004 President's
 Budget Estimate
 February 2003

NATIONAL DEFENSE SEALIFT FUND (NDSF)
 SHIP PRODUCTION SCHEDULE

<u>Ship Type</u>	<u>Shipbuilder</u>	<u>Fiscal Yr Authorized</u>	<u>Contract Award</u>		<u>Start of Construction</u>	<u>Current Estimated Delivery Date</u>
TAKR 295	NASSCO	FY93	Jul-93	*	Jun-94	May-96
TAKR 296	Newport News	FY93	Jul-93	*	Oct-93	Aug-96
TAKR 297	NASSCO	FY93	Jul-93		May-95	Feb-97
TAKR 298	Newport News	FY93	Jul-93		Oct-93	May-97
TAKR 299	NASSCO	FY93	Jul-93		Oct-95	Nov-97
TAKR 300	Avondale	FY93	Sep-93	*	Jan-95	Nov-98
TAKR 301	Avondale	FY94	Sep-94		Oct-95	Aug-99
TAKR 302	Avondale	FY94	Sep-94		Sep-96	Mar-00
TAKR 303	Avondale	FY96	Dec-95		May-97	Jan-01
TAKR 304	Avondale	FY97	Nov-96		Nov-97	Jul-01
TAKR 305	Avondale	FY98	Nov-97	*	Aug-98	Jul-02
TAKR 306	Avondale	FY99	Dec-98		Jun-99	Feb-03
TAKR 310	NASSCO	FY93	Sep-93	*	Mar-96	Jun-98
TAKR 311	NASSCO	FY95	Oct-94		Jan-97	Dec-98
TAKR 312	NASSCO	FY95	Oct-94		Aug-97	Jul-99
TAKR 313	NASSCO	FY96	Jan-96		Mar-98	Jan-00
TAKR 314	NASSCO	FY97	Nov-96		Sep-98	May-00
TAKR 315	NASSCO	FY 97	May-97		Apr-99	Mar-01
TAKR 316	NASSCO	FY98	Nov-97	*	Nov-99	Aug-01
TAKR 317	NASSCO	FY00	Feb-00	*	Jul-00	Sep-02

* These were new contracts; all other ships were options to the basic contracts.
 Note: Dates in **bold** are actuals.

**P-5 Exhibit
FY2004 President's
Budget Estimate
February 2003**

Strategic Sealift Conversion 5 Ship Buy

Contract Award Year (\$ THOUSANDS)	FY93			FY93		FY93		GRAND TOTAL
	NASSCO LEAD	NASSCO FOLLOW	NASSCO FOLLOW	NEWPORT LEAD	NEWPORT FOLLOW	TOTAL LEAD	TOTAL FOLLOW	
1. PLANS								
2. BASIC	295,345	246,858	247,016	313,423	248,427	608,768	742,300	1,351,068
3. CHANGE ORDERS	32,513	18,785	18,310	25,726	22,748	58,239	59,843	118,082
4. ELECTRONICS								
5. PROPULSION								
6. HM&E	9,991	2,163	1,862	11,239	1,626	21,230	5,651	26,881
7. OTHER	2,566	2,565	2,547	2,724	2,556	5,291	7,668	12,959
8. ORDNANCE								
9. ESCALATION								
SUBTOTAL WEAPON SYSTEM END COST	340,416	270,371	269,735	353,111	275,357	693,527	815,462	1,508,990
10. POST DELIVERY	3,674	2,281	2,231	2,755	495	6,429	5,006	11,435
TOTAL WEAPON SYSTEM END COST	344,090	272,652	271,966	355,866	275,852	699,956	820,469	1,520,425

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

**P-5 Exhibit
 FY2004 President's
 Budget Estimate
 February 2003**

Strategic Sealift Conversion 5 Ship Buy

**Soderman Conversion to MPFE
 Contract Award Year**

(\$ THOUSANDS)

	<u>FY00</u>
1. PLANS	
2. BASIC	
3. CHANGE ORDERS	25,000
4. ELECTRONICS	1,400
5. PROPULSION	
6. HM&E	
7. OTHER	700
8. ORDNANCE	700
9. ESCALATION	
SUBTOTAL WEAPON SYSTEM END COST	<u>27,800</u>
10. POST DELIVERY	
	2,200
TOTAL WEAPON SYSTEM END COST	<u>30,000</u>

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

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**P-8A Exhibit
FY 2004 President's
Budget Estimate
February 2003**

**NATIONAL DEFENSE SEALIFT FUND
Analysis of Ship Cost Estimates - Major Equipment
(Dollars in Thousands)**

**Ship Type: Strategic Sealift
Conversion Program**

**FY93 &
Prior
Total Cost**

HM&E

A. HM&E Test & Instrumentation	4,069
B. HM&E Engineering Services	19,330
C. SUPSHIP Material/Services	<u>3,481</u>
Total HM&E	26,881

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P-8A Exhibit
FY 2004 President's
Budget Estimate
February 2003

NATIONAL DEFENSE SEALIFT FUND
Analysis of Ship Cost Estimates - Major Equipment
(Dollars in Thousands)

Ship Type: Soderman Conversion to MPFE

FY00
Total Cost

HM&E

A. HM&E Test & Instrumentation	133
B. HM&E Engineering Services	224
C. SUPSHIP Material/Services	<u>343</u>
Total HM&E	700

CLASSIFICATION:
UNCLASSIFIED

P-5 Exhibit
FY 2004 President's
Budget Estimates
February 2003

PROGRAM COST BREAKDOWN

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1
STRATEGIC SEALIFT-NEW CONSTRUCTION PROGRAM

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

Contract Award Year	FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	TOTAL PROGRAM
QUANTITY	2	2	2	2	3	2	1	1			15
(\$ THOUSANDS)											
1. PLANS											
2. BASIC	624,413	502,532	462,531	450,955	705,382	456,261	260,548	259,282			3,721,903
3. CHANGE ORDERS	39,826	21,630	27,978	26,149	43,440	33,700	24,141	3,893			220,758
4. ELECTRONICS											
5. PROPULSION											
6. HM&E	31,820	10,504	14,107	7,805	12,317	8,577	4,065	5,200			94,393
7. OTHER	14,949	9,699	11,516	6,720	11,514	8,026	5,000	3,860			71,285
8. ORDNANCE											
9. ESCALATION	57,921	47,321	40,626	38,066	50,019	54,935	5,213	11,056			305,157
SUBTOTAL	768,929	591,686	556,757	529,695	822,672	561,499	298,966	283,291			4,413,496
10. POST DELIVERY	8,086	7,558	5,224	7,000	10,500	7,000	3,156	3,500			52,024
Jan 2003 NDSF New Construction Allocation	777,015	599,244	561,981	536,695	833,172	568,499	302,122	286,791			4,465,520
FY98 funds for FY97 & FY99 hulls					(35,000)	70,000	(35,000)				0
Total	777,015	599,244	561,981	536,695	798,172	638,499	267,122	286,791			4,465,520

NOTE: Program year of ships does not equate to the fiscal year (FY) funding.
\$70M Advanced Procurement provided by Congress allocated as \$35M Advanced Procurement for FY99 ship and \$35M Compensation for DON FY97 Reprogramming.

