

DEPARTMENT OF THE NAVY
FISCAL YEAR (FY) 2007
BUDGET ESTIMATES SUBMISSION



JUSTIFICATION OF ESTIMATES
FEBRUARY 2006

NAVY WORKING CAPITAL FUND

**DoN NWCF Summary,
FY 2007
President's Budget**

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND (NWCF)
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE**

In FY 2007, NWCF activities will continue to play a significant role in the Department's operations, and in the reconstitution of its equipment and supplies used in support of the Global War on Terrorism. The total cost of goods and services to be delivered by NWCF activity groups to their customers in FY 2007 is projected to exceed \$25 billion for operations. NWCF activity groups include Supply Management, Depot Maintenance, Research & Development, Base Support, and Transportation.

In the area of supply management, the Department continues to focus on delivering combat capability through logistics support. Ensuring the right material is provided at the proper place, time, and cost is vital to equipping and sustaining our warfighting units. To this end, the Department continues to pursue initiatives to control costs and improve readiness. Until we recapitalize and modernize our forces in volume, our older weapon systems combined with higher utilization rates, will continue to generate increased demand for spare parts. This is one reason the Department's request for material obligation authority remains high.

Spare parts are a single element within a complex and intricately balanced system to keep weapon systems safe and operating at optimal capacity. Towards this goal, the Department needs more robust information systems to collect, process, and share data from other integrated logistics support elements, such as training and maintenance. Hence, the Department continues to fund the Navy Enterprise Resource Planning initiative, which will provide better tools to assess program costs and implement cost reducing procedures. These efforts, along with reducing weapon systems average age, will stem spare parts demand growth and allow the Department to provide improved logistics support at lower cost.

The Norfolk and Portsmouth public shipyards are programmed to transfer to direct mission funding beginning in FY 2007 to continue implementation of the Regional Maintenance Plan. A key element of this concept is the consolidation of separate ship maintenance (intermediate and depot maintenance facilities) within a region that results in the ability to best use the total maintenance resources available in the region, share resources between regions, and provide rapid surge capability to respond to Fleet priorities. To achieve optimal success, the Fleet must be able to quickly and efficiently reallocate funding to ships that are required to surge, and to integrate the application of all available resources while properly accounting for resource use. Mission funding provides the best mechanism by which the Navy can match workforce skills with workload priorities and still meet fiduciary responsibilities. The Department of the Navy will work closely with the Defense Finance and Accounting Service to close out the NWCF shipyard accounting records and determine the final exit costs to transfer the shipyards from the NWCF. The

Department of the Navy is committed to ensuring NWCF cash solvency, and the FY 2007 budget includes \$140.1 million of the projected NWCF buyout costs to transition the shipyards from the NWCF to direct mission funding.

For the Base Support area, FY 2007 is expected to include the addition of 15 new Public Works Center (PWC) detachments across the Continental United States. These sites are currently independent public works departments under the control of different regional commands. The consolidation of these organizations as PWC detachments is expected to help reduce operating costs and standardize delivery of the various utility commodities and other products.

Transportation rates within the Military Sealift Command (MSC) reflect the full implementation of force protection costs and cost containment measures to ensure more efficient operations. Activation changes include delivery of three additional T-AKE Class Dry Cargo/Ammunition ships and two T-ARS Class Rescue and Salvage vessels in FY 2007.

Lastly, the Department of the Navy projects the NWCF cash balance to trend below the seven-day cash level minimum prescribed in the DoD Financial Management Regulation during most of FY 2006 but to end the year close to the seven-day level. The lower NWCF cash levels reflect the cumulative effect of directed transfers over several years to support the Global War on Terrorism and other operations. In FY 2005, the NWCF did advance billings at the Naval Shipyards to support cash levels. The advance billings will be liquidated in FY 2006. As part of the DON Financial Management Strategic Plan business transformation effort, a team is reviewing NWCF cash "as is" forecasting practices in an effort to standardize business processes and tailor cash balances for each NWCF business area.

(Dollars in millions)

<u>Revenue:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	5,193.6	6,006.7	6,217.9
Supply - Marine Corps	191.0	171.3	160.6
Depot Maintenance - Ships	1,656.4	1,768.3	250.0
Depot Maintenance - Aircraft	1,819.0	2,027.8	1,983.3
Depot Maintenance - Marine Corps	479.7	502.9	286.4
R&D - Air Warfare Center	2,837.2	2,941.4	2,984.8
R&D - Surface Warfare Center	3,374.3	3,395.7	3,383.9
R&D - Undersea Warfare Center	1,042.4	993.1	969.5
R&D - SPAWAR Systems Center	2,210.3	2,143.5	2,128.9
R&D - Naval Research Laboratory	582.9	625.2	633.3
Transportation - MSC	1,951.9	2,164.8	2,045.5
Base Support - PWC	1,650.8	2,079.2	2,244.4
Base Support - NFESC	88.3	90.8	82.9
Totals	23,077.7	24,910.7	23,371.4

Cost of Goods Sold: (Operating)

Total obligations for supply functions and cost of good and services sold for industrial functions are as follows:

(Dollars in millions)

<u>Operating Costs</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	5,057.4	7,601.9	7,938.9
Supply - Marine Corps	178.6	224.5	177.2
Depot Maintenance - Ships	1,685.9	1,753.9	250.0
Depot Maintenance - Aircraft	1,962.3	2,035.5	1,977.4
Depot Maintenance - Marine Corps	462.7	502.0	319.8
R&D - Air Warfare Center	2,802.0	2,953.5	2,989.4
R&D - Surface Warfare Center	3,387.6	3,402.2	3,389.9
R&D - Undersea Warfare Center	1,045.6	996.4	967.7
R&D - SPAWAR Systems Center	2,209.1	2,153.2	2,135.6
R&D - Naval Research Laboratory	590.8	627.0	638.3
Transportation - MSC	2,002.7	2,176.7	2,116.5
Base Support - PWC	1,611.1	2,140.9	2,243.1
Base Support - NFESC	82.7	88.7	88.9
Totals	23,078.4	26,656.5	25,232.7

Net Operating Results:

Revenue, excluding surcharge collections and extraordinary expenses, less the cost of goods and services sold to customers is as follows:

	(Dollars in millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply – Navy	70.0	-210.3	66.8
Supply - Marine Corps	12.4	-9.3	-3.8
Depot Maintenance - Ships	-30.6	14.4	0.0
Depot Maintenance - Aircraft	-143.3	-7.7	5.9
Depot Maintenance - Marine Corps	17.0	0.9	-33.4
R&D - Air Warfare Center	35.1	-12.1	-4.6
R&D - Surface Warfare Center	-13.5	-6.6	-6.0
R&D - Undersea Warfare Center	-3.2	-3.3	1.8
R&D - SPAWAR Systems Center	1.2	-9.7	-6.8
R&D - Naval Research Laboratory	-4.9	-3.6	-6.2
Transportation - MSC	-50.9	-11.9	-71.1
Base Support - PWC	39.7	-61.7	1.4
Base Support - NFESC	5.6	2.1	-6.0
Totals	-65.4	-318.8	-62.0

Accumulated Operating Results (recoverable):

	(Dollars in millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	143.5	-66.8	0.0
Supply - Marine Corps	27.5	3.8	0.0
Depot Maintenance - Ships	-46.7	-32.3	0.0
Depot Maintenance - Aircraft	1.8	-5.9	0.0
Depot Maintenance - Marine Corps	32.5	33.4	0.0
R&D - Air Warfare Center	16.7	4.6	0.0
R&D - Surface Warfare Center	12.6	6.0	0.0
R&D - Undersea Warfare Center	1.5	-1.8	0.0
R&D - SPAWAR Systems Center	16.5	6.8	0.0
R&D - Naval Research Laboratory	9.9	6.2	0.0
Transportation - MSC	82.9	71.1	0.0
Base Support - PWC	60.3	-1.4	0.0
Base Support - NFESC	3.9	6.0	0.0
Totals	362.9	29.7	0.0

Workload:

Workload projections for NWCF activities are consistent with Navy force structure and attendant support levels as well as those factors unique to each group. The table below displays year-to-year percentage changes in transportation ship days for MSC, changes in program costs for Base Support – PWC, and change in direct labor hours for all other industrial activity groups. For supply business areas, workload changes are indicated by gross sales:

	(Percent Change)	
	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	15.2%	3.8%
Supply - Marine Corps	-12.0%	-6.2%
Depot Maintenance - Ships	-5.8%	-100.0%
Depot Maintenance - Aircraft	4.8%	-7.7%
Depot Maintenance - Marine Corps	14.0%	-33.8%
R&D - Air Warfare Center	0.4%	-4.0%
R&D - Surface Warfare Center	-6.6%	-5.2%
R&D - Undersea Warfare Center	-4.2%	-6.7%
R&D - SPAWAR Systems Center	-1.5%	-1.2%
R&D - Naval Research Laboratory	1.2%	-1.7%
Transportation - MSC	0.9%	3.3%
Base Support - PWC	32.9%	4.8%
Base Support - NFESC	-8.5%	-2.4%

Treasury Cash Balance:

Working capital fund activities are expected to maintain seven to ten days of operational requirements and six months of capital expenditures. Transfers and other adjustments impacting cash are highlighted in the table above. To address unplanned cash shortages in January, the Department of the Navy advanced billed its Depot Maintenance customers \$197 million in January - February 2006.

	(Dollars in millions)		
<u>Treasury Cash</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Beginning Cash Balance	861.2	977.9	784.4
Collections	23,083.7	24,807.4	23,307.8
Disbursements	23,129.6	24,896.6	23,445.4
Supplemental Appropriations			
Hurricane	27.3	3.9	0.0
MSC Fuel	67.0	0.0	0.0
NADEP Cash	200.0	0.0	0.0
MSC Charter Payments	-122.9	-145.8	0.0
Inventory Augmentation (NAVSUP)	65.4	83.1	83.8
Congressional Adjustments	-150.0	-50.0	0.0
Advance Billing	75.8	4.4	0.0
Ending Cash Balance	977.9	784.4	730.6

Customer Rate Changes:

Approved composite rate changes from FY 2005 to FY 2006 and proposed composite rate changes from FY 2006 to FY 2007 (designed to achieve an accumulated operating result of zero at the end of FY 2007) are as follows:

	(Percent Change)	
	<u>FY 2006</u>	<u>FY 2007</u>
Supply:		
Navy - Aviation Consumables	-3.6%	1.2%
Navy - Shipboard Consumables	5.1%	3.8%
Navy - Aviation Repairables	9.8%	2.2%
Navy - Shipboard Repairables	5.1%	3.8%
MARCORPS Repairables	-10.8%	-13.0%
Depot Maintenance - Ships	5.7%	na
Depot Maintenance - Aircraft	0.5%	4.8%
Depot Maintenance - Marine Corps	-2.8%	-3.3%
R&D - Air Warfare Center	1.4%	3.4%
R&D - Surface Warfare Center	2.7%	3.5%
R&D - Undersea Warfare Center	1.8%	3.5%
R&D - SPAWAR Systems Center	2.1%	3.5%
R&D - Naval Research Laboratory	3.4%	4.1%
Transportation - MSC		
Fleet Auxiliary	10.5%	2.7%
Special Mission Ships	21.9%	13.6%
Afloat Prepositioning Ships	-3.7%	-29.5%
Base Support - PWC		
Composite Rate Change	2.9%	7.0%
East Coast Utilities	3.7%	15.4%
East Coast - Other	1.8%	3.6%
West Coast Utilities	4.0%	3.2%
West Coast - Other	1.7%	1.7%
Base Support - NFESC	1.5%	-0.6%

Unit Costs:

Unit Cost is the method established to authorize and control costs. Unit cost goals allow activities to respond to workload changes in execution by encouraging reduced costs when workload declines and allowing appropriate increases in costs when their customers request additional services.

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy (cost per unit of sales ¹):			
Wholesale	0.93	0.99	1.01
Retail	0.88	1.00	1.01
Supply - Marine Corps (cost per unit of sales ¹):			
Wholesale	0.95	1.03	1.05
Retail	0.92	1.04	0.93
Depot Maintenance - Ships (\$/Direct Labor Hour ²)	72.18	79.94	0.00
Depot Maintenance - Aircraft (\$/Direct Labor Hour)	161.57	162.07	171.12
Depot Maintenance - Marine Corps (\$/Direct Labor Hour)	144.24	137.38	132.02
R&D - Air Warfare Center (\$/Direct Labor Hour ²)	79.32	78.94	82.23
R&D - Surface Warfare Center (\$/Direct Labor Hour ²)	82.30	85.29	89.43
R&D - Undersea Warfare Center (\$/Direct Labor Hour ²)	85.60	88.28	92.30
R&D - SPAWAR Systems Center (\$/Direct Labor Hour ²)	85.67	87.06	90.94
R&D - Naval Research Laboratory (\$/Direct Labor Hour ²)	112.21	112.79	116.39
Transportation - MSC			
Fleet Auxiliary (\$/day) (\$000)	72.59	87.34	85.13
Special Mission Ships (\$/day) (\$000)	13.35	13.52	15.95
Afloat Prepositioning Ships (\$/day) (\$000)	79.18	67.51	69.75
Base Support - PWC Cost of Services	various	various	various
Base Support - NFESC (\$/direct Labor Hour ²)	81.52	91.68	91.43

¹ excludes inventory augmentation and war reserve material obligations

² includes direct labor plus overhead costs

Staffing:

Total civilian and military personnel employed at NWCF activities are displayed in the following tables. Civilian end strength and workyear growth at Navy Supply is the result of functional transfers and Fleet Industrial Supply Center Material Support Integration efforts. Staffing increases at Military Sealift Command are primarily attributable to additional T-AKE Class Dry Cargo/Ammunition ships and T-ARS Class Rescue and Salvage vessels. The transfer in of additional public works detachments accounts for personnel growth at the Public Works Centers:

	(Strength in Whole Numbers)		
<u>Civilian End Strength</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	6,922	7,826	7,826
Supply - Marine Corps	24	24	24
Depot Maintenance - Ships	11,612	11,632	na
Depot Maintenance - Aircraft	10,449	10,747	10,383
Depot Maintenance - Marine Corps	2,239	2,295	1,760
R&D - Air Warfare Center	10,139	10,057	9,912
R&D - Surface Warfare Center	14,676	14,377	13,659
R&D - Undersea Warfare Center	4,058	4,005	3,839
R&D - SPAWAR Systems Center	6,083	6,077	6,084
R&D - Naval Research Laboratory	2,517	2,556	2,512
Transportation - MSC	5,255	5,547	6,168
Base Support - PWC	7,145	8,692	8,490
Base Support - NFESC	396	383	377
Totals	81,515	84,218	71,034

(Workyears in Whole Numbers)

<u>Civilian Workyears</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	6,855	7,600	7,800
Supply - Marine Corps	24	24	24
Depot Maintenance - Ships	11,559	11,526	na
Depot Maintenance - Aircraft	10,561	10,700	10,340
Depot Maintenance - Marine Corps	1,978	2,347	1,864
R&D - Air Warfare Center	10,074	10,129	9,855
R&D - Surface Warfare Center	14,826	14,113	13,358
R&D - Undersea Warfare Center	4,122	4,045	3,777
R&D - SPAWAR Systems Center	5,952	5,964	5,970
R&D - Naval Research Laboratory	2,437	2,455	2,411
Transportation - MSC	6,900	7,147	7,696
Base Support - PWC	7,515	8,691	8,312
Base Support - NFESC	388	378	364
Totals	83,191	85,119	71,771

(Strength in Whole Numbers)

<u>Military End Strength</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	383	383	369
Supply - Marine Corps	0	0	0
Depot Maintenance - Ships	73	82	na
Depot Maintenance - Aircraft	99	123	121
Depot Maintenance - Marine Corps	13	13	13
R&D - Air Warfare Center	197	227	210
R&D - Surface Warfare Center	248	307	294
R&D - Undersea Warfare Center	40	46	44
R&D - SPAWAR Systems Center	85	94	90
R&D - Naval Research Laboratory	77	82	82
Transportation - MSC	510	619	634
Base Support - PWC	95	79	79
Base Support - NFESC	3	3	3
Totals	1,823	2,058	1,939

(Workyears in Whole Numbers)

<u>Military Workyears</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	402	383	376
Supply - Marine Corps	0	0	0
Depot Maintenance - Ships	95	73	na
Depot Maintenance - Aircraft	96	123	122
Depot Maintenance - Marine Corps	11	13	13
R&D - Air Warfare Center	172	153	156
R&D - Surface Warfare Center	246	256	245
R&D - Undersea Warfare Center	31	35	33
R&D - SPAWAR Systems Center	81	75	74
R&D - Naval Research Laboratory	76	68	73
Transportation - MSC	488	619	677
Base Support - PWC	102	79	79
Base Support - NFESC	3	3	3
Totals	1,803	1,880	1,851

Performance Budgeting. The NWCF utilizes a wide range of cascading performance information in support of a broad spectrum of financial and program performance metrics employed in the Department of Defense. By its very nature as a revolving fund, the NWCF budget can be viewed as a performance budget that routinely identifies the full cost of specific business activity (such as Naval Aviation Depots or Supply Management) including identification of all financing sources to meet customer driven workload. As such, performance indicators (financial and programmatic) listed throughout the NWCF justification book, as well as the myriad of performance information contained in the various appropriation justification books, support the hierarchical composition starting with the Department of the Navy Balanced Scorecard, and merging with the DoD Balanced Scorecard, the OMB Program Assessment Rating Tool (PART), and culminating with the President's Management Agenda. Key financial/program indicators include: Net Operating Result (NOR), Accumulated Operating Result (AOR), Sources of Revenue, NWCF Cash, Manpower Staffing, Unit Cost, Cost of Goods Sold, and Capital Investment Program.

<u>Key NWCF Performance Integration:</u>				
	<u>DON</u> <u>Scorecard</u>	<u>DoD</u> <u>Scorecard</u>	<u>OMB</u> <u>PART</u>	<u>President's</u> <u>Mgmt Agenda</u>
Naval Shipyards:	Combat Capability	Operational Risk	Ship Maintenance	Budget Integration
Naval Aviation Depots:	Combat Capability	Operational Risk	Aircraft Maintenance	Budget Integration
Marine Corps Depots:	Combat Capability	Operational Risk	Depot Maintenance	Budget Integration
R&D Warfare Centers:	Tech Insertion	Future Challenges	Multiple R&D	Budget Integration
Military Sealift:	Combat Capability	Operational Risk	Ship Operations	Budget Integration
Public Works:	Improved Business	Institutional Risk	Base Support	Budget Integration
Supply Management:	Combat Capability	Operational Risk	Spares & Repair Parts	Budget Integration

Capital Purchase Program:

(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Supply - Navy	11.7	14.5	14.1
Supply - Marine Corps	0.0	0.0	0.0
Depot Maintenance - Ships	25.8	24.9	na
Depot Maintenance - Aircraft	38.3	42.4	42.0
Depot Maintenance - Marine Corps	4.1	4.5	4.7
R&D - Air Warfare Center	36.6	37.8	34.6
R&D - Surface Warfare Center	30.6	33.5	33.5
R&D - Undersea Warfare Center	13.1	16.3	17.7
R&D - SPAWAR Systems Center	9.1	9.5	10.0
R&D - Naval Research Laboratory	16.4	17.3	17.3
Transportation - MSC	15.0	28.0	35.1
Base Support - PWC	17.7	18.9	19.0
Base Support - NFESC	0.0	0.0	0.0
Totals	218.5	247.6	228.1
Equipment (Non-ADPE/Telecom)	120.4	126.5	120.0
ADPE and Telecommunications Equip	39.4	47.5	41.7
Software Development	24.1	36.1	30.0
Minor Construction	34.5	37.6	36.4
Totals	218.5	247.6	228.1

Carryover Reconciliation

The NWCF uses a methodology to measure funded workload at its activities that crosses fiscal year boundaries (carryover) which is based on the specific outlay rates of the appropriations that customers sent to NWCF activities. The tables below summarize carryover using the approved outlay-based methodology.

	(Dollars in Millions)		
<u>Depot Maintenance - Ships</u>	<u>FY 2005*</u>	<u>FY 2006*</u>	<u>FY 2007**</u>
New Orders	\$1,836.3	\$1,528.8	na
Less Exclusions:			
Foreign Military Sales	\$1.0	\$0.9	na
Base Realignment & Closure	\$0.0	\$0.0	na
Other Federal Depts & Agencies	\$2.2	\$1.4	na
Non-Federal & Others	\$23.0	\$7.6	na
Orders for Carryover Calculation	\$1,810.1	\$1,518.9	na
Composite Outlay Rate Year #1	56.8%	65.0%	na
Composite Outlay Rate Year #2	77.7%	74.9%	na
Carryover Ceiling Rate Year #1	43.1%	35.0%	na
Carryover Ceiling Rate Year #2	22.2%	25.0%	na
Carryover Ceiling	\$862.4	\$691.2	na
Balance of Customer Orders at Yr End	\$709.9	\$532.7	na
Less WIP	\$33.0	\$33.8	na
Less Exclusions			
Foreign Military Sales	\$2.6	\$2.5	na
Base Realignment & Closure	\$11.2	\$10.6	na
Other Federal Depts & Agencies	\$8.2	\$6.6	na
Non-Federal & Others	\$18.6	\$8.7	na
Carryover Budget	\$636.3	\$470.5	na

* FY 2005 and FY 2006 data represent Portsmouth and Norfolk Naval Shipyards only.

** Effective FY 2007, Portsmouth and Norfolk Naval Shipyards will be mission funded.

(Dollars in Millions)

<u>Depot Maintenance - Aircraft</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
New Orders	\$1,796.8	\$1,924.8	\$1,881.9
Less Exclusions:			
Foreign Military Sales	\$25.6	\$28.7	\$31.3
Base Realignment & Closure	\$0.0	\$0.0	\$0.0
Other Federal Depts & Agencies	\$8.7	\$13.6	\$15.0
Non-Federal & Others	\$27.5	\$30.3	\$34.6
Orders for Carryover Calculation	\$1,735.1	\$1,852.1	\$1,801.1
Composite Outlay Rate	72.9%	71.9%	71.4%
Carryover Ceiling Rate	27.1%	28.1%	28.6%
Carryover Ceiling	\$469.5	\$520.9	\$515.6
Balance of Customer Orders at Yr End	\$579.5	\$476.5	\$375.2
Less WIP	\$29.6	\$19.7	\$14.9
Less Exclusions			
Foreign Military Sales	\$18.5	\$17.4	\$13.6
Base Realignment & Closure	\$0.0	\$0.0	\$0.0
Other Federal Depts & Agencies	\$14.4	\$17.2	\$23.1
Non-Federal & Others	\$12.3	\$9.9	\$9.8
Crash Battle Damage	\$35.0	\$0.0	\$0.0
Carryover Budget	\$469.7	\$412.3	\$313.7

The Naval Aviation Depots (NADEPS) are projected to be within their outlay-based carryover ceilings at the end of FY 2006 and FY 2007. In FY 2005, the NADEPS excluded approximately \$35 million of carryover for emergent workload associated with crash battle damage in support of the Global War on Terror. Ten crash damaged aircraft were accepted for repair along with three CH-53E helicopters which are being brought out of mothball status to operational status to replace other CH-53s that were damaged in action.

(Dollars in Millions)

<u>Depot Maintenance - Marine Corps</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
New Orders	\$583.2	\$377.1	\$189.9
Less Exclusions:			
Foreign Military Sales	\$11.6	\$0.0	\$0.0
Base Realignment & Closure	\$0.0	\$0.0	\$0.0
Other Federal Depts & Agencies	\$0.0	\$0.0	\$0.0
Non-Federal & Others	\$0.5	\$0.1	\$0.0
Orders for Carryover Calculation	\$571.1	\$377.1	\$189.9
Composite Outlay Rate	49.5%	62.2%	67.6%
Carryover Ceiling Rate	50.5%	37.8%	32.4%
Carryover Ceiling	\$288.3	\$142.6	\$61.5
Balance of Customer Orders at Yr End	\$271.4	\$145.6	\$49.1
Less WIP	\$0.8	\$0.9	\$0.7
Less Exclusions			
Foreign Military Sales	\$7.9	\$5.8	\$5.7
Base Realignment & Closure	\$0.0	\$0.0	\$0.0
Other Federal Depts & Agencies	\$0.0	\$0.0	\$0.0
Non-Federal & Others	\$0.3	\$0.3	\$0.3
Carryover Budget	\$262.5	\$138.7	\$42.4

(Dollars in Millions)

<u>Research and Development</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
New Orders	\$10,006.4	\$9,975.1	\$9,829.7
Less Exclusions:			
Foreign Military Sales	\$262.2	\$258.7	\$251.5
Base Realignment & Closure	-\$1.8	\$0.0	\$0.0
Other Federal Depts & Agencies	\$453.8	\$435.6	\$432.7
Non-Federal & Others	\$157.6	\$114.6	\$110.4
Major Range & Test Facility Base	\$277.1	\$338.2	\$340.6
Orders for Carryover Calculation	\$8,857.5	\$8,828.0	\$8,694.5
Composite Outlay Rate	57.4%	57.0%	57.0%
Carryover Ceiling Rate	42.6%	43.0%	43.0%
Carryover Ceiling	\$3,775.1	\$3,799.4	\$3,737.3
Balance of Customer Orders at Yr End	\$4,628.7	\$4,505.0	\$4,234.2
Less WIP	\$248.5	\$251.0	\$252.2
Less Exclusions			
Foreign Military Sales	\$378.0	\$331.9	\$292.6
Base Realignment & Closure	\$7.0	\$7.1	\$6.3
Other Federal Depts & Agencies	\$385.8	\$396.0	\$353.0
Non-Federal & Others	\$106.2	\$74.7	\$63.7
Major Range & Test Facility Base	\$38.1	\$40.7	\$30.5
Carryover Budget	\$3,464.9	\$3,403.6	\$3,235.9

Naval Shipyards

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE - NAVAL SHIPYARDS

ACTIVITY GROUP FUNCTION:

Naval Shipyards provide logistics support for assigned ships and service craft; perform authorized work in connection with construction, overhaul, repair, alteration, dry-docking and outfitting of ships and craft as assigned; perform design, manufacturing, refit and restoration, research, development and test work, and provide services and material to other activities and units as directed.

ACTIVITY GROUP COMPOSITION:

This budget reflects two naval shipyards operating under the Navy Working Capital Fund (NWCF) in FY 2005 and FY 2006. These activities and their locations are:

Portsmouth Naval Shipyard	Kittery, ME
Norfolk Naval Shipyard	Portsmouth, VA

On 1 October 2006, the Portsmouth and Norfolk Naval Shipyards transfer to mission funding as Atlantic Fleet activities. In addition, the Puget Sound Naval Shipyard, which has been involved in a mission-funded pilot prototype effort to validate the mission funding of regional ship maintenance facilities, has been permanently designated as a direct mission-funded activity. The Department of the Navy will work closely with the Defense Finance and Accounting Service to close out the NWCF shipyard accounting records and determine the final exit costs to transfer the shipyards from the NWCF. The Department of the Navy is committed to ensuring NWCF cash solvency, and the FY 2007 budget includes \$140.1 million of the projected NWCF buyout costs to transition the shipyards from the NWCF to direct mission funding.

OVERVIEW FOR NAVAL SHIPYARDS:

The naval shipyards demonstrate a strong commitment to productivity improvement and cost. Estimated costs and operating results in the NWCF are:

Financial Profile:

	(Dollars in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	\$1,656.4	\$1,768.3	\$250.0
Cost of Goods & Services	\$1,685.9	\$1,753.9	\$250.0
Operating Results	-\$29.5	\$14.4	\$0.0
Other Changes Affecting NOR/AOR	-\$1.7	\$0.0	+\$32.3
Accumulated Operating Results (AOR)	-\$46.7	-\$32.3	\$0.0

Revenue/Expense/Operating Results

The changes in revenue, expense, and net operating results reflect the impact of updated workload estimates and pricing adjustments as well as efforts to improve work processes to accomplish planned levels of performance and productivity improvements. The FY 2005 and FY 2006 budget estimates include residual NWCF costs of \$110.5 million and \$3.4 million, respectively, for work that was funded and inducted at Puget Sound Naval Shipyard (PSNSY) prior to FY 2004. The FY 2007 budget estimate includes residual costs of \$250 million for work funded and inducted at Portsmouth and Norfolk Naval Shipyards prior to FY 2007.

Operating Results:

FY 2005 operating results are \$61.2 million below the FY 2006 President's Budget. The primary reasons for the deviation are: fixed price losses on the USS Providence, USS Florida, USS Roosevelt, and USS Portsmouth (-\$14.3 million) and a delay in liquidating prior year NWCF operating losses at PSNSY (-\$53.5 million).

FY 2006 operating results are projected to be \$23.3 million above FY 2006 President's Budget levels. The final closeout of prior year NWCF operating losses

at PSNSY (as it becomes a permanent O&M,N activity) is the primary reason for the change.

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<u>Workload:</u>			
Direct Labor Hours	16,092,840	15,153,800	na

Workload changes are consistent with fleet requirements and also reflect shipyard process improvements. Actual FY 2005 workload reflects a 101 thousand man-day or 5.3 percent increase above the FY 2006 President's Budget. All of the FY 2005 increase is on the highly complex submarine and carrier workload on CNO scheduled availabilities. FY 2006 current workload estimates at Norfolk and Portsmouth Naval Shipyards increase slightly (< 1%) from the FY 2006 President's Budget levels.

The complex submarine and carrier workload from CNO scheduled availabilities is significant and now represents more than half of total workload in each fiscal year. This highly intricate submarine and carrier work requires that skilled resources be available to accomplish the work efficiently. In order to have a skilled workforce ready to accomplish that workload the shipyards are undertaking appropriate workload/workforce initiatives.

Performance Indicators

<u>Unit Costs:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Shipyards	\$72.18	\$79.95	na

Customer Rate Change

<u>Rate Change</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Composite Rate Change	+12.5%	+5.7%	na

Staffing

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian End Strength	11,612	11,632	na
Civilian Workyears	11,559	11,526	na
Military End Strength	73	82	na
Military Workyears	95	73	na

Civilian end strength and workyear estimates are matched to workload and reflect continued streamlining of shipyard processes and increased productivity.

Capital Budget Authority

	(Dollars in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equipment-Non-ADPE/TELECOM	\$20.716	\$15.313	na
ADPE/Telecommunications Equip	\$1.412	\$1.729	na
Software Development	\$3.224	\$7.356	na
Minor Construction	<u>\$0.450</u>	<u>\$.465</u>	<u>na</u>
TOTAL	\$25.802	\$24.863	na

The Capital Budget Authority reflects the financing of essential fleet support equipment and other capital improvements critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

Cash Collections, Disbursements, and Net Outlays:

	(Dollars in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Collections	\$1,714.3	\$1,622.2	\$386.8
Disbursements	\$1,688.0	\$1,789.8	\$364.5
Outlays	-\$26.3	\$167.6	-\$22.3

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE / NAVAL SHIPYARDS
REVENUE and EXPENSES
AMOUNT IN MILLIONS
FEBRUARY 2006

	FY 2005 CON	FY 2006 CON	FY 2007 CON
Revenue:			
Gross Sales			
Operations	1,635.9	1,746.1	250.0
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	20.5	22.2	.0
Other Income			
Total Income	1,656.4	1,768.3	250.0
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	6.7	6.7	.0
Civilian Personnel	939.4	948.5	.0
Travel and Transportation of Personnel	34.4	46.7	.0
Material & Supplies (Internal Operations	150.2	206.8	.0
Equipment	6.2	15.4	.0
Other Purchases from NWC	7.5	20.9	.0
Transportation of Things	.0	1.8	.0
Depreciation - Capital	20.5	22.2	.0
Printing and Reproduction	1.7	2.0	.0
Advisory and Assistance Services	1.2	1.1	.0
Rent, Communication & Utilities	37.1	31.3	.0
Other Purchased Services	485.0	450.3	250.0
Total Expenses	1,689.8	1,753.9	250.0
Work in Process Adjustment	-74.4	.0	.0
Comp Work for Activity Reten Adjustment	70.6	.0	.0
Cost of Goods Sold	1,685.9	1,753.9	250.0
Operating Result	-29.5	14.4	0.0
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	-1.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-30.6	14.4	0.0
Other Changes Affecting AOR	-.7	.0	32.3
Accumulated Operating Result	-46.7	-32.3	.0

Exhibit Fund-14 Revenue and Expenses

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE / NAVAL SHIPYARDS
SOURCE OF REVENUE
AMOUNT IN MILLIONS
FEBRUARY 2006

	FY 2005 CON	FY 2006 CON	FY 2007 CON
	-----	-----	-----
1. New Orders	1,832	1,588	na
a. Orders from DoD Components	1,747	1,521	na
Department of the Navy	1,701	1,498	na
O & M, Navy	1,035	1,096	na
O & M, Marine Corps	0	0	na
O & M, Navy Reserve	0	0	na
O & M, Marine Corp Reserve	0	0	na
Aircraft Procurement, Navy	0	0	na
Weapons Procurement, Navy	1	0	na
Ammunition Procurement, Navy/MC	0	0	na
Shipbuilding & Conversion, Navy	483	191	na
Other Procurement, Navy	171	184	na
Procurement, Marine Corps	0	0	na
Family Housing, Navy/MC	0	0	na
Research, Dev., Test, & Eval., Navy	10	27	na
Military Construction, Navy	0	0	na
Other Navy Appropriations	0	0	na
Other Marine Corps Appropriations	0	0	na
Department of the Army	23	4	na
Army Operation & Maintenance	10	2	na
Army Res, Dev, Test, Eval	0	0	na
Army Procurement	13	2	na
Army Other	0	0	na
Department of the Air Force	2	0	na
Air Force Operation & Maintenance	2	0	na
Air Force Res, Dev, Test, Eval	0	0	na
Air Force Procurement	0	0	na
Air Force Other	0	0	na
DOD Appropriation Accounts	21	19	na
Base Closure & Realignment	0	0	na
Operation & Maintenance Accounts	13	16	na
Res, Dev, Test & Eval Accounts	0	1	na
Procurement Accounts	6	1	na
Defense Emergency Relief Fund	0	0	na
DOD Other	1	0	na
b. Orders from other WCF Activity Groups	59	57	na
c. Total DoD	1,806	1,578	na
d. Other Orders	26	10	na
Other Federal Agencies	2	1	na
Foreign Military Sales	1	1	na
Non Federal Agencies	23	8	na
2. Carry-In Orders	513	689	na
3. Total Gross Orders	2,345	2,276	na
a. Funded Carry-Over before Exclusions	689	508	na
b. Total Gross Sales	1,656	1,768	na
4. End of Year Work-In-Process (-)	-72	-73	na
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-36	-23	na
6. Net Funded Carryover	576	406	na

Note#1: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, BRAC & FMS and Institutional MRIFB

Note#2: FY 2005 and FY 2006 data include all transactions at Norfolk and Portsmouth Naval Shipyards and residual transactions (for NCF workload inducted prior to FY 2004) at Puget Sound Naval Shipyard.

Note#3: Budget estimates assume that Portsmouth and Norfolk Naval Shipyards will be mission funded effective FY 2007 and that mission funding at Puget Sound Naval Shipyard will be made permanent.

Exhibit Fund-11 Source of Revenue

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE - NAVAL SHIPYARDS
FUND-2 CHANGES IN COST OF OPERATIONS
FEBRUARY 2006
(Dollars in Millions)**

	EXPENSE
FY 2005 ACTUALS	\$1,690
FY 2006 ESTIMATE IN THE FY 2006 PRESIDENT'S BUDGET	\$1,610
PRICING ADJUSTMENTS	
Change in FY 2006 Pay Raise Assumptions	\$4
Change in FY 2006 General Inflation Assumptions	\$3
PROGRAM CHANGES	
Workload Changes	
Direct Labor	\$11
Direct Non-labor	\$120
OTHER CHANGES	
Separation Incentive Pay at Philadelphia Detachment NNSY	\$1
Facilities, Sustainment, Restoration, and Modernization	\$3
All Other	\$2
FY 2006 CURRENT ESTIMATE	\$1,754
PRICING ADJUSTMENTS	
Pay Raise	
FY2007 Pay Raise	\$21
Annualization	\$9
Material & Supplies Purchases	\$6
Working Capital Fund Purchases	\$4
General Inflation	\$10
PRODUCTIVITY INITIATIVES	-\$4
PROGRAM CHANGES	
Workload Changes	
Realign Portsmouth and Norfolk NSYs to Mission Funding.	-\$1,550
FY 2007 CURRENT ESTIMATE (Residual NWCF Workload)	\$250

Business Area Capital Investment Summary
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
Component: Department of the NAVY
Business Area: Depot Maintenance - Shipyards
Date: FEBRUARY 2006
(\$ in Millions)

Line Num	Description	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	Non ADP						
1	151-Ton Capacity Portal Crane	1	16.650				
2	60 TON PORTAL CRANE #37			1	9.400		
3	REPLACEMENT OF A/C UNITS	7	1.202	9	1.800		
4	TEMPORARY POWER PROVISIONS FOR PIER 6			1	1.600		
5	NFPC, CEMENT MIXER & SAND DELIVERY SYSTEM			1	1.000		
6	Miscellaneous (Non ADP < \$1000K; >= \$500K)		1.150		0.939		
7	Miscellaneous (Non ADP < \$500K)		1.714		0.574		
	Non ADP Total:		20.716		15.313		
	ADP						
8	Server Replacement Project		1.412		1.729		
	ADP Total:		1.412		1.729		
	Software						

Business Area Capital Investment Summary
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
Component: Department of the NAVY
Business Area: Depot Maintenance - Shipyards
Date: FEBRUARY 2006
(\$ in Millions)

Line Num	Description	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
9	Navy Maintenance Suite Upgrade				2.049		
10	NSY Ship Maintenance Corporate SW Dev				1.700		
11	Electronic Waterfront Paperless System (EWPS)		0.995				
12	SUPDESK Upgrade				1.612		
13	Web-based Facilities Equip Manag. System (eFEM)		1.281				
14	Miscellaneous (Software < \$1000K; >= \$500K)		0.948		1.546		
15	Miscellaneous (Software < \$500K)				0.449		
	Software Total:		3.224		7.356		
	Minor Construction						
16	Miscellaneous (Minor Construction < \$500K)		0.450		0.465		
	Minor Construction Total:		0.450		0.465		
	Grand Total:		25.802		24.863		
	Total Capital Outlays		31.148		26.928		
	Total Depreciation Expense		20.460		22.227		

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 2/60 TON PORTAL CRANE #37 (Replacement)			D. Site Identification PNSY Portsmouth, NH					
FY 2005				FY 2006			FY 2007					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP				1	9400	9400						
Narrative Justification:												
Description												
This project will provide a new 60-ton portal crane to replace portal crane Naval Identification (NID) #111-042830 that will be 51 years old in 2005.												
Justification												
The existing crane to be replaced is a 56-Ton, Star Iron, portal crane manufactured in 1954 which requires repair and upgrading. Due to its age, worn condition, obsolete and unreliable components, this crane is causing delays and lost production time, waiting for repair. The Shipyard's workload forecast, indicates that Depot Modernization Period (DMP) and Engineered Overhauls (EOH) of SSN 688 class submarines will continue to be the major workload at the dock this crane supports. A new 60 ton portal crane will significantly enhance the Shipyard's ability to meet portal crane operation requirements in support of this workload. Additionally, this crane will support work along berths which support submarines in our other drydocks. A cost avoidance of \$7.3M and annual savings of \$465,000 results in a payback of 6.74 years.												
Impact												
Delay in funding for this project will result in the existing crane being either taken out of service for an extended upgrading period or possibly removed from service permanently due to reliability and environmental concerns. In either case, the Shipyard's mission will be adversely impacted with increased costs due to production delays for lack of strategic equipment.												

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES						
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 3/REPLACEMENT OF A/C UNITS (Replacement)			D. Site Identification NNSY Portsmouth, VA					
FY 2005				FY 2006			FY 2007					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP	7	172	1202	9	200	1800						
Narrative Justification:												
Description												
<p>The 40 ton Air Conditioning (A/C) units shall be rated at not less than 480,000 Btu/hour cooling capability. Each unit shall be capable of conditioning 4,000 cfm air at a temperature of 103.4 degrees F dry bulb (DB) and 79.7 degrees F wet bulb (WB) down to an average evaporator coil exit temperature of 40 degrees F DB and 40 degrees F WB at static pressures varying between 0 and 16 inches of water discharge pressure. When operating in the heating mode the unit must have electric heaters with the capacity to add at least 480,000 Btu/hour of heat to the air stream at a flow rate of 4,000 cfm. The units will be self-contained, skid mounted, and capable of movement with a forklift or crane.</p>												
Justification												
<p>Norfolk Naval Shipyard (NNSY) must procure 40 ton A/C units for shipboard use for heating and cooling as required to replace 40 ton A/C units presently in use. A/C units will be phase funded over several years, four in FY 04, seven in FY 05 and nine in FY 06. These 40 ton A/C units were purchased between 1985 and 1994, worked very hard and will be replaced as they become uneconomical to repair. The estimated useful service life for these units at NNSY is 10 years based on operating conditions, preventive maintenance, and handling.</p>												
Impact												
<p>If these 40 ton A/C units are not replaced, then NNSY would not be able to support programmed availabilities.</p>												

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 4/TEMPORARY POWER PROVISIONS FOR PIER 6 (Replacement)			D. Site Identification NNSY Portsmouth, VA					
		FY 2005			FY 2006			FY 2007				
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Non ADP					1	1600	1600					
Narrative Justification:												
Description												
Provide an economically viable CVN 68 Class repair berth during MCON replacement of Piers #3, #4 and #5, and to cover planned overlap of multiple CVN's during FY-07, FY-10 and FY-12. Temporary electrical equipment will be used at Norfolk Naval Shipyard Pier #6 to provide 4160 Volt shore power for CVN 68 Class carriers.												
Justification												
NNSY has three pier berthing locations that can support CVN projects. The berthing locations are Pier #5 North Side, Pier #6, and Berth 42 and 43. There are periods in the NNSY work schedule where there will be two CVN projects working pier side. This will require that two of the three berthing locations be used. The preferred spots are Pier #5 North Side and Pier #6 due to their location.												
Impact												
Without this project, a CVN project working pier side at Pier #6 will have to work at berthing locations Berth #42 and #43. Working at Berth #42 and #43 versus working at Pier #6 or Pier #5 will cost the project an estimated \$3.25 million over a 26 week period due to lost productivity because of additional personnel travel time.												

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES						
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 5/NFPC, CEMENT MIXER & SAND DELIVERY SYSTEM (Replacement)			D. Site Identification NFPC Norfolk Det, Philadelphia, PA					
			FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP				1	1000	1000						
Narrative Justification:												
Description												
The proposed system will consist of a new mixer, weigh hopper, cement bulk transporter, automated cement handling system and associated equipment. In addition, a new pneumatic sand delivery system based on the existing 200 ton silos located outside the east wall of the foundry will be rehabilitated and repiped to deliver sand to the new proposed mixer and another existing mixer. The delivery system will also supply the existing no-bake molding line. The integrated system will be controlled centrally by a Programmable Logic Controller (PLC) that will synchronize a number of functions to provide an efficient cement plant.												
Justification												
Cement is the single most important process at Naval Foundry and Propellor Center's (NFPC) foundry. Without the cement the foundry cannot produce propeller molds. NFPC has installed one new mixer to replace three 50 year old mixers (one has already been scrapped), but there is still inefficiency because of sand delivery problems. The proposed mixer and sand delivery system will increase NFPC's capacity and provide for an efficient and safe cement plant. Demand for cement is on the increase with Virginia Class propulsors and the efficiency of the new plant will improve NFPC's throughput and reduce health hazards associated with Silica sand dust. Estimated annual savings are \$164,137 with a payback of 6.3 years.												
Impact												
The proposed systems acquisition is essential to maintain NFPC's capability to cast propellers. The existing 50 year old equipment is difficult to maintain and is causing a hazardous condition because of the silica dust emitted during sand movement operations. Failure to modernize this core process will cause interruptions to propulsor manufacturing and delivery.												

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES			
B. Component/Business Area/Date		C. Line# and Description		D. Site Identification	
DEPOT MAINTENANCE - SHIPYARDS /FEB 2006		6/Miscellaneous (Non ADP < \$1000K; >=\$500K)		NA	
		FY 2005	FY 2006	FY 2007	
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost	
TOTAL COST		1150	939		
STEEL BLAST RECYCLING SYSTEM (NNSY Portsmouth, VA)			939		
BRIDGE CRANES, 35 TON, B300 (PNSY Portsmouth, NH)		588			
CRANE, BRIDGE, 20 TON, B92 (PNSY Portsmouth, NH)		562			

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES		
B. Component/Business Area/Date		C. Line# and Description		D. Site Identification
DEPOT MAINTENANCE - SHIPYARDS /FEB 2006		7/Miscellaneous (Non ADP < \$500K)		NA
		FY 2005	FY 2006	FY 2007
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		1714	574	
Total number of projects = 10				

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 8/Server Replacement Project (Hardware)			D. Site Identification NWCF SHIPYARDS					
FY 2005				FY 2006			FY 2007					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
ADP		1412	1412		1729	1729						
Narrative Justification:												
Description												
This project supports the replacement and technological refreshment of the standard configuration information technology (IT) applications servers supporting the corporate standard information systems in the naval shipyards. There are 27 corporate standard applications that support depot maintenance operations in the shipyards including Baseline Advanced Industrial Management (BAIM), Performance Monitoring, Shipyard Management Information System (SYMIS) Material and Financial Management, Laboratory Analysis, and Hazardous Substance Management and Monitoring, as well as specialty applications for Facilities and Radiological Controls Monitoring.												
Justification												
This investment is required to replace aging and obsolete equipment. Proposed equipment is also required to ensure compatibility with Enterprise Resource Planning (ERP) platforms planned for the regional maintenance consolidation functions. All equipment is acquired centrally for configuration control and management, economy of scale and maximum discount. In addition, equipment will be consolidated, where feasible, for greater economy and resource savings. This equipment is required to replace currently outdated equipment that will remain in the shipyards for the next 4-5 years.												
Impact												
If not replaced, the shipyards will be left with obsolete equipment for which there is no vendor maintenance, thus jeopardizing the shipyard's ability to assure uninterrupted, seamless communications capability for depot maintenance progress reporting. Shipyards will experience high levels of downtime and lost productivity.												

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES						
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 9/Navy Maintenance Suite Upgrade (Internally Developed)			D. Site Identification NWCF SHIPYARDS (MSSD)					
FY 2005				FY 2006			FY 2007					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software					2049	2049						
Narrative Justification:												
Description												
NMS applications include Advanced Industrial Management (AIM), AIM Express (AIM XP) and their associated modules. These applications are used to plan and execute depot-level ship repair. The NMS upgrade will migrate the program data base and development tools to Oracle 10 and the Delphi 4 development environment to web-based architecture.												
Justification												
Failure to upgrade the NMS application and its associated Oracle database will require increasing maintenance funds to support the current software as the old tools are no longer supported. The existing tools will eventually fail to operate as other systems and IT components are upgraded and will require additional changes to allow the NMS application to work. As time goes by there will be an increasing number of areas where functionality is lost. The loss of functionality will require manual workarounds and others will require increased time and actions to perform. In addition, as new technology is introduced NMS will potentially not be able to realize enhanced capabilities offered by the new technology.												
Impact												
The upgrades to NMS are necessary to assure reliable, secure, operation of the software to support naval shipyard waterfront mission and related NAVSEA/Navy improvement initiatives for current readiness.												
- Reliability: The versions of commercial off-the-shelf (COTS) software products on which NMS is based (primarily Delphi and Oracle) are reaching the end of their useful life and will no longer be supported by the vendors. Upgrades are necessary to assure compatibility with replacement hardware, changing operating systems, and interrelated software. Vendor support is needed to troubleshoot and correct problems encountered during system use. Without upgrades, system performance and reliability continue to degrade resulting in lost productivity and increased maintenance costs.												
- Security: COTS upgrades and patches are issued frequently to improve security and meet emerging security threats (e.g. hacker prevention). Non-supported releases do not receive these upgrades.												

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES							
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 10/NSY Ship Maintenance Corporate SW Development (Internally Developed)			D. Site Identification NWCF SHIPYARDS (MSSD)						
		FY 2005		FY 2006			FY 2007						
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software						1700	1700						
Narrative Justification:													
Description													
<p>The naval shipyards require continued upgrades and enhancements to their standard ship/fleet maintenance core business systems. Information management systems, structures and architectures will be vastly different by FY 2008. The Naval Shipyard IT Strategic Plan outlines the changes that must occur in order to make the transition as smooth as possible:</p> <ol style="list-style-type: none"> 1. Reduce the total number of applications in the Naval Shipyards from 1100 to 600 by consolidating local functionality into corporate applications, reducing the number of versions of any given application, and standardizing on Navy selected applications. 2. Improve first-time quality of corporate application releases by 75% by October 1, 2006. 3. Develop and implement a plan for server consolidation and application hosting that will reduce application support infrastructure cost by 25%. 4. Successfully transition East Coast shipyards to mission funding and fleet ownership without interruption of information system services. 5. Fully implement the Navy Marine Corps Intranet in the Naval Shipyards while assuring mission support, system reliability, and information assurance. 6. Develop and implement a capital investment plan for hardware and software that assures continuing support of the shipyard mission, reliable operations of core corporate applications through FY-2015, and support of business transformation initiatives. 													
Justification													
<p>These projects will contribute to enhanced business performance, improved business processes, and contribute to achieving the strategic sourcing wedge.</p>													
Impact													
<p>If this project is not funded, Navy will lose the opportunity to continue with Business Process Reengineering (BPR) and its contribution to depot/regional maintenance cost reduction initiatives.</p>													

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES						
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006				C. Line# and Description 12/SUPDESK Upgrade (Internally Developed)			D. Site Identification NWCF SHIPYARDS (MSSD)					
FY 2005				FY 2006			FY 2007					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software					1612	1612						
Narrative Justification:												
Description												
Supervisor's Desk (SUPDESK) application is used for workload management of depot-level ship repair. The SUPDESK upgrade will migrate the program data base and development tools to Oracle 10 and the Delphi 3 development environment to web-based architecture.												
Justification												
Failure to upgrade the SUPDESK application and its associated Oracle database will require increasing maintenance funds to support the current software as the old tools are no longer supported. Existing tools will eventually fail to operate as other systems and IT components are upgraded and will require additional changes to allow the SUPDESK application to work. As time goes by there will be an increasing number of areas where functionality is lost. The loss of functionality will require manual workarounds and others will require increased time and actions to perform. In addition, as new technology is introduced SUPDESK will potentially not be able to realize enhanced capabilities offered by the new technology.												
Impact												
The upgrades to SUPDESK are necessary to assure reliable, secure, operation of the software to support naval shipyard waterfront mission and related NAVSEA/Navy improvement initiatives for current readiness.												
- Reliability: The versions of commercial off-the-shelf (COTS) software products on which SUPDESK is based (primarily Delphi and Oracle) are reaching the end of their useful life and will no longer be supported by the vendors. Upgrades are necessary to assure compatibility with replacement hardware, changing operating systems, and interrelated software. Vendor support is needed to troubleshoot and correct problems encountered during system use. Without upgrades, system performance and reliability continue to degrade resulting in lost productivity and increased maintenance costs.												
- Security: COTS upgrades and patches are issued frequently to improve security and meet emerging security threats (e.g. hacker prevention). Non-supported releases do not receive these upgrades.												

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
DEPOT MAINTENANCE - SHIPYARDS /FEB 2006	14/Miscellaneous (Software < \$1000K; >=\$500K)	NA		
	FY 2005	FY 2006	FY 2007	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	948	1546		
NSY Ship Maintenance Corporate SW Development (WNY Washington, DC (MSSD)) 948 Trade Skill and Trade Skill Designators (NNSY Portsmouth, VA (MSSD)) 981 Project Scheduling and Sequencing Upgrade (NNSY Portsmouth, VA (MSSD)) 565				

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES		
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS /FEB 2006		C. Line# and Description 15/Miscellaneous (Software < \$500K)		D. Site Identification NA
		FY 2005	FY 2006	FY 2007
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		0	449	
Total number of projects =1				

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES			
B. Component/Business Area/Date		C. Line# and Description		D. Site Identification	
DEPOT MAINTENANCE - SHIPYARDS /FEB 2006		16/Miscellaneous (Minor Construction < \$500K)		NA	
		FY 2005	FY 2006	FY 2007	
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost	
TOTAL COST		450	465		
Total number of projects = 4					

Navy Working Capital Fund Capital Investment Summary
Component / Activity Group: Department of the Navy / Depot Maintenance
Sub-Activity Group NAVAL SHIPYARDS
FY 2007 OSD/OMB PROGRAM/BUDGET SUBMISSION
FEBRUARY 2006
(\$ in Millions)

FY	FY 2006 PROJECT TITLE	FY 2006 PRESIDENT'S	REPROGS	CURRENT PROJ COST	ASSET/ DEFICIENCY	Explanation
NON-ADP EQUIPMENT						
06	60 TON PORTAL CRANE #37	9.400	0.000	9.400	0.000	No change
06	40 TON A/C UNITS (9)	2.340	(0.540)	1.800	0.540	Contractor furnished bids indicate lower unit cost
06	TEMPORARY POWER PROVISIONS FOR PIER 6	0.000	1.600	1.600	(1.600)	Emergent ship schedules accelerated carrier support requirements
06	NFPC, CEMENT MIXER & SAND DELIVERY SYSTEM	0.000	1.000	1.000	(1.000)	Realigned from FY 07 for efficiency gains
06	MISCELLANEOUS (Non ADP < \$1000K; >= \$500K)	1.554	(0.615)	0.939	0.615	Deferred to support emergent projects
06	MISCELLANEOUS (Non ADP < \$500K)	2.019	(1.445)	0.574	1.445	Deferred to support emergent projects
Total Non ADP Equipment		15.313	0.000	15.313	0.000	
ADP & TELECOMMUNICATIONS EQUIPMENT						
06	SERVER REPLACEMENT PROJECT	1.297	-1.297	0.000	1.297	Consolidated projects (see below)
06	SERVER REPLACEMENT PROJECT	0.432	-0.432	0.000	0.432	Consolidated projects (see below)
06	SERVER REPLACEMENT PROJECT	0.000	1.729	1.729	-1.729	Consolidated two separate projects (see above)
Total ADP & Telecommunications Equipment		1.729	0.000	1.729	0.000	
SOFTWARE DEVELOPMENT						
06	NAVY MAINTENANCE SUITE UPGRADE	1.538	0.511	2.049	(0.511)	Consolidated with next project
06	NSY Ship Maintenance Corporate SW Development	1.275	(1.275)	0.000	1.275	Consolidated with preceding project
06	NSY Ship Maintenance Corporate SW Development	0.000	1.700	1.700	(1.700)	Projects realigned/consolidated from other categories
06	SUPDESK UPGRADE	1.209	0.403	1.612	(0.403)	Projects realigned/consolidated from other categories
06	MISCELLANEOUS (SOFTWARE < \$1000K; >= \$500K)	2.096	(0.550)	1.546	0.550	Projects realigned/consolidated in other categories
06	MISCELLANEOUS (SOFTWARE < \$500K)	1.238	(0.789)	0.449	0.789	Projects realigned/consolidated in other categories
Total Software Development		7.356	0.000	7.356	0.000	
MINOR CONSTRUCTION						
06	MISCELLANEOUS (MINOR CONSTRUCTION < \$500K)	0.465	0.000	0.465	0.000	No Change
Total Minor Construction		0.465	0.000	0.465	0.000	
Grand Total		24.863	0.000	24.863	0.000	

NAVY WORKING CAPITAL FUND
COMPONENT/BUSINESS AREA: DEPARTMENT OF THE NAVY / DEPOT MAINTENANCE
SUB-ACTIVITY GROUP: SHIPYARDS
(Dollars in Millions)
FEBRUARY 2006

FY 2005
MATERIAL INVENTORY DATA

	<u>Total</u>	<u>Mobilization</u>	-----Peacetime-----	
			<u>Operating</u>	<u>Other</u>
Material Inventory BOP	172,300		172,300	
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	157,908		157,908	
B. Purchase of long lead items in advance of customer orders (+)				
C. Other Purchases (list) (+)				
D. Total Purchases	157,908		157,908	
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	190,186		190,186	
B. Disposals, theft, losses due to damages (-)				
C. Other reductions (list) (-)				
D. Total Inventory adjustments	190,186		190,186	
Material Inventory EOP	140,022		140,022	

FY 2006
MATERIAL INVENTORY DATA

	<u>Total</u>	<u>Mobilization</u>	-----Peacetime-----	
			<u>Operating</u>	<u>Other</u>
Material Inventory BOP	140,022		140,022	
<u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	107,179		107,179	
B. Purchase of long lead items in advance of customer orders (+)				
C. Other Purchases (list) (+)				
D. Total Purchases	107,179		107,179	
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	156,325		156,325	
B. Disposals, theft, losses due to damages (-)				
C. Other reductions (list) (-)				
D. Total Inventory adjustments	156,325		156,325	
Material Inventory EOP	90,876	-	90,876	-

**** Effective FY 2007 Naval Shipyards will be mission funded

Naval Aviation Depots

Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Narrative Summary of Operations
Activity Group: Depot Maintenance/NAVAIRDEPOTS
February 2006

ACTIVITY GROUP FUNCTION

To provide responsive worldwide maintenance, engineering, and logistics support to the Fleet and ensure a core industrial resource base essential for mobilization, repair aircraft, engines, and components, and manufacture parts and assemblies, provide engineering services in the development of hardware design changes, and furnish technical and other professional services on maintenance and logistics problems.

ACTIVITY GROUP COMPOSITION

<u>Activities</u>	<u>Location</u>
NAVAIRDEPOT, Cherry Point	Cherry Point, NC
NAVAIRDEPOT, Jacksonville	Jacksonville, FL
NAVAIRDEPOT, North Island	San Diego, CA

BUDGET HIGHLIGHTS

General

The Naval Air Depots (NAVAIRDEPOTS) provide significant support to the Fleet by overhauling and repairing a wide range of equipment and components.

The NAVAIRDEPOTS continue to support the Global War on Terrorism (GWOT). In FY 2005 the NAVAIRDEPOTS received \$75.2M of Supplemental funding to finance F/A-18 crash damage repairs and H-46, H-53, and AV-8B airframe reworks, as well as \$10.1M of Supplemental funding to finance F402, T58, T64, and J52 engine overhauls in support of GWOT. The NAVAIRDEPOTS will continue to support GWOT operations in FY 2006.

The NAVAIRDEPOTS have implemented AIRSPEED at each Naval Aviation Depot on many of their product lines, with the goal to increase throughput and reduce turnaround time. AIRSPEED is the implementation of LEAN/SIX SIGMA and Theory of Constraints management theories - tools that improve and increase efficiency for Depot processes.

The NAVAIRDEPOTS have been budgeted to a zero Accumulated Operating Result (AOR) in FY 2007.

**Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Narrative Summary of Operations
Activity Group: Depot Maintenance/NAVAIRDEPOTS
February 2006**

Summary of Operations- Open NAVAIRDEPOTS

(\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Orders	\$1,796.8	\$1,924.8	\$1,881.9
Revenue	\$1,819.0	\$2,027.8	\$1,983.3
Direct Appropriation	\$200.0	\$0.0	\$0.0
Cost of Goods Sold	\$1,962.3	\$2,035.5	\$1,977.4
Revenue less Costs	-\$143.3	-\$7.7	\$5.9
Surcharges	\$0.0	\$0.0	\$0.0
Prior Year Adjustments	-\$0.2	\$0.0	\$0.0
Transfers	\$108.5	\$0.0	\$0.0
Net Operating Result (NOR)	-\$35.0	-\$7.7	\$5.9
Accumulated Operating Result (AOR)	\$1.8	-\$5.9	\$0.0

Orders. Reimbursable Orders for FY 2005, FY 2006, and FY 2007 are \$1.8B, \$1.9B, and \$1.9B respectively. FY 2005 orders were lower than the FY 2006 President's Budget, primarily due to the fact that Congress provided a direct NWCF appropriation to cover NADEP costs that the Department of the Navy had expected to recover through a rate surcharge (and bill to customers that would cite Supplemental funding). FY 2005 orders include the receipt of \$85.3M Supplemental funding in the airframes and engines programs to ensure continued support of the Global War on Terrorism (GWOT).

Revenue. Revenue is \$1.8B for FY 2005, \$2.0B for FY 2006, and \$2.0B for FY 2007. FY 2005 Revenue was lower than the FY 2006 President's Budget primarily because a planned rate surcharge was not executed.

Costs. Cost of Operations is \$2.0B in FY 2005, FY 2006 and FY 2007, slightly lower than the \$2.2M for each fiscal year in the President's Budget due to a decrease in workload.

Operating Results. Revenue less cost for FY 2005 is -\$143.3M, -\$7.7M for FY 2006 and \$5.9M for FY 2007. The FY 2005 Operating Results varies from the \$55.8M in the President's Budget because the planned rate surcharge was not executed.

Treasury Cash. Net outlays are \$63.3M in FY 2005, \$35.6M in FY 2006, and -\$8.8M in FY 2007.

	(In millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Disbursements	\$1,908.3	\$2,033.8	\$1,978.7
Collections	\$1,845.0	\$1,999.3	\$1,986.4
Net Outlays	\$63.3	\$34.5	-\$7.6

**Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Narrative Summary of Operations
Activity Group: Depot Maintenance/NAVAIRDEPOTS
February 2006**

Stabilized Customer Rates.

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Composite Hourly Rate	\$165.99	\$166.88	\$174.96
Percent Year to Year Change	3.06%	0.54%	4.8%

The composite rate change reflects both the impact of workload mix changes and pricing changes.

Unit Cost Goals. The budget reflects the following FY 2005-2007 unit cost goals:

	(\$ and DLHs in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Total Operating Cost	\$1,927.3	\$2,025.7	\$1,973.3
Direct Labor Hours (DLH)	11,929	12,499	11,532
Unit Cost	\$161.57	\$162.07	\$171.11
% Change Workload/DLHs	-	4.8%	-7.7%
% Change Unit Cost	-	0.3%	5.6%

DLH includes direct labor hours worked by civilians, contractors and military personnel.

SUMMARY OF PERSONNEL RESOURCES.

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian Personnel:			
End Strength	10,441	10,747	10,383
FTE Workyears	10,618	10,700	10,340
Military Personnel:			
End Strength	99	123	121
Workyears	96	123	121
Contractor Personnel:			
Workyears	614	988	747

The FY 2007 Budget Estimates for the NAVAIRDEPOTS reflects civilian workforce levels necessary to accommodate budgeted workload. Contract personnel are used by the NAVAIRDEPOTS to support perturbations in workload.

Fiscal Year (FY) 2007 Budget Estimates
 Navy Working Capital Fund
 Narrative Summary of Operations
 Activity Group: Depot Maintenance/NAVAIRDEPOTS
 February 2006

SUMMARY OF WORKLOAD INDICATORS:

	(Inducted Units)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
AIRFRAMES	<u>605</u>	<u>492</u>	<u>451</u>
O&M,N	527	430	383
O&M,NR	65	46	55
RDT&E	10	11	9
Other	3	5	4
ENGINES	<u>1,043</u>	<u>1,258</u>	<u>1,474</u>
O&M,N	861	1,139	1,368
O&M,NR	59	32	20
RDT&E	17	3	3
Other	106	84	83

		(UNITS)		
<u>PERFORMANCE INDICATORS</u>	<u>Goals</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Aircraft Scheduled		535	473	442
Aircraft Completed on Time		482	426	398
% Scheduled Work Completed on Time	90%	90%	90%	90%
Components Scheduled		93,107	78,615	67,139
Components Completed on Time		88,452	74,684	63,782
% Scheduled Work Completed on Time	95%	95%	95%	95%
Engines Scheduled		1,049	1,245	1,437
Engines Completed on Time		965	1,145	1,322
% Scheduled Work Completed on Time	92%	92%	92%	92%

SUMMARY OF CAPITAL INVESTMENT PROGRAM (CIP):

	(\$ in Millions)		
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equipment-non ADPE &TELECOM	\$33.4	\$26.3	\$29.3
Minor Construction:	\$4.7	\$4.7	\$4.3
Equipment-ADPE &TELECOM	\$0.3	\$8.0	\$4.3
Software Development	\$0.0	\$3.4	\$4.2
Total	\$38.3	\$42.4	\$42.0

INDUSTRIAL BUDGET INFORMATION SYSTEM
REVENUE and EXPENSES
AMOUNT IN MILLIONS
AIROPEN / TOTAL

	FY 2005 CON	FY 2006 CON	FY 2007 CON
Revenue:			
Gross Sales			
Operations	1,776.9	1,985.4	1,941.1
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	42.1	42.4	42.1
Other Income			
Total Income	1,819.0	2,027.8	1,983.3
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	8.3	8.1	9.0
Civilian Personnel	798.1	844.0	828.6
Travel and Transportation of Personnel	22.8	20.3	20.6
Material & Supplies (Internal Operations)	608.1	692.6	672.1
Equipment	153.2	124.5	122.3
Other Purchases from NWCF	26.5	22.4	23.1
Transportation of Things	3.1	3.5	3.7
Depreciation - Capital	42.1	42.4	42.1
Printing and Reproduction	2.9	3.1	3.0
Advisory and Assistance Services	15.6	14.0	15.4
Rent, Communication & Utilities	36.6	40.6	41.7
Other Purchased Services	210.3	210.2	191.5
Total Expenses	1,927.3	2,025.7	1,973.3
Work in Process Adjustment	56.1	9.7	4.1
Comp Work for Activity Reten Adjustment	-21.2	.0	.0
Cost of Goods Sold	1,962.3	2,035.5	1,977.4
Operating Result	-143.3	-7.7	5.9
Less Surcharges	.0	.0	
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-143.3	-7.7	5.9
Other Changes Affecting AOR	108.3	.0	.0
Accumulated Operating Result	1.8	-5.9	.0

Exhibit Fund-14

INDUSTRIAL BUDGET INFORMATION SYSTEM
 AIROPEN / TOTAL
 SOURCE of REVENUE
 AMOUNT IN MILLIONS

	FY 2005 CON -----	FY 2006 CON -----	FY 2007 CON -----
1. New Orders	1,797	1,925	1,882
a. Orders from DoD Components	1,139	1,136	1,102
Department of the Navy	1,101	1,094	1,049
O & M, Navy	853	810	748
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	60	52	57
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	162	209	215
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	0	5	4
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	25	18	25
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	0	4	2
Army Operation & Maintenance	0	4	2
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	34	34	48
Air Force Operation & Maintenance	33	34	48
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	5	3	3
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	4	3	3
Res, Dev, Test & Eval Accounts	1	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	596	716	699
c. Total DoD	1,735	1,852	1,801
d. Other Orders	62	73	81
Other Federal Agencies	9	14	15
Foreign Military Sales	26	29	31
Non Federal Agencies	27	30	35
2. Carry-In Orders	602	580	477
3. Total Gross Orders	2,399	2,504	2,358
a. Funded Carry-Over before Exclusions	580	477	375
b. Total Gross Sales	1,819	2,028	1,983
4. End of Year Work-In-Process (-)	-30	-20	-15
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-45	-45	-46
6. Net Funded Carryover	505	412	314

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRTFB

Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Changes in the Costs of Operations
Activity Group: Depot Maintenance/NAVAIRDEPOTS
February 2006
(\$ in Millions)

	Total Costs
FY 2005 Actual	1,927.3
FY 2006 President's Budget	2,151.9
Pricing Adjustments:	
Civilian Personnel	4.2
Fuel Changes	2.1
General Purchase Inflation	1.2
Productivity Initiatives	-0.6
Program Changes:	
Airframes work	27.6
Engines work	59.3
Components work	-237.9
Other Support work	-11.4
Modification work	27.1
Logistics/Engineering work	-4.5
Other Changes (incl Depreciation):	
Depreciation	0.0
FECA	1.0
Payments to DFAS	0.6
A-76	1.2
Hazardous Waste	1.0
Other	2.9
FY 2006 Current Estimate:	2,025.7

Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Changes in the Costs of Operations
Activity Group: Depot Maintenance/NAVAIRDEPOTS
February 2006
(\$ in Millions)

	Total Costs
FY 2006 Current Estimate:	2,025.7
Pricing Adjustments:	
Annualization of Pay Raises	
Civilian Personnel	6.9
Military Personnel	0.1
Pay Raise	
Civilian Personnel	13.3
Military Personnel	0.1
Fuel Changes	-0.4
Working Capital Fund Purchases	11.4
General Purchase Inflation	5.2
Productivity Initiatives	
Capital Investment Program Savings	-0.7
Other	-0.9
Program Changes:	
Airframe work	-75.6
Engine work	18.4
Component work	-40.0
Other Support work	-3.0
Modification work	1.7
Logistics/Engineering work	6.2
Other Changes (incl Depreciation):	
Depreciation	-0.2
Payments to DFAS	0.5
PWC Utilities and Services	1.1
Contracting Services	1.0
Other	2.5
FY 2007 Estimate:	1,973.3

FY 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY
DEPOT MAINTENANCE - AVIATION DEPOTS
CAPITAL INVESTMENT SUMMARY
 (\$ In Millions)
 FY 2005-2007

ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)						
	Replacement						
6 DE 5 EL 0418 P R	OPTICAL ALIGNMENT STATION	1	4.000				
6 DE 5 EL 0364 P R	5-AXIS MACHINING CENTERS (2)	1	2.500				
6 DE 5 EL 0406 P R	5-AXIS MACHINING CENTER	1	1.750				
6 DE 5 EL 0381 P R	5-AXIS MACHINING CENTER - TILT HEAD	1	1.650				
6 DF 5 EL 0190 P R	JIG BORE REPLACEMENT	1	1.340				
6 DF 4 EL 0212 P R	TEST CELL #2 UPGRADE PH I & II	1	1.106				
6 DF 5 EL 0229 P R	ARBS TEST FACILITY UPGRADE	1	1.155				
6 DF 6 EL 0139 P R	PNEUMATIC LIQUID PENETRANT LINE REPLACEMENT	1	1.000				
6 DF 6 EL 0246 P R	INTEGRATED AUTO HYDRAULIC SYS REPLACEMENT			1	4.967		
6 DE 6 EL 0414 P R	BLADE TIP GRINDER			1	2.500		
6 DE 6 EL 0415 P R	SPAR MILL			1	2.800		
6 DE 6 EL 0401 P R	F404 A/B FUEL CONTROL T/S			1	1.630		
6 DE 6 EL 0438 P R	PLASTIC MEDIA BLAST SYSTEM			1	1.550		
6 DC 6 EL 0534 P R	IVD ALUMINUM COATER			1	1.400		
6 DF 6 EL 0231 P R	AIR TURBINE STARTER TEST CELL REPLACEMENT			1	1.400		
6 DF 6 EL 0223 P R	PLATING LINE EQUIPMENT UPGRADE			1	1.000		
6 DE 7 EL 0439 P R	5-AXIS MACHINING CENTERS (2)					1	2.850
6 DE 7 EL 0423 P R	VGC-52 GRINDERS (2)					1	2.400
6 DC 7 EL 0556 P R	PRESS (HYDRAULIC OR BLADDER)					1	2.000
6 DC 7 EL 0557 P R	DROP HAMMER (LARGE)					1	2.000
6 DF 7 EL 0236 P R	X-RAY EQUIPMENT UPGRADE					1	1.374
6 DF 7 EL 0085 P R	HYDROGEN FLUORIDE FURNACE REPLACEMENT					1	1.200
6 DC 7 EL 0558 P R	DROP HAMMER (MEDIUM)					1	1.000
6 DE 7 EL 0422 P R	CNC VERTICAL LATHE					1	1.100
6 DF 7 EL 0325 P R	ELECTRONIC SECURITY & ALARM CONTROL CENTER SYSTEM UPGRADE					1	1.100
	Productivity						
6 DC 5 EL 0533 P P	AIRCRAFT PMB	1	1.373				
	New Mission						
	SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)	9	15.874	8	17.247	9	15.024
DN EU 0000	1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)	36	17.494	20	9.006	24	14.256
	2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM	45	33.368	28	26.253	33	29.280

FY 2007 BUDGET ESTIMATES
 DEPARTMENT OF THE NAVY
 DEPOT MAINTENANCE - AVIATION DEPOTS
 CAPITAL INVESTMENT SUMMARY
 (\$ In Millions)
 FY 2005-2007

ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
DN MC 0000	3. MINOR CONSTRUCTION	9	4.651	14	4.730	16	4.283
	TOTAL NON-ADP CAPITAL PURCHASES PROGRAM	54	38.019	42	30.983	49	33.563
7 DN 4 KL 0003 G R	1a. ADPE & TELECOMMUNICATIONS (>\$1M) Computer Hardware (Production) DEPOT MAINTENANCE SYSTEMS HARDWARE UPGRADE			2	6.700	1	1.427
7 DE 7 TL 0419 G R	SYSTEM HARDWARE SWITCH					1	1.485
6 DF 6 KM 0161 G N	MAIN SWITCH UPGRADE			1	.800	1	.600
	SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)	0	0.000	3	7.500	3	3.512
DN KU 0000	1b. ADPE & TELECOMMUNICATIONS (<\$1M)	1	0.300	1	0.500	2	0.750
	2. TOTAL ADPE & TELECOMMUNICATIONS	1	0.300	4	8.000	5	4.262
6 DC 6 KL 0563 G R	3a. SOFTWARE DEVELOPMENT (>\$1M) Internally Developed SUPPLY TRANSFORMATION, PHASE II			1	2.385	1	2.200
6 DC 6 KL 0564 G R	INTERMEDIATE & DEPOT INTEGRATION			1	1.000	1	2.000
	SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)	0	0.000	2	3.385	2	4.200
DN DU 0000	3b. SOFTWARE DEVELOPMENT (<\$1M)	0	0.000	0	0.000	0	0.000
	3. TOTAL SOFTWARE DEVELOPMENT	0	0.000	2	3.385	2	4.200
	TOTAL ADP CAPITAL PURCHASES PROGRAM	1	0.300	6	11.385	7	8.462
	GRAND TOTAL CAPITAL PURCHASES PROGRAM	55	38.319	48	42.368	56	42.025
	TOTAL CAPITAL OUTLAYS		31.863		42.122		49.746
	TOTAL DEPRECIATION EXPENSE		42.065		42.372		42.141

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot						C. INTEGRATED AUTOMATED HYDRAULIC SYSTEM REPLACEMENT			6DF6EL0246PR	Cherry Point
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Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0	1	4,967	4,967			0

OPERATIONAL DATE 15-May-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$779,031	\$49,000	\$828,031
AVERAGE ANNUAL SAVINGS (Discounted)	\$478,681	\$30,108	\$508,789
PAYBACK PERIOD	10.6	NA	9.6
RATE OF RETURN (ROR)	10%	1%	10%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** The hydraulic test system located in shop 94407 tests approximately 73 different motors, pumps and starters. The current workload is comprised of approximately 1,450 units per year. This project proposes to replace the current RCA hydraulic test system. This will provide state of the art computers, software and data acquisition system for the Hydraulic Pump and Propulsion Shop located in building 133.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The computer system has outlived its useful life. It is no longer supportable. Spare parts such as floppy drives, tape drives and hard drives are no longer available. The software is proprietary to the manufacturer. Major changes to the software has to be made by the manufacturer. Enforcing this project will allow new state of the art equipment that will replace the equipment that we can no longer support or get replacement parts. We will also have multi-source options for software support.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED:** Allow Digalog to upgrade the hard drive, floppy drive and tape drive. This alternative still presents a proprietary hardware and software issue. Also, the life expectancy of this approach would not make it a beneficial alternative nor is it in line with the depots current maintenance direction.
- IMPACT IF NOT ACQUIRED.** The current RCA test system is outdated and obsolete. Some of the valves, piping and electronic components are not repairable and cannot be replaced and if the computer system is not upgraded or replaced, the test stands will become unsupported. In addition, if a failure occurs, a major system modification will have to be made which could adversely impact the test program. The depot will lose the capability to test hydraulic pumps, motors and starters which will directly impact the CH-53, F-18 and H-3 programs. If failure occurs, the loss is estimated to be \$2,659,280/yr.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. BLADE TIP GRINDER

6DE6EL0414PR

Jacksonville

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0	1	2,500	2,500			0

OPERATIONAL DATE 1-Apr-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$254,775	\$5,313	\$260,088
AVERAGE ANNUAL SAVINGS (Discounted)	\$156,548	\$3,265	\$159,813
PAYBACK PERIOD	41.7	NA	34.1
RATE OF RETURN (ROR)	6%	0%	6%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT. Purchase a new High Speed Blade Tip Grinder to support the engine program. This machine will replace the old International Grinding Technologies (IGT) grinder manufactured in 1983.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The new grinder will provide the capability and capacity to high speed grind the engines compressors and turbines. The new grinding machines will perform the operation in 4 hrs. compared to the present time standard of 7 hrs. The reduction in process time is due to a new type of chucking system that reduces set up time and a faster measuring system for full indicated runout and blade length. It will also have an electronic system to automatically identify a number 1 blade for part orientation in relation to the blades lengths.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Continue to utilize the existing grinder to produce the engine parts and wait for a machine failure that is not repairable due to the age of the grinder (25 years).
- IMPACT IF NOT ACQUIRED. The age and condition of the grinder adds risk to meeting the engine schedule. Some of this work load is Air Force contract work and has mandatory completion dates. The complexity of repairing the old grinder will also greatly reduce the time the grinder is available for production. A maintenance contract would be required to help NADEP keep the grinder operational. This contract would be with the original equipment manufacturer (OEM) and would cover parts and labor in support of the grinder. A contract of this type would have to be on going and have an estimated cost of \$150,000.00 per year. The turn around time and cost of these repairs will greatly increase as the grinder gets older.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot C. SPAR MILL 6DE6EL0415PR Jacksonville

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0	1	2,800	2,800			0

OPERATIONAL DATE 1-Aug-07

<u>METRICS:</u>	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$717,381	(\$315)	\$717,066
AVERAGE ANNUAL SAVINGS (Discounted)	\$440,800	(\$194)	\$440,606
PAYBACK PERIOD	3.5	-67.9	3.5
RATE OF RETURN (ROR)	22%	0%	22%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

1. **DESCRIPTION & PURPOSE OF PROJECT.** Procure a replacement Computer Numerical Control (CNC) Spar Mill with a 5-axis rotating head and long bed for the CNC Machine Shop. Procure with state of the art micro processors for precision manufacturing of aircraft wing spars and longerons. New machines of this type are capable of profile milling all angles and contours associated with aircraft wing structures. The computer numerical control can generate these complex shapes and repetitive moves with very simple directions, utilizing Dynamic Graphic representation. Advanced probing capability will allow the machine to verify that the machined surface is indeed, at the exact location.

2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The existing machine is a 5-axis Hydrotel, planner type mill. The 5-Axis Hydrotel was built in 1986 and is showing signs of way surface wear. The machine was moved from NADEP Norfolk during the BRAC transition of 1996. The CNC Controller was replaced 4 years ago but, the electronic drive components that position the 5 axes of motion are all original. Due to the age of this machine, electronic parts will soon not be available. The design of this antiquated machine does not lend itself well for ease of manufacture. Especially, when it comes to complex shapes and long surfaces. The table size of 10 feet is too short for the length of spars that we now manufacture. Multiple set-ups and part re-verification are required when milling an F-18 wing spar. A P-3 spar cannot be manufactured, due to the length of the spar. A new machine will have a long bed and an articulating spindle head that can rapidly mill cut a profile, the entire length of the spar.