CLASSIFICATION:
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P-5 Exhibit
FY 2004 President's
Budget Estimates
February 2003

PROGRAM COST BREAKDOWN

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1
STRATEGIC SEALIFT-NEW CONSTRUCTION PROGRAM

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

Contract Award Year	FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	TOTAL PROGRAM
AVONDALE SHIP QUANTITY	1	2	0	1	1	1	1				7
(\$ THOUSANDS)											
1. PLANS											
2. BASIC	310,954	502,532		232,955	238,153	237,761	260,548				1,782,901
3. CHANGE ORDERS	19,493	21,630		14,124	18,791	19,790	24,141				117,970
4. ELECTRONICS											
5. PROPULSION											
6. HM&E	16,314	10,504		2,605	3,304	4,727	4,065				41,518
7. OTHER	11,449	9,699		2,396	3,180	3,900	5,000				35,624
8. ORDNANCE											
9. ESCALATION	30,021	47,321		22,385	22,901	22,572	5,213				150,413
SUBTOTAL	388,230	591,686		274,465	286,330	288,750	298,966				2,128,427
10. POST DELIVERY	4,546	7,558		3,500	3,500	3,500	3,156				25,760
Jan 2003 NDSF New Construction Allocation	392,776	599,244		277,965	289,830	292,250	302,122				2,154,187
FY98 funds for FY97 & FY99 hulls						35,000	(35,000)				
Total	392,776	599,244		277,965	289,830	327,250	267,122				2,154,187

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

CLASSIFICATION:
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P-5 Exhibit
FY 2004 President's
Budget Estimates
February 2003

PROGRAM COST BREAKDOWN

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1
STRATEGIC SEALIFT-NEW CONSTRUCTION PROGRAM

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

Contract Award Year	FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	TOTAL PROGRAM
NASSCO SHIP QUANTITY	1	0	2	1	2	1					7
(\$ THOUSANDS)											
1. PLANS											
2. BASIC	313,459		462,531	218,000	467,230	218,500					1,679,720
3. CHANGE ORDERS	20,333		27,978	12,025	24,648	13,910					98,894
4. ELECTRONICS											
5. PROPULSION											
6. HM&E	15,506		14,107	5,200	9,012	3,850					47,675
7. OTHER	3,501		11,516	4,324	8,334	4,126					31,801
8. ORDNANCE											
9. ESCALATION	27,900		40,626	15,681	27,118	32,363					143,688
SUBTOTAL	380,699		556,757	255,230	536,343	272,749					2,001,778
10. POST DELIVERY	3,540		5,224	3,500	7,000	3,500					22,764
Jan 2003 NDSF New Construction Allocation	384,239		561,981	258,730	543,343	276,249					2,024,542
FY98 funds for FY97 & FY99 hulls (Compensation for DON FY97 Reprogramming)					(35,000)	35,000					
Total	384,239		561,981	258,730	508,343	311,249					2,024,542

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

CLASSIFICATION:
UNCLASSIFIED

P-5 Exhibit
FY 2004 President's
Budget Estimates
February 2003

PROGRAM COST BREAKDOWN

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1
STRATEGIC SEALIFT-NEW CONSTRUCTION PROGRAM

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

Contract Award Year	FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	TOTAL PROGRAM
NASSCO SHIP QUANTITY								1			1
(\$ THOUSANDS)											
1. PLANS											
2. BASIC								259,282			259,282
3. CHANGE ORDERS								3,893			3,893
4. ELECTRONICS											
5. PROPULSION											
6. HM&E								5,200			5,200
7. OTHER								3,860			3,860
8. ORDNANCE											
9. ESCALATION								11,056			11,056
SUBTOTAL								283,291			283,291
10. POST DELIVERY								3,500			3,500
Jan 2003 NDSF New Construction Allocation								286,791			286,791

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

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P-8A Exhibit
FY 2004 President's
Budget Estimates
February 2003

NATIONAL DEFENSE SEALIFT FUND
Analysis of Ship Cost Estimates - Major Equipment
(Dollars in Thousands)

Ship Type: Strategic Sealift New Construction Program	FY93 & Prior Total Cost	FY94 Total Cost	FY95 Total Cost	FY96 Total Cost	FY97 Total Cost	FY98 Total Cost	FY99 Total Cost	FY00 Total Cost	Total All Years
HM&E									
A. HM&E Test & Instrumentation	702	3,830	875	2,382	5,616	3,740	1,376	1,870	20,391
B. HM&E Engineering Services	28,698	5,331	8,147	4,040	4,477	3,242	2,023	2,670	58,628
C. SUPSHIP Material/Services	2,420	1,343	5,084	1,382	2,223	1,595	666	660	15,374
Total HM&E	31,820	10,504	14,107	7,805	12,317	8,577	4,065	5,200	94,393

CLASSIFICATION: UNCLASSIFIED

BUDGET ITEM JUSTIFICATION SHEET (P-40) FY 2004 PRESIDENT'S BUDGET										DATE: February 2003	
APPROPRIATION/BUDGET ACTIVITY/BUDGET LINE ITEM NATIONAL DEFENSE SEALIFT FUND/BA-1/BLI 012000								P-1 ITEM NOMENCLATURE T-AKE			
	PRIOR YEARS	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	COMPLE	TOTAL PROGRAM
QUANTITY	2	1	1	2	2	2	1	0	0	0	11
End Cost	846.7	360.8	386.3	722.3	742.5	788.2	448.1	61.4	32.1	8.4	4,396.8
Less NDSF Transfer	73.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	73.3
Less FY00 SCN	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.4
Full Funding TOA	764.0	360.8	386.3	722.3	742.5	788.2	448.1	61.4	32.1	8.4	4,314.1
Plus Advance Procurement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Obligational Authority	764.0	360.8	386.3	722.3	742.5	788.2	448.1	61.4	32.1	8.4	4,314.1
Plus Outfitting and Post Delivery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plus Escalation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	764.0	360.8	386.3	722.3	742.5	788.2	448.1	61.4	32.1	8.4	4,314.1
Unit Cost (Ave. End Cost)	423.4	360.8	386.3	361.2	371.2	394.1	448.1	0.0	0.0	0.0	399.7

MISSION:
The Dry Cargo/Ammunition Ship (T-AKE) Acquisition Program will replace the aging fleet of refrigerated cargo and food stores ships (designated AFS Class) and ammunition ships (designated AE Class) in the Navy's Combat Logistics Force (CLF). The primary mission of the T-AKE is to provide a steady stream of ammunition, spare parts and provisions (dry, refrigerated and frozen) to naval forces at sea in its role as a shuttle ship.