3. **WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** Procure an entire new wing panel from Boeing Co. The alternative was not selected due to cost of procuring new wings from the Original Equipment Manufacturers (OEM). It is more cost effective for NADEP Jacksonville to manufacture the components than to buy wing panels from the OEM. Estimated cost to purchase (1) one F-18 Wing Panel is \$1,500,000 vice NADEP cost of \$200,000 to repair.

4. **IMPACT IF NOT ACQUIRED.** The Navy will have to scrap wing panels and procure new wing panels from the Original Equipment Manufacturer's (OEM) at a cost significantly higher than NADEP's repair cost. In addition NADEP Jacksonville is in the process of establishing capability for F-18 inner wing repairs. This workload is projected to grow to 200,000 hours per year. The new Spar Mill will provide components as needed to support the F-18 inner wing initiative.

5. **IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. F404 AB Fuel Control Test Stand	6DE6EL0401PR	Jacksonville
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Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST	1	1,630	1,630						

OPERATIONAL DATE	1-Sep-06		
METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$705,536	\$0	\$705,536
AVERAGE ANNUAL SAVINGS (Discounted)	\$433,521	\$0	\$433,521
PAYBACK PERIOD	2.8	#DIV/0!	2.8
RATE OF RETURN (ROR)	27%	0%	27%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** This project's purpose is to improve our reliability to produce F404 AB Fuel Controls by building a second test stand (T/S) in Bldg. 795. We currently have one General Electric T/S that represents 1982 era technology with a computer and drive controller upgrade package installed in 2000. The remaining 70% of the T/S represents antiquated hydraulics and electronics that is proving to be increasingly unreliable. We intend to have two T/Ss so that we will seldom experience a total work-stop because our one T/S is down for repair.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** We've experienced a total work stop from April thru July 2003 because of a seemingly constant series of repairs to the older sections of our current T/S. There is still excessive down time on the old test stand, which impedes production schedules, and impacts turn-around time on units supplied to the Fleet. The repairs to the existing test stand are more frequent and more costly today than previous years. A second new T/S would vastly improve our production reliability.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** We've considered upgrading the existing T/S alone but decided we need two T/Ss for greater reliability and can upgrade the older T/S later with many of the new technologies and methods developed in this new project. We also can't afford to lose our productivity on our existing T/S for the 9-12 months required for an upgrade. The alternative of contracting out the T/S work to a contractor is addressed in this Cost Benefit Analysis (CBA).
- IMPACT IF NOT ACQUIRED.** The original test stand will continue requiring excessive repairs and cause more work stoppages. We may virtually lose our capability in the next 3-5 years because of excessive down time.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. Plastic Media Blast System

6DE6EL0438PR

Jacksonville

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST						0	1	1,550	1,550			0

OPERATIONAL DATE 1-Jul-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$37,285	\$60,011	\$97,296
AVERAGE ANNUAL SAVINGS (Discounted)	\$22,910	\$36,874	\$59,784
PAYBACK PERIOD	NA	NA	NA
RATE OF RETURN (ROR)	2%	3%	4%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** The purpose of this project is to alleviate the present blast equipment problems with contaminated spent media spills, excessive maintenance, repairs, and production down-time by upgrading the entire Plastic Media Blast (PMB) facility based on the same design criteria used for the larger Hangar 101S PMB Facility installation. The main contractor will provide all the necessary design engineering services (including travel) and on-site project management and installation of a full turnkey system. It will include efficient state of the art recovery floors, new dust collectors and ventilation equipment, new more efficient air compressors, filters, dryer, and accumulator.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The current deficiency/problem is in the areas of environmental Hazardous Waste (contaminated media), excessive equipment maintenance & repair down-time and the associated production down-time. The outside dust collectors are rusted and the cartridge filters get constantly wet and clog up with wet media dusts.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** a) Continue repairing and patching the old aging blast system. b) Transfer component strip workload to either Hangar 122 Temporary PMB Enclosure or to the new Hangar 101S PMB Facility.
- IMPACT IF NOT ACQUIRED.** Production down-time will increase as the equipment gets older and repairs take longer up to the point where it cannot be repaired. The Binks Corp. is no longer in business and obtaining spare parts is a problem. Many times other brand components have to be adapted and used. The only in-house production work-around would be to alternate aircraft and component blasting in the Hangar 122 Blast Enclosure. This will create turn around time conflicts as well as double the maintenance costs associated with filter replacement in the Hangar 122 Enclosure (a filter change costs about \$5K). A less desirable option to using the Hangar 122 Blast Enclosure Facility or the Hangar 101S Blast Booths is to contract out the workload at an undetermined cost to the Government.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. ION VAPOR DEPOSITION (IVD)
ALUMINUM COATER

6DC6EL0534PR

North Island

Element of Cost	2004			2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	1,400	1,400			0

OPERATIONAL DATE 15-Jul-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$42,413	\$43,269	\$85,682
AVERAGE ANNUAL SAVINGS (Discounted)	\$26,061	\$26,587	\$52,648
PAYBACK PERIOD	NA	NA	NA
RATE OF RETURN (ROR)	1.9%	1.9%	3.8%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** This project is to replace a 20 year old Ion Vapor Deposition (IVD) machine with a new state of the art Ion Vapor Deposit (IVD) HR 72" x 144" IVD Glo Unit. The machine to be replaced is a IVADIZER Aluminum Coater (65888016316). This project will provide a new IVD machine with the same machine envelop as the current machine. The existing IVADIZER aluminum coater (65888016316), manufactured in 1983, is fully depreciated.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The IVD machine was procured in 1983 with an expected original life of 120 months (10 years). The machine was modified in 1998 and the adjusted life expectancy was revised to 240 months (20 years) due for replacement in 2003. The IVD is costly to maintain. In addition, parts for this unit are no longer in production and cannot be purchased when the machine is down. The habitual intermittent operation of the IVD aluminum process has raised Engineering's concern to a high level. Long periods of down time for the IVD aluminum processing is tantamount to lost capability.
- WHAT ALTERNATIVES HAVE BEEN CONSIDERED?**
 - Rebuild Existing Asset:** This asset has already been rebuilt in the past. Parts are difficult to aquire and the control panel is old technology.
 - Move Workload:** The workload on this machine can not be moved to another asset. This is the only IVD Aluminum coater NADEP, North Island has.
 - Contract Out:** Contracting out this workload is not practical but will be implemented if the coater is not replaced in the immediate future. Contracting out incurs additional costs, i.e. shipping/receiving, quality control, material coordinator, etc. Contracting out costs an additional 400% to 500% above the actual cost of doing the job in-house.
 - Buy New Asset:** This is the most economical and business smart alternative available.
- IMPACT IF NOT ACQUIRED.** Our material lab engineers will seriously consider disapproving future requests for material substitution. Long periods of down time for the IVD Aluminum processing is tantamount to lost capability. A new IVD Aluminum Coating machine is required to continue to support the components program for the fleet. Due to the condition of the coater and the resulting continuous downtime an outside contractor will ultimately be used to provide coating operations.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** The IVD Aluminum Coater was originally developed as an economical, pollution-free alternative to cadmium plating for the aerospace industry.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot C. AIR TURBINE STARTER TEST CELL REPLACEMENT 6DF6EL0231PR Cherry Point

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0	1	1,400	1,400			

OPERATIONAL DATE 15-Sep-07

<u>METRICS:</u>	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$173,837	\$17,013	\$190,850
AVERAGE ANNUAL SAVINGS (Discounted)	\$106,815	\$10,454	\$117,269
PAYBACK PERIOD	17.2	NA	13.9
RATE OF RETURN (ROR)	8%	1%	8%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

1. **DESCRIPTION & PURPOSE OF PROJECT.** The Air Turbine Starter (ATS) test stand tests starters for F-14, S-3, F/A-18, C-130, H-60, F-14D, A-4, P-3, E-2/C-2, EA-6B, A-7, F-14, and KC-135. Currently we are the only government facility testing the majority of these units. This project is to replace the current data acquisition computer with commercial-off-the-shelf hardware and to develop the software using a generic data-acquisition software package such as Labview and replace the ATS tester.

2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The current data acquisition system used with the ATS is a Digalog Cellmate II manufactured in 1989. The OEM (Original Equipment Manufacturer), has stopped support of the circuit boards 5 years ago. Existing stockpiles of replacement boards and parts are exhausted. NADEP bought all the spare parts the manufacturer had several years ago. The majority of the components are over 14 years old and are failing. The system uses hardware and software that is proprietary to the manufacturer, Digalog. The critical components of the tester, including the motor, gearbox, dynamometer, valves and other items are almost twelve years old. The motor has been refurbished twice and is experiencing high bearing temperature again, indicating refurbishment is needed. The waterbrake (dynamometer) used in conjunction with the current design is also experiencing high bearing temperatures, also indicating a required rebuild. Enforcing this project will allow new state of the art equipment that will replace equipment that we can no longer support. We will also have multi-source options for software support.

3. **WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** (Preferred) Replace the current ATS with a new data acquisition system, and ATS Tester. Develop new data acquisition software. b) Replace only the data acquisition system. It is estimated that replacing the data acquisition system would cost approximately 35% of the cost to replace the entire stand. However, doing this without replacing the critical components described in #2 above, would be of little benefit. The data acquisition system alone would not improve the functionality of the test stand without the refurbishment or replacement of the critical components. c) Replace only the data acquisition system and the critical components prone to failure because of their age. It is estimated that replacing the data acquisition system and the critical components would cost approximately 85% of the cost to replace the entire stand. The critical components are the most costly of the entire stand. There is also a risk that the contractor would have to utilize parts of the system, that we had not anticipated needing replacement, in order to complete the project. This would result in additional change orders/costs to the contract.

4. **IMPACT IF NOT ACQUIRED:** When the current ATS system has a failure that we cannot fix with our inventory of spares, we will be out of the business of testing Air Turbine Starters on this test stand. The workload would have to be contracted out at a cost of \$219,127/yr.

5. **IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot				C. PLATING LINE EQUIPMENT UPGRADE			6DF6EL0223PR		Cherry Point		
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Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0	1	1,000	1,000			0

OPERATIONAL DATE 1-May-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$0	\$174,525	\$174,525
AVERAGE ANNUAL SAVINGS (Discounted)	\$0	\$107,238	\$107,238
PAYBACK PERIOD	#DIV/0!	8.9	8.9
RATE OF RETURN (ROR)	0%	11%	11%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** The Plating Shop provides the sole plating capability for every aircraft program at the NADEP. A work stoppage due to equipment failure can invariably affect the mission of the NADEP. This project proposes to rearrange plating lines in Bldg 4035 to prevent hazardous conditions of chemicals mixing (nickel/chrome), to replace defective floor grating, replace deteriorated tank components, replace one scrubber, replace the cooling tower, replace sumps in the basement, insulate all hot and cold plumbing (waterproof insulation), replace steam condensate lines throughout the building, and to address health, safety, and environmental regulation deficiencies. This project is intended to extend the serviceability of the plating lines prior to a work stoppage condition as well as provide an optimum process flow.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** Currently the nickel plating line is located next to the chrome plating line, which creates a potentially hazardous condition if the chemicals are mixed. Relocating one of these lines would eliminate this condition. For the most part, the upgrading that will take place is the result of deteriorated equipment due to heavy usage in a very harsh environment. The current system cannot isolate any one of the thirteen plating lines for maintenance without shutting down the whole Plating Shop. When the Plating Shop is shut down due to a problem or maintenance the burdern rate is \$640/hour for day shift and \$405/hour for night shift. The incorporation of temperature gauges, level indicators, and circulation pumps under the new system will significantly reduce the exorbitant cost of parts that are being improperly plated, i.e. burned, over or under coated, resulting in premature failure of components in the field or the cost of replacement of non-repairable components.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** a) Status Quo. If we maintain status quo, we will still have Navy Occupational Safety & Health Office (NAVOSH) issues and all of the other deficiencies of deteriorated insulation and all of the worn-out/inadequate equipment that we have today. b) Provide a corrosive proof barrier around each plating line. Providing a corrosive proof barrier will severely restrict material handling and interfere with air-flow that is critical to safety. c) Rearrange existing plating line. This is our chosen alternative.
- IMPACT IF NOT ACQUIRED.** The impact of not rearranging the plating lines and replacing the plumbing would result in the deterioration of the existing plumbing lines, as well as promoting a potentially hazardous condition. These events would result in a work stoppage.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** The shop has received five (5) NAVOSH Deficiency Notices in October 2001 regarding the ventilation system operating below recommended capture velocity at nine (9) of the process tanks. This project will include refurbishment/replacement of the tank ventilation systems to correct the deficiencies cited by NAVOSH on four of the nine tanks. NAVOSH has not yet classified this as a work stoppage, but has cited them as deficient. NAVOSH has allowed continued operation.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. 5-AXIS MACHINING CENTERS (2)

6DE7EL0439PR

Jacksonville

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0			0	1	2,850	2,850

OPERATIONAL DATE 1-Jun-09

METRICS:	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$61,228	\$2,660	\$63,888
AVERAGE ANNUAL SAVINGS (Discounted)	\$37,622	\$1,634	\$39,256
PAYBACK PERIOD	NA	NA	NA
RATE OF RETURN (ROR)	1%	0%	1%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** Procure replacement CNC Horizontal Spindle 5-axis Machining Centers for the CNC Machine Shop. Procure with state of the art micro processors for precision manufacturing aircraft components. New machines of this type are capable of boring holes within 0.0002 inch of true position. The computer numerical control can generate complex shapes, angles and repetitive moves with very simple directions, utilizing Dynamic Graphic representation. Advanced probing capability will allow the machine to verify that the bore or machined surface is indeed, at the exact location.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The existing machines are part of a flexible manufacturing cell consisting of four 5-axis machining centers, a robot loader and communicate through a central computer to coordinate the queuing and loading of each machine. The central computer (VAX) is out dated and un-supportable in both software and electronic components. The overall system is too complex for a repair depot. The 5-Axis Machining Centers were built in 1990 and are showing signs of way surface wear. The machines will be 15 years old in FY05. Also, add the time to obtain a contract and manufacture the machines would add another 2 years. It will be impossible to procure electronic replacement parts for the CNC Controller and all of the electronic drive components that position the 5-axis of motion. Replacing the manufacturing cell with 4 stand alone 5-axis Machining Centers will make more economical sense. The new machines, as stand alone, will be easier to maintain than as a system. New machines will allow the NADEP to continue to manufacture precision components for aircraft.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** a) Replacing the VAX computer and new software at \$56K per year would still not allow NADEP Jacksonville to keep the existing equipment operational. The mechanical and electronic systems are worn out. b) Cannibalize the machines to keep one or two operational. This is not a good alternative as the machines have reached the end of their service life and need to be replaced. The mechanical and electronic systems are beyond repair, and parts and technical support are becoming impossible to find. NADEP Jacksonville has shutdown one of the units in order to obtain spare parts to keep the other units operational. Without executing this project, the only alternative is to contract out the workload at a cost significantly higher than NADEP's repair cost.
- IMPACT IF NOT ACQUIRED.** NADEP will lose some of its capability to manufacture EA-6B, F-18 and P-3 aircraft components. Aircraft depot level maintenance programs will experience increased Turn Around Times (TAT) waiting for manufactured components. This will have a direct negative impact on NADEP's ability to support the Fleet.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot				C. Vertical Grinding Center - 52 Vertical Grinders (2)			6DE7EL0423PR		Jacksonville			
				2005			2006			2007		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST						0			0	1	2,400	2,400

OPERATIONAL DATE	1-Apr-08		
METRICS:	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$63,638	\$17,679	\$81,317
AVERAGE ANNUAL SAVINGS (Discounted)	\$39,103	\$10,863	\$49,966
PAYBACK PERIOD	NA	NA	NA
RATE OF RETURN (ROR)	2%	0%	2%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** Rebuild two vertical grinders that need both electronic and mechanical repair and updating. Grinders plant account 65886-014413 and 014414 were both manufactured in 1989. Both grinders are used in support of all engine programs. There will a cost savings of about \$1,360,000.00 by rebuilding and updating the in house grinder over procurement of two new grinders. The grinders will be rebuilt one at a time thus leaving one operational at all times. The rebuilding will take about 9 months
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The grinders are of an older design in both the CNC and mechanical areas. A new higher speed grinding head will provide an optimum grinding speed. Also with new harden guide ways, there will less chance of any damage to the grinder during a crash or excessive grinding wheel pressures. The new grinding machines will perform the operation at an estimated 20% decrease in operation time. The new grinder will also be of the latest CNC and mechanical designs and be capable of angular grinding, which is required on the TF34 Compressor Case. The new machines will have a new inspection capability that will also reduce the indirect labor inspection time.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** Utilize the two existing grinders until they become inoperable, at which time the NADEP will have a work stoppage and lose program capability. To wait until failure and then try and put in a Capital Investment Program (CIP) project of this amount would require at least 1-2 years to get it in the program and funded. Then 1/2 - 1 year to get it contracted and anohter 1 1/2 - 2 years to get them manufactured and into production. The administrative time loss of about 1 1/2 - 3 years can be eliminated by doing the project before the old grinders fail and can no longer be used to produce engine parts.
- IMPACT IF NOT ACQUIRED.** Extensive turn around time and missed engine program schedule.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot				C. PRESS (HYDRAULIC OR BLADDER)			6DC7EL0556PR		North Island		
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Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST							1	2,000	2,000

OPERATIONAL DATE 15-Jun-09

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$40,832	\$323,082	\$363,914
AVERAGE ANNUAL SAVINGS (Discounted)	\$25,089	\$198,520	\$223,609
PAYBACK PERIOD	NA	10.1	8.4
RATE OF RETURN (ROR)	1.3%	9.9%	11.2%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** The foundry manufactures aluminum, titanium and steel aircraft parts that are formed in kirksite and lead molds using high forming pressures. Furnace melting pots are used to heat the lead and kirksite to a liquid state so that molds can be poured in sand castings. Drop hammers form the metal parts placed between the kirksite and lead molds. Other parts are formed around plastic molds using a Hydro Press. The equipment in the foundry is very old. Equipment failures cause long production delays due to the lack of available parts.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The Hydro Press is approximately 50 years old and continually leaks oil due to severe wear. Replacement is required in order to prevent production downtime.
- WHAT ALTERNATIVES HAVE BEEN CONSIDERED?** a) Outside Contractor - The nearest foundry is in the Los Angeles area. Sending parts to this location would cause unacceptable turn-around-time and high costs. b) Do Nothing - This is not acceptable as ultimate failure of equipment would cause production delays. c) Purchase New - This is the most acceptable decision.
- IMPACT IF NOT ACQUIRED.** Equipment failure would result in unacceptable production delays and higher costs.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not applicable.

**CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)**

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. DROP HAMMER (LARGE)

6DC7EL0557PR

North Island

Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST							1	2,000	2,000

OPERATIONAL DATE 15-Jun-09

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$35,728	\$316,040	\$351,768
AVERAGE ANNUAL SAVINGS (Discounted)	\$21,953	\$194,193	\$216,146
PAYBACK PERIOD	NA	10.5	8.8
RATE OF RETURN (ROR)	1.1%	9.7%	10.8%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** The foundry manufactures aluminum, titanium and steel aircraft parts that are formed in Kirksite and lead molds using high forming pressures. Furnace melting pots are used to heat the lead and Kirksite to a liquid state so that molds can be poured in sand castings. Drop hammers form the metal parts placed between the Kirk site and lead molds. Other parts are formed around plastic molds using a Hydro Press. The equipment in the foundry is very old. The large drop hammer is to be replaced with a new drop hammer.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The large drop hammer is approximately 50 years old (installed in 1954) and is beyond economical repair. Replacement of the large drop hammer is required in order to prevent production downtime.
- WHAT ALTERNATIVES HAVE BEEN CONSIDERED?** a) Outside Contractor - The nearest foundry is in the Los Angeles area. Sending parts to this location would cause unacceptable turn-around-time and high costs. b) Do Nothing - This is not acceptable as ultimate failure of equipment would cause production delays. c) Purchase New - This is the most acceptable decision.
- IMPACT IF NOT ACQUIRED.** Equipment failure would result in unacceptable production delays and higher costs.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot							C. X-RAY EQUIPMENT UPGRADE			6DF7EL0236PR		Cherry Point
				2005			2006			2007		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST										1	1,374	1,374

OPERATIONAL DATE	1-Jul-08		
METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$44,709	\$36,037	\$80,746
AVERAGE ANNUAL SAVINGS (Discounted)	\$27,472	\$22,143	\$49,615
PAYBACK PERIOD	NA	NA	NA
RATE OF RETURN (ROR)	2%	2%	4%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** This project proposes to procure a real-time radioscopic inspection (X-Ray) imaging system and vault for non-destructive inspection (NDI) of various aircraft and engine parts. Implementation of the real-time system will greatly reduce artisans' time for development of the X-ray film, labor for maintenance of the imaging equipment, and use and disposal of development chemicals. Further, the system will generate better quality images due to technological advancements made in the imaging industry. Rather than using X-ray film, the system will generate images on a personal computer. The use of X-Ray film is cumbersome as well as an obsolete process. These images can be zoomed in or out, depending on the inspectors' needs. The replacement system will be supported overhead in lieu of ground rail supported. This will provide a backup system for the X-ray process that is being installed in Building 4275.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** X-ray imaging experienced a total system failure and is not operational at this time. The repair and replacement of existing structure is not prudent or cost effective. Transitioning to a more state-of-the-art gantry (overhead) system will significantly streamline the artisans capability to perform NDI on certain aircraft and engine parts, as well as provide back-up capability in the event of temporary shutdown or increased production capacity of the system in Building 4275. The method allows the inspector to detect cracks and other anomalies that lie beneath the visible surface of the part with greater accuracy and maneuverability. The current method of X-ray imaging makes use of film and chemical developers to display X-ray images. Although the process works, it can be time-consuming to develop the images, and requires procurement, storage, and disposal of hazardous chemicals. Also, the equipment requires frequent cleaning and other maintenance. Further, ascertaining anomalies using X-ray film requires a trained eye and can be quite difficult, even for an experienced artisan. Developments over the last few years in the field of real-time imaging allow for faster image processing and alleviate the need for expensive hazardous materials. Moreover, the images produced are of greater clarity, allowing for the inspector to find non-conformances more easily. Further, images can be stored using much less space, and can be transmitted to others electronically. Finally, the system can be upgraded fairly easily, as developments occur.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** 1. Status Quo - Continue to use current methods for X-ray inspection. The Depot would not benefit from technological development in the X-ray imaging field, ignoring the potential for increased efficiency of processing and reduced chemical needs. 2. Procure a real-time industrial radioscopic inspection (x-ray Imaging System)
- IMPACT IF NOT ACQUIRED?** If the NDI Shop (Code 6.2.5) does not procure a new real-time radioscopic inspection system and vault, the Depot will not increase x-ray imaging productivity. The use of state-of-the art technology will decrease x-ray imaging costs and eliminate chemical requirements. Also, the process time to inspect blades will continue to be excessive, and the turnaround time to obtain blades for further processing and installation will continue to increase.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable

**CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)**

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. HYDROGEN FLUORIDE FURNACE REPLACEMENT

6DF7EL0085PR Cherry Point

Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST							1	1,200	1,200

OPERATIONAL DATE 1-Oct-08

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$352,685	\$49,974	\$402,659
AVERAGE ANNUAL SAVINGS (Discounted)	\$216,710	\$30,707	\$247,417
PAYBACK PERIOD	4.4	NA	3.7
RATE OF RETURN (ROR)	18%	3%	21%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** The hydrogen fluoride furnace is used to braze repair parts. Approximately 75% of the workload in Building 4225 goes through this process. There are currently no alternatives for this process. The equipment is used to remove coating off engine parts. Less maintenance and downtime will be realized after the new hydrogen fluoride furnace is purchased.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The existing hydrogen fluoride furnace (EIN073610) will reach its depreciable life in 2005. It needs major components replaced such as retort, pumps, piping systems, heating elements, exhaust scrubber system, gas leak detection system and gas cabinets with controls. This machine requires a tremendous amount of maintenance, over 1500 hours annually. Parts cannot get clean without this cleaning operation.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** a) Maintain Status Quo - Continue to use the existing hydrogen fluoride furnace. The furnace will be down awaiting furnace repairs. This downtime will increase maintenance cost. b) Upgrade Hydrogen Fluoride Furnace - Work stoppage will be minimized, turnaround time will be decreased and engine parts will be available. c) Replace existing hydrogen furnace with new furnace.
- IMPACT IF NOT ACQUIRED.** The machine will be down awaiting furnace repairs. The fleet will not have reworked engine parts available.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

**CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)**

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. DROP HAMMER (MEDIUM)

6DC7EL0558PR

North Island

Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST							1	1,000	1,000

OPERATIONAL DATE

15-Jun-09

METRICS:

	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$20,416	\$173,271	\$193,687
AVERAGE ANNUAL SAVINGS (Discounted)	\$12,545	\$106,468	\$119,012
PAYBACK PERIOD	NA	9.0	7.6
RATE OF RETURN (ROR)	1.3%	10.6%	11.9%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

1. **DESCRIPTION & PURPOSE OF PROJECT.** The foundry manufactures aluminum, titanium and steel aircraft parts that are formed in Kirksite and lead molds using high forming pressures. Furnace melting pots are used to heat the lead and Kirksite to a liquid state so that molds can be poured in sand castings. Drop hammers form the metal parts placed between the Kirksite and lead molds. Other parts are formed around plastic molds using a Hydro Press. The equipment in the foundry is very old. The medium drop hammer is to be replaced. This is part of the refurbishment of the foundry equipment.
2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The medium drop hammer is 21 years old and is beyond economical repair due to worn ways and electronic equipment. Replacement of this equipment is required in order to prevent production downtime.
3. **WHAT ALTERNATIVES HAVE BEEN CONSIDERED?** a) Outside Contractor - The nearest foundry is in the Los Angeles area. Sending parts to this location would cause unacceptable turn-around-time and high costs. b) Do Nothing - This is not acceptable as ultimate failure of equipment would cause production delays. c) Purchase New - This is the most acceptable decision.
4. **IMPACT IF NOT ACQUIRED.** Equipment failure would result in unacceptable production delays and higher costs.
5. **IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. CNC VERTICAL LATHE	6DE7EL0422PR	Jacksonville
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Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0			0	1	1,100	1,100

OPERATIONAL DATE 1-Apr-08

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$35,322	\$16,689	\$52,011
AVERAGE ANNUAL SAVINGS (Discounted)	\$21,704	\$10,255	\$31,959
PAYBACK PERIOD	NA	NA	NA
RATE OF RETURN (ROR)	2%	1%	3%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

1. **DESCRIPTION & PURPOSE OF PROJECT.** Purchase new Computer Numerical Controlled (CNC) Vertical Lathe. The new lathe will have state of the art electronics and be factory supported for about 10 years. Also having new bearing and machine ways increase the accuracies required for aircraft.

2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The lathe is an older design that have way surfaces that are very susceptible to wear. Also, this design requires the operation to be performed at a less than optimum cutting speed. The new machine will perform the operation at an estimated 20% decrease in operation time. The new lathe will be of the CNC type and be capable of machining any engine part to the tolerance required. The new machine has built in inspection capability that will also reduce the indirect labor inspection time of parts machined.

3. **WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** Utilize existing lathe until it becomes inoperable, at which time the NADEP will have a work stoppage and lose program capability. Contract out the workload to a shop that been certified for "Flight Critical" component repair/manufacture.

4. **IMPACT IF NOT ACQUIRED.** Extensive turn around time and missed Engine Program schedule.

5. **IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Depot Maintenance/Aviation Depot					C. ELECTRONIC SECURITY AND ALARM CONTROL UPGRADE					6DF7EL0325GN	Cherry Point	
			2005			2006			2007			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0			0	1	1,100	1,100
OPERATIONAL DATE	15-Sep-08											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$191,506	\$0	\$191,506									
AVERAGE ANNUAL SAVINGS (Discounted)	\$117,672	\$0	\$117,672									
PAYBACK PERIOD	9.0	#DIV/0!	9.0									
RATE OF RETURN (ROR)	11%	0%	11%									
<p>1. DESCRIPTION & PURPOSE OF PROJECT. A site survey of the security system was requested by the Naval Air Depot Cherry Point, North Carolina and performed by SPAWAR Charleston, South Carolina. The survey data found that the current Electronic Security System (ESS) is not sufficient to meet the current requirements for anti-terrorism force protection (ATFP) standards. Our requirement is for an integrated security system, which translates to corporate security that ranges from the maintenance of a secure physical site to the management of the physical information system environment. This project will correct inefficiencies in the current ESS equipment and relocating the existing Alarm Control Center (ACC) to accommodate the new monitor and control system equipment thus upgrading the physical information system environment and minimizing risks.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The existing security system at the Naval Air Depot Cherry Point, North Carolina is antiquated, the manufacturer no longer supports it and it does not currently meet the minimum ATFP standard. This creates an unacceptable vulnerability. The ESS structure is required to minimize the risk of forcible entry and promote regulatory compliance with ATFP standards. This project will upgrade the Electronic Security System along with the upgrade and relocation of the Alarm Control Center. Moreover, every existing video camera for these systems will be replaced with new color, high-resolution cameras. Also, the system will receive new alarm control panels, keypads and card readers along with a new communications infrastructure. In addition, a new "Head End", where all the new video and security control systems will be installed.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Alternative 1. Status quo, continue to utilize the security guard force to compensate for the inadequacies of the ESS/ ACC systems and to meet the minimum ATFP standard. This alternative introduces the potential for additional yearly cost for added personnel to provide full time surveillance of all affected entry points. This could translate into as few as 6 additional security guards to as many as 27 security guards required to cover three shifts with full time duties monitoring assigned gates and turnstiles which includes 2 to 6 runners as additional relief officers for those guards assigned to specific posts. For this alternative, additional equipment cost would also be associated. Additional two-way radios for each supplementary security guard force member would be required. Alternative 2. Upgrade the ESS/ ACC systems to meet the ATFP standard. This is the recommended course of action as it is the more cost-effective means of protecting the depot's mission.</p> <p>4. IMPACT IF NOT ACQUIRED. The Depot will continue to be vulnerable to security breaches, which can potentially affect the readiness of the fleet supported by the Naval Air Depot Cherry Point.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. DEPOT MAINTENANCE SYSTEM
HARDWARE

7DC6KL0003GR

NADEPOTS

Element of Cost	Qty	Unit Cost	Total Cost	2005			2006			2007		
				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	2	6,700	6,700	1	1,427	1,427

OPERATIONAL DATE

8-Jan-08

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$1,001,009,934	\$633,944	\$1,001,643,878
AVERAGE ANNUAL SAVINGS (Discounted)	\$758,923,043	\$480,629	\$759,403,672
PAYBACK PERIOD	5.3	NA	5.3
RATE OF RETURN (ROR)	16%	6%	16%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

1. DESCRIPTION & PURPOSE OF PROJECT. The present project is designed to replace an existing and aging system in the three Naval Air Depots that will be close to EOL (end-of-life) and under-powered to maintain and run under application demands of that time with a more robust system that will: (a) Be able to run present DM (Depot Maintenance) applications more effectively; (b) Provide for future expansion; (c) Act as a fully-loaded backup server for the present MRP/APS servers, and (d) Provide a properly-sized platform to port materials to and from the applications environment. The need for a more robust systems arises from the increased usage of DMS, which naturally requires increased storage and computing capability. In addition to this, by the time this new equipment is installed, the previous equipment will be five years old and outdated.

Additionally this project will meet an ever-expanding storage and on-line archival needs of the depots. In the last 1.5 years, 2 new project sets have been added to the depot's present SANS (Storage Area Network System) and it is anticipated that with migration of depot NT applications to a SANS environment, the normal advent of new applications over time, and a growing need for provision of information to and receipt of information from applications of present disk resources will be exhausted, even if present hardware is fully loaded with drives.

2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Current deficiency is that the servers used for DM applications will be under-powered, close to end-of-life, and under-sized to deal with project demands of that time period. Additionally, with the projected growth of applications, disk resources will be exhausted. Purchase of a new SANS device will double capacity of the depot to add storage space and provide failover in case of a major SANs catastrophe on the other device.

3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Project alternatives considered are to buy a different type of server, which would not be compatible for clustering and failover, presently also a part of this server's responsibility, or to maintain status quo which would markedly increase maintenance costs because of age of the server at that time and would not meet projected capacity needs and disk storage. Other project alternatives include (A) Purchase of a different type of SANS device which would not meet compatibility needs between the present and purchased device, and (B) Regressing from SANs storage to on-board disk drives which would minimize storage capacity and even, if possible, would be totally cost-prohibitive.

4. IMPACT IF NOT ACQUIRED. Impact if not acquired is that the customer would receive slower service, cluster failover would be impaired, down time would be increased because of lessened availability of parts, and the facility would still have to procure additional servers to meet capacity needs.

5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. SYSTEM HARDWARE SWITCH

7DE7TL0419GR

Jacksonville

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0			0	1	1,485	1,485

OPERATIONAL DATE

1-Dec-07

METRICS:

	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$547,400	\$21,750	\$569,150
AVERAGE ANNUAL SAVINGS (Discounted)	\$415,015	\$16,490	\$431,505
PAYBACK PERIOD	3.3	NA	3.2
RATE OF RETURN (ROR)	28%	1%	29%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT.** This proposed telephone switch will provide NADEP Jax Building 101 with a homegenous telephone system sized to serve the entire building. It will provide voice messaging to all phones within the building. It will be capable of transition into Internet Protocol (IP) telephony should that be an alternative the Command choses to pursue in the future.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** This existing key system and voice messaging premise equipment was purchased in the 1995 to 1999 era. These systems are therefore in the 4 to 8 year age range. They operate 24 hours a day, 7 days per week. The power to these systems increases wear and tear due to its "dirty" quality, an effect of the industrial environment; to diminish the impact of this dirty power, uninterrupted power supplies protect these premise systems.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** Other alternatives considered include:
 - Keep existing systems and continue to repair. Not a feasible option as parts are no longer being manufactured and sources re-manufactured parts will diminish and then disappear.
 - Replace existing premise equipment system-for-system with newer models of small systems. Not a favorable option as the difficulties of adds/moves/changes remain, many end users will not be included, inefficiencies of services distribution would not be improved.
 - Replace with IP telephony. Not a favorable option as installed IP telephones would become NMCI property and monthly recurring NMCI seat costs are prohibitive.
- IMPACT IF NOT ACQUIRED.** Existing equipment will not longer be supportable. Vendors currently providing remanufactured parts will stop providing this service in the near future when it becomes unprofitable (systems too old). Without premise equipment, phone services will be diminished critically below current levels and would impact efficiency of all day-to-day operations in this industrial facility.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. MAIN SWITCH UPGRADE

6DF6KM0161GR

Cherry Point

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0				1	800	800	1	600	600

OPERATIONAL DATE

13-Jul-07

METRICS:

	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$231,433	\$0	\$231,433
AVERAGE ANNUAL SAVINGS (Discounted)	\$175,463	\$0	\$175,463
PAYBACK PERIOD	9.7	#DIV/0!	9.7
RATE OF RETURN (ROR)	13%	0%	13%

- DESCRIPTION & PURPOSE OF PROJECT.** The purpose of this project is to upgrade the depot's main telecommunications switch and provide expansion modules to Building 4470 and two satellite locations. These switches provide permanent telecommunications service and voicemail for a majority of depot locations. The main asset will be 13 years old in 2007. With technology changing so quickly, the depot could benefit from new innovations which will make system operate more efficiently. The switch overall has good functionality, however there have been periods of downtime that can be eased by the upgrade of the main switch. It is recommended that the main switch be upgraded to Release 2X Software, extended with an expansion module to support 400 plus users, and the voicemail capacity be expanded.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The deficiency is based on four basic issues: the current/future system requirements of the main telecommunications switch (SI-1); the lack of expandability of the main telecommunications switch (SI-1); main telecommunications switch (SI-1) downtime; replacement of three aging, non-compatible resources. The NADEP uses a main telecommunications switch to provide voice communication for all depot personnel. This switch, with the last upgrade, had only a portion of a single network shelf, 1 PRI slot, open for additional interfaces and expansion. This network slot could serve as backup should another network slot have a critical failure, else there would be no option for back-up operation. Additionally, the limitations of that network shelf present a definite impedence to expansion for new user requirements. The NADEP has various facility construction projects in place to meet our growing needs. Any new remote locations will require access to remote telecommunications modules and therefore would need an interface card to be placed on the remaining network shelf. Upgrading the software of the two, system controlling, CPU's will not only increase the network shelf capacity from 5 network shelves to 6 network shelves, but it will increase the memory and the processing speed, but it will expand the functionality of the switch. Down time on this switch averages about 125 hours per year with only a few occasions that the entire switch has been down for a whole shift. This downtime requires two mechanics to exact repairs, and 1/3 to 1/4 of the depot personnel can be affected by the outage. Thirty percent of the time the interfaces with our non-compatible remote switches are responsible for downtime. The NADEP currently has three remote switches in two off located and one local facility. These facilities rely on PBX switches that are more than ten years old for the telecommunications. These assets are not compatible with the NADEP's main telecommunications switch. They have been interfaced but the uniqueness of each system causes unique problems in repair as well as parts issues. These assets should be replaced with hardware that can provide continuity of system. This replacement would alleviate the need for two separate maintenance providers, two types of spares, and lost time due to unique interface issues.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** Status quo: Continue to exact repairs on the main switch and the individual PBX as needed and continue to have delays and interface problems. Alternative1: Upgrade is one alternative that could be considered for the main switch, however remote PBX systems still have disparate components and modes of operation which will cause difficulty and require extensive contact with two companies when issues arise. Recommended is the Upgrade of the Main Switch and the phased replacement of the three non-compatible PBX's with compatible expansion modules.
- IMPACT IF NOT ACQUIRED.** Without this project, NADEP Cherry Point will be severely hampered in our ability to expand as well as our options for backups slots for critical failures. To continue to use the switches in their current condition means we will continue to have periodic interface and repair issues requiring disparate contractors for resolution.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot

C. SUPPLY TRANSFORMATION, PHASE II

6DC6SL0563GR

North Island

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0	1	2,385	2,385	1	2,200	2,200

OPERATIONAL DATE 30-Sep-07

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- DESCRIPTION & PURPOSE OF PROJECT** The project is planned to purchase additional software modules to provide functionality enhancements to the NAVAIR Depot Maintenance System (NDMS) primary software tool. The proposed purchase includes: Manugistics' NetWorks: Supply, Reporting, Collaboration, Demand, Fulfillment, Production Scheduling, Master Planning, Analytics, Monitor, Transport, and Delivery Management. Completion of the project will result in: improving availability of the Compass CONTRACT MRP II/MRO system to the depot personnel; significantly reduce the material requirements planning (MRP) and anticipated supply (ASP) run times and enable users to access the system while calculations are performed; more frequent MRP/ASP runs; reduced server requirements; improved supply requirement accuracy to FISC, supports new requirement for material plans based upon 8 quarters of demand; enables weekend operation/multi-shift operations; supports AIRSPEED and surge requirements; replaces Advanced Planning and Scheduling (APS), Long Lead Time Planning BOMs, Production Support Application (PSA), and SIR; replaces imbedded reports; and disjointed reporting tools.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/ PROBLEM.** NDMS has demonstrated an MRP/ASP runtime of up to twenty-five hours for four quarters of projected data and 1 quarter of execution data. During this process, depot production personnel cannot use the system because of "locked" data records. Depot personnel can perform daily tasks during this time, however, the data within the system cannot be updated to reflect these activities. With the production system out of synchronization with the shop floor reality, depot managers cannot rely on the system data to make accurate production decisions. Because it is imperative to have the system reflect the shop floor reality, the long run times limit the number of shifts that the depots can schedule to perform depot maintenance repair activities. This is in direct conflict with the requirements to increase throughput of the depot's end items. The Proposed tools provide the depots the ability to run the MRP calculations off-line without ever "locking" the system data. This allows the depots the ability to run MRP more frequently, have more frequently updated repair and replacement factors, enable the depots to synchronize data with production floor reality for all shifts, and provide the depots the ability to operate multiple shifts with a full complement of production system tools. The depots have four unfulfilled requirements to meet customer expectations. The first is to provide the ability to perform APS functions in conjunction with NDMS data. These functions will be used by Master Schedulers and Planning personnel to analyze depot capacity data to project when/how many end items can be accepted and processed by the depots. Another function of APS is to identify material constraints for long lead time items based on workload and bill of material calculations – information that is essential for the Partnership efforts to succeed. These critical functions enable the depots to perform effective capacity planning and alert material suppliers to potential material constraints. The third missing function is to provide the depots with the ability to perform end item inductions as part of the commercial package. This process is currently performed by PSA. The 4th business function is to provide the gross demand planning data 8-quarter data necessary to fulfill the Depot-FISC Partnership requirements. The proposed solution will provide each of the requirements delineated above and meet the requirements of the Depot-FISC Partnership.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** a. Do nothing; b. Purchase the Gross Demand Planning, Long Lead Time Planning and the APS tools and accept the long run times at the depots for the MRP calculations.
- IMPACT IF NOT ACQUIRED.** If these software purchases are not executed, then the depots will continue to operate at their current level; including the inability to fulfill the requirements of the Depot-FISC Partnership. The inability to control the reporting tools, reports and developers, will ensure non-standard depot reporting. Historical data must be archived more often to comply with server limitations which adds a layer of difficulty to accessing historical information. Advanced planning for capacity requirements will continue to be estimated and will require lengthy manual development. The gross material demand plans will be manually generated for the 1 Billion dollars of material requirements generated by the depots in the course of a year. Manual calculations will take significantly more time than automated processing and may introduce inaccurate data to the depots material plans. Material that demonstrates a long lead time that exceeds the depots limited planning windows, will not generate demands. Thus, long lead time material requirements will not be passed to FISC effectively in time to fulfill the demands. Overall, the inability to perform accurate capacity planning and material planning will increase the "Awaiting Parts" delays and increase the depots overall work in process, in turn, reducing the assets available to the warfighter.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot				C. INTERMEDIATE & DEPOT INTEGRATION			6DC6SL0564GR			North Island		
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Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST			0			0	1	1,000	1,000	1	2,000	2,000

OPERATIONAL DATE 1-Aug-07

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

1. **DESCRIPTION & PURPOSE OF PROJECT.** This project develops an end-to-end material management information system through the integration of organizational maintenance activity (OMA) and intermediate maintenance activity (IMA) maintenance information (using already existent NALCOMIS OOMA/IMA and AV3M system interfaces), and incorporating depot maintenance information through a web-enabled architecture. Integration of data from all three levels of maintenance will provide enhanced logistics information which will allow more accurate production planning, and logistics data analysis to enhance root cause analysis of maintenance problems and support the identification of more effective maintenance concepts. In addition to the maintenance data, by integrating Relational Supply (R-Supply), Uniform Automated Data Processing System for Stock Points (UADPS-SP/U2) and Uniform Inventory Control Point (UICP) systems information, the replenishment data necessary to support the NAVAIR's AIRSPEED Initiative can be provided. Additionally, this integration effort supports NAVAIR's integration of the logistics and industrial competencies by providing a data source to identify efficiencies throughout the end-to-end material management process.

2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** Currently there is a lack of integration and exchangeability of data between the Intermediate & Depot Integration levels of aircraft maintenance. Examples of this are: Failure Data – this is in non-standard failure data format and non-standard failure data accessibility for planners and artisans; Beyond the Capability of Maintenance ((BCM) – non-availability of information regarding BCM actions to planners and artisans; and Parts Information –lack of visibility of parts and repair information for the planners and artisans.

Without the integration suggested, platform fleet support teams analyzing system and component reliability, maintainability and supportability are doing so void of any aircraft, engine and component failure data inputs reported by the depots. The requested integration would provide the lower level inputs to the total equation of system reliability, maintainability and supportability.

3. **WHAT ALTERNATIVES HAVE BEEN CONSIDERED?** The Navy's Converged Enterprise Resource Planning (ERP) Program provides an alternative for the out-years. This project provides a interim capability that can be deployed well before ERP and can support NAVAIR 3.0/6.0 planners and the ERP Program by providing a flexible platform for hosting the need planning information as legacy systems are migrated to ERP in the future. The COTS software/hardware package will only have to be pointed to the new data sources as legacy systems are retired/modified or migrated to ERP.

4. **IMPACT IF NOT ACQUIRED.** Continuing with current procedures will impact the ability of logistics managers to make time-critical supply chain management and production decisions that will continue to result in aircraft being in an NMCS status. Supporting the NAVAIR's AIRSPEED Initiative and the identification of process improvement opportunities will continue to require the time-consuming manual consolidation of data from disparate legacy systems to make supply chain decisions. Not acquiring this project will result in decisions being made with data that does not consider the end-to end process, nor the opportunities passed by gaps in the logistics data.

5. **IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES					
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. EQUIPMENT, OTHER THAN ADPE & TELECOM (<1M)			DNEU0000	D. NADEP				
				2005		2006		2007				
Element of Cost				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST				36	VAR	17,494	20	VAR	9,006	24	VAR	14,256
				FY 2005		FY 2006		FY 2007				
ITEM	ITEM											
LINE #	DESCRIPTION											
6 DF 5 EM 0044 PR	Internal Diameter Grinder	1		793								
6 DF 5 EM 0118 PR	5-Axis Horizontal Milling Center Replacement	2		398								
6 DF 5 EM 0309 PR	Huffman Grinder Replacement	3		634								
6 DF 5 EM 0045 PR	Jig Bore Replacement	4		630								
6 DF 5 EM 0147 PR	AEP Coating System Upgrade	5		715								
6 DF 6 EM 0224 PR	T64 Test Cell DADCS Upgrade					1		890				
6 DF 6 EM 0215 PR	Magnaflux NDI Line Upgrade					2		780				
6 DF 6 EM 0156 PR	Jig Bore Replacement					3		700				
6 DF 6 EM 0066 PR	Grinder Replacement					4		522				
6 DF 7 EM 0068 PR	Vacuum Furnace Replacement (2)									1		1,521
6 DF 7 EM 0207 PR	Gas Turbine Engine Test Cells D/A System Replacement									2		990
6 DF 7 EM 0305 PR	Landis Grinder Replacement									3		890
6 DF 7 EM 0227 PR	High Flow Fuel Valve Test Bench									4		834
6 DF 7 EM 0087 PR	Hydraulic System Replacement Hangar 3, B137									5		700
6 DE 5 EM 0366 PR	CASS AT FLIR Upgrade	6		600								
6 DE 7 EM 0430 PR	Servo Cylinder Test Stand (3)									6		1,870
6 DE 7 EM 0405 PR	300 Hp Generator/CSD Test Stand									7		563
6 DE 7 EM 0441 PR	High Flow 5000 psi Servovalve Test Stand									8		505
6 DE 7 EM 0427 PR	Automated Shot Peen System Upgrade									9		500
6 DC 5 EM 0495 PR	Jig Grinder Replacement (Moore)	7		884								
6 DC 5 EM 0532 PR	Robotic Plasma Spray System	8		700								
6 DC 5 EM 0536 PR	"C" Scan #1 Upgrade	9		821								
6 DC 6 EM 0561 PR	Axial Piston Hydraulic Pump Test Stand					5		905				
6 DC 6 EM 0560 PR	Lead and Kirksite Melting Pots					6		500				
6 DC 7 EM 0559 PR	Drop Hammer (Small)									10		750
6 DC 7 EM 0565 PR	Planer, Openside, CNC									11		750
6 DC 7 EM 0568 PR	Universal OD/ID Grinder									12		539
DN ES 0000	Equip-other than ADPE & TELECOM (<\$.5M)	27		11,319		14		4,709		12		3,844
TOTAL NADEP EQUIPMENT, OTHER THAN ADPE & TELECOM (<1M)				36		17,494	20		9,006	24		14,256

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET
ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot				C. MINOR CONSTRUCTION DNMC0000			D. NADEP					
				2005			2006			2007		
Element of Cost				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST				9	VAR	4,651	14	VAR	4,730	16	VAR	4,283
ITEM	ITEM											
LINE #	DESCRIPTION			FY 2005		FY 2006					FY 2007	
6 DF 5 MC C24-01 CN	Construct Rotor Shop Addition, B4032			1	750							
6 DF 5 MC C52-96 CN	Construct New X-Ray Facility B188			2	750							
6 DF 5 MC CR25-01 CR	Alts/Repair HVAC System Prop Shop B137			3	550							
6 DF 6 MC C21-01 CN	Construct Replacement for Tension Structure					1	750					
6 DF 6 MC C37-97 CR	Alts to Lighting Panelboards & Light Switches					2	650					
6 DF 6 MC C02-04 CR	Upgrade Fire Alarm System, Bldg 133					3	500					
6 DF 7 MC C09-05 CR	Construct Hydraulics Shop Clean Room, bldg. 133										1	750
6 DF 7 MC C07-03 CR	Pave Outside Storage Area										2	750
6 DE 5 MC 0383 CN	Production Support Structure			4	555							
6 DE 5 MC 0345 CR	Rehab Component Strip Shop			5	500							
6 DE 6 MC 0398 CN	Aircraft Engine Parts Staging Facility					4	750					
6 DC 5 MC 0539 SN	Chemical Handler Support Facility			6	715							
6 DC 6 MC 0544 CR	Class 100 Clean Room B378					5	500					
	Minor Construction (<\$.5M)			3	831	9	1580			14	2783	
DN MC 0000	TOTAL NADEP MINOR CONSTRUCTION			9	4,651	14	4,730			16	4,283	

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Depot Maintenance/Aviation Depot				C. ADPE & TELECOMMUNICATIONS (<1M) DNKU0000						D. NADEP		
				2005			2006			2007		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST				1	VAR	300	1	VAR	500	2	VAR	750
ITEM LINE #	ITEM			FY 2005			FY 2006			FY 2007		
6 DF 6 KM 0059 G R	Electronic Storage and Retrieval System						1		500			
DN KS 0000	Equip - ADPE & TELECOM (<\$.5M)			1		300				2		750
TOTAL NADEP ADPE & TELECOMMUNICATIONS (<1M)				1		300	1		500	2		750

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. SOFTWARE DEVELOPMENT (<\$1M)						D. NADEP		
				2005			2006			2007		
Element of Cost				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST				0	VAR	0	0	VAR	0	0	VAR	0
ITEM LINE #	ITEM			FY 2005			FY 2006			FY 2007		
DN DS 0000	Equip - SOFTWARE DEVELOPMENT(<\$.5M)			0		0	0		0	0		0
TOTAL NADEP Software Development (<1M)				0		0	0		0	0		0

FY 2007 BUDGET ESTIMATES
 DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
 DEPOT MAINTENANCE - AVIATION DEPOTS
 CAPITAL BUDGET EXECUTION
 (DOLLARS IN MILLIONS)
 FY 2006

ITEM LINE #	ITEM DESCRIPTION	Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)						
6 DF 6 EL 0246 P R	INTEGRATED AUTO HYDRAULIC SYS REPLACEMENT	4.967	.000	4.967		
6 DE 6 EL 0414 P R	BLADE TIP GRINDER	2.500	.000	2.500		
6 DE 6 EL 0415 P R	SPAR MILL	2.030	.770	2.800	Price Increase	Increase cost of materials and future dollar worth at the anticipated contract award 9/06.
6 DF 6 EL 0156 P R	JIG BORE REPLACEMENT	1.540	(.840)	.700	Price Decrease	Market research revealed a smaller machine and used casting would suffice thus reducing the anticipated cost. Category code will change to EM. (.450 to 6DFES0326) (.390 to 6DF6ES0248)
6 DE 6 EL 0401 P R	F404 A/B FUEL CONTROL T/S	1.630	.000	1.630	Price Increase	
6 DF 6 EL 0231 P R	AIR TURBINE STARTER TEST CELL REPLACEMENT	1.400	.000	1.400		
6 DC 6 EL 0534 P R	IVD ALUMINUM COATER	1.400	.000	1.400		
6 DF 6 EL 0223 P R	PLATING LINE EQUIPMENT UPGRADE	1.100	(.100)	1.000	Price Decrease	Updated estimate revealed cost could be reduced. (.100 to 6DF6ES0248)
6 DE 6 EL 0438 P R	PLASTIC MEDIA BLAST SYSTEM	.000	1.550	1.550	Transfer/Price Increase	Transferred from EM category per guidance from 10.4. Government estimate made 3 years ago has increased costs for materials due to China's increase of demand.
SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)		16.567	1.380	17.947		
DN EU 0000	1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)	9.686	(1.380)	8.306		
2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM		26.253	0.000	26.253		
DN MC 0000	3. MINOR CONSTRUCTION	4.730	0.000	4.730		
TOTAL NON-ADP CAPITAL PURCHASES PROGRAM		30.983	0.000	30.983		

FY 2007 BUDGET ESTIMATES
 DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
 DEPOT MAINTENANCE - AVIATION DEPOTS
 CAPITAL BUDGET EXECUTION
 (DOLLARS IN MILLIONS)
 FY 2006

ITEM LINE #	ITEM DESCRIPTION	Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
1a. ADPE & TELECOMMUNICATIONS (>\$1M)						
7 DN 4 KL 0003 G R	DEPOT MAINTENANCE SYSTEMS HARDWARE UPGRADE	6.700	0.000	6.700		
6 DC 6 KL 0563 G R	SUPPLY TRANSFORMATION, PHASE II	2.385	(2.385)	0.000	Transfer	Per Air-10.4 direction, project transferred to Software Development.
6 DC 7 KL 0564 G R	INTERMEDIATE & DEPOT INTEGRATION	1.000	(1.000)	0.000	Transfer	Per Air-10.4 direction, project transferred to Software Development.
6 DF 6 KM 0161 G N	MAIN SWITCH UPGRADE	0.000	0.800	0.800	Transfer	Per Air-10.4 direction, project transferred from <1M category for multi-year project.
SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)		10.085	(2.585)	7.500		
DN KU 0000	1b. ADPE & TELECOMMUNICATIONS (<\$1M)	1.300	(0.800)	0.500		
2. TOTAL ADPE & TELECOMMUNICATIONS		11.385	(3.385)	8.000		
6 DC 6 KL 0563 G R	SUPPLY TRANSFORMATION, PHASE II	0.000	2.385	2.385	Transfer	Per AIR-10.4 direction, project transferred from ADP Equipment.
6 DC 7 KL 0564 G R	INTERMEDIATE & DEPOT INTEGRATION	0.000	1.000	1.000	Transfer	Per AIR-10.4 direction, project transferred from ADP Equipment.
3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)		0.000	3.385	3.385		
DN DU 0000	3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)	0.000	0.000	0.000		
3. TOTAL SOFTWARE DEVELOPMENT		0.000	3.385	3.385		
TOTAL ADP CAPITAL PURCHASES PROGRAM		11.385	0.000	11.385		
GRAND TOTAL CAPITAL PURCHASES PROGRAM		42.368	0.000	42.368		

**Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Material Inventory Data
Activity Group: Depot Maintenance/NAVAIRDEPOTS
Date: February 2006
(\$ in Millions)**

FY 2005

			----- Peacetime -----	
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Material Inventory BOP	\$ 366.5	\$ -	\$ 366.5	\$ -
<u>Purchases</u>				
A. Purchases to Support Customer Orders	\$ 773.3	\$ -	\$ 773.3	\$ -
B. Purchase of long lead items in advance of customer orders	-	-	-	-
C. Other Purchases	-	-	-	-
D. Total Purchases	\$ 773.3	\$ -	\$ 773.3	\$ -
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance	\$ 761.2	\$ -	\$ 761.2	\$ -
B. Disposals, theft, losses due to damages	-	-	-	-
C. Other reductions	-	-	-	-
D. Total inventory adjustments	\$ 761.2	\$ -	\$ 761.2	\$ -
Material Inventory EOP	\$ 378.6	\$ -	\$ 378.6	\$ -

**Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Material Inventory Data
Activity Group: Depot Maintenance/NAVAIRDEPOTS
Date: February 2006
(\$ in Millions)**

FY 2006

	<u>Total</u>		<u>Mobilization</u>		---- Peacetime ----			
					<u>Operating</u>	<u>Other</u>		
Material Inventory BOP	\$	378.6	\$	-	\$	378.6	\$	-
<u>Purchases</u>								
A. Purchases to Support Customer Orders	\$	792.8	\$	-	\$	792.8	\$	-
B. Purchase of long lead items in advance of customer orders		-		-		-		-
C. Other Purchases		-		-		-		-
D. Total Purchases	\$	792.8	\$	-	\$	792.8	\$	-
<u>Material Inventory Adjustments</u>								
A. Material Used in Maintenance	\$	817.1	\$	-	\$	817.1	\$	-
B. Disposals, theft, losses due to damages		-		-		-		-
C. Other reductions		-		-		-		-
D. Total inventory adjustments	\$	817.1	\$	-	\$	817.1	\$	-
Material Inventory EOP	\$	354.3	\$	-	\$	354.3	\$	-

**Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Material Inventory Data
Activity Group: Depot Maintenance/NAVAIRDEPOTS
Date: February 2006
(\$ in Millions)**

FY 2007

	<u>Total</u>	<u>Mobilization</u>	----- Peacetime -----	
			<u>Operating</u>	<u>Other</u>
Material Inventory BOP	\$ 354.3	\$ -	\$ 354.3	\$ -
<u>Purchases</u>				
A. Purchases to Support Customer Orders	\$ 776.7	\$ -	\$ 776.7	\$ -
B. Purchase of long lead items in advance of customer orders	-	-	-	-
C. Other Purchases	-	-	-	-
D. Total Purchases	\$ 776.7	\$ -	\$ 776.7	\$ -
<u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance	\$ 794.4	\$ -	\$ 794.4	\$ -
B. Disposals, theft, losses due to damages	-	-	-	-
C. Other reductions	-	-	-	-
D. Total inventory adjustments	\$ 794.4	\$ -	\$ 794.4	\$ -
Material Inventory EOP	\$ 336.6	\$ -	\$ 336.6	\$ -

Marine Corps Depots

**DEPARTMENT OF NAVY
NAVY CAPITAL WORKING CAPITAL FUND
DEPOT MAINTENANCE ACTIVITY GROUP - MARINE CORPS DEPOTS
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
FEBRUARY 2006**

Activity Group Functions:

The mission of the Marine Corps Depot Maintenance Activity Group (DMAG) is to provide quality products and responsive maintenance support services required to maintain a core industrial base in support of mobilization, surge and reconstitution requirements. The maintenance functions, performed by the DMAG include repair, rebuild, modification, and Inspect and Repair Only as Necessary (IROAN) for all types of ground combat and combat support equipment. Marine Corps, other Department of Defense (DOD) activities, as well as Foreign Military Sales (FMS) customers utilize the DMAG maintenance services. Performance of maintenance related services such as preservation, testing, technical evaluation, calibration, and fabrication of automated test equipment are examples of other functions performed.

Activity Group Composition:

The DMAG is comprised of two Multi-Commodity Maintenance Centers located in Albany, Georgia and Barstow, California. The Maintenance Centers are part of the Marine Corps Logistics Command (LOGCOM). The Centers maintain virtually identical capabilities in order to provide support to Marine Corps operation units, regardless of the unit geographical location. In order to support these functions, the Marine Corps Maintenance Centers maintain over 70 skill sets in a wide variety of diversified personnel.

Significant Changes in Activity Group:

The DMAG Fiscal Year (FY) 2007 President's Budget submission reflects changes from the FY 2006 President's Budget based on significant fluctuations in workload as a result of battle-damaged equipment and weapons systems returning from the current Global War on Terrorism (GWOT). Marine Corps equipment requires timely repair in order to reconstitute the Operating Forces and the Marine Corps' Maritime Prepositioning Forces (MPF) Program. As a result, GWOT workload is reflected in this budget submission for FY 2005 and projected supplemental workload for FY 2006 to support the war effort. Currently, this effort consists of expedite items and programs resulting in millions of dollars in customer orders to support unplanned workload, such as

installation and fabrication of armor plating and repair of battle damaged Light Armored Vehicles (LAVs) and Amphibious Assault Vehicles (AAVs).

FY 2007 presents a reduction in end strength as well as carryover levels. Based on the current funded workload trend, action will be taken in FY 2007 to reduce the current workforce using the release of the majority of temporary employees and all contractor laborers hired to support the combat effort. The resulting workforce represents a permanent workforce augmented by temporary personnel to perform projected workload.

Financial Profile:

<u>Revenue/Expense/Operating Results (\$M)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	\$479.7	\$502.9	\$286.4
Cost of Good and Services	\$462.7	\$502.0	\$319.8
Operating Results	\$17.0	\$0.9	-\$33.4
Other Changes Affecting AOR	\$0.0	\$0.0	\$0.0
Accumulated Operating Results (AOR)	\$32.5	\$33.4	\$0.0

Actual and estimated revenue and expense figures for FY 2005, FY 2006 and FY 2007 are projected to be significantly higher than the amounts found in the FY 2006 President's Budget. The primary reason for the change in operations is an increase in direct labor hours, material, and contracts due to GWOT workload, expedites and the current Master Work Schedule (MWS). Major workload efforts include repair of battle damaged LAVs, armor plating, and Amphibious Assault Vehicles (AAV) Inspect and Repair Only As Necessary (IROAN).

Cash Collections, Disbursements and Net Outlays

<u>Collections/Disbursements/Outlays (\$M)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Collections	\$481.9	\$500.0	\$290.2
Disbursements	\$459.3	\$530.1	\$319.7
Outlays	-\$22.6	\$30.1	\$29.5

The trends in collections, disbursements, and net outlays are consistent with current workload estimates.

New Orders:

<u>Reimbursable Orders (\$M)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
FY 2007 Budget Estimates	\$583.2	\$377.1	\$189.9

FY 2005 and FY 2006 new orders figures are significantly higher than estimates in the FY 2006 President's Budget. Workload for Marine Corps activities increases due to receipt of unplanned bridge supplemental funds for the AAV, Armor Plating and other repair of combat-ravaged equipment and weapons systems returning from the current GWOT. In FY 2007, workload for Marine Corps activities declines as the projected influence of GWOT decline.

Workload:

<u>Direct Labor Hours (000)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
FY 2007 Budget Estimates	3,206	3,655	2,420

Overtime as a Percent of Total Direct Hours	20.4%	17.6%	13.1%
---	-------	-------	-------

As the Marine Corps continues to execute the influx of additional orders, direct labor hours are expected to increase significantly from the FY 2006 President's Budget. In FY 2005 and FY 2006 contractor labor has been enlisted to augment the civilian workforce. Contractor direct labor hours approximate 130 thousand and 335 thousand hours in FY 2005 and FY 2006, respectively. Overtime as a percent of total direct hours declines over the budget period. The reduction in direct labor hours between FY 2006 and FY 2007 is consistent with the change in estimated new orders.

Staffing:

Civilian / Military End Strength &

<u>Workyears</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian End Strength	2,239	2,295	1,760
Civilian Workyears (FTE)	1,978	2,347	1,864
Military End Strength	13	13	13
Military Workyears (FTE)	11	13	13

Civilian end strength and workyear changes since the FY 2006 President's Budget reflect the strength levels required to execute the Master Work Schedule (MWS) for expedites and GWOT workload. A majority of the increased staffing are temporary

hires. From FY 2006 to FY 2007, funded workload is expected to decline, requiring a personnel reduction of approximately 535 civilian end strength. Projected personnel reductions will be achieved primarily through the release of temporary employees.

Customer Rate Changes:

<u>Stabilized Rate Changes</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Stabilized Rate	\$127.88	\$124.29	\$120.15
Change from Prior Year		-2.81%	-3.33%

The driving factor for the decrease in FY 2007 rates is the reflection of a negative recoupment factor to achieve a zero AOR.

Capital Budget Authority:

<u>Capital Investment Program (CIP) (\$M)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equipment, Non -ADPE/Telecommunications	\$2.6	\$3.5	\$2.5
Equipment, ADPE/Telecommunications	\$0.2	\$0.0	\$0.0
Software	\$0.0	\$0.3	\$0.0
Minor Construction	\$1.3	\$0.7	\$2.1
Total	\$4.1	\$4.5	\$4.6

Variations in authority between CIP categories and between budget years are dependent upon Maintenance Centers' requirements for capital assets that maintain or enhance production capability and capacity.

Performance Indicators:

<u>Performance Indicators</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Schedule Conformance	96.2%	97.8%	99.3%
Quality Deficiency Reports	0.2%	0.1%	0.2%
Inventory Turnover Ratio	5.5:1	6.6:1	7.1:1

The GWOT effort requires timely repair in order to reconstitute the Operating Force and the Marine Corps Maritime Prepositioning Forces (MPF). This effort necessitates the expedition of millions of dollars of customer orders to support additional workload. Schedule conformance indicators are advancing toward the 100% goal through management initiatives aimed at increasing and improving productivity yield through continued implementation of Theory of Constraints (TOC). The Quality Deficiency

Reports and Inventory Turnover Ratio Performance Indicators remain relatively constant in all years.

Productivity Initiatives:

The Marine Corps Maintenance Centers have focused on refining and expanding the already-successful implementation of the Theory of Constraints (TOC) and the application of Lean Thinking to eliminate wasteful steps in shop-level procedures at both Maintenance Centers. TOC represents the successful integration of production theories and better business practices. The registration of the Marine Corps Maintenance Centers under the International Standards Organization (ISO 9002) resulted from successful implementation of all efforts such as Compass Contract, MRPII and Earned Value Management (EVM), and guaranteed the Maintenance Centers to be a viable participant to share business revenues with ISO-registered civilian contractors.

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
MARINE CORPS DEPOT MAINTENANCE
REVENUE and EXPENSES
AMOUNT IN MILLIONS
FEBRUARY 2006

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
Revenue:			
Gross Sales			
Operations	476.2	498.1	281.7
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	3.5	4.8	4.6
Other Income			
Total Income	479.7	502.9	286.4
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	.9	.9	1.0
Civilian Personnel	153.1	182.8	142.0
Travel and Transportation of Personnel	2.0	3.2	2.4
Material & Supplies (Internal Operations	222.1	231.6	117.4
Equipment	6.4	7.3	4.4
Other Purchases from NWC	1.9	1.7	1.6
Transportation of Things	.0	.0	.0
Depreciation - Capital	3.5	4.8	4.6
Printing and Reproduction	.1	.2	.1
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	7.0	9.5	9.0
Other Purchased Services	65.4	60.1	37.2
Total Expenses	462.4	502.1	319.6
Work in Process Adjustment	.2	-.1	.2
Comp Work for Activity Retention Adjustment	.0	.0	.0
Cost of Goods Sold	462.7	502.0	319.8
Operating Result	17.0	.9	-33.4
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	17.0	.9	-33.4
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	32.5	33.4	.0

Exhibit Fund-14 Revenue and Expenses

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
MARINE CORPS DEPOT MAINTENANCE
SOURCE OF REVENUE
AMOUNT IN MILLIONS
FEBRUARY 2006

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
	-----	-----	-----
1. New Orders	583	377	190
a. Orders from DoD Components	545	358	172
Department of the Navy	503	337	146
O & M, Navy	4	0	0
O & M, Marine Corps	220	254	114
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	12	11	13
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	0	0	1
Procurement, Marine Corps	266	57	4
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	0	0	0
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	3	0
Other Marine Corps Appropriations	0	12	14
Department of the Army	31	11	23
Army Operation & Maintenance	16	8	22
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	1	0	0
Army Other	14	3	2
Department of the Air Force	3	9	3
Air Force Operation & Maintenance	3	9	3
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	8	0	0
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	0	0	0
Res, Dev, Test & Eval Accounts	0	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	8	0	0
b. Orders from other WCF Activity Groups	26	19	18
c. Total DoD	571	377	190
d. Other Orders	12	0	0
Other Federal Agencies	0	0	0
Foreign Military Sales	12	0	0
Non Federal Agencies	0	0	0
2. Carry-In Orders	168	271	146
3. Total Gross Orders	751	649	336
a. Funded Carry-Over before Exclusions	271	146	49
b. Total Gross Sales	480	503	286
4. End of Year Work-In-Process (-)	-1	-1	-1
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-8	-6	-6
6. Net Funded Carryover	263	139	42

Note: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, BRAC, FMS, and Institutional MRIFB

Exhibit Fund-11 Summary Sources of Revenue

**CHANGES IN THE COST OF OPERATIONS
DEPARTMENT OF THE NAVY
MARINE CORPS DEPOT MAINTENANCE
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
FEBRUARY 2006
(Dollars in Millions)**

		Total Cost
1.	FY 2005 Actuals	462.4
2.	FY 2006 FY 2006 President's Budget Estimate	257.2
3.	Pricing Adjustments:	
	a. Change in FY 06 Pay Raise Assumption	1.2
	b. Change in FY 06 General Inflation Assumption	0.7
4.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	43.1
	(2) Direct Materiel & Supplies	127.6
	(3) Direct Contract/Other Purchases	10.9
5.	Other Changes	
	a. Indirect Labor in support of direct workload	21.8
	b. Indirect Materiel & Supplies in support of direct workload	15.3
	c. Depreciation	0.3
	d. Contract Support Services in support of direct workload	24.1
	e. VERA/VSIP	-0.5
	f. Other	0.4
6.	FY 2006 Current Estimate:	502.1
7.	Pricing Adjustments:	
	a. FY 2007 Pay raise	
	(1) Civilian Personnel	2.3
	(2) Military Personnel	0.0
	b. Annualization of Prior Year Pay Raise	
	(1) Civilian Personnel	1.4
	(2) Military Personnel	0.0
	c. General Inflation	2.5
8.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	-28.4
	(2) Direct Material & Supplies	-110.3
	(3) Direct Contract/Other Purchases	-9.7
9.	Other Changes	
	a. Indirect Labor	-15.7
	b. Indirect Materiel	-8.4
	c. Depreciation	-0.2
	d. Contract Services/Other Purchases	-15.9
10.	FY 2007 Current Estimate	319.6

NAVY WORKING CAPITAL FUND CAPITAL INVESTMENT SUMMARY
Department of the Navy / Marine Corps Depot Maintenance
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Feb-06

(Dollars in Millions)

Line Number	Item Description	FY 2005 Actual		FY 2006 Estimate		FY 2007 Estimate	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	Total Projects (=> \$1M)	1	1.000	2	3.519	0	0.000
	Equipment						
1	Robotic Painting System (Productivity, MCB)	-	-	1	2.470	-	-
	Dynamometer Engine (Productivity, MCA)	-	-	1	1.049	-	-
2	Paint Booth & Air Handling Sys (Productivity, MCB)	1	1.000	-	-	-	-
3	Total Equipment Projects (=> \$0.500M and < \$1M)	1	0.818	0	0.000	3	2.307
	Equipment						
	Dynamometer Transmission (Productivity, MCA)	-	-	-	-	-	-
	Caustic Cleaning System (Replacement, MCB)	-	-	-	-	1	0.745
	ConveyORIZED Paint Sys Upgrade (Productivity, MCA)	1	0.818	-	-	-	-
	TOW Field Test Set (Replacement, MCB)	-	-	-	-	1	0.862
	New Chassis Dynamometer (Replacement, MCA)	-	-	-	-	1	0.700
4	Equipment (=>\$0.250 and <\$0.500)	1	0.387	0	0.000	0	0.000
	Replacement	0	0.000	-	-	-	-
	Productivity	1	0.387	-	-	-	-
	New Mission	-	-	-	-	-	-
	Environmental Compliance	-	-	-	-	-	-
5	Equipment (=>\$0.100 and =<\$0.250)	3	0.417	0	0.000	2	0.209
	Replacement	3	0.417	-	-	2	0.209
	Productivity	-	-	-	-	-	-
	New Mission	-	-	-	-	-	-
	Environmental Compliance	-	-	-	-	-	-
6	ADPE & Telecom (=>\$0.250)	1	0.170	0	0.000	0	0.000
7	Minor Const (=>\$0.250M and =<\$0.750M)	2	1.107	1	0.745	3	2.145
	Replacement	-	-	-	-	-	-
	Productivity	1	0.745	1	0.745	3	2.145
	New Mission	-	-	-	-	-	-
	Environmental Compliance	1	0.362	-	-	-	-
8	Minor Const (=> \$0.100M and =<\$0.250)	1	0.205	0	0.000	0	0.000
	Replacement	-	-	-	-	-	-
	Productivity	-	-	-	-	-	-
	New Mission	-	-	-	-	-	-
	Environmental Compliance	1	0.205	-	-	-	-
9	Software Development	0	0.000	1	0.250	0	0.000
		0	0.000				
	FISCAL YEAR PROGRAM TOTAL	10	4.104	4	4.514	8	4.661
	Total Capital Outlays		7.013		4.998		6.826
	Total Depreciation Expense		3.509		4.798		4.624

CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date Marine Corps Depot Maintenance / February 2006				C. Line# and Description 1 & 2 Equipment (=> \$1M)			D. Activity Identification MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Actual			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP	1		1.000	2		3.519						
Narrative Justification:												
FY 2005 Estimate												
<p>Paint Booth and Air Handling System (Productivity, Barstow) - \$1.000M. Originally programmed for FY 2004, project slipped to FY 2005 pending the outcome of a Business Case Analysis to validate technology, risk, and workload. Procurement specifications developed for procurement in FY2005. Workload consists of 4,836 hrs/yr to paint over 1,045 vehicles per year. Benefits derive from relieving the overtime requirement (2,496 hrs/yr) from painting workload. The productivity enhancement project's BIR is 1.12 and investment cost is \$1.025M.</p>												
FY 2006 Estimate												
<p>Robotics Painting System (Productivity, Barstow) - \$2.470M. Originally programmed for FY 2004 the project slipped into FY 2006. The pending surge in reconstituted workload from the Middle East has taken priority over peace time planning. A Business Case Analysis and demonstration of the technology is pending. In the meantime, procurement specifications are being developed for procurement in FY2006. Workload consists of 11,200 hrs/yr for 7 workers to paint over 2500 vehicles per year. Benefits derive from the relieving 6 workers from painting and reducing the maintenance parts and labor costs to paint. Thus, the workload hrs to paint are reduced to 1,600 hrs/yr. The productivity enhancement project's BIR is 2.26 and investment cost is \$2.470M.</p>												
<p>Dynamometer Engine (Productivity, Albany) - \$1.049M. This project was originally submitted for execution in FY 2005. As a result from anticipated reconstituted workload from the Middle East, higher priority projects were reprogrammed into FY2005 and this dynamometer project is now planned for FY 2006. Workload includes 206 engines per year over 10 years for AAV, M88, and other end items. Benefits are derived from avoiding a \$0.300M annual contract cost for engine testing. The productivity enhancement project's BIR is 2.44 and the investment cost is \$0.550M.</p>												
FY 2007 No Projects												

CAPITAL INVESTMENT JUSTIFICATION						A. Budget Submission						
(Dollars in Thousands)						Fiscal Year (FY) 2007 Budget Estimates - February 2006						
B. Component/Business Area/Date				C. Line# and Description			D. Activity Identification					
Marine Corps Depot Maintenance / February 2006				3 / Equipment (=> \$0.500M and < \$1M)			MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate			Qty	Unit Cost	Total Cost
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP	1		0.818				3		2.307			
Narrative Justification:												
FY 2005												
<p>Conveyorized Paint System Upgrade (Productivity, Albany) - \$0.818M. Reprogrammed from FY06 to FY05. Procurement specifications are currently being developed. Workload includes 3,068 DLH per year to paint items 500 pounds and below. Benefits are derived from saving 1,534 DLH currently used to paint items and reducing the maintenance cost of the equipment by 30%. The productivity enhancement project's BIR is 2.02 and the project will pay for itself in under 6 years.</p>												
FY2006: No Projects												
FY2007												
<p>Caustic Cleaning System (Replacement, Barstow) - \$0.745M. Procurement specifications are currently being developed to acquire the asset in FY 2007. The status quo equipment being replaced is over 30 years old. Workload includes 3,744 hrs/yr to clean surfaces by removing dirt, grease, corrosion, etc. Benefits are derived from reducing the time to clean by 624 hrs/yr. This replacement project's BIR is 1.01 and will pay for itself in under 10 years.</p>												
<p>TOW Field Test Set (Replacement, Barstow) - \$0.862M. Procurement specifications are currently being developed to acquire the asset in FY 2007. Work is currently being accomplished using status quo equipment, which is 20 years old and is no longer supported by the Army and/or supply system. Workload for the status quo requires 4680 labor hours yearly. The alternative method requires 2,340 labor hours yearly, which represents a savings of 50%. This replacement project's BIR = 1.25 and has an investment cost of \$0.862M.</p>												
<p>New Chassis Dynamometer (Replacement, Albany) - \$0.700M. This project replaces the status quo dynamometer that is no longer supported because its manufacturer is out of business. The dynamometer is required to maintain current repair processes and qualifications for refurbished items. Workload consists of 372 DLH to perform a variety of tests on a variety of end items. Benefits are derived from avoiding the requirement to contract for these services if the status quo is not replaced. The replacement project's BIR is 1.80 and the project will pay for itself in under 6 years.</p>												

CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date				C. Line# and Description			D. Activity Identification					
Marine Corps Depot Maintenance / February 2006				4 / Equipment (=>\$0.250 and <\$0.500)			MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP	1		0.387									
Narrative Justification:												
FY 2005												
<p>Pressure Cleaning Machine (Productivity, Albany) - \$.387M. This project provides a low pressure cleaning system using an approved EPA stripping chemical. Workload include AAV's 8/month, LAV 6/month, trucks 6/month, and MK48 10 /month. This replacement project's BIR = 2.15 and has an investment cost of \$0.387M.</p>												
FY 2006 No Projects												
FY 2007 No Projects												

CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date				C. Line# and Description			D. Activity Identification					
Marine Corps Depot Maintenance / February 2006				5/ Equipment (=>\$0.100 and =<\$0.250)			MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP	3		0.417				2		0.209			
Narrative Justification:												
FY 2005												
<p>CNC Slant Bed Lathe (Replacement, Barstow) - \$0.160M. Substitute project reprogrammed into FY 2005. Procurement specifications are being developed to acquire the asset in FY 2005. This project will replace a 22 year old machine. Workload includes 2,340 hrs/yr to fabricate plugs, spacers, bosses, and washers. Benefits are derived from reducing 1,300 hrs/yr the workload to fabricate parts. The replacement project's BIR is 3.91 and will pay for itself in about 2 years.</p> <p>Hydraulic Test Bench (Replacement, Barstow) - \$0.139M. Substitute project reprogrammed into FY 2005. Procurement specifications are being developed to acquire the asset in FY 2005. This project will replace a 12 year old machine. Workload includes 2,340 hrs/yr to test hydraulic components of end items being repaired. Benefits are derived from saving 1,560 hrs/yr workload to fabricate parts. The replacement project's BIR is 8.73 and will pay for itself in less than one year.</p> <p>Rotoblast Machine (Replacement, Albany) - \$0.118M. Procurement specifications are currently being developed to acquire the asset in FY 2005. The cost to rebuild the status quo machine is 100% the cost of a replacement machine over 10 years. Workload includes all small arms parts that require blasting to clean and remove oil/grease. Benefits are derived from increased efficiency of the replacement machine reduced down time due to the age of the status quo. The replacement project's BIR is 1.20 and the investment cost is \$0.118M.</p>												
FY 2006 No Projects												
FY 2007 Estimate												
<p>IR Target Projector (Replacement, Barstow) - \$0.109M. Procurement specifications are currently being developed to acquire the asset in FY 2007. Work is currently accomplished using status quo equipment, which is 15 years old and the company who supplies the parts and software, is no longer in business. Workload for the status quo requires 2,340 labor hours yearly. The alternative method requires 1,170 labor hours yearly, which represents a savings of 50%. This replacement project's BIR = 5.01 and has an investment cost of \$0.109M.</p> <p>Digital Photography Equipment (Environmental, Albany) - \$.100M. Procure state-of-the-art digital x-ray system to eliminate the generation of hazardous waste material produced during the production of conventional x-rays. It will also eliminate the requirement for storage and disposal.</p>												

CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date Marine Corps Depot Maintenance / February 2006				C. Line# and Description 6/ ADPE & Telecom (=>\$0.250)			D. Activity Identification MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP	1	170	170.000				-		-			
Narrative Justification:												
FY 2005												
Funds are required to acquire Concerto Software package for Mainenance Center, Barstow. Theory of Constraints (TOC) is the overarching methodology used for planning and executing all production projects within Maintenance Center, Barstow. The web-based Concerto, in conjunction with Microsoft Project, will allow the maintenance center to input, analyze, view, and make projections on how to maximize production processes by identifying and eliminating existing or anticipated constraints.												
FY 2006 No Projects												
FY 2007 No Projects												

CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date				C. Line# and Description			D. Activity Identification					
Marine Corps Depot Maintenance / February 2006				7 / Minor Construction (=>\$0.250M and =<\$0.750M)			MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Minor Construction	2		1.107									
Narrative Justification:												
FY2005												
<p>35 Ton Crane For Annex (2ea) (Productivity, Albany) - 0.745 Procurement specifications are being developed to acquire the asset in FY 2005. This project will reutilize space freed by the installation of two paint booths. Workload includes the disassemble of AAV, LAV, trucks, and MK48 for combined 28 vehicles per month. Benefits are derived from the process change of removing the disassembly area from the main craneway where maintenance and reassembly of vehicles occur. The productivity enhancement project's BIR = 2.04 and will pay for itself in under nine years.</p>												
<p>Paint Building for conveyor system, (Environmental/Safety, Albany) - 0.362 Substitute for Lead Line Building. The RADIAC building is used to calibrate and repair equipment that detects ionizing radiation (geiger counters) and uses cesium as a calibration source. The Cesium source (Cs-137) is used in an Open Air Gamma calibration range. A limit to ionizing radiation is mandated to protect "members of the public" from overexposure (must not exceed 2mR/hr). Prevention of exposure to the public is mandated by the Code of Federal Regulations (CFR Title 10 (10CFR), CFR Title 29 (29CFR), CFR Title 40 (40CFR), CFR Title 49 (49CFR), the US Navy Safety Radiation Program, RAD -010 Radiological Affairs Support Program Manual, and Naval Radioactive Material Permit (NRMP) 10-67004-C1NP. This project does not require an economic analysis.</p>												

CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date				C. Line# and Description			D. Activity Identification					
Marine Corps Depot Maintenance / February 2006				Continued - 7 / Minor Construction (=>\$0.250M and =<\$0.750M)			MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Minor Construction				1		0.745	3		2.145			
Narrative Justification:												
FY2006												
<p>Install New Concrete Hardstand (Productivity, Albany) - 0.745 The hardstand will provide a secure place to stage vehicles and equipment arriving for repair and maintenance. Workload has increased due to implementation of best business practices and increasing end item quantities forecast in production work schedules. Since the status quo location of staging is about 1 mile round trip to the disassembly point, benefits will be derived from saving the time and labor to transport items over this distance to disassemble. The productivity enhancement project's BIR = 1.50 and will pay for itself in under 12 years.</p>												
FY2007												
<p>Material Handling Equip Facility (Productivity, Barstow) - 0.750 Procurement specifications are currently being developed to acquire the asset in FY 2007. This project will provide material handling functions for the Maintenance Center and other divisions and railhead. Workload includes the handling of materials, equipment, fuel, rigging, vehicles, and preventive maintenance. Benefits are derived from the reductions in facility maintenance, materials, utilities, and associated loss of production due to down time. The productivity enhancement project's BIR = 3.34 and will pay for itself in under six years.</p>												
<p>Building For Composites (Productivity, Albany) - 0.745 The project will provide space to apply composite materials to equipment using matrix composition, honeycomb wafer construction,, or sprayed materials such as water module insulation material. Workload consists of 2.920 DLH to repair the new MTRV 7-Ton Truck, with composite hood and doors, and a variety of other equipments that utilize the previously mentioned materials. Benefits are about \$220K savings per year from building the facility over leasing/contracting out the services. The productivity enhancement project's BIR = 4.40 and will pay for itself in under 4 years.</p>												
<p>Construct 8000sqft Building (Productivity, Albany) - 0.650 This building will be used to kit repair parts and stage/store kits for scheduled workload for repair. Workload includes 4,000 DLH by expeditors and material handlers to obtain and handle parts required for repair. Benefits are derived from the time saved by providing the parts in pre assembled kits. The productivity enhancement project's BIR = 2.01 and will pay for itself in under 9 years.</p>												

CAPITAL INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date				C. Line# and Description			D. Activity Identification					
Marine Corps Depot Maintenance / February 2006				8 / Minor Construction (=>\$0.100M and =< \$0.250M)			MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Minor Construction	1		0.205									
Narrative Justification:												
FY2005												
<p>New Hardstand (Environmental/Safety, Albany) - 0.205 The hardstand will be used to securely store equipment and assets arriving for repair and maintenance. The new hardstand is needed to reduce the time for moving equipment/parts to other holding areas over 1/2 mile away. This project has a BIR of 1.50, w/payback of 11.72 years.</p>												
FY2006: No Projects.												
FY2007: No Projects.												