Characteristics:	Production Status	T-AKE 0001	T-AKE 0101	T-AKE 0201
Hull	Contract Plans			
Length overall	Award Planned (Month)	Oct 01	Oct 01	Jul 02
Beam	Months to Complete			
Displacement	a) Award to Delivery	44	51	47
Draft	b) Construction Start to Delivery	22	22	19
	Commissioning Date	TBD	TBD	TBD
	Completion of			
	Fitting-Out	Jul 05	Dec 05	Jul 06

Armament: N/A

Major Electronics:	
HF/UHF/VHF Systems	SWAN/LAN
HSFB	ADNS
INMARSAT	DMS
GPS	INTEGRATED BRIDGE CONTROL SYSTEM
GMDSS	MACHINERY CONTROL SYSTEM
IFF	
SNAP	

DD Form 2454, JUL 88

UNCLASSIFIED
CLASSIFICATION

FY 2004
President's Budget Estimates
February 2003

WEAPON SYSTEM COST ANALYSIS EXHIBIT (P-5)

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1		P-1 ITEM NOMENCLATURE: T-AKE				SUBHEAD: FY00 8010 FY01 8110			
BUDGET LINE ITEM: 012000						FY02 8D10 FY03 8E10			
ELEMENT OF COST	QTY	FY 2000		FY 2001		FY 2002		FY 2003	
		TOT COST	QTY	TOT COST	QTY	TOT COST	QTY	TOT COST	
PLAN COSTS	1	56,784	1	0	1	0	1	0	
BASIC CONST/CONVERSION		376,784		323,395		297,561		302,635	
CHANGE ORDERS		39,500		14,700		8,500		8,400	
ELECTRONICS		18,000		14,000		14,000		14,000	
PROPULSION EQUIPMENT		0		0		0		0	
HM&E		37,478		12,752		9,251		11,800	
OTHER COST		4,753		3,520		3,521		3,587	
ORDNANCE		1,701		1,733		1,767		1,803	
ESCALATION		0		0		0		0	
TOTAL SHIP ESTIMATE		535,000	1/	370,100		334,600		342,225	
POST DELIVERY/OUTFITTING		0		0		0		11,895	
FY00 - FY03 NDSF ADJUSTMENTS		46,097		12,261		(26,218)		(32,140)	
NET P-1 LINE ITEM		488,903		357,839		360,818		386,260	

1/ Includes \$9.440 million HM&E in SCN and \$73.3 million reprogramming of LMSR assets.

UNCLASSIFIED
CLASSIFICATION

FY 2004
President's Budget Estimate
February 2003

WEAPON SYSTEM COST ANALYSIS EXHIBIT (P-5)

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1

P-1 ITEM NOMENCLATURE: T-AKE

SUBHEAD: TBD

BUDGET LINE ITEM: 012000

ELEMENT OF COST	FY 2004		FY 2005	
	QTY	TOT COST	QTY	TOT COST
PLAN COSTS	2	0	2	0
BASIC CONST/CONVERSION		603,342		605,361
CHANGE ORDERS		16,900		17,200
ELECTRONICS		28,000		28,000
PROPULSION EQUIPMENT		0		0
HM&E		23,849		24,109
OTHER COST		7,050		6,854
ORDNANCE		3,721		3,799
ESCALATION		0		0
TOTAL SHIP ESTIMATE		682,862		685,323
POST DELIVERY/OUTFITTING		39,452		57,141
NET P-1 LINE ITEM		722,314		742,464

UNCLASSIFIED
CLASSIFICATION

FY 2004
President's Budget Estimates
February 2003

NATIONAL DEFENSE SEALIFT FUND
SHIP PRODUCTION SCHEDULE

SHIP TYPE	SHIPBUILDER	FISCAL YEAR AUTHORIZED	CONTRACT AWARD	START OF CONSTRUCTION	DELIVERY DATE
T-AKE 0001	NASSCO	2000	Oct-01	Jul-03	May-05
T-AKE 0101	NASSCO	2001	Oct-01	Feb-04	Dec-05
T-AKE 0201	NASSCO	2002	Jul-02	Feb-04	May-06
T-AKE 0301	NASSCO	2003	Jul-03	Jul-05	Dec-06
T-AKE 0401	NASSCO	2004	Jan-04	Nov-05	May-07
T-AKE 0402	NASSCO	2004	Jan-04	Jul-06	Jul-07
T-AKE 0501	NASSCO	2005	Jan-05	Jan-07	May-08
T-AKE 0502	NASSCO	2005	Jan-05	Jun-07	Jul-08
T-AKE 0601	NASSCO	2006	Jan-06	Dec-07	May-09
T-AKE 0602	NASSCO	2006	Jan-06	May-08	Aug-09
T-AKE 0701	NASSCO	2007	Jan-07	Nov-08	May-10

CLASSIFICATION: UNCLASSIFIED

BUDGET ITEM JUSTIFICATION SHEET (P-40)										DATE:	
FY 2004 President's Budget (\$M)										February 2003	
APPROPRIATION/BUDGET ACTIVITY/BUDGET LINE ITEM										P-1 ITEM NOMENCLATURE	
NATIONAL DEFENSE SEALIFT FUND/BA-1/BLI 010000										STRATEGIC SEALIFT ACQUISITION - T-AOE(X)	
	PRIOR YEAR	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TO COMPLETE	TOTAL PROGRAM
QUANTITY	0	0	0	0	0	0	0	0	2	2	4
End Cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,578.8	1,535.2	3,114.0
Less Advance Procurement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less Escalation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Full Funding TOA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,578.8	1,535.2	3,114.0
Plus Advance Procurement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Obligational Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,578.8	1,535.2	3,114.0
Plus Outfitting and Post Delivery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plus Escalation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,578.8	1,535.2	3,114.0
Unit Cost (Ave. End Cost)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	789.4	767.6	778.5

MISSION:

T-AOE(X) Fast Combat Support Ship is to replace the current capability of the AOE 1 Class (Fast Combat Support Ship). T-AOE(X) will be a station ship for the carrier battlegroup capable of resupplying all expendable cargo and fuel and acting as the primary system between the slower single product ship of the combat logistics force.