INVESTMENT JUSTIFICATION							A. Budget Submission					
(Dollars in Thousands)							Fiscal Year (FY) 2007 Budget Estimates - February 2006					
B. Component/Business Area/Date				C. Line# and Description			D. Activity Identification					
Marine Corps Depot Maintenance / February 2006				9/ Software Development			MC Depots Albany, GA and Barstow, CA					
ELEMENTS OF COST	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Software				1		0.250						
<p>Narrative Justification:</p> <p>FY2005: No projects</p> <p>FY2006:</p> <p>Funds will allow continued investments in support of Theory of Constraints (TOC) management.</p> <p>FY2007: No Projects.</p>												

**Navy Working Capital Fund
Marine Corps Depot Maintenance
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
February 2006
(Dollars in Millions)**

FY 2006 BUDGET ESTIMATE

<u>FY</u>	<u>Approved Project Title</u>	<u>Amount</u>	<u>Reprogs</u>	<u>Approved Project Cost</u>	<u>Current Project Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
Equipment except ADPE and TELECOM							
2006	Robotic Painting (MCB)	2.470	0.000	2.470	2.470	0.000	No change
2006	Dynamometer for Engine (MCA)	0.550	0.000	0.550	1.049	(0.499)	Increased scope
2006	Conveyorized Paint Sys Upgrade (MCA)	0.749	0.000	0.749	0.000	0.749	Project accelerated into FY 2005
	Subtotal Equipment	3.769	0.000	3.769	3.519	0.250	
Equipment - ADPE and TELECOM							
	Subtotal Equip - ADPE and TELECOM		0.000	0.000	0.000	0.000	
Software Development							
	Concerto software (MCB)	0.000	0.000	0.000	0.250	(0.250)	Part II
	Subtotal Software	0.000	0.000	0.000	0.250	(0.250)	
Minor Construction							
2006	Install New Concrete Hardstand (MCA)	0.745	0.000	0.745	0.745	0.000	No change
	Sub-total Minor Construction	0.745	0.000	0.745	0.745	0.000	
	FY 2006 Estimate	4.514	0.000	4.514	4.514	0.000	

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(Dollars in Millions)
Fiscal Year 2005
February 2006

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP	74.5	0.0	74.5	0.0
<hr style="border-top: 1px dashed black;"/>				
<u>Purchases</u>				
A. Purchases to Support Customer Orders	231.0	0.0	231.0	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+) Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	231.0	0.0	231.0	0.0
<hr style="border-top: 1px dashed black;"/>				
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	209.5	0.0	209.5	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	209.5	0.0	209.5	0.0
<hr style="border-top: 1px dashed black;"/>				
Material Inventory EOP*	96.0	0.0	96.0	0.0

*Inventory (DBC 1400) less Work in Process (DBC 1414)

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(Dollars in Millions)
Fiscal Year 2006
February 2006

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP*	96.0	0.0	96.0	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders	180.6	0.0	180.6	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+) Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	180.6	0.0	180.6	0.0
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	217.1	0.0	217.1	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	217.1	0.0	217.1	0.0
Material Inventory EOP*	59.5	0.0	59.5	0.0

*Inventory (DBC 1400) less Work In Process (DBC 1414)

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(Dollars in Millions)
Fiscal Year 2007
February 2006

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP*	59.5	0.0	59.5	0.0
<hr style="border-top: 1px dashed black;"/>				
<u>Purchases</u>				
A. Purchases to Support Customer Orders	105.3	0.0	105.3	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+) Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	105.3	0.0	105.3	0.0
<hr style="border-top: 1px dashed black;"/>				
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	108.1	0.0	108.1	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	108.1	0.0	108.1	0.0
<hr style="border-top: 1px dashed black;"/>				
Material Inventory EOP*	56.8	0.0	56.8	0.0

*Inventory (DBC 1400) less Work In Process (DBC 1414)

Naval Air Warfare Center

FY 2007 Budget Estimates
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
Activity Group: Naval Air Warfare Center (NAWC)
Date: February 2006

Mission Statement

Today's Navy faces a challenging world. Uncertain economic growth, rapid, radical technological change and significant arms sales of sophisticated weaponry are coupled with increasingly localized threats and the potential for terrorist encounters.

In recent conflicts, Naval Aviation has contributed significantly to the most precisely fought engagements in history. The Naval Air Systems Command (NAVAIR) has played an integral role in our Warfighter's accomplishments. Sailors and Marines in Iraq, Afghanistan and all over the world are using NAVAIR products: aircraft, weapons, support equipment, maintenance programs that reduce cycle times for keeping aircraft ready for training and operations and many others. NAVAIR exists to provide cost-wise readiness and dominant maritime combat power to make a great Navy/Marine Corps team better. NAVAIR goals are to: balance current and future readiness; to reduce our costs of doing business; to improve agility; to ensure alignment; and to implement Fleet-driven metrics. Everything we do within the NAWC must be linked to our vision and to NAVAIR's goals.

The Naval Air Systems Team is positioning itself to be a world-class acquisition organization best suited for succeeding under changing conditions. The overall Team working with industry and other governmental agencies on behalf of the Fleet, develops, tests, delivers and supports products and provides related services throughout the life cycle including:

- Carrier and other air capable ship based aircraft and systems
- Integrated air anti-submarine warfare/anti-surface warfare mission systems
- Marine expeditionary forces aviation systems
- Maritime air launched and strike weapons
- Training systems for aircrew and maintenance personnel

As a Command, NAVAIR is responding to the Chief of Naval Operations (CNO) challenges to sustain a culture of readiness by transforming to increase productivity and reduce the cost of doing business. NAVAIR emphasizes improved productivity and a focus on execution and accountability. Implementation of Lean/Six Sigma initiatives and our Human Capital Strategy will guide increases in productivity. Our future accomplishments will be measured using our new business model linked to Aircraft ready for tasking at reduced cost.

The Naval Air Warfare Center is a major business unit within the Team. We support the broad Team mission in the areas of Aircraft systems and air-platform interface Research, Deployment, Test and Evaluation (RDT&E), air warfare weapons system, and engineering and fleet support. The

FY 2007 Budget Estimates
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
Activity Group: Naval Air Warfare Center (NAWC)
Date: February 2006

NAWC mission is to remain the Navy's principal RDT&E, engineering, and Fleet support activity for Naval aircraft engines, avionics and aircraft support systems and ship/shore/air operations. The mission also includes the acquisition and in-service support of manned and unmanned air vehicles (UAVs) and air operations ashore and afloat. In addition, the NAWC is the Navy's full spectrum RDT&E in-service engineering center for air warfare weapons systems (except antisubmarine warfare systems), missiles and missile subsystems, aircraft weapons integration, and assigned airborne electronic warfare systems. The scope of the mission includes maintenance and operation of the air, land, and sea Naval Western Test Range complex.

NAWC Business Trends

The CNO's stated goal of greater cross-service integration and co-evolution of technologies and operating concepts demands increased joint technical management and collaboration within the Research, Deployment, Test and Evaluation (RDT&E) community. If workload to the NAWC continues to increase consistent with Navy program growth, the ability to meet targeted workforce reductions while supporting both Navy and Joint programs will become an increasingly greater challenge in the future.

We expect to realize the desired results through significant indirect labor productivity improvements as a result of a more stable Enterprise Resource Planning (ERP) system and AIRSpeed-derived productivity gains.

Our Traditional NAWC Work Continues as Mainstay:

- F/A-18E/F, EA-18G, JSF, ASE, H-60, MMA, HARM, E-2/C-2, H-1, V-22, UAV, UUV's, UCAV, JCM, Defense Suppression Systems

New/Emerging NAWC Workload Stresses Integration, Interoperability, Autonomous/Loosely Networked Ops

- Cross Warfare: CVN-21, LCS, DD(X), UUV/USV/UAV, Insertion Craft
- Joint: Army Aviation, SOF/Infantry, USAF
- Inter-Agency: VXX, DHS/USCG, NASA, FAA, NGA
- Other Agency: Homeland Security, Intelligence

Financial Highlights/Assumptions

- This Budget reflects workload changes as indicated from queries to NAWC customers and the NAVAIR Program Management Air/Integrated Product Team. The increase of workload over the FY 2006 President's Budget required increases to direct workforce, direct cost, revenue

FY 2007 Budget Estimates
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
Activity Group: Naval Air Warfare Center (NAWC)
Date: February 2006

and cash values. Additional changes in FY2005, FY2006 and FY2007 overhead costs for emergent requirements have also been included. Cash management continues to be a high priority within NAWC. Budgeted cash balances have been established taking into account net operating results (NOR), net capital outlays, and other accounting initiatives/adjustments.

Budget Highlights

Financial Highlights/Assumptions Metrics

1. Workload Profile:

	<i>(Dollars in Millions)</i>		
	FY 2005	FY 2006	FY 2007
Orders Received	\$2,706.5	\$2,907.6	\$2,879.8
Direct Labor Hours (DLHs)	15,131.2	15,197.6	14,583.9

2. Major Range and Test Facilities Base (R,D,T&E Funded) (NAWC):

	<i>(Dollars in Millions)</i>		
	FY 2005	FY 2006	FY 2007
Maintenance & Operations	\$156.4	\$203.2	\$207.6
G & A Reimbursement	\$30.5	\$31.8	\$32.2
(Total)	\$186.9	\$235.0	\$239.8

3. Stabilized Rates:

	FY 2005	FY 2006	FY 2007
Stabilized Rates	\$89.53	\$89.69	\$94.78
% Rate Change	3.8%	0.2%	5.6%

4. Staffing Profile:

	FY 2005	FY 2006	FY 2007
Civilian E/S	10,139	10,057	9,912
Civilian W/Ys	10,074	10,129	9,855
Military E/S	197	227	210
Officers	65	94	89
Enlisted	132	133	121
Military W/Y	172	153	156

FY 2007 Budget Estimates
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
Activity Group: Naval Air Warfare Center (NAWC)
Date: February 2006

5. Financial Profile:

(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
Revenue	\$2,837.2	\$2,941.	\$2,984.8
		4	
Cost Of Goods Sold	\$2,802.0	\$2,953.	\$2,989.4
		5	
Revenue Less Expense	\$35.2	-\$12.1	-\$4.6
Other Adjustments to NOR	\$0.1	\$0.0	\$0.0
Net Operating Results (NOR)	\$35.1	-\$12.1	-\$4.6
Other Adjustments to AOR	\$0.0	\$0.0	\$0.0
AOR	\$16.7	\$4.6	\$0.0

6. Indirect Ratio:

(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
Total Indirect Costs	\$322.9	\$296.9	\$310.0
Total Direct Costs	\$2,435.7	\$2,656.	\$2,679.5
		6	
Indirect Ratio	13.3%	11.1%	11.6%

7. Net Outlays:

(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
Collections	\$2,816.4	\$2,918.1	\$2,972.7
Disbursements	\$2,796.5	\$2,916.3	\$2,962.8
Net Outlays	-\$19.9	-\$1.8	-\$9.9

8. Capital Investment Program (CIP):

(Dollars in Millions)

	FY 2005	FY 2006	FY 2007
CIP Total	\$37.1	\$37.8	\$34.7
Equipment, non-ADP	\$20.5	\$19.9	\$22.1
Equipment, ADP	\$11.4	\$10.3	\$6.8
Software	\$0.0	\$0.7	\$0.4
Minor Construction	\$4.6	\$6.9	\$5.4
Depreciation	\$36.7	\$37.8	\$34.7

INDUSTRIAL BUDGET INFORMATION SYSTEM
REVENUE and EXPENSES
AMOUNT IN MILLIONS
NAWC DIV / TOTAL

	FY 2005 CON	FY 2006 CON	FY 2007 CON
Revenue:			
Gross Sales			
Operations	2,790.1	2,903.6	2,950.2
Surcharges	.1	.0	.0
Depreciation excluding Major Construction	36.7	37.8	34.6
Other Income			
Total Income	2,837.2	2,941.4	2,984.8
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	10.1	8.1	9.0
Civilian Personnel	1,038.9	1,086.9	1,066.3
Travel and Transportation of Person	52.0	58.4	59.0
Material & Supplies (Internal Oper	299.9	287.9	295.4
Equipment	16.9	13.1	14.0
Other Purchases from NWC	68.4	113.4	115.1
Transportation of Things	2.5	1.8	1.8
Depreciation - Capital	47.0	37.8	34.6
Printing and Reproduction	1.2	.4	.4
Advisory and Assistance Services	62.3	18.6	19.1
Rent, Communication & Utilities	33.9	53.6	54.3
Other Purchased Services	1,125.5	1,273.4	1,320.4
Total Expenses	2,758.6	2,953.5	2,989.4
Work in Process Adjustment	43.4	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	2,802.0	2,953.5	2,989.4
Operating Result	35.2	-12.1	-4.6
Less Surcharges	-.1	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	35.1	-12.1	-4.6
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	16.7	4.6	.0

Exhibit Fund-14

INDUSTRIAL BUDGET INFORMATION SYSTEM
 NAWCDIV / TOTAL
 SOURCE of REVENUE
 AMOUNT IN MILLIONS

	FY 2005 CON -----	FY 2006 CON -----	FY 2007 CON -----
1. New Orders	2,706	2,908	2,880
a. Orders from DoD Components	2,476	2,648	2,641
Department of the Navy	2,181	2,197	2,313
O & M, Navy	504	418	432
O & M, Marine Corps	6	3	4
O & M, Navy Reserve	1	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	436	395	399
Weapons Procurement, Navy	41	54	52
Ammunition Procurement, Navy/MC	17	30	29
Shipbuilding & Conversion, Navy	55	50	40
Other Procurement, Navy	73	92	97
Procurement, Marine Corps	36	2	3
Family Housing, Navy/MC	-1	0	0
Research, Dev., Test, & Eval., Navy	1,013	1,151	1,256
Military Construction, Navy	0	0	0
Other Navy Appropriations	1	1	1
Other Marine Corps Appropriations	0	0	0
Department of the Army	21	64	34
Army Operation & Maintenance	7	18	6
Army Res, Dev, Test, Eval	5	9	16
Army Procurement	1	20	6
Army Other	8	17	6
Department of the Air Force	78	118	87
Air Force Operation & Maintenance	22	33	17
Air Force Res, Dev, Test, Eval	30	41	30
Air Force Procurement	26	44	40
Air Force Other	0	0	0
DOD Appropriation Accounts	196	268	207
Base Closure & Realignment	-2	0	0
Operation & Maintenance Accounts	36	46	44
Res, Dev, Test & Eval Accounts	111	112	75
Procurement Accounts	36	88	69
Defense Emergency Relief Fund	-3	0	0
DOD Other	17	22	19
b. Orders from other WCF Activity Groups	70	97	92
c. Total DoD	2,546	2,745	2,733
d. Other Orders	160	163	147
Other Federal Agencies	40	52	43
Foreign Military Sales	85	85	77
Non Federal Agencies	36	25	26
2. Carry-In Orders	1,439	1,318	1,284
3. Total Gross Orders	4,145	4,226	4,164
a. Funded Carry-Over before Exclusions	1,318	1,284	1,179
b. Total Gross Sales	2,827	2,941	2,985
4. End of Year Work-In-Process (-)	-72	-73	-73
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-200	-168	-93
6. Net Funded Carryover	1,046	1,044	1,013

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRTFB

FY 2007 Budget Estimates
Navy Working Capital Fund
Research and Development
Changes in the Costs of Operations
Activity Group: Naval Air Warfare Center (NAWC)
February 2006
(\$ in Millions)

1.	FY 2005 Actuals	\$2,802.0
2.	FY 2006 President's Budget	\$2,921.3
3.	Pricing Adjustments	\$29.7
	a. Annualization of Prior Year Pay Raises	\$0.0
	1. Civilian Personnel	\$0.0
	2. Military Personnel	\$0.0
	b. FY 2006 Pay Raise	\$0.0
	1. Civilian Personnel	\$5.9
	2. Military Personnel	\$0.0
	c. Fuel	\$16.3
	d. Working Capital Fund Purchases	\$0.0
	e. General Inflation	\$7.5
4.	Program Changes	\$2.5
	a. Other Changes	\$2.5
5.	FY 2006 Current Estimate	\$2,953.5
6.	Pricing Adjustments	\$62.0
	a. Annualization of Prior Year Pay Raises	
	1. Civilian Personnel	\$8.9
	2. Military Personnel	\$0.1
	b. FY 2007 Pay Raise	
	1. Civilian Personnel	\$17.3
	2. Military Personnel	\$0.2
	c. Fuel	-\$3.4
	d. Working Capital Fund Purchases	\$9.7
	e. General Purchases Inflation	\$29.2

FY 2007 Budget Estimates
Navy Working Capital Fund
Research and Development
Changes in the Costs of Operations
Activity Group: Naval Air Warfare Center (NAWC)
February 2006
(\$ in Millions)

7.	Productivity Initiatives & Other Efficiencies		-\$2.2
8.	Program Changes		-\$28.4
	1 Change in Direct Labor Hours	-\$20.6	
	2 Non-DOD Customer Workload	-\$7.8	
9.	Other Changes		\$4.5
	1 DFAS	-\$0.2	
	2 Navy ERP Implementation	\$4.1	
	3 Utility Cost	\$0.5	
	4 SRM	\$0.2	
	5 FECA	-\$0.5	
	6 Reduction in NWCF Military Billets	-\$0.2	
	7 Other	\$0.6	
8.	FY 2007 Current Estimate		\$2,989.4

FY 2007 BUDGET ESTIMATES
CAPITAL INVESTMENT SUMMARY
DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT - AIR WARFARE CENTER
(\$ in Millions)

ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007	
		QTY	TOTAL COST	QTY	TOTAL COST	QTY	TOTAL COST
	1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M) Replacement						
4 WD 5 EL 5555 P R	ADVANCED FIBER OPTIC APPLICATIONS LAB	1	1.125				
4 AB 5 EL 481M P R	TC13-2 CATAPULT ELECTRICAL CONTROL SYSTEM OVERHAUL	1	.683	1	.569	1	.595
4 WD 4 EL 4444 P R	COLLATERAL EQUIPMENT FOR MILCON P-453	1	.634	1	1.100		
4 WD 7 EL 7002 P R	UCAV WEAPONIZATION EQUIPMENT	1	.400	1	1.040		
4 AA 6 EL 4500 P R	HAIRY BUFFALO			1	.642	1	.597
4 AB 6 EL 48MK P R	CABLE CONVEYOR SYSTEM			1	.325	1	1.375
4 AB 7 EL 48L0 P R	MARK 7 JET BLAST DEFLECTOR (JBD) HYDRAULIC SYSTEM					1	1.175
	SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)	4	2.842	5	3.676	4	3.742
NN EU 0000	1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<=\$1M)	45	17.696	39	16.190	41	18.350
	2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM	49	20.538	44	19.866	45	22.092
NN MC 0000	3. MINOR CONSTRUCTION	8	4.630	17	6.928	10	5.356
	TOTAL NON-ADP CAPITAL PURCHASES PROGRAM	57	25.168	61	26.794	55	27.448
	1a. ADP & TELECOMMUNICATIONS EQUIPMENT (>\$1M) Computer Hardware (Production)						
	Telecommunications						
7 WD 4 TL 4448 G R	RDT&E NETWORK	1	.165				
5 WD 6 TL 6014 G R	EMERGING THREATS LABORATORY			1	1.025	1	.395
4 AA 4 KL 4K6A P N	H-60 FORCENET/NETWORK CENTRIC WARFARE (NCW) SUPPORT	1	1.127				
4 AA 4 KL 40XA P N	NETWORK CENTRIC WARFARE (NCW) COLLABORATIVE ENVIRONMENT (CE)	1	1.117				
7 AA 5 KL 723C G P	CORPORATE LEGACY CONSOLIDATION	1	1.242				
4 AA 5 KL 413C P N	UCAV HFE SUPPORT	1	1.071				
7 AA 6 TL 724A G P	RDT&E FIBER PLANT EXTENSION			1	1.200		
4 AA 6 KL 4130 P P	PLATFORM LABORATORIES MARITIME SURVEILLANCE A/C UPGR PROG			1	.851	1	.802
4 AA 6 KL 4X0A P P	INFOSTRUCTURE STREAMLINING			1	.770	1	.415
7 AA 6 TL 7240 G R	RDT&E TECHNOLOGY REFRESH			1	.750	1	.750
7 AB 7 TL 724B G P	FIBER OPTIC EXPANSION					1	1.505
4 WD 6 KL 6001 G R	INTEGRATED BATTLESPACE ARENA (IBAR) COMPUTER REPLACEMENTS/UAV LAB (PHASE 1 OF 4)			1	.400	1	.550
	SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)	5	4.722	6	4.996	6	4.417
NN KU 0000	1b. ADPE & TELECOMMUNICATIONS (<=\$1M)	12	6.712	8	5.344	5	2.345
	2. TOTAL ADPE & TELECOMMUNICATIONS	17	11.434	14	10.340	11	6.762

FY 2007 BUDGET ESTIMATES
CAPITAL INVESTMENT SUMMARY
DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT - AIR WARFARE CENTER
 (\$ in Millions)

ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007	
		QTY	TOTAL COST	QTY	TOTAL COST	QTY	TOTAL COST
	3a. SOFTWARE DEVELOPMENT (>\$1M)						
	SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)	0	.000	0	.000	0	.000
NN DU 0000	3b. SOFTWARE DEVELOPMENT (<\$1M)	0	.000	1	.655	2	.439
	3. TOTAL SOFTWARE DEVELOPMENT	0	.000	1	.655	2	.439
	TOTAL ADP CAPITAL PURCHASES PROGRAM	17	11.434	15	10.995	13	7.201
	TOTAL CAPITAL PURCHASES PROGRAM	74	36.602	76	37.789	68	34.649
	TOTAL CAPITAL OUTLAYS		27.943		34.915		34.351
	TOTAL DEPRECIATION EXPENSE		36.742		37.789		34.649

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES					
B. Department of the Navy/Research & Development				C. TC13-2 CATAPULT ELECTRICAL CONTROL SYSTEM OVERHAUL			4AB5EL481MPR		Lakehurst			
Equipment, Non-ADP (>\$1M)			2005			2006			2007			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST				1	683	683	1	569	569	1	595	595
OPERATIONAL DATE	30-Sep-07											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$291,040	\$0	\$291,040									
AVERAGE ANNUAL SAVINGS (Discounted)	\$178,832	\$0	\$178,832									
PAYBACK PERIOD	10.6	#DIV/0!	10.6									
RATE OF RETURN (ROR)	10%	0%	10%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. The purpose of this project is to do a complete overhaul of the Naval Air Warfare Center Aircraft Division's (NAWCAD's) TC13-2 Catapult. This will maintain NAWCAD's ability to support Aircraft Launch and Recovery Equipment (ALRE), Aircraft developmental testing, ALRE in-service engineering investigation, and potential non-ALRE test work by decreasing downtime, increase productivity, and safety. The project will be executed over three years in the following phases: The first year of the project includes replacing the major electrical cabling at the Catapult Test Site (e.g. major cabling to the central junction box; cabling from the central junction box to the individual junction boxes at various sub-systems such as ICCS, Central Charging Plant (CCP), etc.). The second and third year will complete upgrades of the cabling from the individual junction boxes to the catapult hardware components and will also upgrade the electrical interfaces & displays at individual station workstations (ICCS console, Central Charging Panel console, etc.).</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The mission of the TC13-2 Catapult Test Site is to duplicate shipboard configurations, thus permitting the investigation of existing Fleet problems and evaluation of proposed improvement/high-risk development programs in a safe, cost effective environment utilizing Unmanned Deadload vehicles. However, the current TC13-2 Catapult Electrical Control System has been in service since the mid-1960s without major overhaul or upgrade. Consequently, the electrical system deterioration has caused numerous catapult malfunctions during test programs. These malfunctions have created program delays and extra maintenance efforts. A complete overhaul of the Catapult Electrical Control System will minimize catapult downtime, reduce maintenance efforts, and prevent potential safety hazards. Finally, the TC13-2 Catapult is projected to be in service until 2050 and will require the NAWCAD Lakehurst site engineering support.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? The only alternative is to do nothing and operate with the high cost of operating the obsolete equipment.</p> <p>4. IMPACT IF NOT ACQUIRED. The failure to overhaul the TC13-2 Electrical Control System will contribute to a decline in Fleet support capability.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Research & Development

C. COLLATERAL EQUIPMENT FOR MILCON
P-453

4WD4EL4444PR CHINA LAKE

Equipment, Non-ADP (>\$1M)	2005			2006			2007				
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
INVESTMENT COST				1	634	634	1	1,100	1,100		

OPERATIONAL DATE 30-Aug-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$948,125	\$0	\$948,125
AVERAGE ANNUAL SAVINGS (Discounted)	\$718,828	\$0	\$718,828
PAYBACK PERIOD	3.6	#DIV/0!	3.6
RATE OF RETURN (ROR)	26%	0%	26%

PROJECT INFORMATION NARRATIVE:

1. DESCRIPTION & PURPOSE OF PROJECT.

This project completes the required funding to make P-453 a complete and usable facility. This phase of the process purchases and installs technical equipment needed in the Product Quality Lab.

2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?

Currently the equipment being used in the Product Quality Lab is approximately 40 years old. It is rapidly reaching the end of its' useful life and needs to be updated where possible or replaced if upgrades are not available or economically unfeasible. This project will allow for the modernization of some equipment, by providing new sensors and data acquisition hardware. The project purchases Digital Microscopes, provides new data acquisition and control equipment for the environmental ovens, as well as provides some minor lab items/equipment (balance tables, minor technical safety equipment). It will also purchase and install an updated data acquisition system for the Tinius Olson stress tester. Additionally, it will provide the hardware/connection between the point where the data is generated at the test apparatus, and the office spaces where the analysis takes place. It also purchases and installs large environmentally controlled chemical storage lockers needed to support this function.

3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?

The only alternative is to try and limp along with equipment that is obsolete. This will result in higher maintenance costs, and possible loss of testing capabilities and unreliable test data. Eventually the equipment must be replaced. Delaying replacement will result in a higher cost in the future.

4. IMPACT IF NOT ACQUIRED.

Increasing maintenance costs to keeping the outdated equipment operational. The Product Quality Lab will not be able to keep pace with the current technology, resulting in the possible loss of work, and higher costs to the customers if they have the required tests performed off station. This will also potentially result in not having a complete and usable facility.

5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT

Not applicable

**CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)**

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Research & Development							C. UCAV Weaponization Lab Equipment			4WD7EM7002PR	CHINA LAKE
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Equipment, Non-ADP (>\$1M)	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST				1	400	400	1	1,040	1,040	0	0	0

OPERATIONAL DATE 1-May-06

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$2,376,000	\$0	\$2,376,000
AVERAGE ANNUAL SAVINGS (Discounted)	\$1,801,382	\$0	\$1,801,382
PAYBACK PERIOD	0.6	#DIV/0!	0.6
RATE OF RETURN (ROR)	148%	0%	148%

PROJECT INFORMATION NARRATIVE:

1. DESCRIPTION & PURPOSE OF PROJECT.

This project is to provide the suite of capital support equipment items for the Unmanned Combat Air Vehicle (UCAV) Weaponization Lab Building, facility. The equipment suite will be purchased in two increments. This suite consists of the following elements:

- a. electronic test equipment for sensor characterization (spectrum analyzers, oscilloscopes, infrared measurement devices)
- b. portable 400Hz and 28VDC electrical power generation/conditioning equipment
- c. two UCAV air vehicles, including associated ground station test equipment
- d. five-ton capacity overhead bridge crane for UCAV vehicle and vehicle subsystem handling
- e. UCAV data link support system

2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?

The Naval Air Warfare Command (NAWC) China Lake presently has no facilities to support weaponization and Test and Evaluation (T&E) for UCAV weapons.

3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?

Current hangar and lab facilities located adjacent to runways are unavailable. The unmanned nature of UCAVs require physical separation from manned aviation activities. No such remote facilities currently exist at NAWC China Lake. This funding initiative will supply the suite of capital equipment required for the UCAV Weaponization Lab Building to contribute UCAV T&E support to the war fighter.

4. IMPACT IF NOT ACQUIRED.

Without the proposed facility Weapons Division (W)D will be unable to support the UCAV Strategic Thrust activities at NAWC China Lake. Platform T&E, weaponization and many other system engineering and integration efforts will be limited in their ability to provide cost efficient UCAV solutions to the war fighter in a timely fashion.

5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT

Not Applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES					
B. Department of the Navy/Research & Development					C. Hairy Buffalo			4AA6EL4500PR		Patuxent River		
Equipment, Non-ADP (>\$1M)			2005			2006			2007			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST					0	0	1	642	642	1	597	597
OPERATIONAL DATE	30-Sep-07											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$1,000,000	\$0	\$1,000,000									
AVERAGE ANNUAL SAVINGS (Discounted)	\$758,157	\$0	\$758,157									
PAYBACK PERIOD	1.4	#DIV/0!	1.4									
RATE OF RETURN (ROR)	61%	0%	61%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
1. DESCRIPTION AND PURPOSE OF PROJECT. Hairy Buffalo is recognized as a DOD/Industry-wide leader in R&D directed research in the areas of Time Critical Targeting, Network Centric Warfare, Remote Unmanned Aerial Vehicle (UAV) Control and Intelligence, Surveillance and Reconnaissance (ISR) Fusion. Under this effort mission system upgrades will be purchased to outfit the test bed aircraft for CNO Sea trial initiatives.												
2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? As a result of returning loaned communications equipment, replacement communications and mission system upgrades are required to support RDT&E. The project already owns many fusion, targeting and communication systems, and upgrades for roll-on-off integration into C-130 aircraft are currently under development. Hairy Buffalo is planning to have a dedicated host aircraft in FY06. Currently the project uses NRL aircraft to support its exercises and experimentation on an as needed basis. Our sensor systems and new communication systems are loaned or rented from industry and DOD resources. This results in costly rental/lease fees that subsequently drive exercise support costs and make scheduling exceedingly complicated. Purchase of these upgrades will alleviate cost and schedule difficulties.												
3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? This year, Hairy Buffalo attempted to support its experimentation schedule by renting, leasing and borrowing sensors, communications and missions systems. However, aircraft cost and scheduling problems resulted in lost exercise opportunities.												
4. IMPACT IF NOT ACQUIRED. If not acquired, the project would not be able to participate in Sea Trial experimentation and effectively support CNO Sea Trial Initiatives.												
5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.												

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET
ESTIMATES

B. Department of the Navy/Research & Development

C. CABLE CONVEYOR SYSTEM

4AB6EL48MKPR Lakehurst

Equipment, Non-ADP (>\$1M)	2005			2006			2007				
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
INVESTMENT COST							325		325	1,375	1,375

OPERATIONAL DATE 1-Oct-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$277,795	\$0	\$277,795
AVERAGE ANNUAL SAVINGS (Discounted)	\$170,693	\$0	\$170,693
PAYBACK PERIOD	9.9	#DIV/0!	9.9
RATE OF RETURN (ROR)	10%	0%	10%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

- Description & Purpose of Project. The project is to rebuild the existing Cable Conveyor System in building 149. The conveyor system is used to manufacture and inspect the flight critical arresting cables. The cables are a part of the Cross Deck Pendant Assembly capability. NAWC Lakehurst is the sole supplier of this product to the Navy. The purpose is to fully support the war fighter and not jeopardize the delivery schedule to the fleet.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The Cable Conveyor System is over 30 years old and has exceeded it's useful life. Numerous repairs and maintenance has kept the system operational. Scheduling of overtime for maintenance and adding operating personnel has increased the cost of product to the customer. A rebuilt system will increase productivity, efficiency and lower cost to the customer.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Leasing of this one of a kind system is not a feasible option.
- IMPACT IF NOT ACQUIRED. Adversely impact the industrial capability to support the war fighter. Increase production scheduling time, jeopardizing fleet support delivery dates. Continue overtime to meet schedules.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not applicable.

**CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)**

A. FY 2007 BUDGET
ESTIMATES

B. Department of the Navy/Research & Development

C. MARK 7 JBD HYDRAULIC SYSTEM 4AB7EL48L0PR Lakehurst

Element of Cost	2005			2006			2007					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST										1	1,175	1,175

OPERATIONAL DATE 1-Aug-07

<u>METRICS:</u>	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$295,000	\$0	\$295,000
AVERAGE ANNUAL SAVINGS (Discounted)	\$223,656	\$0	\$223,656
PAYBACK PERIOD	5.3	#DIV/0!	5.3
RATE OF RETURN (ROR)	19%	0%	19%

PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)

1. **DESCRIPTION & PURPOSE OF PROJECT.** In order to align the Fleet Support test capability, NAWCAD requires the Mark 7 Jet Blast Deflector (JBD) test site to have current aircraft carrier JBD configurations which would require the incorporation of catapult type hydraulic system. The system will consist of 2 main hydraulic pumps, Vertical Hydraulic Accumulator, Spherical Air Flask, Central Charging Panel, Hydraulic Fluid Cooler, and Hydraulic Gravity Tank. The existing NAWC Lakehurst Mark 7 JBD test site hydraulic system is outdated (CV41 system), difficult and costly to maintain, and does not represent the current Fleet JBD hydraulic system components. This proposal recommends removing the outdated hydraulic system components and replacing them with current hydraulic components presently used to operate Fleet JBDs. The proposed hydraulic system main components will consist of 2 main hydraulic pumps, vertical hydraulic accumulator, spherical air flask, central charging panel, hydraulic fluid cooler, and gravity tank. The proposed hydraulic system will enable proper evaluation of future JBD raise/lower mechanisms as well as current Fleet mechanisms. The proposed system will utilize components that are currently supported by the Navy stock system and are projected for future Fleet use (+50 years).

2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The existing Mark 7 JBD test site at NAWC Lakehurst was constructed in 1972 to simulate the type of JBD's installed on all aircraft carriers. The mission of the site is to duplicate shipboard JBD confirmations permitting investigation of existing fleet problems and evaluation of proposed improvement/high risk development programs in a safe, cost effective environment. The hydraulic system configuration utilized to raise and lower the Mark 7 JBD is an independent system equivalent to the JBD hydraulic systems used on the aircraft carriers of the 1970's. All JBD hydraulic systems on current operational aircraft carriers have since been updated eliminating the independent JBD hydraulic system an connecting the JBD into the existing ships catapult hydraulic system. Therefore, the existing Mark 7 JBD hydraulic supply system does not exist on any current aircraft carrier, making it obsolete. This includes the lack of availability for stock system support.

Additionally, the existing hydraulic system installed at the test site does not have the fight flow capability of the present shipboard catapult hydraulic systems making it unsuitable to properly evaluate newly proposed passive JBD raise and lower mechanism requirements. The proposed hydraulic system incorporates the same hydraulic components used on existing operational aircraft carriers to supply the JBD's. The proposed shipboard style JBD hydraulic system upgrade will provide required fleet/site and system/sub-system environment standardization and would provide proper test platform configuration for the new proposed JBD raise/lower mechanisms. Additionally, since the proposed hydraulic system modernization will consist of components that are expected to be utilized on all aircraft carriers for the foreseeable future (at least 50 years), it will be completely support by the existing Navy Stock System.

3. **WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** The only alternative is to operate with the high maintenance cost. This alternative would fail to provide an adequate shipboard capable JBD hydraulic system test bed.

4. **IMPACT IF NOT ACQUIRED.** The failure to provide the above change to the Mark 7 JBD Hydraulic System will contribute to a decline in fleet support capability. The Mark 7 JBD has supported fleet problem investigations through the duplication of the affected configurations. In addition, fleet modernization without parallel standardization of its support facility will inevitably contribute to a mission compromising gap. The stock system support for the hydraulic system at the NAWC Lakehurst Mark 7 JBD test site has become obsolete causing high maintenance costs. Furthermore, the existing NAWC Lakehurst Mark 7 JBD hydraulic system does not have the flow capability of existing shipboard systems and cannot properly evaluate proposed new JBD raise/lower mechanisms and systems.

5. **IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT** Not applicable.

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Research & Development				C. EMERGING THREATS LABORATORY			5WD6TL6014GR			CHINA LAKE		
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ADP & Telecom Equipment (>\$1M)				2005			2006			2007		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost

INVESTMENT COST							1	1,025	1,025	1	395	395
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OPERATIONAL DATE 15-Aug-07

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$1,809,500	\$0	\$1,809,500
AVERAGE ANNUAL SAVINGS (Discounted)	\$1,371,886	\$0	\$1,371,886
PAYBACK PERIOD	0.9	#DIV/0!	0.9
RATE OF RETURN (ROR)	97%	0%	97%

PROJECT INFORMATION NARRATIVE:

- DESCRIPTION & PURPOSE OF PROJECT.** The Joint Warfare Program Office (JWPO) is the Naval Air Weapons Command-Weapons Division (NAWCWD) 5.0 Test and Evaluation (T&E) lead for homeland defense joint programs across the entire spectrum of T&E. Major JWPO product areas are: Integrated architectural panel "C4ISR" frame work; Network Centric Warfare; Asymmetric Warfare; Information Operations; Information Warfare; and Joint Operations. Three major functions of JWPO are to identify capability requirements for the product areas, develop new customers/programs, and manage those programs. One JWPO program, the Center for Asymmetric Warfare (CAW), is a national resource dedicated to conducting Testing, Training, and Experimentation (TTE) and developing and evaluating technologies designed to recognize, counter, and control the effects of Asymmetric Warfare (AW) threats including Terrorism, Weapons of Mass Destruction (WMD), and Information Warfare (IW) in support of United States (US) expeditionary military forces and Homeland Security (HLS). The Emerging Threats Laboratory (ETL) project will provide the CAW the capability to test/evaluate the integration of complex information systems and diverse communications from federal/state/local organizations to develop Tactics Technical Procedures (TTPs) and identify hierarchical issues for further investigation. Furthermore, the following emerging threat issues could be tested/evaluated to support Navy and Department of Defense (DOD) requirements: a) Terrorism and Infrastructure Protection, b) Civil-Military Interoperability for Urban Operations, c) Networked Threats and Emerging Threats, and d) Counter terrorism Technology Test bed.
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** A systems approach to test and evaluate the two way flow of critical information between federal/state/local government has not been established by Commander Fleet Forces Command (CFFC). The CAW ETL will provide CFFC, Threat System Working Group (TSWG), and Commander Third Fleet (C3F) a crucial asset that can be leveraged to test/train/evaluate Advanced Threat Force Protection (ATFP) requirements. The TSWG's mission is to conduct the U.S. national interagency research and development program for Combating Terrorism to: a) Provide interagency forum to coordinate Research and Development (R&D) requirements for combating terrorism, b) Sponsor R&D for interagency advanced technology development, c) Promulgate technology information transfer, and d) Influence basic and applied research. The CAW ETL will provide TSWG the ability to test/evaluate emerging threats against existing projects they fund, including improving analytical and warning capabilities. A framework is still needed to identify/collect threat and vulnerability information, including cyber and physical threats, and to provide timely warnings. Sea power 21 defines a Navy with three fundamental concepts: Sea Shield, Sea Strike, and Sea Basing, enabled by FORCEnet, which enhance America's ability to project offensive power, defensive assurance, and operational independence around the globe. Sea Shield develops naval capabilities related to homeland defense, sea control, assured access, and projecting defense overland. Third Fleet is CFFC's operational agent in the Sea Trial Program for the Chief of Naval Operations (CNO's) Sea Shield pillar. In that role, they carry the Force Protection portfolio for Concept of Operations (CONOPS), experimentation, etc. The CAW currently provides an environment in which C3F participates in training exercises against AW threats. The CAW ETL will provide C3F an additional capability to test/train/evaluate emerging threats in a structured environment with state/local agencies.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** Currently there are no known projects that utilize a systems approach to handle emerging threats in a joint test, training, and experimentation environment that includes federal/local/state agencies.
- IMPACT IF NOT ACQUIRED.** The Emerging Treats Laboratory's purpose is to enhance Navy and DOD capabilities to combat terrorism. Without funding, technical advancements in the nations antiterrorism program can not be accomplished.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.**
Not Applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Research & Development						C. RDT&E FIBER PLANT EXTENSION			7AA6TL724AGP		Patuxent River	
ADP & Telecom Equipment (>\$1M)				2005			2006			2007		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	1,200	1,200			0
OPERATIONAL DATE	30-Sep-06											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$279,662	\$0	\$279,662									
AVERAGE ANNUAL SAVINGS (Discounted)	\$212,028	\$0	\$212,028									
PAYBACK PERIOD	5.9	#DIV/0!	5.9									
RATE OF RETURN (ROR)	18%	0%	18%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. This submission is for the extension of the fiber optic system to close the loop between zones 1 and 2. The base fiber installation is broken up into multiple areas or zones. Each zone provides network connectivity to all buildings within that zone. Each zone is connected back to the main zone. Currently, the Base Data Network is vulnerable to a major outage between any two end point zones because the two end points are not connected. Installation of Fiber Backbone between two (2) separate end points (Fiber Zone 1 and Fiber Zone 2) eliminate the possibility of a major network outage.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Currently, all the engineering facilities at NAWC Patuxent River are on a fiber optic system for all telephone and data connectivity. This fiber optic system does not have a backup path for telephone and data connectivity. If there is a fiber optic cut along the current line, all buildings will be without telephone and data connectivity resulting in many hours of lost engineering effort.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? We have considered three options: 1) status quo - don't close the loop; 2) wireless system; and 3) close the loop with a fiber system.</p> <p>4. IMPACT IF NOT ACQUIRED. The engineering facilities are at risk for decreased productivity due to any potential cable cuts.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES					
B. Department of the Navy/Research & Development					C. Platform Laboratories Maritime Surveillance Aircraft Upgrade Program			4AA6KL4130PP		Patuxent River		
ADP & Telecom Equipment (>\$1M)			2005			2006			2007			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	851	851	1	802	802
OPERATIONAL DATE	1-Aug-07											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$1,274,524	\$0	\$1,274,524									
AVERAGE ANNUAL SAVINGS (Discounted)	\$966,290	\$0	\$966,290									
PAYBACK PERIOD	1.5	#DIV/0!	1.5									
RATE OF RETURN (ROR)	58%	0%	58%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. Naval Air Warfare Center, Patuxent River competency is responsible for the implementation of system engineering resource center to support NAVAIR exploitation and implementation for the Sea Power 21 initiative. As a result NAWC Patuxent River will continue to support the development and maintenance of distributed facilities to implement and validate the C5ISR architectures that will be required in the 21st century to support asynchronous warfare. These will include facilities, for modeling and simulation and platform validation. As a result the facilities will be used to work the Sea Power 21 initiative and FORCENET as NAVAIR moves to into the Network Centric Warfare (NCW). The facilities will also support Battlespace Engineering and Airship Integration and Development as well as support platform capabilities. Platforms included are Multi Mission Aircraft (MMA), Joint Strike Fighter (JSF) and Hawkeye 2000 as well as legacy platforms such as P-3, E-2C and E-6B. This CPP request covers the aggregate of all 413000A labs at NAWC Patuxent River and is a sort of Omnibus solution to the technological change driving our business base. Each of the major platforms are driving technology towards what industry offers under Commercial Off-the-Shelf (COTS)/Non Development Item (NDI). In order for these multi million dollar facilities to keep pace with the changing technological environment, we need to upgrade and add new systems to our inventory and meet the challenges of Sea Power 21, FORCENET, and NAVAIR's vision. This project covers all the major Platform labs at the NAWC Patuxent River and will have the same capability as the rest of the labs. This 'virtual' single lab concept benefits both the NAWC and the Warfighter and falls in line with NAVAIR 1.0 Vision of Agility, Cost Containment, Readiness, Alignment, and supporting Fleet driven metrics.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Our current COTS/NDI lab assets are/or will be aging out over the next few years. Technology is changing at a more rapid pace, further pushing our systems out-of-date. Meanwhile through the Sea Power 21 and FORCENET, the platforms we support are integrating more and more of this technology into their traditional proprietary platforms and increasing their dependence on networked systems. By upgrading our facilities into multi use facilities, we can provide our customers assets to make their job easier and give the warfighter, the tools they need. This type of system will assist us to meet the new NAVAIR 1.0 Vision as well as support the development of Sea Power 21.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? There are no realistic alternatives to our proposed solution. Upgrades to the memory and storage space on the current installed workstations have not proven to increase the programmer efficiency significantly. In addition, the one-by-one purchases are more costly than purchases of pre-configured Commercial-Off-The Shelf (COTS) workstations and is considered to be splitting requirements under the current Federal Acquisition Regulations (FAR).</p> <p>4. IMPACT IF NOT ACQUIRED. If the new workstation upgrades are not acquired, the 413000A Platforms Labs will be unable to meet the increasing requirements placed on the Software Development Environment, laboratory simulations, and network communications by the current supported Aircraft Platforms. This will result in the 413000A facilities losing current projects to other DOD and Contractor Facilities and make NAWCAD incapable of attracting future, lucrative development projects. In addition, Project Managers will have to allocate additional programming manpower in order to meet development deadlines that will impact work schedules and deadlines to our current Customers. The workstation upgrades proposed will reduce workyears spent programming per development cycle and provide an environment capable of attracting future software development and testing.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT Not applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Research & Development					C. Infostructure Streamlining					4AA6KL4X0APP	Patuxent River	
ADP & Telecom Equipment (>\$1M)			2005			2006			2007			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	770	770	1	415	415
OPERATIONAL DATE	1-Jul-07											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$479,000	\$0	\$479,000									
AVERAGE ANNUAL SAVINGS (Discounted)	\$363,157	\$0	\$363,157									
PAYBACK PERIOD	3.0	NA	3.0									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. This Infostructure Streamlining project will enable the Naval Aviation enterprise to draw together disparate databases and Websites across 16 advanced engineering sites nation-wide into a single portal for access of authorized personnel to technical information across the enterprise. This will enable a more robust online collaborative engineering capability for development and delivery of both advanced air warfare information networks and kinetic systems to the Fleet in support of Sea Power 21. This project will provide the NAVAIR Engineering competency and Fleet technical personnel with a Network Centric capability for handling information to enhance current and future Fleet readiness. The hardware and software for this project will reside at the NAWCAD, increasing the business base at AD. Much of the data is classified and will require servers that are isolated to handle classified data.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? There are thousands of applications and databases across the NAVAIR enterprise, many with redundant information and functionality that tend to serve narrow segments of the total enterprise. The expense required to operate and maintain this plethora of disparate information sources is draining precious resources from the enterprise and impeding NAVAIR's efficiency and effectiveness in enhancing current and future Fleet readiness. Adopting a proven "best practices" model from government and industry IT leaders, the Infostructure Streamlining project will enable information to be used far more efficiently and effectively, shortening product development cycle times and substantially reducing the cost burden to operate and maintain the Naval Aviation information infrastructure.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? The alternative to the proposed Infostructure Streamlining project is a collection of disparate and relatively isolated engineering systems that are unable to share basic technical data elements and thus unable to achieve meaningful, real-time distributed collaboration on complex engineering problems. The multitude of associated databases and applications drive the operations and support cost of the alternative methods to unacceptably high levels.</p> <p>4. IMPACT IF NOT ACQUIRED. Slower advanced air warfare systems development, engineering and product development solutions that are less responsive to real-time warfighter needs, unsustainably high levels of operations and support costs to operate and maintain an excessive number of overlapping and narrowly-focused databases and software applications across the Naval Aviation enterprise.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES					
B. Department of the Navy/Research & Development					C. RDT&E Technology Refresh			7AA6TL7240GR		Patuxent River		
ADP & Telecom Equipment (>\$1M)			2005			2006			2007			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	750	750	1	750	750
OPERATIONAL DATE	1-Jul-07											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$325,000	\$0	\$325,000									
AVERAGE ANNUAL SAVINGS (Discounted)	\$199,698	\$0	\$199,698									
PAYBACK PERIOD	2.8	#DIV/0!	2.8									
RATE OF RETURN (ROR)	27%	0%	27%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. This submission is for a multi-year upgrade/replacement of the transmission equipment on the RDT&E network. The RDT&E environment provides connectivity for NAWC Patuxent River engineering and scientific requirements that cannot be met by Navy Marine Corps Intranet (NMCI). The upgrade/replacement will happen over a two year period with one year focusing on the unclassified environment and the second year focusing on the classified environment.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The current transmission equipment on the RDT&E network was procured in the mid 1990's. This equipment is reaching end of service life and will no longer be supported by the manufacturer resulting in rapidly increasing maintenance costs until the manufacturer refuses to support the equipment at all. Also, since this equipment is not of the latest technology, the RDT&E team will be forced to build separate technology solutions to meet each engineering requirement resulting in much higher hardware investments and maintenance costs than an integrated solution would cost. This submission will upgrade/replace the existing transmission equipment with a state of the art system that will support the engineering requirements for the next 5 to 10 years.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Three alternatives have been considered: (1) Status Quo, a (2) build out point solutions for each engineering requirement resulting in tremendous maintenance cost;and (3) replace/upgrade the transmission equipment. Continuing with the current system would require ongoing replacements and upgrades resulting in extremely high maintenance cost.</p> <p>4. IMPACT IF NOT ACQUIRED. If this submission is not approved, the RDT&E network will not adequately meet the Fleet's needs and will be unusable when the equipment breaks.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Research & Development							C. FIBER OPTIC EXPANSION			7AB7TL724BGP		Lakehurst
ADP & Telecom Equipment (>\$1M)				2005			2006			2007		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST						0			0	1	1,505	1,505
OPERATIONAL DATE	30-Sep-07											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$1,343,500	\$210,000	\$1,553,500									
AVERAGE ANNUAL SAVINGS (Discounted)	\$1,018,584	\$159,213	\$1,177,797									
PAYBACK PERIOD	1.2	13.2	1.1									
RATE OF RETURN (ROR)	68%	11%	78%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. The NAWC Lakehurst Fiber Optic Expansion project is designed to extend existing fiber optic network distribution to the Engineering competencies that are not currently supported by the current network. In addition, the new fiber optic expansion project will ensure backup fiber optic paths that connect telephone and data path redundancy to ensure that there is not any cable disruption by cable cuts and other unplanned damage.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? NAWCAD Lakehurst requires many fiber optic paths in order to do their existing work. These paths are not currently available to the Engineering competencies in all zones of the base. Furthermore, the fiber optic capacity has been exhausted in several key areas within the base. Many areas are subject to single point of failure creating a reduction in confidence in the test configurations. These deficiencies impact inter- and intra-base integration for existing and scheduled needs of shipboard flight command and control development programs within the command and across the activity. Existing data transmission capabilities are unable to meet service level and reliability requirements, as well as being incapable of supporting a single set of architectural capabilities and configuration controls.</p> <p>The proposed expansion will shore up capacity, connect existing and planned areas of RDT&E engineering programs, and allow continued development and simulation of actual proposed deployment models. Cost reductions will occur due to reduction in maintenance costs on the existing fiber optic system due to backup fiber optic path. Finally, the business unit will be able to standup new command and control ship representative systems, as well as deployed system troubleshooting. This is all due to updated access via fiber optic cables. Upgraded core communications infrastructure will provide path backups to mitigate power outage risks and improve the quality of service.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? (1) Status Quo - leading to the Business Unit maintaining data simulation in disparate labs.</p> <p>4. IMPACT IF NOT ACQUIRED. Lab managers cannot adequately confederate disparate labs that will skew development processes due to use of simulation data vice actual data that can be acquired onsite. Furthermore, lack of connection between key nodes on base causes duplication of effort and manpower due to physical/logical separation and costs of maintaining two or more fully burdened sites.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Research & Development					C. Integrated Battlespace Arena (IBAR) Computer Replacements/UAV Lab (PH 1)					4WD6KM6001PR	CHINA LAKE	
ADP & Telecom Equipment (>\$1M)			2005			2006			2007			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST							1	400	400	1	550	550
OPERATIONAL DATE	1-Jan-08											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$1,151,000	\$0	\$1,151,000									
AVERAGE ANNUAL SAVINGS (Discounted)	\$872,639	\$0	\$872,639									
PAYBACK PERIOD	1.7	#DIV/0!	1.7									
RATE OF RETURN (ROR)	50%	0%	50%									
PROJECT INFORMATION NARRATIVE:												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. The Integrated Battle space Arena (IBAR) is a collection of 10 laboratories and facilities at Naval Air (NAVAIR)/China Lake dedicated to battle space engineering at all levels. Research Development Testing and Evaluation (RDT&E) from the sub-component level all the way up to the integrated "system of systems" level is routinely supported. This project will replace several components in the various integrated laboratories and facilities. The areas targeted for Phase 1 (of 4) are 1/4 of the IBAR High Performance Computer (HPC) computers, general lab networking, and the Unmanned Systems Facility (USF).</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The current simulation requirements from the broad IBAR customer base continue to tax the current capability of the various IBAR components. The high performance computing capability acquired in 1999 has an average lifespan of three to five years. It has now been seven years since this computing capability has become relied upon by not only the IBAR but by science and technology initiatives. The computers procured in 1999 are no longer supported by the manufacturer and therefore must be replaced. Additionally, as program dollars become increasingly scarce and the need to reduce the number of in-flight and live-fire tests increases, reliance on the IBAR is also increasing. As a result, IBAR customers are requiring more capabilities than are currently available.</p> <p>In FY06 through FY10 the following upgrades are planned: a) Computer systems - several PC-Cluster real-time scene generators and a high-speed 64 parallel processor computer for batch processing and real-time data generation. The PC-Cluster will create high-speed real-time synthetic images for the processor-in-the-loop hardware. This will provide better images than the existing scene generation and reduce the use of costly computer scene generation systems. b) Networks in these laboratories will be upgraded to the current Asynchronous Transfer Mode (ATM) fabric, switching, and routing hardware. c) Backup systems will be replaced with the current backup system. d) Power Distribution System (PDS) systems will replace the out-dated battery backup system with a new backup system to protect the computing and hardware capabilities within the IBAR. f) Disk Farms will procure an additional high speed hard drive systems. g) Unmanned Systems Facility (USF) is growing rapidly and increasing the number of UAV's that can be simulated at any one time will be increased and data link capabilities will be added.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Maintain the status quo and not meet the requirements for real-time simulation for missile and weapons system designers. As a result, the weapons program may require more in-flight testing that would increase the overall cost of the weapons systems.</p> <p>4. IMPACT IF NOT ACQUIRED. The impact will be additional in-flight test, captive carry and live-fire testing will be required by the programs which will significantly increase the cost of weapon system development and life cycle costs of the weapons.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT Not applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Research & Development/Aircraft Division				C. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)			NNEU0000	NAWC	
Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	45	VAR	17,696	39	VAR	16,190	41	VAR	18,350
ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007			
4AA5EM4550PN	F-18 Model	1	940						
4AA5EM4622PP	Ejection Tower Upgrades	2	804	1	371				
4AA5EM434GPN	Biaxial Test System	3	800						
4AB5EM48LHPR	RALS Upgrade to Air and Fluid Transfer Systems	4	713						
4AA5EM456FPR	Hairy Buffalo Wide Band Satellite Communications Upgrade	5	599						
4AA5EM434GPR	Scanning Transmission Electron Microscope	6	571						
4AB5EM4000PR	Catapult Site Type 1 Test Vehicle	7	517						
4AB6EM48L9PR	Jet Car Deadload			2	615				
4AB6EM48LBPP	Rotary Retraction Engine Replacement			3	595				
4AA6EM4570PP	Avionics Network Systems Integration on Optical Fiber			4	335	1			285
4AA6EM4561PN	Optical Frequency Combs for Precision Measurements			5	295	2			282
4AA7EM460APN	HSD Smallcraft Tech Support					3			874
4AA7EM455APN	Antenna Positioner for FARM					4			869
4AA7EM4641PN	Biosensor Assessment of Pilot State					5			806
4AA7EM451TPP	SCR Mechanical Engineering Support Equipment					6			618
4AA7EM4442PR	Electrical Generator Test System/Drive Stand					7			557
4WD5EM5567PR	Detonation Chemistry Initiative	8	990	6	780				
4WD5EM4002PR	AMES II Upgrade	9	577	7	500				
4WD5EM5570PR	Environmental Laboratory Equipment	10	361						
4WD5EM5559PR	Threat Hardware and Field Test Activities	11	425	8	480				
4WD4EM5556PR	Nano-Materials Development	12	402	9	500				
4WD5EM5565PR	Energetics Plant Equipment Modernization	13	400	10	400				
4WD4EM4445PR	Coating Capability Upgrade	14	114						
4WD6EM6004PR	Combustion Research Equipment			11	865				
4WD6EM5568PR	NMR User Facility			12	750				
4WD7EM7007PR	Sensor Fusion Laboratory Equipment			13	500				
4WD7EM7017PR	Precision Sensor Fusion Lab					8			400
4WD7EM7064PR	Threat System Simulator			14	500	9			900
4WD7EM7058PR	MIDS (LINK 16 Terminal								
4WD7EM7061PR	Miniature Munition Interface Equipment			15	800	10			630
4WD7EM7001PR	Nano-device Initiative					11			600
4WD7EM7065PR	Energetic Sensitivity Test Equipment Improvement Program Phase 1					12			528
4WD7EM7056PR	Infrared Seeker Evaluation Van Upgrade					13			500
NNES0000	Subtotal Equip-other than AD ADPE & TELECOM (<\$.5M)	14	4,203	19	6,960	13			4,351
NNES0000	Subtotal Equip-other than WD ADPE & TELECOM (<\$.5M)	17	5,280	5	944	15			6,150
TOTAL NAWC DIV EQUIP-OTHER THAN ADPE & TELECOM		45	17,696	39	16,190	41			18,350

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Research & Development/Aircraft Division				C. MINOR CONSTRUCTION			NNMC0000	NAWC	
Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	8	VAR	4,630	17	VAR	6,928	10	VAR	5,356
ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007			
4AA5MC4400PCN	Addition to Building 1461	1	750						
4AA6MC400APCN	Relocatable Site Development for Cost Department			1	750				
4AA6MC48L4PCN	Addition to Building 2187, #2			2	750				
4AB6MC48LXPCR	RALS Instrumentation Facility			3	513				
4AA7MC400CPC	Relocatable Site Development for North Engineering Center					1		750	
4AB7MC4850PC	B195 Lean-to Refurbishment					2		500	
4WD7MC7011GCR	UCAV Weaponization Lab Bldg.	2	990						
8WD5MC5013GCR	Multi-Level Casting Facility	3	960						
8WD5MC5573GCR	Construct Office Bldg.	4	750						
4WD7MC7046GCR	UAV Runway			4	750				
4WD7MC7047GCR	UAV Shelter			5	750				
4WD7MC7014GCR	Replacement Bldg for IPT, Mich Lab Compound			6	750				
4WD7MC7066GCR	Threat Simulator Process in the Loop (TSPIL) Laboratory			7	750				
4WD7MC7068GCR	Mezanines Wing 8, Mich Lab					3		750	
4WD7MC7049GCR	Modify Bldg 509 for expanded work area & A/C add-on & Interior Space					4		500	
4WD7MC7013GCR	Replacement Laboratory Airbreathing Lab					5		750	
4WD7MC7070GCR	Directed Energy Laboratory					6		596	
4WD7MC7048GCR	Magazines for Bldg 10690					7		510	
	Subtotal AD MINOR CONSTRUCTION (<\$.5M)	2	870	4	1,340	2		800	
	Subtotal WD MINOR CONSTRUCTION (<\$.5M)	2	310	6	575	1		200	
TOTAL NAWC DIV MINOR CONSTRUCTION		8	4,630	17	6,928	10		5,356	

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2007 BUDGET ESTIMATES		
B. Department of the Navy/Research & Development/Aircraft Division				C. ADPE & TELECOMMUNICATIONS (<\$1M)			NNKU0000	NAWC	
Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	12	VAR	6,712	8	VAR	5,344	5	VAR	2,345
ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007			
7AB5KM7248GR	Visions Information Network Extension	1	945						
7AA5TM723AGR	Engineering LAN Technology Refresh	2	843						
7AA5KM722AGR	Data Warehouse Hardware Upgrade	3	676						
7AA5KM756SGR	SIPRNET Web Environment Services	4	666						
7AA5KM7220GR	Data Mining Telemetry Data Analysis	5	676						
4AA5TM457APN	High Performance Intra-Platform Networks for NCW	6	669						
4AB4KM483KPN	System & Technology Hardware/Software Integration Simulator (SYN)	7	617	1	595				
4AA5KM4584PN	Digital Video Lab	8	504						
4AA6KM4600PN	Dynamic Crash Test Facilities Digital Instrumentation			2	935				
7AB6TM724JGP	Joint Installation Partnership-Common Fiber Backbone			3	925				
7AB6KM724QGP	RDT&E and Corporate Systems Refresh			4	804				
7AB6KM724EGP	RDT&E Network Refresh			5	775				
4AA6TM4X00PP	Intelligence Infrastructure			6	583	1		389	
4 AB6TM4801PR	Land Mobile Radios			7	480	2		480	
4AB7KM4830PN	ALRE Common Emulation System (ACES)					3		704	
4AA7KM4X10PP	Technology Analysis Center for Air Systems					4		572	
NNKS0000	Subtotal AD ADPE & TELECOMMUNICATIONS (<\$.5M)	4	1,116	1	247	0		0	
NNKS0000	Subtotal WD ADPE & TELECOMMUNICATIONS (<\$.5M)					1		200	
TOTAL NAWC DIV ADPE & TELECOMMUNICATIONS (<\$1M)		12	6,712	8	5,344	5		2,345	

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY 2007 BUDGET ESTIMATES

B. Department of the Navy/Research & Development/Aircraft Division			C. SOFTWARE DEVELOPMENT (<\$1M)			NNDU0000		NAWC	
Element of Cost	2005			2006			2007		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	0	VAR	0	1	VAR	655	2	VAR	439
ITEM LINE #	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007			
3AB6DM3300PP	Engineering Drawing Data Management Web Enablement	0		1		655			
NNDS0000	Subtotal AD Software Development (<\$.5M)						2		439
NNDS0000	Subtotal WD Software Development (<\$.5M)								
TOTAL NAWC DIV SOFTWARE DEVELOPMENT (<\$1M)		0	0	1		655	2		439

FY 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT - AIR WARFARE CENTER
CAPITAL BUDGET EXECUTION
(DOLLARS IN MILLIONS)
FY 2006

ITEM LINE #	ITEM DESCRIPTION				Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)									
4	WD	4	EL	4444 P R	1.100	.000	1.100		
COLLATERAL EQUIPMENT FOR MILCON P-453									
4	WD	6	EL	7002 P R	.815	.225	1.040	Moved/Realigned	Project funds in FY07 are moved to FY06 to allow a three-year effort to be completed in two-years and will allow an earlier support schedule for the Unmanned Aerial Vehicle (UAV) testing.
UCAV WEAPONIZATION EQUIPMENT									
4	WD	6	EL	6013 P R	.900	(.900)	.000	Cancelled	Pending the Navy decision on acquisition strategy for Rail Guns and the impact of BRAC, this project has been cancelled.
EM RAILGUN									
4	AA	6	EL	4500 P R	.000	.642	.642	Realigned	Realigned because total project value exceeds category threshold. (4AA6EM4500PR) realigned from other than ADPE & TELECOM (<\$1-\$5M) to ADPE & TELECOM (>\$1M) Category.
HAIRY BUFFALO									
4	AB	6	EL	48MK P R	.325	.000	.325		
CABLE CONVEYOR SYSTEM									
4	AB	5	EL	481M P R	1.164	(.595)	.569	Transfer	Authority transferred to line item 4AB6EM48LBPP. This project has been extended into 3 phases to accommodate both TC13 Mod 2 and TC13 Mod 0 testing scheduling. This project is to complete in FY07.
TC 13-2 CATAPULT ELECTRICAL CONTROL SYSTEM OVERHAUL									
SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)					4.304	(.628)	3.676		
1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)									
NN	EU	0000			15.825	.365	16.190	Moved/Realigned	Moved project Calibration Laboratory Upgrade to FY07, this project has been reprioritized and is required in FY07. Realigned because total project value exceeds category threshold. Avionics Network Systems Integration on Optical Fiber and Optical Frequency Combs for Precision Measurements were realigned from the other than ADPE & TELECOM (<\$5M) to other than ADPE & TELECOM (<\$1-\$5M) Category. Project Replace 1 -Pint Mixers at Bldg. 10560 was moved forwarded from FY08 because of an immediate need to meet testing requirements (.150 from 4 WD7MC7047GCF).
2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM					20.129	(.263)	19.866		
3. MINOR CONSTRUCTION									
NN	MC	0000			6.665	.263	6.928	Increased/Moved/Deferral/ Canceled/New	Realigned to fund higher priority projects.
TOTAL NON-ADP CAPITAL PURCHASES PROGRAM					26.794	.000	26.794		

FY 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT - AIR WARFARE CENTER
CAPITAL BUDGET EXECUTION
(DOLLARS IN MILLIONS)
FY 2006

ITEM LINE #	ITEM DESCRIPTION					Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
1a. ADPE & TELECOMMUNICATIONS (>\$1M)										
Computer Hardware (Production)										
7	AA	6	TL	724A	G P	1.200	.000	1.200	Realigned	Realigned because total project value exceeds category threshold. (4AA6KM4130PP) realigned from ADPE & TELECOM (<\$1-\$5M) to ADPE & TELECOM (>\$1M) Category.
5	WD	6	TL	6014	G R	1.025	.000	1.025		
4	AA	6	KL	4130	P P	.000	.851	.851		
7	AA	6	TL	4X0A	P P	.770	.000	.770		
7	AA	6	TL	7240	G R	.750	.000	.750		
4	WD	6	KL	6001	G R	.400	.000	.400		
SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)						2.225	2.771	4.996		
1b. ADPE & TELECOMMUNICATIONS (<\$1M)										
						8.115	(2.771)	5.344	Realigned	Realigned to fund higher priority projects.
2. TOTAL ADPE & TELECOMMUNICATIONS						10.340	.000	10.340		
3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)						.000	.000	.000		
NN	DU	0000	3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)			.655	.000	.655		
3. TOTAL SOFTWARE DEVELOPMENT						.655	.000	.655		
TOTAL ADP CAPITAL PURCHASES PROGRAM						10.995	.000	10.995		
GRAND TOTAL CAPITAL PURCHASES PROGRAM						37.789	.000	37.789		

Naval Surface Warfare Center

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT
NAVAL SURFACE WARFARE CENTER
FEBRUARY 2006**

INTRODUCTION

The Naval Surface Warfare Center (NSWC) was established on 02 January 1992 with the following mission: "To operate the Navy's full spectrum research, development, test and evaluation, engineering and fleet support center for ship hull, mechanical, and electrical systems, surface combat systems, coastal warfare systems, and other offensive and defensive systems associated with surface warfare."

CENTER OVERVIEW

The Center is comprised of six operating divisions whose operations and locations are described briefly below.

CARDEROCK DIVISION: The mission of this division is to provide research, development, test and evaluation, fleet support and in service engineering for surface and undersea vehicle hull, mechanical and electrical (HM&E) systems and propulsors, provide logistics R&D and provide support to the Maritime Administration and Maritime Industry. The division has major operating sites at Carderock, MD and Philadelphia, PA with smaller operating sites at Ft. Lauderdale, FL, Memphis, TN, Norfolk, VA, Bremerton, WA, and Bayview, ID.

CORONA DIVISION: The mission of this division is to gauge the war fighting capability of ships and aircraft, from unit to battle group level, by assessing the suitability of design, the performance of equipment and weapons, and the adequacy of training.

CRANE DIVISION: The mission of this division is to provide engineering and industrial support of weapons systems, subsystems, equipment and components. Primary product areas of expertise include: electronic warfare, gun and gunfire control systems, microelectronics components, electronic module test and repair, microwave components, electromechanical power systems, acoustic sensors, small arms, conventional ammunition, radars, and pyrotechnics. The division has one primary operating site, Crane, IN, with a small engineering site at Fallbrook, CA.

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT
NAVAL SURFACE WARFARE CENTER
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DAHLGREN DIVISION: The mission of this division is to provide research, development, test and evaluation, engineering and fleet support for surface warfare systems, surface ship combat systems, ordnance, mines and mine counter measures, amphibious warfare systems, special warfare systems, strategic warfare systems, and diving. The division has three primary operating sites, Dahlgren, VA, Panama City, FL and Dam Neck, VA.

INDIAN HEAD DIVISION: The mission of this division is to provide technical capabilities in energetics for all warfare centers and to provide special weapons, explosive safety and ordnance environmental support to all warfare centers, the military departments and ordnance industry. The primary site of operations is Indian Head, MD, with smaller operations at Yorktown, VA , MacAlester, OK, Earle, NJ, and Seal Beach, CA.

PORT HUENEME DIVISION: The mission of this division is to provide test and evaluation, in service engineering and integrated support for surface warfare systems, system interface, weapons systems and subsystems, unique equipments, and related expendable ordnance of the surface fleet. The primary operating site is Port Hueneme, CA. The division also operates small detachments in San Diego, CA, Louisville, KY and Dam Neck, VA.

BUDGET OVERVIEW

The NSWC strategy is the sustainment and development of critical core capabilities that support legacy and emerging systems in the Fleet. Critical to our vision is the need to acquire, train, and retain top quality scientists and engineers and maintain the corresponding infrastructure if we are to successfully support the Navy's future strategic needs.

The FY 2007 budget reflects both direct and overhead efficiencies that have been and will continue to be realized from A-76 competitions, Business Process Reengineering (BPR) studies, Intelligent Target initiatives and Lean Six Sigma

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
 NAVY WORKING CAPITAL FUND
 RESEARCH AND DEVELOPMENT
 NAVAL SURFACE WARFARE CENTER
 FEBRUARY 2006**

techniques. The Center is committed to achieving targeted savings to reduce operating costs while maintaining the high level of quality and the focus on safety of weapons systems required in today's war fighting environment.

NSWC has implemented a Lean plan that includes industry recognized best practices of Lean Six Sigma, and Theory of Constraints, and prioritized applications of these methodologies to the right value streams to achieve maximum business results. NSWC is fully integrating these Lean principles into its business strategy and establishing a culture of continuous improvement that improves value to our customers and maximizes their return on investment.

The initiative identifies and implements functional changes in processes to reduce waste/redundancies and increase productivity/efficiency and has resulted in fewer projected direct labor hours, thereby significantly reducing revenue in FY 2006 and FY 2007.

This approach to realizing savings is different from most in that the customers benefit from a reduction in the number of direct labor hours being used (and billed) to accomplish the required tasks rather than giving customers a lower hourly rate.

BUDGET HIGHLIGHTS

Revenue, Cost of Goods/Services and Operating Results

Current Estimate (\$ in Millions)	FY 2005	FY 2006	FY 2007
Revenue	3,374	3,396	3,384
Cost of Goods/Services	3,387	3,402	3,390
Operating Results	-13	-6	-6
Accumulated Operating Results	12	6	0

The trend in revenue and expense from year-to-year noted above reflects the Center's efforts to size itself to meet customer demand. As a result, the

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT
NAVAL SURFACE WARFARE CENTER
FEBRUARY 2006**

current FY 2007 estimate reflects a negative recoupment factor of \$6 million to return projected cumulative gains through FY 2006 and to achieve a zero Accumulated Operating Result balance in FY 2007.

Cost of Operations (Unit Cost)

(Cost Per DLH)	FY 2005	FY 2006	FY 2007
Unit Cost	\$82.30	\$85.29	\$89.43

The Center's unit cost reflects a steady increase over the FY 2005 – FY 2007 budget period, primarily due to reduced direct labor hours and increased average employee compensation. Increases in labor cost are consistent with the FY 2005 experience. Reduced direct labor hours reflects efficiencies due to process improvements rather than reduced customer demands.

Billing Rates

	FY 2005	FY 2006	FY 2007
Stabilized Rate (Average)	\$79.99	\$82.66	\$91.19
Composite Rate Change	+1.14 %	+2.71%	+6.48%

The increase in the FY 2007 average stabilized rate is the result of reduced direct labor hours and increased employee compensation costs.

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT
NAVAL SURFACE WARFARE CENTER
FEBRUARY 2006**

Capital Investment Program (CIP)

\$ in Millions	FY 2005	FY 2006	FY 2007
Non-ADPE	13.729	16.727	13.638
ADPE	5.044	7.195	10.165
Software	3.730	4.300	5.050
Minor Construction	8.127	5.271	4.661
Total	30.630	33.493	33.514

The NSWC CIP program procures mission essential equipment to support a wide customer base. The CIP program is resourced at the projected levels of depreciation expense in each fiscal year to recapitalize mission facilities and equipment.

Workload and Manpower Trends

Civilian Manpower

Civilian Manpower	FY 2005	FY 2006	FY 2007
End Strength	14,676	14,377	13,659
Straight Time FTE	14,826	14,114	13,358

End strength figures for FY 2005, FY 2006 and FY 2007 reflect actual and projected funded workload and are consistent with efforts to achieve enterprise wide efficiencies associated with Lean and other cost reduction initiatives. In addition the Leaning of the Warfare Center will result in no loss of productivity to its customers, with a smaller civilian labor force that can accomplish mission requirements using less resources. The submission reflects functional transfers of small numbers of personnel to the Public Works Centers and Naval Supply Systems Command.

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT
NAVAL SURFACE WARFARE CENTER
FEBRUARY 2006**

SIP/VERA/RIF	FY 2005	FY 2006	FY 2007
End Strength	112	150	150
Cost (\$ in Millions)	\$2.8	\$3.8	\$3.8

These estimates represent modest investments needed to size and realign the workforce to meet near and long-term workload demands.

Productive Ratio

Productive Ratio	FY 2005	FY 2006	FY 2007
Current Estimate	83.9%	83.1%	83.1%

The productive ratio, a measure of direct workyears to total workyears (less Service Cost Centers), remains stable throughout the budget period. The current productive ratio level reflects the priority placed on accomplishing direct workload with minimal indirect support as we streamline our technical and business processes.

Military Manpower

	FY 2005	FY 2006	FY 2007
End Strength	248	306	294
Workyears	246	255	245

Both the FY 2006 end strength and workyears decreased by one from the FY 2006 President's Budget, reflecting the transfer of the NSWC Crane Supply Corps. Officer billet to Naval Supply Systems Command (NAVSUP).

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
 NAVY WORKING CAPITAL FUND
 RESEARCH AND DEVELOPMENT
 NAVAL SURFACE WARFARE CENTER
 FEBRUARY 2006**

Workload - Direct Labor Hours (DLH)

	FY 2005	FY 2006	FY 2007
DLHs (000)	22,506	21,016	19,914

Direct labor hour reductions are consistent with our approach to improve the efficiency of the workforce while maintaining the same high quality and output to meet customer-generated demand.