<u>Characteristics:</u>		<u>Production Status</u>	<u>TAOE(X) 0901</u>	<u>TAOE(X) 0902</u>
<u>Hull</u>	<u>Nominal Requirements</u>	<u>Contract Plans</u>		
Length overall	754'-9"	Award Planned (Month)	Nov-09	TBD
Beam	120'-8"	Months to Complete		
Displacement	54,455 LT	a) Award to Delivery	46	TBD
Draft	37'-1"	b) Construction Start to Delivery	34	TBD
		Commissioning Date	TBD	TBD
		Completion of Fitting-Out	Sep-13	TBD
<u>Armament:</u>	TBD	<u>Major Electronics:</u>	TBD	

DD Form 2454, JUL 88

CLASSIFICATION: UNCLASSIFIED

BUDGET ITEM JUSTIFICATION SHEET (P-40)										DATE:																																																																																																				
FY 2004 President's Budget (\$M)										February 2003																																																																																																				
APPROPRIATION/BUDGET ACTIVITY/BUDGET LINE ITEM										P-1 ITEM NOMENCLATURE																																																																																																				
NATIONAL DEFENSE SEALIFT FUND/BA-1/BLI 011000										OTHER SEALIFT ACQUISITION - MPF(F)																																																																																																				
	PRIOR YEAR	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TO COMPLETE	TOTAL PROGRAM																																																																																																			
QUANTITY	0	0	0	0	0	0	0	1	2	0	3																																																																																																			
End Cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,190.7	2,413.8	0.0	3,604.5																																																																																																			
Less Advance Procurement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																																																																																																			
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Full Funding TOA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,190.7	2,413.8	0.0	3,604.5																																																																																																			
Plus Advance Procurement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																																																																																																			
Total Obligational Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,190.7	2,413.8	0.0	3,604.5																																																																																																			
Plus Outfitting and Post Delivery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																																																																																																			
Plus Escalation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																																																																																																			
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,190.7	2,413.8	0.0	3,604.5																																																																																																			
Unit Cost (Ave. End Cost)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,190.7	1,206.9	0.0	1,201.5																																																																																																			
<p>MISSION: The Maritime Prepositioning Force (Future) (MPF(F)) ship system will provide a highly flexible, operational and logistics support capability to enable Expeditionary Maneuver Warfare concepts and to meet required operational capabilities with respect to Force Closure, Amphibious Task Force Integration, Sustainment and Reconstitution/Redeployment.</p>																																																																																																														
<table border="0"> <tr> <td colspan="3"><u>Characteristics:</u></td> <td colspan="3"><u>Production Status</u></td> <td colspan="2"></td> <td colspan="3"></td> </tr> <tr> <td colspan="3"><u>Hull</u></td> <td colspan="3"><u>Contract Plans</u></td> <td colspan="2"></td> <td colspan="3"></td> </tr> <tr> <td>Length overall</td> <td>TBD</td> <td></td> <td>Award Planned (Month)</td> <td></td> <td></td> <td><u>MPF(F) 0801</u></td> <td><u>MPF(F) 0901</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Beam</td> <td>TBD</td> <td></td> <td>Months to Complete</td> <td></td> <td></td> <td>TBD</td> <td>TBD</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Displacement</td> <td>TBD</td> <td></td> <td>a) Award to Delivery</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Draft</td> <td>TBD</td> <td></td> <td>b) Construction Start to Delivery</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Commissioning Date</td> <td></td> <td></td> <td>TBD</td> <td>TBD</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Completion of Fitting-Out</td> <td></td> <td></td> <td>TBD</td> <td>TBD</td> <td></td> <td></td> <td></td> </tr> <tr> <td><u>Armament:</u></td> <td>N/A</td> <td></td> <td><u>Major Electronics:</u></td> <td></td> <td></td> <td>TBD</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>												<u>Characteristics:</u>			<u>Production Status</u>								<u>Hull</u>			<u>Contract Plans</u>								Length overall	TBD		Award Planned (Month)			<u>MPF(F) 0801</u>	<u>MPF(F) 0901</u>				Beam	TBD		Months to Complete			TBD	TBD				Displacement	TBD		a) Award to Delivery								Draft	TBD		b) Construction Start to Delivery											Commissioning Date			TBD	TBD							Completion of Fitting-Out			TBD	TBD				<u>Armament:</u>	N/A		<u>Major Electronics:</u>			TBD				
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<u>Armament:</u>	N/A		<u>Major Electronics:</u>			TBD																																																																																																								

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NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2004/2005 President's Biennial Budget

NDSF
February 2003
BA-2
BLI 020000

Other DoD Mobilization Programs
(\$Millions)

<u>Other DoD Mobilization Programs</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
USTRANSCOM MSC Cash Surcharge	8.90	11.29	0.00	0.00
Total, Other DoD Mobilization Programs	8.90	11.29	0.00	0.00
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Outyear Costs	0.0	0.0	0.0	0.0

Justification:

USTRANSCOM MSC Cash Surcharge: NDSF was directed to provide funds to MARAD for prior year services. FY2003 is the last year this surcharge occurred.

**NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2004/2005 President's Biennial Budget**

**NDSF
February 2003
BA-2
BLI 021000**

**Fast Sealift Ships (FSS)
(\$Millions)**

<u>FSS</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Total FSS	59.8	59.1	46.0	49.9
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Outyear Costs	49.6	49.1	50.1	51.0

Justification:

Fast Sealift Ships are roll-on/roll-off and lift-on/lift-off ships equipped with on-board cranes and self-contained ramps which enable the ships to off-load onto lighterage which anchored at sea or in ports where shore facilities for unloading equipment are unavailable. The vessels are specially suited to transport heavy or bulky unit equipment such as tanks, large wheeled vehicles and helicopters.

Eight FSS are maintained in a 4-day Reduced Operating Status (ROS-4) as recommended by the OSD published Mobility Requirements Study (MRS) and the MRS Bottom-Up Review Update (MRS BURU). These ships provide the initial surge sealift capacity required to transport the lead combat forces from CONUS to a given area of operations and satisfy time critical warfighting requirements. The criteria for each readiness status was also specified in the MRS (i.e. Outporting, Sea/Dock Trials, Maintenance). ROS-4 ships have a cadre crew assigned, are outported at a layberth, and undergo annual sea trials, periodic dock trials, and required periodic regulatory drydockings/inspections.

The NDSF direct funded costs reflected here provide only for ROS maintenance and berthing costs. Whenever activated to Full Operating Status (FOS) at the request of a user customer (e.g., LANT/PAC Fleet), then the user pays for the additional expenses, such as fuel and additional crew, on a reimbursable basis.

**NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2004/2005 President's Biennial Budget**

**NDSF
February 2003
BA-2
BLI 022000**

**Large Medium Speed RO/RO (LMSR)
(\$Millions)**

<u>LMSR</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Total, LMSR	83.0	75.1	62.2	68.4
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Outyear Costs	67.7	67.0	68.7	69.9

Justification:

Large, Medium-speed, Roll-on/Roll-off Ships, or LMSRs, can carry an entire U.S. Army Task Force, including 58 tanks, 48 other track vehicles, plus more than 900 trucks and other wheeled vehicles. The ship carries vehicles and equipment to support humanitarian missions, as well as combat missions. The new construction vessels have a cargo carrying capacity of more than 380,000 square feet, equivalent to almost eight football fields. In addition, LMSRs have a slewing stern ramp and a removable ramp which services two side ports making it easy to drive vehicles on and off the ship. Interior ramps between decks ease traffic flow once cargo is loaded aboard ship. Two 110-ton single pedestal twin cranes make it possible to load and unload cargo where shoreside infrastructure is limited or nonexistent. A commercial helicopter deck was added for emergency, daytime landing.

Eleven LMSRs will be maintained in a 4-day Reduced Operating Status (ROS-4) as recommended by the OSD published Mobility Requirements Study (MRS) and the MRS Bottom-Up Review Update (MRS BURU). These ships provide the initial surge sealift capacity required to transport the lead combat forces from CONUS to a given area of operations and satisfy time critical warfighting requirements. The criteria for each readiness status was also specified in the MRS (i.e. Outporting, Sea/Dock Trials, Maintenance). ROS-4 ships have a cadre crew assigned, outported at a layberth, and undergo annual sea trials, periodic dock trials, and required periodic regulatory drydockings/inspections. Cost data incrementally increases as ships are delivered to the fleet and undergo an initial post delivery crew familiarization/warranty maintenance period. All 11 surge LMSRs were delivered by 28 February 2002.

The need for additional military sealift ships was identified in a Congressionally-mandated study by the Joint Chiefs of Staff in the early 1990s. The Mobility Requirements Study focused on Department of Defense transportation during the Persian Gulf War. It highlighted the urgent need for greater sealift capacity to transport military equipment and supplies during wartime and other national contingencies.

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2004/2005 President's Biennial Budget

NDSF
February 2003
BA-2
BLI 023000

DOD Strategic Vessel Modernization
(\$Millions)

<u>Modernization</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Hospital Ship (T-AH)	0.9	0.9	0.0	0.0
Maritime Prepositioning Ship (MPS)	1.8	1.8	0.0	0.0
Offshore Petroleum Discharge (OPDS)	0.9	2.5	0.0	0.0
MCM Cradles	0.0	10.0	0.0	9.4
T-5 tanker buyout	0.0	95.1	0.0	0.0
Total, Modernization	3.6	110.3	0.0	9.4
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Outyear Costs, Totals	711.5	0.0	9.3	62.9
Maritime Prepositioning Ship (MPS) Buyout	711.5	0.0	0.0	0.0
T-AOE Civilian Crew Modifications	0.0	0.0	0.0	52.9
MCM Cradles	0.0	0.0	9.3	10.0

Justification:

General: Fleet modernization replaced obsolete equipment and responded to emergent fleet requirements. Requirements are prioritized annually and fiscal resources are allocated to complete most important safety and operational requirements when resources become available.

Specific Programs:

Modernization efforts were conducted for hospital ships and prepositioned ships in FYs 02 and 03.

Offshore Petroleum Discharge (OPDS) upgrades were performed on two ships to make them self sufficient, correct safety deficiencies in FYs 02 and 03. Emergent use of OPDS in FY 02 required some more effort in OCPDS maintenance in FY 03.

In FYs 03, 05, 07 and 09 one **MCM cradle** will be procured each year - to support CINC OPLANS related to timely force closure by providing theater transportation requirements.

T-5 tanker buyout: The Military Sealift Command currently charters five T-5 tankers to transport fuel worldwide for the Defense Energy Support Center. In the early 1980's, the Navy decided to charter, or lease, vice buy the \$65 million T-5 tankers. The charters are for twenty-year terms, expiring over FY 2005 and FY 2006, and contain purchase options. The Military Sealift Command has evaluated a number of alternatives for providing this capability for the foreseeable future, including extending the charters, and the analysis indicated that the most cost-efficient option is to exercise the purchase clauses in the charter contracts. Purchase of four T-5 tankers in FY 2003 cost \$95.1 million, saving the Department \$479 million over FYs 2003 through 2015 as compared to leasing over the same period.

Maritime Prepositioning Ship (MPS) Buyout in FY 06 will result in a one time cost of \$711.5 million that fiscal year. This one time expense will execute the buyout of all 13 leased MPS ships in FY06 and incorporate savings from no longer making leasing payments in FY06-11. The savings are reflected in the O&M,N appropriation through FY2020.

T-AOE Civilian Crew Modifications Funds will be used to modify AOE-6 class ships that the Navy transferred to MSC to accommodate civilian mariner crews.

**NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2004/2005 President's Biennial Budget**

**NDSF
February 2003
BA-2
BLI 025000**

**Hospital Ships (T-AH)
(\$Millions)**

<u>T-AH</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Crew Costs	4.11	4.40	4.49	4.58
Maintenance & Repair	5.10	6.60	4.92	10.87
Layberth	3.10	3.32	3.39	3.46
Other	2.62	2.79	2.85	2.91
Total T-AH	14.93	17.11	15.65	21.82
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Outyear Costs	16.7	22.5	22.9	23.3

Justification:

Two T-AHs are maintained in a 5-day Reduced Operating Status (ROS-5) as required by Defense Planning Guidance and Combatant Commander OPLANS. These ships provide the critical initial surge field hospital capability to support warfighting, humanitarian, and Operations Other Than War. T-AH ships have a cadre crew assigned, are outported at a layberth, and undergo annual sea trials, periodic dock trials, and required periodic regulatory drydockings/inspections.

Notes:

Crew costs include wages & salaries.

Maintenance & Repair costs include daily maintenance and regulatory inspections, drydockings, and overhauls.

Layberth Costs include berth lease, utilities, tugs, pilots, and inport fuel.

Other costs include ADP support, supplies, subsistence, spare parts, consumables, and NWCF profit/loss.