CASH

\$ in Millions	FY 2005	FY 2006	FY 2007
Collections	\$3,345	\$3,396	\$3,384
Disbursements	\$3,337	\$3,420	\$3,396
Net Outlays	-\$8	\$24	\$12

Budgeted collections and disbursements are based on revenue, cost, and CIP outlay estimates, as well as projected changes in various balance sheet accounts. Cash management is a high priority within the Warfare Center.

PERFORMANCE INDICATORS

The primary performance indicator is unit cost discussed in the Unit Cost Rate paragraph above. Unit cost represents the cost of delivering goods and services to our customers. Increased employee compensation costs and inflation combined with reduced direct labor hours have yielded a higher unit cost over the budget period.

NAVY WORKING CAPITAL FUND
REVENUE and EXPENSES
RESEARCH AND DEVELOPMENT/NSMC
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
FEBRUARY 2006
AMOUNT IN MILLIONS

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
Revenue:			
Gross Sales			
Operations	3,349.0	3,362.6	3,350.4
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	25.2	33.0	33.5
Other Income			
Total Income	3,374.3	3,395.7	3,383.9
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	15.1	14.2	15.2
Civilian Personnel	1,522.5	1,491.9	1,456.0
Travel and Transportation of Personnel	98.9	90.2	91.1
Material & Supplies (Internal Operations	238.7	233.5	238.6
Equipment	68.9	81.2	82.4
Other Purchases from NWC	127.7	138.6	146.0
Transportation of Things	8.4	7.4	7.6
Depreciation - Capital	25.2	33.0	33.5
Printing and Reproduction	6.9	7.1	7.2
Advisory and Assistance Services	1.6	2.1	2.1
Rent, Communication & Utilities	43.4	41.1	42.6
Other Purchased Services	1,212.8	1,262.0	1,267.6
Total Expenses	3,370.1	3,402.2	3,389.9
Work in Process Adjustment	17.5	.0	.0
Comp Work for Activity Reten Adjustment	-.1	.0	.0
Cost of Goods Sold	3,387.6	3,402.2	3,389.9
Operating Result	-13.3	-6.6	-6.0
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NDR/ACR	.0	.0	.0
Other Changes Affecting NDR/ACR	-.3	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-13.5	-6.6	-6.0
Other Changes Affecting ACR	.0	.0	.0
Accumulated Operating Result	12.6	6.0	.0

Exhibit Fund-14

NAVY WORKING CAPITAL FUND
SOURCE of REVENUE
RESEARCH AND DEVELOPMENT/NSWC
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
FEBRUARY 2006
AMOUNT IN MILLIONS

	FY 2005 CON -----	FY 2006 CON -----	FY 2007 CON -----
1. New Orders	3,438	3,385	3,310
a. Orders from DoD Components	2,968	2,983	2,885
Department of the Navy	2,584	2,593	2,495
O & M, Navy	789	778	715
O & M, Marine Corps	20	25	26
O & M, Navy Reserve	15	2	2
O & M, Marine Corp Reserve	1	1	1
Aircraft Procurement, Navy	43	27	21
Weapons Procurement, Navy	75	88	72
Ammunition Procurement, Navy/MC	80	100	102
Shipbuilding & Conversion, Navy	332	306	309
Other Procurement, Navy	395	419	401
Procurement, Marine Corps	24	19	18
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	788	799	800
Military Construction, Navy	0	0	0
Other Navy Appropriations	23	30	29
Other Marine Corps Appropriations	0	0	0
Department of the Army	49	38	39
Army Operation & Maintenance	10	6	6
Army Res, Dev, Test, Eval	16	9	10
Army Procurement	20	18	18
Army Other	2	4	5
Department of the Air Force	56	35	38
Air Force Operation & Maintenance	29	15	17
Air Force Res, Dev, Test, Eval	8	3	3
Air Force Procurement	19	10	11
Air Force Other	0	6	6
DOD Appropriation Accounts	279	317	313
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	36	67	63
Res, Dev, Test & Eval Accounts	217	178	175
Procurement Accounts	25	38	39
Defense Emergency Relief Fund	0	0	0
DOD Other	1	34	36
b. Orders from other WCF Activity Groups	240	250	274
c. Total DoD	3,208	3,234	3,159
d. Other Orders	230	152	151
Other Federal Agencies	53	24	24
Foreign Military Sales	120	89	92
Non Federal Agencies	56	39	35
2. Carry-In Orders	1,514	1,577	1,567
3. Total Gross Orders	4,952	4,963	4,877
a. Funded Carry-Over before Exclusions	1,577	1,567	1,493
b. Total Gross Sales	3,375	3,396	3,384
4. End of Year Work-In-Process (-)	-105	-105	-104
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-305	-295	-283
6. Net Funded Carryover	1,166	1,167	1,106

Note: Line 4 (End of Year Work-In-Process)
Is adjusted for Non-DoD, BRAC & FMS
and Institutional MRTFB

Changes in Cost of Operations
Component: Department of the Navy
Activity Group: Research and Development
Sub-Activity Group: Naval Surface Warfare Center
Fiscal Year (FY) 2007 Budget Estimate
February 2006

	<u>\$M</u> <u>Total Cost</u>
1. FY 2005 Actual	\$3,370.1
2. FY 2006 Estimate (FY 2006 President's Budget)	\$3,445.2
3. Estimated Impact in FY 2006 of Actual FY 2005 Experience	\$26.2
4. Pricing Adjustments	
a. FY 2006 Pay Raise	
1. Civilian Personnel	\$8.1
2. Military Personnel	\$0.0
b. Annualization of FY 2005 Pay Raise	
1. Civilian Personnel	\$0.0
2. Military Personnel	\$0.0
c. Supply Management - Fuel	\$0.0
d. Supply Management - Non Fuel	\$0.0
e. WCF Price Changes	\$0.0
f. General Purchase Inflation and Fuel	\$9.0
5. Productivity Initiatives	
a. LEAN High Performing Organization (HPO) Efficiencies Savings	-\$80.2
6. Other Changes	
b. Change in DFAS Cost	\$0.0
b. Change in FECA Cost	\$0.2
c. Change in Sustainment, Restoration, Modernization	-\$3.6
d. Change in IT	-\$2.0
e. Other Supply Transfer	-\$2.2
f. Other	\$0.7
7. FY 2006 Current Estimate	\$3,402.2
8. Pricing Adjustments	
a. FY 2007 Pay Raise	
1. Civilian Personnel	\$22.7
2. Military Personnel	\$0.5
b. Annualization of FY 2006 Pay Raise	
1. Civilian Personnel	\$12.2
2. Military Personnel	\$0.0
c. Supply Management - Fuel	\$0.0
d. Supply Management - Non Fuel	\$3.2
e. WCF Price Changes	\$3.6
f. General Purchase Inflation	\$34.2

Changes in Cost of Operations
Component: Department of the Navy
Activity Group: Research and Development
Sub-Activity Group: Naval Surface Warfare Center
Fiscal Year (FY) 2007 Budget Estimate
February 2006

	\$M <u>Total Cost</u>
9. Productivity Initiatives	
a. LEAN and HPO Efficiencies Savings	-\$49.7
10. Program Changes	
a. Workload	
1. Direct Workload	-\$23.6
2. Other Direct Non-Labor	-\$11.4
11. Other Changes	
a. Military Personnel Changes	-\$1.0
b. Change in FECA Cost	\$0.0
c. Change in IT	-\$1.2
12. FY 2007 Current Estimate	\$3,389.9

Business Area Capital Investment Summary
Component: Department of Navy
Business Area: Research & Development/ Naval Warfare Center
Title: Fiscal Year (FY) 2007 Budget Estimate
Date: February 2006
(\$ in Millions)

Line Num	Description	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	Non ADP						
1	High Voltage High Frequency RF Test Station					1	3.200
2	Agile Chemical Facility Equipment	1	2.630				
3	Audio/Visual Equipment and Integration - Unclass			1	1.739		
4	Nitramine Intermediates Drying Equipment			1	1.050		
5	Miscellaneous (Non ADP < \$1000K; >= \$500K)		2.837		5.890		2.738
6	Miscellaneous (Non ADP < \$500K)		8.262		8.048		7.700
	Non ADP Total:		13.729		16.727		13.638
	ADP						
7	Business System Cluster Replacement					1	3.200
8	High Speed Computing System					1	1.500
9	RDT&E Network			1	1.500		

Business Area Capital Investment Summary
Component: Department of Navy
Business Area: Research & Development/ Naval Warfare Center
Title: Fiscal Year (FY) 2007 Budget Estimate
Date: February 2006
(\$ in Millions)

Line Num	Description	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
10	Miscellaneous (ADP < \$1000K; >= \$500K)		2.225		2.600		3.139
11	Miscellaneous (ADP < \$500K)		2.819		3.095		2.326
	ADP Total:		5.044		7.195		10.165
	Software						
12	Advanced Content Management			1	1.250	1	1.500
13	Standard Systems Software			1	1.300	1	1.300
14	Virtual ISE			1	0.750	1	1.500
15	Advanced Collaboration Integration	1	1.449				
16	Standard Systems Software	1	1.155				
17	Virtual ISE - Crane Division			1	1.000		
18	Miscellaneous (Software < \$1000K; >= \$500K)		0.600				0.750
19	Miscellaneous (Software < \$500K)		0.526				
	Software Total:		3.730		4.300		5.050
	Minor Construction						

Business Area Capital Investment Summary
Component: Department of Navy
Business Area: Research & Development/ Naval Warfare Center
Title: Fiscal Year (FY) 2007 Budget Estimate
Date: February 2006
(\$ in Millions)

Line Num	Description	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
20	Miscellaneous (Minor Construction < \$1000K; >= \$500K)		5.405		3.411		2.225
21	Miscellaneous (Minor Construction < \$500K)		2.722		1.860		2.436
	Minor Construction Total:		8.127		5.271		4.661
	Grand Total:		30.630		33.493		33.514
	Total Depreciation		25.242		33.010		33.515

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission: FY (FY) 2007 Budget Estimate					
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 1/High Voltage High Frequency RF Test Station(New Mission)			D. Site Identification NSWC Crane Div, Crane, IN				
		FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Non ADP							1	3200	3200		

Narrative Justification:

Description

This project consists of high dc voltage power supplies and high frequency microwave generators, amplifiers and analyzers in a controller operated test station designed to test, evaluate and fault isolate high voltage (50,000 V to 100,000 V), millimeter wavelength (frequencies of 75 GHz to 110 GHz) Vacuum Electronic Devices (VEDs). This test station will be used to test, evaluate and repair VEDs used in directed energy applications involving active denial (a non-lethal weapon used to keep personnel from entering the control area) and laser weapons.

Justification

Over the past 30 years Crane has been successful in significantly reducing the ownership of Microwave Tubes (MWT) by being a smart buyer. MWT are used in 80% of all electronic active emitters in DoD weapons systems. This includes radars, electronic countermeasures, fire control and communication systems. By applying Navy organic resources in MWT test evaluation, material sciences, engineering and repair, coupled with close technical and business relationships with that small part of the industry involved with manufacturing MWT used for military applications, we have developed a model that has been very successful in reducing the cost of MWTs for DoD. With this project we are extending that model into high voltage, high frequency VEDs. Though it is a significant investment, we again expect to significantly reduce the cost of ownership by making the Navy a smart buyer.

Impact

As with MWT of 30 years ago, there is a very small group of private companies who will be involved in the design, development and production of these VEDs. Since the primary user of these tubes will be the military, the market will be small and capitalization funds will be limited. Our success in the smart buyer role for MWT has shown an organic activity with the technical expertise and capability can provide support to the entire industry (in a seller-buyer partnership) to accelerate the product learning curve and reduce manufacturing and repair costs, providing a significant reduction in ownership costs.

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate					
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 3/Audio/Visual Equipment and Integration - Unclass(New Mission)			D. Site Identification NSWC Carderock Div, Bethesda, MD				
		FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Non ADP				1	1739	1739					
Narrative Justification:											
Description											
<p>The MILCON-funded Project P-246, Maritime Technology Information Center (MTIC), Bldg P-246, is a 50,000 sq ft building that will house a 400-seat auditorium, classified and unclassified conference spaces and a 400 seat cafeteria. This project is for the planning, procurement, systems integration, and installation services for audio/visual/VTC components for the unclassified facilities within P-246. Included within this project is the outfitting of 9 (nine) conference room spaces, all with VTC capabilities and various other digital media displays (some interactive) within the other areas, such as the cafeteria, of Bldg P-246.</p>											
Justification											
<p>Comprehensive conference capabilities to support SeaPower 21 program initiatives, force readiness, joint warfighting and joint development efforts with other DOD / DHS research activities as well as other federal labs, universities and private sector organizations. State of the art collaboration resources will also provide a necessary venue for local, real-time, interaction with not only the Fleet, but other Government, academic, and private sector organizations and facilities around the world. The benefits gained from this facility will create a new research hub focused on critical maritime issues. The Information Center will also present a cost savings in the ability of hosting large multinational symposia and conferences, thus saving associated travel costs for the Division. Areas currently used as conference spaces on the Carderock campus will be recovered for reutilization as lab or office spaces once the MTIC conference spaces are complete.</p>											
Impact											
<p>The new center will provide a facility for collaborative design with other defense laboratories, industry, academia, and other government agencies. Project efforts that will gain benefits from this facility are: training, force readiness and joint development efforts with other DOD / DHS research activities as well as other federal labs, universities and private sector organizations.</p>											

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate					
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 4/Nitramine Intermediates Drying Equipment(Environmental)			D. Site Identification NSWC Indian Head, MD				
		FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
Non ADP					1	1050	1050				

Narrative Justification:

Description

This project is in support of the Nitramine Intermediates Facility process which produces energetic materials. The current drying process results in a hard cake of material which requires further processing (more labor and more exposure to personnel) for further processing. The new process results in product that is granular and can be easily transferred from the drying container. This project purchases and installs the drying equipment.

Justification

This project is safer and significantly reduces the cost to produce propellant by reducing transportation and handling labor.

Impact

A safer, more efficient and better way to supply dry feedstock to the twin screw extruder will not be used. The old manufacturing method produces large quantities of waste, requires handling very sensitive dry high explosive nitramines and is labor intensive.

Business area Capital Investment Justification (\$ in Thousands)		A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate		
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006		C. Line# and Description 5/Miscellaneous (Non ADP < \$1000K; >=\$500K)()		D. Site Identification NA
		FY 2005	FY 2006	FY 2007
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		2837	5890	2738
Focused Ion Beam Analyzer (NSWC Crane)			986	
Electrodynamic Vibration Test System (NSWC Crane)		495		453
Audio/Visual Equipment and Integration Classified (NSWC Carderock)				860
Nitramine Tank Farm Equipment (NSWC Indian Head)			850	
High Speed Digital Imaging System (NSWC Dahlgren)			495	350
Teradyne Spectrum (NSWC Crane)			802	
High Energy X-ray Inspection System (NSWC Dahlgren)			745	
Ship Motion Simulator (NSWC Dahlgren)			695	
Rechargeable Battery Load/Supply Power System (NSWC Crane)			667	
Microwave Automated Test Suite (NSWC Crane)			650	
Electrodynamic Vibration Shaker (NSWC Dahlgren)		628		
MEMS Modular Clean Room (NSWC Indian Head)		598		
Land-Based Engineering Site Dynamometer Automation (NSWC Eng. Sta. Philadelphia)				575
T&E: High Speed Digital Imaging Equipment (NSWC Dahlgren)		570		
CNC Water Jet (NSWC Carderock)		546		
LIGHT System (NSWC Dahlgren)				500

Business area Capital Investment Justification (\$ in Thousands)		A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate		
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006		C. Line# and Description 6/Miscellaneous (Non ADP < \$500K)()		D. Site Identification NA
		FY 2005	FY 2006	FY 2007
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		8262	8048	7700
Total number of projects = 89				

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate					
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 7/Business System Cluster Replacement(Hardware)			D. Site Identification NSWC Arlington, VA				
		FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
ADP							1	3200	3200		

Narrative Justification:

Description

This project will replace end-of-life equipment. The Corporate Business System will be a collection of servers that houses data and runs applications for Warfare Center core business activities. Corporate applications supported are Industrial Logistics Management Information System (ILSMIS), Corporate Asset System (CAS), Corporate Travel System (CTS), Electronic Invoice Certification (ECI), and Invoice Certification Module.

Justification

The business system clusters currently consist of three Sun 450 servers per Division in a clustered configuration. The purpose of this project is to replace the existing computer equipment that will have reached its end-of-service-life while benefiting from advances in new technology.

Impact

The current equipment for the business system clusters has an end-of-service-life effective 05-21-2007. After this time, the manufacturer will no longer provide any maintenance on this system. We would have to contract a third party to provide this maintenance, if at all possible, and the cost would be much higher. Maintaining the operation of the business system clusters would be severely impacted, if not impossible, without procurement of the new cluster hardware.

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate					
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 8/High Speed Computing System(Hardware)			D. Site Identification NSWC Indian Head, MD				
		FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
ADP							1	1500	1500		
Narrative Justification:											
Description											
Acquire a cost-effective, high performance parallel computing platform to support current and increasing Modeling and Simulation workload. This equipment will be used to increase the capability of the Underwater Warheads Analysis Facility (UWAF). This project supports all Center Modeling and Simulation initiatives.											
Justification											
An extensive parallel computing capability is required to conduct complex simulations that are used by scientists to predict the performance of warheads, explosives, and explosive Mine Counter Measures (MCM) systems. Indian Head Division (IHDIV) has adopted a multi-asset approach to scientific computing. These assets include desktop PCs, the UWAF computing center, and remote computers at High Performance Computing (HPC) centers. Currently two computers do the bulk of the processing in the UWAF. Already one system has aged to the point where the expense of a maintenance contract is no longer justifiable. The other will reach this point in FY 2005. At IHDIV many programs rely on high-performance computing. For instance, full-ship modeling has been under the Dynamic System Advanced Mechanics Simulation (DYSMAS) program. The DYSMAS hydrocode has many applications, including the design of blast tolerant hull structures for force protection and simulation of obstacle clearance in the surf zone. This example is consistent with the overall direction of the Services to make modeling and simulation an integral part of the RDT&E process. This increase in workload is expected to continue as modeling and simulation gains acceptance within the acquisition community.											
Impact											
The capability to conduct state-of-the-art scientific computing is essential if IHDIV is to maintain a leadership role for underwater explosion phenomenology and its application to target damage, explosives R&D, and explosive MCM systems. If this equipment is not provided, IHDIV will have to rely solely on existing obsolete computers and on off-site resources. We would have limited ability to efficiently and effectively expand the use of modeling and simulation for subsequent design and test cost savings. Consequently, our ability to provide state-of-the-art modeling and simulations in would be jeopardized.											

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate				
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 9/RDT&E Network(Hardware)			D. Site Identification NSWC Carderock Div, Bethesda, MD				
		FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
ADP				1	1500	1500					
Narrative Justification:											
Description											
Purchase equipment to convert the existing legacy network to the RDT&E Network. The project will involve modernizing the legacy network infrastructure that has reached end-of-life for both Carderock and Philadelphia. Equipment to be purchased includes network switches, routers, firewalls, and network management systems and software. The RDT&E Network Infrastructure needs to be upgraded to be able to successfully model, replicate, and support the shipboard systems currently deployed in the Navy.											
Justification											
The purchase will provide replacement equipment to convert the existing legacy network to the RDT&E Network. Much of the existing legacy equipment will not be able to be transitioned to the soon to be established RDT&E Environment, because the network equipment has been in use for over 7 years and the Original Equipment Manufacturer (OEM) has begun to discontinue support. The proposed equipment will be able to support changing mission requirements, will be compatible with currently deployed shipboard systems, and have the flexibility to incorporate emergent technology and functionality for years to come.											
Currently Carderock and Philadelphia have network equipment that was procured from different manufacturers. An additional benefit of the proposed purchase will be that both sites will have equipment purchased from the same manufacturers that will facilitate cross-management of switches, routers, and firewalls. The result will be increased savings, increased security, and improved management of the RDT&E network.											
Impact											
The RDT&E Network will support Navy capabilities that require services that cannot run on the Navy Marine Corps Intranet (NMCI) network and which are crucial to NSWCCD's mission-funded work. The current RDT&E Network infrastructure has reached end-of-life in terms of hardware and software components. If the equipment is not upgraded, it will severely impact the effectiveness to support the fleet. Failure to fund this project will result in the failure of NSWCCD to continue to provide an RDT&E Network to support mission-funded applications that cannot run on the NMCI Network.											

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006	10/Miscellaneous (ADP < \$1000K; >= \$500K)()	NA		
	FY 2005	FY 2006	FY 2007	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	2225	2600	3139	
Expeditionary Warfare Systems Evaluator (Coastal Systems Station, Panama City)		950		
Theater Warfare Systems (NSWC Dahlgren)	901			
Data Transfer System (DTS) (NSWC Dam Neck)			887	
Regional Switching Center (NSWC Crane)	802			
Joint Fires Integration Lab (JFIL) (NSWC Dahlgren)		750		
Physics Based System (NSWC Dahlgren)			700	
Distributed Interoperability Arch. Testbed (NSWC Dahlgren)			642	
Test & Training Command & Control Center (Coastal Systems Station, Panama City)			640	
Secure Collaborative Engineering Connectivity (NSWC Port Hueneme, CA)		320	270	
Test Ship/SWEF Communications Equip/Sys (NSWC Port Hueneme)		580		
CSACT (Combat Systems Adv Concepts and Tech) Lab (NSWC Dahlgren)	522			

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate		
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006		C. Line# and Description 11/Miscellaneous (ADP < \$500K)()		D. Site Identification NA
		FY 2005	FY 2006	FY 2007
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		2819	3095	2326
Total number of projects = 30				

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate				
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 12/Advanced Content Management(Internally Developed)			D. Site Identification NSWC Port Hueneme, CA				
			FY 2005			FY 2006			FY 2007		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Software				1	1250	1250	1	1500	1500		
Narrative Justification:											
Description											
Provides the advanced corporate infrastructure necessary to fully manage data/information/knowledge. The FY 2006 project consists of: Web Services Management Infrastructure and the Corrective Data Feedback System which provides the control layer that defines and enforces consistent enterprise-wide infrastructure policies for Web services within an enterprise. The Infrastructure would allow for all web services developed by Port Hueneme Division to be published for consumption throughout the NAVSEA community. Corrective Data Feedback System would be an add-on to the Collaborative Engineering Environment and Engineering Data Collaborative Information System that would allow engineers and logisticians to provide corrective changes to particular data elements when necessary. The FY 2007 project consists of: Enterprise Business Objects Repository and Engineering Data Command Information System (EDCIS) Content Web Services which creates a library of common business objects for use in developing portlets for the enterprise portal. EDCIS Content Web Services provides a web services infrastructure to allow for the delivery of binary content from PHD content sources. This would leverage the existing EDCIS architecture, and allow for the aggregation of binary content, such as drawings, tech manuals, documents, and images with the extensive EDCIS library of relational data.											
Justification											
Fleet Readiness and Distance Support Grand Challenges, as well as Fleet support in general, require availability and access to critical technical and logistical facets of higher level In-Service Engineering Agent (ISEA) data and tools. This project enhances the ability to ensure that critical data is secure and accurate. It enhances the ability to manage the varied content that is required to support the warfighter. It fully supports our business plan of growth to higher level efforts without transferring cost to the fleet.											
Impact											
By exploiting emerging data management and integration technologies, improvements can be made in fleet support as well as product development decisions, thereby improving fleet readiness. Access and management of integrated data sources provides the best valued solution. It will provide the collaborative structure which will contribute to achieving planned savings.											

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate				
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 13/Standard Systems Software(Internally Developed)			D. Site Identification NSWC Arlington, VA				
			FY 2005			FY 2006			FY 2007		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Software				1	1300	1300	1	1300	1300		
Narrative Justification:											
Description											
Over the last several years, NSWC has emphasized standardization of business systems and consolidation of computer operations for these systems to reduce costly and specialized information technology (IT) management overhead and to implement documented aspects of Business Process Reengineering. Currently, we are working to comply with Navy mandated reduction of applications. Functional Area Managers (FAMs) are identifying best of breed applications and developing the Business Case Analysis to support the required migration.											
Justification											
As the Warfare Center continues to integrate DoD systems, Navy application singling-up tasks require migration and integration to best-selected applications. This singling-up will also drive development and implementation of standard business practices within the Warfare Centers. Technology enhancements are moving to Web enabled and electronic interfaces to immediately eliminate redundancy in application and functional processes both within NSWC and other DoD organizations.											
Impact											
The impact of reducing this CPP authority would be the inability to continue implementation of DoD and Navy standard systems in a common, integrated fashion. The ability of the Warfare Center to comply with the 95 percent application reduction would be impacted.											

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate					
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 14/Virtual ISE-Port Hueneme (Internally Developed)			D. Site Identification NSWC Port Hueneme, CA				
			FY 2005						FY 2007		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Software				1	750	750	1	1500	1500		

Narrative Justification:

Description

This is a joint Warfare Center Proposal from NAVSEA Port Hueneme (Lead), NAVSEA Keyport, and NAVSEA Crane (Total FY06 cost - \$2.75M, total FY07 cost - \$3.25M).
 To deploy an integrated, authoritative, and collaborative WEB enabled environment to enable enhanced fleet support efforts across the Warfare centers. Elements include:
 Distance Support Integration - Reach-back, knowledge aggregation/delivery
 Common ISEA Tools - Common data warehouse, agile sailor support, predictive analysis
 Advanced Logistics - Configuration management, supply support, maintenance planning

Justification

This project will directly support the transformation of the Warfare Centers to become a more agile support organization. By fully integrating authoritative data sources with collaborative tools, flexible display technologies, and robust content management we will be better able to support the Fleet's war fighters--from Force Level leadership, to the sailor on the deckplate -at any location and from any location. This evolution of Distance Support capability also enables us to be more proactive in developing life-cycle solutions by making the information required readily available at the workers desktop.

Impact

Using an Open Architecture framework and exploiting work done in data management and integration technologies, quantum improvements can be made in fleet support and engineering processes across the Warfare Centers, thereby improving fleet readiness. Access to authoritative, integrated data sources along with sharing best practices between work units provides the best valued solution. It will provide the collaborative structure which will contribute to achieving current/planned customer service levels.

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate					
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006				C. Line# and Description 17/Virtual ISE - Crane Division(Internally Developed)			D. Site Identification NSWC Crane Div, Crane, IN					
			FY 2005		FY 2006			FY 2007				
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Software					1	1000	1000					
Narrative Justification:												
Description												
This is a joint Warfare Center Proposal from NAVSEA Port Hueneme (Lead), NAVSEA Keyport, and NAVSEA Crane (Total FY06 cost- \$2.75M). To deploy an integrated, authoritative, and collaborative WEB enabled environment to enable enhanced fleet support efforts across the Warfare centers.												
Elements include: Shared WEB-based collaborative environment-integrated content management, search/display, and collaboration, distance support integration-reach back, knowledge aggregation/delivery, common ISEA tools-common data warehouse, agile sailor support, predictive analysis, advanced logistics-configuration management, supply support, maintenance planning.												
Justification												
This project will directly support the transformation of the Warfare Centers to become a more agile support organization. By fully integrating authoritative data sources with collaborative tools, flexible display technologies, and robust content management we will be better able to support the Fleet's war fighters--from Force Level Leadership, to the sailor on the deckplate--at any location and from any location. This evolution of Distance Support capability also enables us to be more proactive in developing life-cycle solutions by making the information required readily available at the workers desktop.												
Impact												
Using an Open Architecture framework and exploiting work done in data management and integration technologies, quantum improvements can be made in fleet support and engineering processes across the Warfare Centers, thereby improving fleet readiness. Access to authoritative, integrated data sources along with sharing best practices between work units provides the best valued solution. This project will provide the collaborative structure which will contribute to achieving current/planned customer service levels.												

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate		
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006		C. Line# and Description 18/Miscellaneous (Software < \$1000K; >= \$500K)()		D. Site Identification NA
		FY 2005	FY 2006	FY 2007
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		600	0	750
Virtual ISE II - Crane Division (NSWC Crane)				750
Facilities Automated Support Technologies (NSWC Carderock)		600		

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006	20/Miscellaneous (Minor Construction < \$1000K; >= \$500K)()	NA		
	FY 2005	FY 2006	FY 2007	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	5405	3411	2225	
Ship Systems Support Facility (NSWC Eng. Sta. Philadelphia, PA)	825			
Signature Trainer Development Facility (NSWC Carderock)	840			
Warfare Analysis Building (NSWC Dahlgren)	804			
Reconfigure Intersection (NSWC Crane)	712			
Nitramine Precipitation Facility (NSWC Indian Head)	750			
Integrated Landbased Test Facility (NSWC Dahlgren)			745	
Topside Integrated E3 Laboratory (NSWC Dahlgren)	744			
CHARADE RED Development Laboratory (NSWC Dahlgren)		740		
Damage Control Firefighting & Personal Prot. Fac. (Coastal Systems Station, Panama City)		740		
Expeditionary Mission Systems Intregation Facility (Coastal Systems Station, Panama City)			740	
Foreign Material Exploitation Facility (Coastal Systems Station, Panama City)			740	
Information Technology Space Conversion (NSWC Dahlgren)	730			
EEA Explosive Test Logistics Facility (NSWC Dahlgren)		654		
Nitramine Intermediates Tank Farm Facility (NSWC Indian Head)		650		
Counter Explosive Test Facility (CETFAC) (NSWC Dahlgren)		627		

Business Area Capital Investment Justification (\$ in Thousands)		A. Budget Submission: Fiscal Year (FY) 2007 Budget Estimate		
B. Component/Business Area/Date Department of Navy / Research & Development - Naval Surface Warfare Center / January 2006		C. Line# and Description 21/Miscellaneous (Minor Construction < \$500K)()		D. Site Identification NA
		FY 2005	FY 2006	FY 2007
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		2722	1860	2436
Total number of projects = 41				

Department of the Navy
Activity Group: Naval Surface Warfare Center
Title: FY 2007 President's Budget Submission
Date: January/2006
(\$ in Millions)

Line Item President's	Line Item President's	FY 2005 Project Title	FY 2006 President's	+/-	FY 2007 President's	Explanation
2	2	Agile Chemical Facility Equipment	2.000	0.630	2.630	Cost increase due to rising cost of steel and fuel costs.
6	5	Miscellaneous (Non ADP < \$1000K; >= \$500K)	3.360	-0.523	2.837	Reflects actual authority issued.
7	6	Miscellaneous (Non ADP < \$500K)	8.303	-0.041	8.262	Reflects actual authority issued.
Non ADP			13.663	0.066	13.729	
11	10	Miscellaneous (ADP < \$1000K; >= \$500K)	2.310	-0.085	2.225	Reflects actual authority issued.
12	11	Miscellaneous (ADP < \$500K)	3.428	-0.609	2.819	Reflects actual authority issued.
ADP			5.738	-0.694	5.044	
13	16	Standard Systems Software	2.322	-1.167	1.155	Reflects actual authority issued.
16	15	Advanced Collaboration Integration	1.450	-0.001	1.449	Reflects actual authority issued.
17	18	Miscellaneous (Software < \$1000K; >= \$500K)	0.600	0.000	0.600	
18	19	Miscellaneous (Software < \$500K)	0.525	0.001	0.526	Reflects actual authority issued.
Software			4.897	-1.167	3.730	
19	20	Miscellaneous (Minor Construction < \$1000K; >= \$500K)	5.625	-0.220	5.405	Reflects actual authority issued.
20	21	Miscellaneous (Minor Construction < \$500K)	2.692	0.030	2.722	Reflects actual authority issued and repriorization of projects and realignment of funds to the highest priority requirements.
Minor Construction			8.317	-0.190	8.127	
Grand Total			32.615	-1.985	30.630	

Department of the Navy
Activity Group: Naval Surface Warfare Center
Title: Fiscal Year (FY) 2007 Budget Estimates
Date: February 2006
(\$ in Millions)

Line Item President's	Line Item FMB	FY 2006 Project Title	FY 2006 President's	+/-	FY 2007 FMB	Explanation
3	3	Audio/Visual Equipment and Integration - Unclass	1.739	0.000	1.739	
5	4	Nitramine Intermediates Drying Equipment	1.050	0.000	1.050	
6	5	Miscellaneous (Non ADP < \$1000K; >= \$500K)	5.395	0.495	5.890	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
7	6	Miscellaneous (Non ADP < \$500K)	7.627	0.421	8.048	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
Non ADP			15.811	0.916	16.727	
0	9	RDT&E Network	0.000	1.500	1.500	
9	0	Residual Network	1.200	-1.200	0.000	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
10	0	Expeditionary Warfare Systems Evaluator	1.100	-1.100	0.000	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
11	10	Miscellaneous (ADP < \$1000K; >= \$500K)	1.650	0.950	2.600	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
12	11	Miscellaneous (ADP < \$500K)	3.249	-0.154	3.095	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
ADP			7.199	-0.004	7.195	
13	12	Standard Systems Software	1.300	0.000	1.300	
14	13	Advanced Content Management	1.250	0.000	1.250	
15	14	Virtual ISE	0.750	0.000	0.750	
0	16	Virtual ISE - Crane Division	0.000	1.000	1.000	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
17	17	Miscellaneous (Software < \$1000K; >= \$500K)	0.581	-0.581	0.000	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
Software			3.881	0.419	4.300	
19	20	Miscellaneous (Minor Construction < \$1000K; >= \$500K)	4.240	-0.144	4.096	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
20	21	Miscellaneous (Minor Construction < \$500K)	2.362	-1.187	1.175	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
Minor Construction			6.602	-1.331	5.271	
Grand Total			33.493	0.000	33.493	

Department of the Navy
Activity Group: Naval Surface Warfare Center
Title: FY 2007 Budget Estimates
Date: June/2005
(\$ in Millions)

Line Item President's	Line Item FMB	FY 2007 Project Title	FY 2006 President's	+/-	FY 2007 FMB	Explanation
1	1	High Voltage High Frequency RF Test Station	3.200	0.000	3.200	
4	0	Integrated Electric Design	1.500	-1.500	0.000	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
6	5	Miscellaneous (Non ADP < \$1000K; >= \$500K)	4.506	-1.768	2.738	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
7	6	Miscellaneous (Non ADP < \$500K)	6.963	0.737	7.700	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
Non ADP			16.169	-2.531	13.638	
0	7	Business System Cluster Replacement	0.000	3.200	3.200	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
8	8	High Speed Computing System	1.500	0.000	1.500	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
11	10	Miscellaneous (ADP < \$1000K; >= \$500K)	4.379	-1.240	3.139	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
12	11	Miscellaneous (ADP < \$500K)	2.526	-0.200	2.326	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
ADP			8.405	1.760	10.165	
13	12	Standard Systems Software	1.300	0.000	1.300	
14	13	Advanced Content Management	1.500	0.000	1.500	
15	14	Virtual ISE	1.500	0.000	1.500	
17	17	Miscellaneous (Software < \$1000K; >= \$500K)	0.000	0.750	0.750	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
Software			4.300	0.750	5.050	
19	20	Miscellaneous (Minor Construction < \$1000K; >= \$500K)	3.225	-0.002	3.223	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
20	21	Miscellaneous (Minor Construction < \$500K)	1.415	0.023	1.438	Reflects repriorization of projects and realignment of funds to the highest priority requirements.
Minor Construction			4.640	0.021	4.661	
Grand Total			33.514	0.000	33.514	

Naval Undersea Warfare Center

**Department of the Navy
Navy Working Capital Fund
Fiscal Year (FY) 2007 Budget Estimates
Research and Development
Naval Undersea Warfare Center
February 2006**

A. MISSION STATEMENT

The mission of the Naval Undersea Warfare Center (NUWC) is to operate the Navy's full spectrum research, development, test and evaluation, engineering and fleet support center for submarines, autonomous underwater systems and offensive and defensive weapon systems associated with Undersea Warfare.

B. ACTIVITY GROUP COMPOSITION

The Naval Undersea Warfare Center was established in January 1992, and is composed of two divisions, located in Newport, RI and Keyport, WA, and several detachments. The NUWC Headquarters organization is located at Newport RI.

C. BUDGET HIGHLIGHTS

(\$ In millions)

Summary	FY 2005	FY 2006	FY 2007
New Orders	\$1,059.6	\$951.8	\$903.9
Revenue	\$1,042.4	\$993.1	\$969.5
Cost of Goods/ Services	\$1,045.6	\$996.4	\$967.7
Operating Results	(\$-3.2)	(\$-3.3)	\$1.8
Accumulated Operating Results	\$1.5	(\$-1.8)	\$0.0
Civilian End Strength	4,058	4,005	3,839
Civilian Workyears (Straight time)	4,122	4,045	3,777
Military End Strength	40	46	44
Military Workyears	31	35	33
Capital Program	\$13.1	\$16.3	\$17.7

**Department of the Navy
Navy Working Capital Fund
Fiscal Year (FY) 2007 Budget Estimates
Research and Development
Naval Undersea Warfare Center
February 2006**

1. Management Statement

The Center's FY 2005 reimbursable funding levels were \$111.7M higher than those reflected in the FY 2006 President's budget. For FY 2006 and FY 2007 we have provided our best estimate of our customers' workload. NUWC exceeded the FY 2006 President's Budget Net Operating Results (NOR) for FY 2005 of -\$4.1 million by \$.9 million.

NUWC met its budgeted Strategic Sourcing and other savings targets in FY 2005. Our current budget submission reflects savings for LEAN initiatives in all years and Intelligent Target savings in FY 2006.

NUWC has implemented a Lean plan that includes industry recognized best practices of Lean Six Sigma, and Theory of Constraints, and prioritized applications of these methodologies to the right value streams to achieve maximum business results. NUWC is fully integrating these Lean principles into its business strategy and establishing a culture of continuous improvement that improves value to our customers and maximizes their return on investment.

The initiative identifies and implements functional changes in processes to reduce waste/redundancies and increase productivity/efficiency and has resulted in fewer projected direct labor hours, thereby significantly reducing revenue in FY 2006 and FY 2007. This approach to realizing savings is different from most in that the customers benefit from a reduction in the number of direct labor hours being used (and billed) to accomplish the required tasks rather than giving customers a lower hourly rate.

2. Workload

(\$ In millions)

Workload	FY 2005	FY 2006	FY 2007
New Orders	\$1,059.6	\$951.8	\$903.9

The Center's budget reflects our best estimate of customer funding.

**Department of the Navy
Navy Working Capital Fund
Fiscal Year (FY) 2007 Budget Estimates
Research and Development
Naval Undersea Warfare Center
February 2006**

3. Financial Profile

(\$ In millions)

	FY 2005	FY 2006	FY 2007
Revenue	\$1,042.4	\$993.1	\$969.5
Cost of Goods/Services	\$1,045.6	\$996.4	\$967.7
Operating Results	(\$-3.2)	(\$-3.3)	\$1.8
Accumulated Operating Results	\$1.5	(\$-1.8)	\$0.0

Revenue and Cost of Goods/Services

FY 2005 revenue and expense was above the FY 2006 President's budget estimate to reflect updated customer workload information which have resulted in increased new orders. The estimates for FY 2006 and FY 2007 have decreased slightly from the FY 2006 President's Budget estimates to reflect the implementation of LEAN. These events will reduce our cost to the customer by \$12 million in FY 2006 and \$32 million in FY 2007 when compared to the FY 2006 President's Budget.

Operating Results

As noted above, NUWC exceeded its FY 2006 President's Budget NOR by \$0.9 million. Our FY 2006 and FY 2007 NOR estimates will result in an Accumulated Operating Results of \$0.0 million by FY 2007.

4. Overhead

(\$ In millions)

	FY 2005	FY 2006	FY 2007
Overhead Cost	\$154.7	\$147.2	\$145.2

NUWC overhead expenditures are decreasing due to efficiencies in overhead functions.