CLASSIFICATION:

EXHIBIT R-2, RDT&E Budget Item Justification					FY 2004 President's Budget (\$M)			DATE: February 2003	
APPROPRIATION/BUDGET ACTIVITY					R-1 ITEM NOMENCLATURE				
National Defense Sealift Fund/BA-4					0408042N.SEA, National Defense Sealift Fund				
COST (\$ in Millions)		FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
NDSF Research & Development Strategic Sealift, No. 090000									
Total PE Cost		9.717	14.060	13.433	34.310	38.731	37.312	41.920	34.269
<p>A. MISSION DESCRIPTION AND BUDGET ITEM JUSTIFICATION:</p> <p>Strategic Sealift is the capability to rapidly mobilize and deploy combat forces and sustainment to the theatre of operations. The Strategic Sealift Research and Development Program is a continuation of the Fast Sealift Technology Development Program established by Congress in FY 1990 and the Merchant Ship Naval Augmentation Program (MSNAP). The focus of the program is to develop new concepts and technologies which can be applied to or will enable future strategic sealift, combat logistics force, and seabasing systems. The technologies include ship configuration concepts, equipments to increase cargo handling and cargo loading/unloading rates (including commercial and merchant ship systems), improved man/machine interfaces, improved structural configurations and materials, and Logistics-Over-the-Shore (LOTS) equipment and system improvements to enable LOTS operations to satisfy CINC sea state and operational requirements. This program develops prototype systems from service approved and commercially available technologies and components. The program transitions applicable product lines from the ONR managed Expeditionary Logistics Future Naval Capabilities initiative. These initiatives include Heavy UNREP, StrikeUp/Down, and Skin-to-Skin Material Transfer. Heavy UNREP will develop a tensioned ropeway system. Strike Up/Down focuses on selective offload and movement of cargo, as well as the safe handling of weapons, stores, and supplies. Skin-to-Skin, allowing for material transfer in the open ocean environment, will examine such products as motion compensating cranes, inflatable fendering, and ship to ship securing. will. The program heavily involves U.S. industry, shipyards, shipbuilding and cargo equipment regulatory bodies, the USCG and MARAD to assure that the potential benefits of these technologies are realized. The NDSF R&D line also includes Maritime Prepositioning Force (Future) (MPF(F)), T-AOE(X) and Naval Operations Logistics IPT.</p> <p>Prior program efforts produced: SEA State 3/JLOTS options study and related integrated R&D master plan, initial composite causeway concepts, shipboard crane operator assist systems, Auxiliary Crane Ship (T-ACS), Seashed Systems, Modular Cargo (MCDS) and Fuel (MFDS) Delivery Systems, Vertical Replenishment (VERTREP) deck, and several other Sealift Enhancement Features. Many Ready Reserve Force (RRF) ships have been improved by the program.</p>									

CLASSIFICATION:

EXHIBIT R-2, RDT&E Budget Item Justification		FY 2004 President's Budget (\$M)	DATE: February 2003	
APPROPRIATION/BUDGET ACTIVITY National Defense Sealift Fund, BA-4	PROGRAM ELEMENT NUMBER AND NAME 0408042N.SEA, National Defense Sealift Fund	PROJECT NUMBER AND NAME 77772, NDSF Research and Development		
B. Accomplishments/Planned Program				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	1.260	2.584	2.005	2.407
RDT&E Articles Quantity				
SEALIFT CONCEPT AND DEVELOPMENT - Develop sealift ship and system concepts for future sealift missions, including Fast Sealift.				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	0.050	0.000	0.000	0.000
RDT&E Articles Quantity				
SEA STATE 3 JLOTS/ADVANCED LIGHTER SIMULATOR - Validate advanced lighter simulator				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	0.663	0.850	0.000	0.400
RDT&E Articles Quantity				
SHIP TO SHIP/LIGHTER INTERFACES - Testing and demonstration of ship/lighter and ship.ship motion control, mooring and platform interface systems.				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	0.045	0.050	0.000	0.150
RDT&E Articles Quantity				
PLANNING TOOLS AND C4I SYSTEMS - Validate/update Planning/Training Systems				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	1.385	1.250	0.950	0.500
RDT&E Articles Quantity				
MERSHIP SYSTEMS DEVELOPMENT - Development of systems for MERSHIP support of advanced operational concepts.				

CLASSIFICATION:

EXHIBIT R-2, RDT&E Budget Item Justification		FY 2004 President's Budget (\$M)	DATE: February 2003	
APPROPRIATION/BUDGET ACTIVITY National Defense Sealift Fund, BA-4	PROGRAM ELEMENT NUMBER AND NAME 0408042N.SEA, National Defense Sealift Fund	PROJECT NUMBER AND NAME 77772, NDSF Research and Development		
B. Accomplishments/Planned Program (Cont.)				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	0.064	1.083	0.800	1.500
RDT&E Articles Quantity				
SHIPBOARD CRANE SYSTEMS - Shipboard crane systems at-sea operations capability development/testing/demonstration.				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	0.400	1.400	1.100	1.490
RDT&E Articles Quantity				
SHIPBOARD CARGO SYSTEMS - Development of shipboard cargo systems (including ramp/platform interface).				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	3.550	4.888	3.899	9.608
RDT&E Articles Quantity				
MPF(F) - MPF(F) concept development.				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	2.300	1.955	3.119	9.608
RDT&E Articles Quantity				
T-AOE(X) - T-AOE(X) concept development.				
	FY 02	FY 03	FY 04	FY 05
Accomplishments/Effort/Subtotal Cost	0.000	0.000	1.560	8.647
RDT&E Articles Quantity				
NAVOPLLOGIPT - Naval Operations Logistics IPT.				
Total	9.717	14.060	13.433	34.310

CLASSIFICATION:

EXHIBIT R-2, RDT&E Budget Item Justification FY 2004 President's Budget (\$M)		DATE: February 2003		
APPROPRIATION/BUDGET ACTIVITY	PROGRAM ELEMENT NUMBER AND NAME	PROJECT NUMBER AND NAME		
National Defense Sealift Fund, BA-4	0408042N.SEA, National Defense Sealift Fund	77772, NDSF Research and Development		
C. PROGRAM CHANGE SUMMARY:				
Funding:	FY 2002	FY 2003	FY 2004	FY 2005
Previous President's Budget: (FY 03 Pres Controls)	9.717	14.383	44.625	45.210
President's Budget (FY04 Pres Controls)	9.717	14.060	13.433	34.310
Total Adjustments	0.000	-0.323	-31.192	-10.900
Summary of Adjustments				
Adjustments for OPLOG IPT			-16.400	-9.500
Adjustments for rephase of T-AOE(X) and MPF(F) profiles			-11.000	
Programmatic adjustments			-3.792	-0.876
			-31.192	-10.376
Schedule:				
Not Applicable				
Technical:				
Not Applicable				

CLASSIFICATION:

EXHIBIT R-2, RDT&E Budget Item Justification							FY 2004 President's Budget (\$M)			DATE: February 2003	
APPROPRIATION/BUDGET ACTIVITY			PROGRAM ELEMENT NUMBER AND NAME				PROJECT NUMBER AND NAME				
National Defense Sealift Fund/BA-4			0408042N National Defense Sealift Fund				77772 NDSF Research and Development				
D. Other Program Funding Summary	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	To Complete	Total Cost	
NDSF:											
NDSF Line 010000, T-AOE(X)	0	0	0	0	0	0	0	1,578.755	1,535.200	3,113.955	
NDSF Line 011000, MPF(F)	0	0	0	0	0	0	1,190.676	2,413.820	TBD	TBD	
(U) Related RDT&E: Not Applicable											
E. Acquisition Strategy:											
T-AOE(X) and MPF(F) - Feasibility studies will be conducted to determine the best designs to meet new Navy requirements which can be applied to or will enable future strategic sealift, combat logistics force, and seabasing systems and to support performance specifications that will be competitively awarded.											
F. Major Performers:											
Field Activities & Locations - Work Performed											
NSWC, Carderock - Concept development											
NSWC, Panama City - Concept development											
Center for Naval Analysis - Cost proposal											
Contractors & Locations - Work Performed											
CSC, Washington, DC - Engineering Support											
Universities & Locations - Work Performed											

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-5 SEALIFT COST ANALYSIS
FY 2004/2005 President's Biennial Budget

NDSF
February 2003

A. DATE: Jan-03		B. APPROPRIATION: National Defense Sealift Fund (NDSF) (AC #80)						C. ITEM NOMENCLATURE Budget Activity: Ready Reserve Force (RRF) (NDSF BA 5) Budget Line Item: Ready Reserve Force (RRF) (NDSF BLI 0500)										BA-5 BLI 050000	
ELEMENT OF COST		IDENT CODE	TOTAL COST IN THOUSANDS OF DOLLARS																
COST CODE	RRF COST CATEGORY (1)	(2)	FY 02		FY 03		FY 04		FY 05		FY 06		FY 07		FY 08		FY 09		
			QTY (3)	TOTAL COST (4)	QTY (5)	TOTAL COST (6)	QTY (7)	TOTAL COST (8)	QTY (9)	TOTAL COST (10)	QTY (11)	TOTAL COST (12)	QTY (13)	TOTAL COST (14)	QTY (15)	TOTAL COST (16)	QTY (17)	TOTAL COST (18)	
BLI #0500	Activations Less JCS Exercise Savings		47	16,114 (5,000)	50	23,579 (5,000)	46	25,452 (5,000)	49	23,295 (5,000)	46	16,085 (5,000)	50	26,000 (5,000)	47	16,000 (5,000)	50	26,000 (5,000)	
BLI #0500	Maintenance and Repair			97,230		92,966		73,407		74,857		85,278		78,265		106,193		84,987	
BLI #0500	ROS Crews/SM fees		47	71,522	50	74,755	46	78,261	49	81,692	46	86,618	50	87,000	47	87,500	50	89,000	
BLI #0500	Outporting		47	18,600	50	20,200	46	15,300	49	17,700	46	19,400	50	18,600	47	19,000	50	19,000	
BLI #0500	Logistics			8,900		8,800		8,700		8,400		9,200		9,000		9,000		9,000	
BLI #0500	NDRF/Facilities			5,600		5,500		4,800		4,600		6,600		6,600		6,600		6,600	
BLI #0500	RRF Upgrades-RO/RO Expansion			7,000		7,000		8,000		8,000		8,500		10,000		10,000		10,000	
BLI #0500	CAPE'F'upgrades			6,369		5,042		0		0		0		0		0		0	
BLI #0500	OPDS/T-AVB/RRF machinery upgr			1,125		3,150		4,200		5,000		1,700		1,000		1,000		1,000	
BLI #0500	Fast Ship Initiative			21,221		8,500		0		0		0		0		0		0	
BLI #0500	RRF Ship Upgrades/Recapitalization			0		0		0		0		0		0		34,700		10,100	
BLI #0500	RRF Ramp System Certification			0		0		0		1,700		400		400		900		0	
	Total, Maintenance & Ops program			248,681		244,492		213,120		220,244		228,781		231,865		285,893		250,687	
	Forward Financing of FY04 req w/FY03 funds					10,000		(10,000)		0		0		0		0		0	
	TOTAL, RRF (NDSF BA 5 BLI 0500)			248,681		254,492		203,120		220,244		228,781		231,865		285,893		250,687	

**NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2004/2005 President's Biennial Budget**

**NDSF
February 2003
BA-5
BLI 050000**

**Ready Reserve Force (RRF)
(\$Millions)**

<u>RRF</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
O&M	198.5	217.8	187.4	192.5
O&M Forward Financing*		10.0	-10.0	
Acquisition/NDF	0.0	0.0	0.0	0.0
RRF Ship Upgrades	14.5	12.4	12.2	13.0
Other				
Fast Ship Initiatives	21.2	0.0	0.0	0.0
NDRF/Facilities	5.6	5.5	4.8	4.6
RRF Ramp System Certification	0.0	0.0	0.0	1.7
Special Maintenance/ Supply Programs**	8.9	8.8	8.7	8.4
Total, RRF	<u>248.7</u>	<u>254.5</u>	<u>203.1</u>	<u>220.2</u>
	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Outyear Costs	228.8	231.9	285.9	250.7

* \$10M of FY 2003 funds will be used to forward finance FY04 requirements.

** Special Maintenance/Supply programs including an inventory/validation system implementation, Logistics Support, and spare parts.

Justification:

The RRF budget is based upon the conclusions of the OSD published Mobility Requirements Study (MRS) and the MRS Bottom-Up Review Update (MRS BURU). These studies specified a required readiness status for the RRF ships. This status allows the ships to activate in time to deliver cargo to a given area of operations and satisfy time critical warfighting requirements. The criteria for each readiness status was also specified in the MRS (i.e. Outporting, Sea/Dock Trials, Maintenance). These criteria determine the appropriate funding required for a given readiness level. Additional ships are maintained to provide tanker and troop ship support required for OPLAN and contingency execution.

RRF Ramp System Certification will start in FY 05 at a 1.7M level but be followed by smaller level efforts in FY 06 through FY 08. Funds for certification of 4 RO/RO vessel ramps to comply with JLOTS requirement.

Operation and Maintenance Funding (O&M) of RRF ships declines in FY 04. 8 RRF AFOE breakbulk ships will retire and services will rely on USMC transport via containers in other RRF AFOE ships. 21 RRF RO/RO ships will move from ROS-4 to ROS-5 status with negligible impact on closure profile. Remaining RRF ships will continue to be supported with balance of O&M,NDSF RRF funds. The implementation of the new readiness requirements will be accelerated to FY03. \$10M in FY03 funds will then forward finance FY04 requirements.

NATIONAL DEFENSE SEALIFT FUND
RRF READINESS STATUS
 (Ship Quantity)
 FY 2004/2005 President's Biennial Budget
READY RESERVE FORCE- SHIPS BY READINESS CATEGORY

NDSF
 February 2003
 BA-5
 BLI 050000

Ship Type	2001	2002	2003	2004	2005	2006	2007	2008	2009
BREAKBULK	<u>28</u>	<u>15</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
ROS-5	10	10	2	2	2	2	2	2	2
RRF-10	4	4	1	1	1	1	1	1	1
RRF-20			3	3	3	3	3	3	3
RRF-30	13		0	0	0	0	0	0	0
PREPO	1	1	1	1	1	1	1	1	1
RO/RO	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>
ROS-4	21	21	0	0	0	0	0	0	0
ROS-5	6	6	27	27	27	27	27	27	27
RRF-10	4	4	4	4	4	4	4	4	4
PREPO									
HEAVYLIFT	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
ROS-5	2	2	2	2	2	2	2	2	2
RRF-10	5	5	5	5	5	5	5	5	5
T-ACS	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
ROS-4	5	5	5	5	5	5	5	5	5
ROS-5	4	4	4	4	4	4	4	4	4
RRF-10	0	0	1	1	1	1	1	1	1
PREPO	1	1	0	0	0	0	0	0	0
TANKER	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
RRF-10	3	3	3	3	3	3	3	3	3
RRF-20	2	2	2	2	2	2	2	2	2
OPDS-TANKER	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
ROS-5	1	1	1	1	1	1	1	1	1
RRF-10	1	1	1	1	1	1	1	1	1
RRF-30	0	0	0	0	0	0	0	0	0
PREPO	2	2	2	2	2	2	2	2	2
T-AVB									
ROS-5	2	2	2	2	2	2	2	2	2
TROOPSHIP									
RRF-10	2	2	2	2	2	2	2	2	2
GRAND TOTALS	89	76	68	68	68	68	68	68	68

NATIONAL DEFENSE SEALIFT FUND (NDSF)
REVENUE AND EXPENSES
(Dollars in Millions)

February 2003

FY 2004/5 President's Biennial Budget
NDSF Unfunded Reimbursable Programs

Revenue:	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Gross Sales:				
Operations	812.7	804.8	804.8	804.8
Depreciation Except Maj Const	0.0	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0	0.0
Total Gross Sales	812.7	804.8	804.8	804.8
Other Income	0.0	0.0	0.0	0.0
 Total Income	 812.7	 804.8	 804.8	 804.8
 Expenses:				
Prepositioning Ships	774.3	765.2	764.1	762.8
Surge Ships	38.4	39.6	40.7	42.0
 Total Expenses	 812.7	 804.8	 804.8	 804.8
Work in Progress Adjusted	0.0	0.0	0.0	0.0
Comp Work for Activity Reten Adj	0.0	0.0	0.0	0.0
Cost of Goods Sold	812.7	804.8	804.8	804.8
 Operating Result	 812.7	 804.8	 804.8	 804.8
Less Capital Surchg Reservation	0.0	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0	0.0
Other Changes Affecting NOR/AOR	0.0	0.0	0.0	0.0
Inventory Gains and Losses	0.0	0.0	0.0	0.0
Net Operating Result	0.0	0.0	0.0	0.0
Transfers Not Affecting NOR/AOR	0.0	0.0	0.0	0.0
Prior Year and Other Adjustments	0.0	0.0	0.0	0.0
Other Inventory Adjustments	0.0	0.0	0.0	0.0
WRM Appropriations	0.0	0.0	0.0	0.0
Net Result	0.0	0.0	0.0	0.0

REVENUE AND EXPENSES
(Dollars in Millions)
FY 2004/5 President's Biennial Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NDSF Unfunded Reimbursable Programs

February 2003

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. Orders from DoD Components:				
Navy	497.0	479.7	469.9	459.8
Army	224.1	230.8	237.7	244.8
Air Force	47.1	48.5	50.0	51.5
Defense Energy Support Center	40.7	41.9	43.2	44.5
Ogden Air Logistics Center	3.8	3.9	4.0	4.2
2. Other Orders:				
Other Federal Agencies	0.0	0.0	0.0	0.0
Trust Fund	0.0	0.0	0.0	0.0
Non-Federal Agencies	0.0	0.0	0.0	0.0
3. Total Gross Orders	812.7	804.8	804.8	804.8
4. Credits and Allowances:				
Discounts	0.0	0.0	0.0	0.0
Price Reductions	0.0	0.0	0.0	0.0
5. Change to Backlog	0.0	0.0	0.0	0.0
6. Total Gross Sales	812.7	804.8	804.8	804.8

REVENUE AND EXPENSES
(Dollars in Millions)
FY 2004/5 President's Biennial Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NDSF Direct Funded Programs

Feb 2003

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Assets:				
Selected Assets:				
Fund Balance with Treasury	789.4	927.6	1,062.8	1,146.6
Reserve for Capital Purchases (memo)				
Accounts Receivable	0.0	0.0	0.0	0.0
Advances Made	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0
Other Assets	0.0	0.0	0.0	0.0
Deferred Capital Property	0.0	0.0	0.0	0.0
 Total Assets	 789.4	 927.6	 1,062.8	 1,146.6
 Liabilities:				
Selected Liabilities:				
Accounts Payable				
Accrued Liabilities	789.4	927.6	1,062.8	1,146.6
Advances Received	0.0	0.0	0.0	0.0
Unfunded	0.0	0.0	0.0	0.0
Liabilities	0.0	0.0	0.0	0.0
Other Liabilities	0.0	0.0	0.0	0.0
 Total Liabilities	 789.4	 927.6	 1,062.8	 1,146.6
 Government Equity:				
Paid-in-Capital				
(Assets Capitalized less Liabilities Assumed)	0.0	0.0	0.0	0.0
Accumulated Operating Results	0.0	0.0	0.0	0.0
 Total Government Equity	 0.0	 0.0	 0.0	 0.0
 Total Liabilities and Equity	 789.4	 927.6	 1,062.8	 1,146.6

REVENUE AND EXPENSES
(Dollars in Millions)
FY 2004/5 President's Biennial Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NDSF Direct Funded Programs

February 2003

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Unobligated Authority Available, Beginning of Year				
New Authority:	789.4	927.6	1,062.8	1,146.6
New Construction/Conversion	360.8	386.3	722.3	742.5
DOD Mobilization Assets	170.2	272.8	123.9	149.5
RDT&E	9.7	14.1	13.4	34.3
NDRF Operations and Maintenance	248.7	254.5	203.1	220.2
Transfer to Other Accounts	0.0	0.0	0.0	0.0
Obligations (Total)	789.4	927.6	1,062.8	1,146.6
New Construction/Conversion	360.8	386.3	722.3	742.5
DOD Mobilization Assets	170.2	272.8	123.9	149.5
RDT&E	9.7	14.1	13.4	34.3
NDRF Operations and Maintenance	248.7	254.5	203.1	220.2
Unobligated Balance, End of Year	0.0	0.0	0.0	0.0
Outlays (Total):				
New Construction/Conversions				
RDT&E				
Unliquidated Obligations, EOY				
Financing of Capital Purchases:				
Direct Appropriation	789.4	927.6	1,062.8	1,146.6
Transferred from Other Accounts	0.0	0.0	0.0	0.0
Alliance Contributions	0.0	0.0	0.0	0.0