**Department of the Navy
Navy Working Capital Fund
Fiscal Year (FY) 2007 Budget Estimates
Research and Development
Naval Undersea Warfare Center
February 2006**

5. **Manpower**

Manpower	FY 2005	FY 2006	FY 2007
Civilian End Strength	4,058	4,005	3,839
Civilian Workyears (Straight time)	4,122	4,045	3,777
Military End Strength	40	46	44
Military Workyears	31	35	33

Civilian End Strength/Workyears

NUWC's end strength numbers have been set to meet our budgeted workload and are consistent with the Warfare Center initiatives. Through our LEAN initiatives there will be no loss of productivity to our customers. We will be able to accomplish our mission with fewer resources. Our budget includes a small number of SIPs each year of the budget period to facilitate efforts to balance workforce to workload.

Military End Strength/Workyears

Military workyears will remain stable over the budget period.

**Department of the Navy
Navy Working Capital Fund
Fiscal Year (FY) 2007 Budget Estimates
Research and Development
Naval Undersea Warfare Center
February 2006**

6. Capital Investment Program (CIP)

(\$ In millions)

CIP	FY 2005	FY 2006	FY 2007
Equipment	\$ 4.3	\$4.8	\$6.4
ADP	\$ 5.9	\$7.0	\$6.5
Minor Construction	\$ 1.1	\$ 2.2	\$ 1.2
Software Dev	\$1.8	\$2.3	\$3.6
Total CIP	\$13.1	\$16.3	\$17.7

NUWC's CIP is used to purchase general purpose mission essential equipment. This submission reflects a downward trend from the level approved in the FY 2006 President's budget. NUWC's CIP authority is funded below the projected level of depreciation in each year.

7. Stabilized Rates

	FY 2005	FY 2006	FY 2007
Stabilized Rate	\$85.98	\$87.37	\$94.77
Billing Rate Change %	+4.0%	+1.6%	+8.5%
Composite Customer Rate Change	+2.7%	+1.8%	+5.2%

Stabilized Rate

The Center's FY 2007 stabilized billing rate will increase by 8.5 percent over the FY 2006 rate. This increase is the result of increased labor pricing, inflation and the lowering of direct labor hours because of LEAN initiatives. The composite customer rate change for FY 2007 is 5.2 percent.

**Department of the Navy
Navy Working Capital Fund
Fiscal Year (FY) 2007 Budget Estimates
Research and Development
Naval Undersea Warfare Center
February 2006**

8. Unit Cost

Unit Cost	FY 2005	FY 2006	FY 2007
Stabilized Cost (\$M)	\$487.7	\$481.7	\$469.8
Direct Labor Hours (000)	5,698.1	5,456.3	5,089.3
Unit Cost	\$85.60	\$88.28	\$92.30

Unit Cost

Direct labor hours are reducing because of LEAN initiatives in each year. The increase in direct labor cost and the reduction in direct labor hours impact the Center's unit cost trend over the budget period.

9. Cash

(\$ In millions)

Net Outlays	FY 2005	FY 2006	FY 2007
Collections	\$1,048.1	\$991.8	\$969.2
Disbursements	\$1,017.1	\$997.0	\$973.9
Net Outlays	-\$31.0	\$5.2	\$4.7

Net Outlays

Disbursements and Collections will remain fairly even over the budget years.

10. Performance Indicators

NUWC's outputs are scientific and engineering designs, developments, tests, evaluations, analyses, and fleet support in NUWC's assigned mission areas. The primary performance indicators are Direct Labor Hours, Unit Cost, and Net and Accumulated Operating Results, which are found in various tables throughout the preceding narrative.

NAVY WORKING CAPITAL FUND
REVENUE and EXPENSES
RESEARCH AND DEVELOPMENT/NJMC
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
FEBRUARY 2006
AMOUNT IN MILLIONS

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
Revenue:			
Gross Sales			
Operations	1,021.9	972.9	949.7
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	20.5	20.2	19.8
Other Income			
Total Income	1,042.4	993.1	969.5
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	2.2	2.0	2.3
Civilian Personnel	435.7	441.9	424.6
Travel and Transportation of Personnel	26.9	23.7	24.0
Material & Supplies (Internal Operations	79.6	83.4	83.6
Equipment	14.9	14.2	14.5
Other Purchases from NMCF	48.0	47.7	48.5
Transportation of Things	2.2	1.1	1.1
Depreciation - Capital	20.5	20.2	19.8
Printing and Reproduction	1.6	1.2	1.2
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	15.3	17.9	19.1
Other Purchased Services	380.7	342.9	328.8
Total Expenses	1,027.5	996.3	967.6
Work in Process Adjustment	18.7	.1	.1
Comp Work for Activity Reten Adjustment	-.6	.0	.0
Cost of Goods Sold	1,045.6	996.4	967.7
Operating Result	-3.2	-3.3	1.8
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/ACR	.0	.0	.0
Other Changes Affecting NOR/ACR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-3.2	-3.3	1.8
Other Changes Affecting ACR	-.1	.0	.0
Accumulated Operating Result	1.5	-1.8	.0

Exhibit Fund-14

NAVY WORKING CAPITAL FUND
SOURCE of REVENUE
RESEARCH AND DEVELOPMENT/NUWC
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
FEBRUARY 2006
AMOUNT IN MILLIONS

	FY 2005 CON	FY 2006 CON	FY 2007 CON
	-----	-----	-----
1. New Orders	1,060	952	904
a. Orders from DoD Components	918	813	771
Department of the Navy	895	801	759
O & M, Navy	226	173	162
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	20	17	16
Weapons Procurement, Navy	82	81	78
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	71	65	62
Other Procurement, Navy	214	196	187
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	281	268	254
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	2	1	1
Army Operation & Maintenance	0	0	0
Army Res, Dev, Test, Eval	2	1	1
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	3	2	2
Air Force Operation & Maintenance	0	0	0
Air Force Res, Dev, Test, Eval	1	1	1
Air Force Procurement	1	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	18	9	9
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	0	0	0
Res, Dev, Test & Eval Accounts	17	9	9
Procurement Accounts	1	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	81	76	73
c. Total DoD	998	889	843
d. Other Orders	61	63	61
Other Federal Agencies	1	1	1
Foreign Military Sales	16	28	27
Non Federal Agencies	44	34	32
2. Carry-In Orders	427	444	403
3. Total Gross Orders	1,487	1,396	1,307
a. Funded Carry-Over before Exclusions	444	403	337
b. Total Gross Sales	1,042	993	969
4. End of Year Work-In-Process (-)	-13	-13	-13
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-74	-42	-49
6. Net Funded Carryover	358	348	276

Note: Line 4 (End of Year Work-In-Process)
Is adjusted for Non-DoD, BRAC & FMS
and Institutional MRTFB

Fiscal Year (FY) 2007 Budget Estimates
 NAVY WORKING CAPITAL FUND
 RESEARCH & DEVELOPMENT
 NAVAL UNDERSEA WARFARE CENTER
 February 2006
 CHANGES IN THE COSTS OF OPERATION
 (DOLLARS IN MILLIONS)

	<u>TOTAL EXPENSES</u>
FY 2005 Actual	1,027.5
FY 2006 President's Budget	1,011.9
Price Adjustments	
FY 2006 Pay Raise	
Civilian Personnel	2.4
Military Personnel	0.0
Annualization of FY 2005 pay raise	
Civilian Personnel	0.0
Military Personnel	0.0
Supply Management - fuel	1.2
Supply Management - non-fuel	0.0
NWCF price changes	0.3
General purchase inflation	2.6
Productivity Initiatives	-6.5
Program Changes	
Workload	-14.0
Other (specify):	
Other Changes	
SIP/VERA/RIF	0.0
SIP Incentive/Retirement Offset	0.0
FECA	-0.1
Change in Paid Days	0.0
Military	0.0
Depreciation	-1.5
Contracts	0.0
Materials	0.0
Other	0.0
FY 2006 Current Estimate	996.3

Fiscal Year (FY) 2007 Budget Estimates
 NAVY WORKING CAPITAL FUND
 RESEARCH & DEVELOPMENT
 NAVAL UNDERSEA WARFARE CENTER
 February 2006
 CHANGES IN THE COSTS OF OPERATION
 (DOLLARS IN MILLIONS)

	<u>TOTAL EXPENSES</u>
FY 2006 Current Estimate	996.3
Price Adjustments	
FY 2007 Pay Raise	
Civilian Personnel	6.2
Military Personnel	0.0
Annualization of FY 2006 pay raise	
Civilian Personnel	2.7
Military Personnel	0.0
Supply Management - fuel	-0.2
Supply Management - non-fuel	0.1
NWCF price changes	1.0
General purchase inflation	7.3
Productivity Initiatives	
Savings from CPP	-2.2
Other	-3.3
Intelligent Target Savings	0.0
Program Changes	
Workload	-40.1
Other (specify)	0.0
Other Changes	
SIP/VERA/RIF	0.0
SIP Incentive/Retirement Offset	0.0
FECA	0.0
Change in Paid Days	0.0
Military	0.1
Depreciation	-0.4
Contracts	0.0
Materials	0.0
Other	0.0
FY 2007 Current Estimate	967.6

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
Fiscal Year (FY) 2007 Budget Estimates
February 2006
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY05		FY06		FY07	
		QUANT	TOTAL COST				
	1. Non ADP Equipment						
	a. Productivity Non-ADP Equip (Major)						
	Productivity Non-ADP Equip (Major) (\$500K - \$999K)	2	.973	2	1.260	5	4.010
	Productivity Non-ADP Equipment (Minor)	10	3.286	5	1.557	5	1.565
	b. Replacement Equip (Major)						
	Replacement Non-ADP Equip (Major) (\$500K - \$999K)						
	Replacement Non ADP Equipment (Minor)			6	1.461	1	.415
	c. Environmental Equip (Major)						
	Environmental Non-ADP Equip (Major) (\$500K - \$999K)						
	Environmental Non ADP Equipment (Minor)			1	.160		
	d. New Mission Equip (Major)						
	New Mission Non-ADP Equip (Major) (\$500K - \$999K)						
	New Mission Non ADP Equipment (Minor)			1	.350	1	.420
	Total Non ADP Equipment	12	4.259	15	4.788	12	6.410

EXHIBIT 9A

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
Fiscal Year (FY) 2007 Budget Estimates
February 2006
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY05		FY06		FY07	
		QUANT	TOTAL COST				
	2. ADP & Telecommunications Equipment						
	a. ADP Computer & Telecom Support Equip (Major)						
L270	Scientific Computational Resources Upgrade			1	1.034	1	1.265
L271	NW T&E Efficiency Thru Seamless WC Operations			1	1.200		
L272	Forward Deployable Networked Equip for USW Collaborative TT&E			1	1.200	1	1.600
	ADP Computer & Telecom Support Equip (Major) (\$500K - 999K)	4	2.347			3	1.595
	ADP Computer & Telecomm Support Equipment (Minor)	11	3.630	12	3.578	6	2.035
	Total ADP & Telecommunication Equipment	15	5.977	15	7.012	11	6.495
	3. Software						
L274	NW T&E Efficiency Thru Seamless WC Operations					1	1.500
	a. Software (Major) (\$500K - \$999K)			2	1.450	2	1.650
	b. Software (Minor)	5	1.779	2	.890	2	.450
	Total Software	5	1.779	4	2.340	5	3.600
	Minor Construction						
	Minor Construction (Major) (\$500K - \$999K)				.500		.700
	Minor Construction (Minor)		1.062		1.679		.530
	Total Minor Construction		1.062		2.179		1.230
	Grand Total Capital Purchase Program		13.077		16.319		17.735

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center - Newport Division
Fiscal Year (FY) 2007 Budget Estimates
February 2006
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY05		FY06		FY07	
		QUANT	TOTAL COST	QUANT	TOTAL COST	QUANT	TOTAL COST
	1. Non ADP Equipment						
	a. Productivity (Major)						
	Productivity Non-ADP (Major) (\$500K - \$999K)	2	.973	2	1.260	4	3.320
	Productivity Non ADP Equipment (Minor)	6	1.896	3	1.172	3	.935
	b. Replacement (Major)						
	Replacement Non-ADP (Major) (\$500K - \$999K)						
	Replacement Non ADP Equipment (Minor)			5	1.321		
	c. Environmental (Major)						
	Environmental Non-ADP (Major) (\$500K - \$999K)						
	Environmental Non ADP Equipment (Minor)						
	d. New Mission (Major)						
	New Mission Non-ADP (Major) (\$500K - \$999K)						
	New Mission Non ADP Equipment (Minor)			1	.350	1	.420
	Total Non ADP Equipment	8	2.869	11	4.103	8	4.675

EXHIBIT 9A

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center - Newport Division
Fiscal Year (FY) 2007 Budget Estimates
February 2006
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY05		FY06		FY07	
		QUANT	TOTAL COST	QUANT	TOTAL COST	QUANT	TOTAL COST
L270	2. ADP & Telecommunications Equipment						
	ADP & Telecommunications Equipment (Major)						
	Scientific Computational Resources Upgrade			1	1.034	1	1.265
	ADP & Telecommunications Equipment (Major) (\$500K - \$999K)	3	1.482			2	1.095
	ADP & Telecommunications Equipment (Minor)	5	1.512	12	3.578	6	2.035
	Total ADP & Telecommunication Equipment	8	2.994	13	4.612	9	4.395
	3. Software						
	a. Software (Major) (\$500K - \$999K)					1	.750
	b. Software (Minor)			2	.890	1	.250
	Total Software			2	.890	1	1.000
	4. Minor Construction						
	Minor Construction (Major) (\$500K - \$999K)						.700
Minor Construction (Minor)		.802		.779		.230	
Total Minor Construction		.802		.779		.930	
Grand Total Capital Purchase Program			6.665		10.384		11.000

EXHIBIT 9A

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center - Keyport Division
Fiscal Year (FY) 2007 Budget Estimates
February 2006
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY05		FY06		FY07	
		QUANT	TOTAL COST	QUANT	TOTAL COST	QUANT	TOTAL COST
	1. Non ADP Equipment						
	a. Productivity (Major)						
	Productivity Non-ADP (Major) (\$500K - \$999K)					1	.690
	Productivity Non ADP Equipment (Minor)	4	1.390	2	.385	2	.630
	b. Replacement (Major)						
	Replacement Non-ADP (Major) (\$500K - \$999K)						
	Replacement Non ADP Equipment (Minor)			1	.140	1	.415
	c. Environmental (Major)						
	Environmental Non-ADP (Major) (\$500K - \$999K)						
	Environmental Non ADP Equipment (Minor)			1	.160		
	d. New Mission (Major)						
	New Mission Non-ADP (Major) (\$500K - \$999K)						
	New Mission Non ADP Equipment (Minor)						
	Total Non ADP Equipment	4	1.390	4	.685	4	1.735

EXHIBIT 9A

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center - Keyport Division
Fiscal Year (FY) 2007 Budget Estimates
February 2006
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY05		FY06		FY07	
		QUANT	TOTAL COST	QUANT	TOTAL COST	QUANT	TOTAL COST
	2. ADP & Telecommunications Equipment						
	ADP & Telecommunications Equipment (Major)						
L271	NW T&E Efficiency Thru Seamless WC Operations			1	1.200		
L272	Forward Deployable Networked Equip for USW Collaborative TT&E			1	1.200	1	1.600
	ADP & Telecommunications Equipment (Major) (\$500K - \$999K)	1	.865			1	.500
	ADP & Telecommunications Equipment (Minor)	6	2.118				
	Total ADP & Telecommunication Equipment	7	2.983	2	2.400	2	2.100
	3. Software						
L274	NW T&E Efficiency Thru Seamless WC Operations					1	1.500
	a. Software (Major) (\$500K - \$999K)			2	1.450	1	.900
	b. Software (Minor)	5	1.779			1	.200
	Total Software	5	1.779	2	1.450	2	2.600
	4. Minor Construction						
	Minor Construction						
	Minor Construction (Major) (\$500K - 999K)				.500		
	Minor Construction (Minor)		.260		.900		.300
	Total Minor Construction		.260		1.400		.300
	Grand Total Capital Purchase Program		6.412		5.935		6.735

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description N/A Productivity Non ADP Equip (Major) Projects (\$500K - \$999K)			D. Activity Identification NUWC			
			FY 2005		FY 2006			FY 2007	
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	Productivity Non ADP Major (500K – 999K)	2		973	2		1,260	5	
Narrative Justification:									
		Location	FY05	FY06	FY07				
Littoral USW Testbed		Newport	870						
Testing Facility Upgrades		Newport	103		865				
USW Autonomous System Testbed		Newport		660	925				
Common USW Sonar for Software Reuse		Newport		600					
Autonomous UUV Testbed		Newport			785				
Undersea Transducer Materials Lab		Newport			745				
Advanced Rapid Prototype System		Keyport			690				

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>N/A</u> Productivity Non ADP Equipment (Minor)			D. Activity Identification NUWC			
			FY 2005		FY 2006		FY 2007		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	Productivity Non ADP Minor	10		3,286	5		1,557	5	
Narrative Justification: Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006		C. Line No. & Item Description <u>N/A</u> Replacement Non ADP Equipment (Minor) Projects				D. Activity Identification NUWC			
		FY 2005		FY 2006			FY 2007		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	Replacement Non ADP Minor				6		1,461	1	
Narrative Justification:									
Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>N/A</u> Environmental Non ADP Equipment (Minor)			D. Activity Identification NUWC			
			FY 2005		FY 2006		FY 2007		
ELEMENTS OF COST									
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Environmental Non ADP Minor				1		160			
<p>Narrative Justification:</p> <p>Projects Between \$0K - \$499K</p>									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>N/A</u> New Mission Non ADP Equipment (Minor)			D. Activity Identification NUWC			
			FY 2005		FY 2006		FY 2007		
ELEMENTS OF COST									
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
New Mission Non ADP Minor				1		350	1		420
Narrative Justification:									
Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>L270</u> Scientific Computational Resources Upgrade			D. Activity Identification NUWC			
			FY 2005		FY 2006			FY 2007	
ELEMENTS OF COST									
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Scientific Computational Resources Upgrade				1		1,034	1		1,265
Narrative Justification:									
<p>In order to provide the necessary scientific computer resources at the Naval Undersea Warfare Center, Division Newport, adequate systems must be acquired to meet the Research, Development, Test and Evaluation (RDT&E) needs. The Scientific Computational Resources Upgrade project enhances existing scientific computational engines or replaces systems that are no longer cost effective to operate. This project provides the visualization engines and repositories of DoD high performance computer systems for engineers and scientists to develop innovative undersea warfare solutions. These computational engines are a key component and requirement for many of the existing and proposed projects to be fully functional. Replacement of the obsolete computer equipment and the addition of these visualization engines will provide Division Newport with more reliable and more cost effective resources which will ensure that the technical areas have the capabilities they need to meet their requirements. Increased reliability will reduce maintenance costs, increase overall efficiency, and enhance compatibility internally and externally to the Division.</p> <p>If this equipment is not acquired, NUWC can expect to incur loss of personnel productivity, decreased customer satisfaction, rapidly escalating maintenance costs, reduced services to the technical community, and technical obsolescence. Consequently, NUWC will be unable to provide the necessary corporate computer resources necessary to meet the current and future computational and display requirements of the RDT&E and business populations.</p>									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates					
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>L271</u> NW T&E Efficiency thru Seamless Warfare Center Operations			D. Activity Identification NUWC					
			FY 2005		FY 2006			FY 2007			
ELEMENTS OF COST			Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
NW T&E Efficiency thru Seamless Warfare Center Operations						1		1,200			
<p>Narrative Justification:</p> <p>To develop cross-center collaboration to more efficiently support Northwest platform and weapons signature measurements and associated operations. This is a joint Warfare Center proposal from NSWC Carderock and NUWC Keyport and addresses the CNO guidance to streamline our testing and evaluation processes through collaborative efforts among Navy and contractor entities. The CPP Investment is in common Data Acquisition Systems, and Analysis tools to enable Analysts to move between organizations, analyzing tests utilizing common systems, tools, skills, and training.</p>											

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates					
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>L272</u> Forward Deployable Networked Equipment For USW Collaborative TT&E			D. Activity Identification NUWC					
			FY 2005		FY 2006			FY 2007			
ELEMENTS OF COST			Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Forward Deployable Networked Equipment For USW Collaborative TT&E						1		1,200	1		1,600
Narrative Justification:											
<p>Current support philosophy for the WESTPAC/Guam operational area is for a limited on-site infrastructure footprint with on-call technical support from CONUS. Test and Evaluation (T&E) events include the use of limited T&E systems that can support in-situ event and are fairly costly to accomplish and requires a large contingent of technical support personnel. Corrective maintenance actions beyond the limited on-site support personnel are typically flown in-theater which incurs delays and TDY costs. This is a joint Warfare Center proposal from NAVSEA Keyport (lead), NAVSEA Newport, NAVSEA Port Hueneme, and NAVSEA Carderock to improve the WESTPAC/Guam and Hawaii in-situ readiness support capabilities for Air, Surface, Submarine, and US Allies. This proposal complements the joint Warfare Center Virtual ISE concept which will provide a collaborative in-service engineering environment enabling distribution and analysis of the USW T&E data set. The following capabilities are critical to realizing this objective:</p> <ul style="list-style-type: none"> - Reconfigure existing portable and fixed T&E and Maintenance systems to enable cost effective CONUS type support for the FDNF - Implement technologies and reach-back capability that enables forward deployed technical resources to be more effective and efficient 											

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006		C. Line No. & Item Description N/A ADP & Telecommunications Equip (Major) Projects (\$500K - \$999K)				D. Activity Identification NUWC			
		FY 2005		FY 2006			FY 2007		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	ADP Projects Major (\$500K - \$999K)	4		2,347				3	
Narrative Justification:									
			Location	FY05	FY06	FY07			
			USW Testbed for Decision Support	Newport	650				
			Undersea Warfare Modeling & Simulation Support	Newport	101				
			Common Product Development	Newport	731				
			Network Telecommunications Upgrades	Keyport	865				
			NW T&E Efficiency Thru Seamless WC Operations	Keyport		500			
			Undersea Network Testbed	Newport		520			
			Virtual Battlespace Testbed	Newport		575			

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006		C. Line No. & Item Description <u>N/A</u> ADP & Telecommunications Equip (Minor)				D. Activity Identification NUWC			
		FY 2005		FY 2006			FY 2007		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	ADP & Telecommunications Equip (Minor)	11		3,630	12		3,578	6	
Narrative Justification: Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates				
B. Component/Business Area/Date DON/R&D/NUWC/February 2006		C. Line No. & Item Description L274 Software (Major) (> \$999K) NW T&E Efficiency Thru Seamless WC Operations				D. Activity Identification NUWC				
		FY 2005		FY 2006			FY 2007			
ELEMENTS OF COST		Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
NW T&E Efficiency Thru Seamless WC Operations								1		1,500
<p>Narrative Justification:</p> <p>To develop cross-center collaboration to more efficiently support Northwest platform and weapons signature measurements and associated operations. This is a collaborative Warfare Center proposal from NSWC Carderock and NUWC Keyport and addresses the CNO guidance to streamline our testing and evaluation processes through collaborative efforts among Navy and contractor entities. The CPP Investment is in common Data Analysis tools to enable Analysts to move between organizations, analyzing tests utilizing common systems, tools, skills, and training.</p>										

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates					
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>N/A</u> Software (Major) Projects (\$500K - \$999K)			D. Activity Identification NUWC					
			FY 2005		FY 2006			FY 2007			
ELEMENTS OF COST			Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Software (Major)						2		1,450	2		1,650
Narrative Justification:											

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)							A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates				
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>N/A</u> Software (Minor)				D. Activity Identification NUWC				
			FY 2005			FY 2006			FY 2007		
ELEMENTS OF COST			Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Software (Minor)			5		1,779	2		890	2		450
<p>Narrative Justification:</p> <p>Projects less than \$500K</p>											

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006		C. Line No. & Item Description <u>N/A</u> Minor Construction (Major) Projects (\$500K - \$999K)				D. Activity Identification NUWC			
		FY 2005		FY 2006			FY 2007		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	Minor Construction (Major)						500		
Narrative Justification:									
				<u>Location</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>		
Building514 HVAC Upgrade (Environmental)				Keyport		500			
AT/FP (Productivity)				Newport			700		

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>N/A</u> Minor Construction			D. Activity Identification NUWC			
			FY 2005		FY 2006			FY 2007	
ELEMENTS OF COST									
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Minor Construction			1,062			1,679			530
Narrative Justification:									
<u>FY05</u>			Location	FY05	FY06	FY07			
Code 24 Fac Alteration @ Pearl Harbor (Productivity)			Keyport	260					
B119 Modernization (Productivity)			Newport	347					
Quality of Life Infrastructure Improvements (Productivity)			Newport	455					
<u>FY06</u>									
Fire Sprinkler System – Bldg 82 (Environmental)			Keyport		200				
Laser Technology & Rapid Prototyping Facility (Productivity)			Keyport		300				
Building 1003U Alterations (Productivity)			Keyport		400				
USV Building 119 Modifications (Productivity)			Newport		135				
Vehicle Evaluation Facility (Productivity)			Newport		170				
Americans w/Disabilities Act (ADA) Compliance (Productivity)			Newport		224				
UFAS Compliance Bldg 679 (Replacement)			Newport		250				
<u>FY07</u>									
Fire Sprinkler System – Bldg 260 (Environmental)			Keyport			300			
Mission Requirements Modern (Productivity)			Newport			230			

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission Fiscal Year (FY) 2007 Budget Estimates			
B. Component/Business Area/Date DON/R&D/NUWC/February 2006			C. Line No. & Item Description <u>N/A</u>			D. Activity Identification NUWC			
	FY 2005			FY 2006			FY 2007		
ELEMENTS OF COST									
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Narrative Justification:									

Working Capital Fund Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
Fiscal Year (FY) 2007 Budget Estimates - February 2006
FY 2006
(\$ in Millions)

<u>Item #</u>	<u>Approved Project</u>	<u>Original Request</u>	<u>Change</u>	<u>Revised Request</u>	<u>Explanation</u>
ADP and TELCOM					
L270	Scientific Computational Resources Upgrade	1.284	-.250	1.034	Change in scope
L271	NW T&E Efficiency Thru Seamless WC Operations	1.200	.000	1.200	
L272	Forward Deployable Networked Equip for USW Collabor.	1.400	-.200	1.200	\$150K Required in FY07 instead of FY06 & \$50K cancelled
L273	Custom Engineering Solutions Initiative	1.150	-1.150	.000	Requirements re-evaluated as NADP Minor and Minor Construction discrete projects.
	ADP and TELCOM Major (\$500K - \$999K)	3.339	-3.339	.000	Projects development require Software category instead of ADPE; Change in scope reduced project from Major to Minor
	ADP and TELCOM Minor	2.157	1.421	3.578	Change in scope reduced project from Major to Minor
	ADP and TELCOM Subtotal	10.530	-3.518	7.012	

Working Capital Fund Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
Fiscal Year (FY) 2007 Budget Estimates - February 2006
FY 2006
(\$ in Millions)

<u>Approved Project</u>	<u>Original Request</u>	<u>Change</u>	<u>Revised Request</u>	<u>Explanation</u>
Item # Non-ADP Equipment				
Non-ADP Equipment Major (\$500K - \$999K)	2.405	-1.145	1.260	Revised cost on 3 projects. One project reduced from Major to Minor
Misc Non-ADP Equipment Minor	2.200	1.328	3.528	NADP components of L273 for productivity equipment added, replacement equipment required, AT/FP requirement to be met with equipment instead of minor construction; Project canceled; One project added due to reduction in cost from Major to Minor
Non-ADP Equipment Subtotal	4.605	0.183	4.788	

Working Capital Fund Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
Fiscal Year (FY) 2007 Budget Estimates - February 2006
FY 2006
(\$ in Millions)

<u>Approved Project</u>	<u>Original Request</u>	<u>Change</u>	<u>Revised Request</u>	<u>Explanation</u>
Item # Software				
				Projects requirements as software revised from ADPE category; Project cost reduced resulting in change from Major to Minor
Software Major (\$500K - \$999K)	.725	.725	1.450	
Software Minor	.000	.890	.890	Projects moved from ADP to Software
Software Subtotal	.725	1.615	2.340	
Item # Minor Construction				
Minor Construction Major (\$500K - \$999K)	.565	-.065	.500	Reduced scope
Minor Construction Minor	2.225	-.546	1.679	Modernization projects reprioritized, construction portion of L273 added, & Life/Safety projects revised for overall \$790K reduction
Minor Construction Subtotal	2.790	-.611	2.179	
Total NUWC FY06	18.650	-2.331	16.319	

Spawar Systems Center

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
FEBRUARY 2006**

**ACTIVITY GROUP: RESEARCH AND DEVELOPMENT
SUB-ACTIVITY GROUP: SPAWAR SYSTEMS CENTERS**

Activity Group Function:

The Space and Naval Warfare Systems Centers (SSC's) bring knowledge superiority to the warfighter. Their mission is to be the Navy's full spectrum research, development, test and evaluation, engineering, and fleet support centers for command, control, and communication systems, and ocean surveillance, and the integration of those systems which overarch multiplatforms. The Space and Naval Warfare Systems Command is the primary ForceNet systems command and the SSC's are SPAWAR's principal technical agent.

The SSC's are the C4ISR provider of choice for hundreds of customers throughout Navy and DoD, and play an increasing role in the support of related technologies for Homeland Security, the Federal Bureau of Investigation, Department of State, and other federal agencies. As such, the SSC's must maintain innovative scientific and technical expertise, facilities, and the understanding of defense requirements to ensure that the Navy can develop, acquire, and maintain the systems needed to meet customer requirements at an acceptable price. The SSC's provide cradle-to-grave products and services, including:

- Warfare systems analysis.
- Plan and conduct of effective technology programs.
- Cost conscious systems engineering and technical support to program managers in all phases of systems development and acquisition.
- Test and evaluation support including RDT&E and measurement facilities.
- Technical input to the development of operational tactics.
- Electronics material support (technical and management) for systems and equipment.

- Specialized technical support to the Fleet for quick-reaction requirements.

Activity Group Composition:

The SSC's are Echelon III activities under the Space and Naval Warfare Systems Command. As such, they are the principal technical agents for the C4ISR programs for which SPAWAR has acquisition responsibility. This organizational structure facilitates the entire cycle of systems engineering from research and development through waterfront support. SSC San Diego has its headquarters in San Diego, CA, with detachments in Philadelphia, Pearl Harbor, Guam, and Japan. SSC Charleston has its headquarters in Charleston, SC, with detachments in Norfolk, Washington DC, Pensacola, and Jacksonville.

Significant Changes since FY 2006 President's Budget:

There have been no significant changes in the activity group function or composition since the FY 2006 President's Budget.

Workload:

<u>Reimbursable Orders (\$M)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
FY 2006 President's Budget	\$2,072.5	\$2,228.4	\$2,125.6
FY 2007 Budget Estimates	\$2,209.3	\$2,112.8	\$2,115.1

Reimbursable Orders

The SSC's current new orders estimates have been balanced to appropriated customer accounts.

<u>Direct Labor Hours (000)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
FY 2007 Budget Estimates	7,752	7,635	7,542

Direct Labor Hours

Direct labor hours remain stable over the budget period and reflect the SSCs efforts to establish the correct balance of organic to contractor expertise to execut e

the mission. Increases over FY 2006 President's Budget levels reflect the impact of actual execution in FY 2005 and revised estimates in FY 2006 and FY 2007.

Financial Profile:

Revenue/Expense/Operating Results

<u>(SM)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	\$2,210.3	\$2,143.5	\$2,128.9
Cost of Good and Services	\$2,209.1	\$2,153.2	\$2,135.6
Operating Results	\$1.2	-\$9.7	-\$6.8
Other Changes Affecting AOR	\$0.7	\$0.0	\$0.0
Accumulated Operating Results (AOR)	\$16.5	\$6.8	\$0.0

Revenue and Cost of Goods and Services

Changes from year to year are primarily the result of updated new orders estimates and pricing adjustments.

Operating Results

The estimated cumulative gain in operating results since the FY 2006 President's Budget is primarily due to a projected increase in direct labor hours in all years.

Performance Indicators:

The SSC's outputs are scientific and engineering designs, developments, tests, evaluations, analyses, installations, and fleet support for systems in the SSC's mission areas. The measure for these outputs is the direct labor hour worked for a customer. Customers are charged a predetermined stabilized billing rate per direct employee hour worked. The rate includes the salary and benefits costs of the performing employee (direct labor costs) and a share of the overhead costs of the SSC's, both general and administrative support and the unique production overhead costs of the performing employee's cost center. Non-labor, non-overhead costs, such as customer required material and equipment purchases, travel expenses, and contractual services, are charged to the customer on an actual cost reimbursable basis, and are excluded from the SSC's stabilized pricing structure. The SSC's use total stabilized cost per direct labor hour as their

performance criterion. The composite stabilized rate and the average total stabilized cost per direct labor hour for the SSC's are discussed below.

<u>Stabilized / Composite Rate Changes</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Stabilized Rate	\$83.26	\$85.23	\$90.51
Change from Prior Year		2.37%	6.20%
Composite Rate Change		2.10%	3.48%

<u>Unit Cost</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Total Stabilized Cost (\$M)	\$664.2	\$664.7	\$685.9
Workload (DLHs)	7,752	7,635	7,542
Unit Cost (per DLH)	\$85.67	\$87.06	\$90.94

Staffing:

<u>Civilian / Military End Strength & Workyears</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian End Strength	6,083	6,077	6,084
Civilian Workyears	5,952	5,964	5,970
Military End Strength	85	94	90
Military Workyears	81	75	74

Civilian Personnel

Civilian staffing levels are consistent and stable across the fiscal years. There are no significant changes since the FY 2006 President's Budget.

Military Personnel

FY 2005 military end strength is the actual on-board as of fiscal year-end, whereas FY 2006 and FY 2007 end strength figures reflect projected numbers of billets. Military workyears are budgeted based on average fill rate.

Capital Purchase Program (CPP) Budget Authority:

<u>Capital Purchase Program (\$M)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equipment, Non-ADPE/Telecommunications	\$0.319	\$0.609	\$0.476
Equipment, ADPE/Telecommunications	\$4.030	\$1.691	\$1.440
Software	\$1.294	\$0.500	\$0.500
Minor Construction	\$3.495	\$6.679	\$7.617
Total	\$9.138	\$9.479	\$10.033

The SSC's modest investment in capital assets will acquire affordable and technically efficient capabilities to support customer requirements.

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT / SPAWAR SYSTEMS CENTERS
REVENUE and EXPENSES
AMOUNT IN MILLIONS
FEBRUARY 2006

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
Revenue:			
Gross Sales			
Operations	2,202.1	2,133.5	2,118.8
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	8.2	10.0	10.0
Other Income			
Total Income	2,210.3	2,143.5	2,128.9
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	6.1	5.7	6.0
Civilian Personnel	612.9	638.9	648.0
Travel and Transportation of Personnel	39.2	43.7	44.8
Material & Supplies (Internal Operations)	242.0	273.0	278.8
Equipment	91.5	94.1	95.4
Other Purchases from NWC	49.4	49.8	50.0
Transportation of Things	5.9	6.4	6.6
Depreciation - Capital	8.2	10.0	10.0
Printing and Reproduction	.3	.6	.6
Advisory and Assistance Services	.8	1.5	1.5
Rent, Communication & Utilities	23.9	23.3	23.8
Other Purchased Services	1,132.7	1,008.3	972.5
Total Expenses	2,212.9	2,155.2	2,138.1
Work in Process Adjustment	-3.8	-1.8	-2.4
Comp Work for Activity Retention Adjustment	.0	-.2	-.1
Cost of Goods Sold	2,209.1	2,153.2	2,135.6
Operating Result	1.2	-9.7	-6.8
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/ACR	.0	.0	.0
Other Changes Affecting NOR/ACR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	1.2	-9.7	-6.8
Other Changes Affecting ACR	.7	.0	.0
Accumulated Operating Result	16.5	6.8	.0

Exhibit Fund-14 Revenue and Expenses

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
DEPARTMENT OF THE NAVY / NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT / SPAWAR SYSTEMS CENTERS
SOURCE OF REVENUE
AMOUNT IN MILLIONS
FEBRUARY 2006

	FY 2005 CCN -----	FY 2006 CCN -----	FY 2007 CCN -----
1. New Orders	2,209	2,113	2,115
a. Orders from DoD Components	1,783	1,685	1,687
Department of the Navy	1,310	1,144	1,140
O & M, Navy	395	294	298
O & M, Marine Corps	9	10	9
O & M, Navy Reserve	6	6	6
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	5	4	4
Weapons Procurement, Navy	3	2	2
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	78	52	49
Other Procurement, Navy	506	550	544
Procurement, Marine Corps	15	16	14
Family Housing, Navy/MC	1	0	0
Research, Dev., Test, & Eval., Navy	287	211	214
Military Construction, Navy	1	0	0
Other Navy Appropriations	4	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	57	72	78
Army Operation & Maintenance	21	36	40
Army Res, Dev, Test, Eval	22	32	33
Army Procurement	11	5	5
Army Other	3	0	0
Department of the Air Force	63	61	62
Air Force Operation & Maintenance	27	31	32
Air Force Res, Dev, Test, Eval	23	16	16
Air Force Procurement	12	14	15
Air Force Other	0	0	0
DOD Appropriation Accounts	353	408	406
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	61	77	77
Res, Dev, Test & Eval Accounts	211	254	255
Procurement Accounts	48	42	41
Defense Emergency Relief Fund	0	0	0
DOD Other	33	34	33
b. Orders from other WCF Activity Groups	95	97	95
c. Total DoD	1,878	1,783	1,782
d. Other Orders	331	330	333
Other Federal Agencies	281	269	273
Foreign Military Sales	41	55	54
Non Federal Agencies	10	7	7
2. Carry-In Orders	1,101	1,100	1,069
3. Total Gross Orders	3,310	3,213	3,184
a. Funded Carry-Over before Exclusions	1,100	1,069	1,055
b. Total Gross Sales	2,210	2,144	2,129
4. End of Year Work-In-Process (-)	-58	-59	-62
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-281	-311	-292
6. Net Funded Carryover	761	699	701

Note: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, BRAC & FMS and Industrial MRIFB

Exhibit Fund-11 Sources of Revenue

**CHANGES IN THE COST OF OPERATIONS
 COMPONENT: DEPARTMENT OF THE NAVY
 ACTIVITY GROUP: RESEARCH AND DEVELOPMENT
 SUB-ACTIVITY GROUP: SPAWAR/SPAWAR SYSTEMS CENTERS (SSC'S)
 FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
 FEBRUARY 2006
 (Dollars in Millions)**

	<u>Expenses</u>
FY 2005 Actuals	2,212.9
FY 2006 Estimate in the FY 2006 President's Budget:	2,277.3
<u>Estimated Impact in FY 2006 of Actual FY 2005 Experience:</u>	
Impact of beginning FY 2006 with greater On Board Civilian Personnel than were included in the FY 2006 President's Budget	0.8
<u>Price Changes</u>	
Change in FY 2006 Pay Raise Assumptions	3.5
Change in FY 2006 Fuel Price Assumptions	0.1
Change in FY 2006 General Inflation Assumptions	6.9
<u>Productivity Initiatives and Other Efficiencies:</u>	
Change in Capital Purchases Program savings	1.4
<u>Program Changes:</u>	
Change in direct labor hours	11.2
Change in reimbursable workload	-149.0
Change in Sustainment, Restoration and Modernization	2.5
Change in FECA	0.2
<u>Other Changes:</u>	
Depreciation	0.5
Payments to DFAS	-0.2
FY 2006 Current Estimate	2,155.2

**CHANGES IN THE COST OF OPERATIONS
 COMPONENT: DEPARTMENT OF THE NAVY
 ACTIVITY GROUP: RESEARCH AND DEVELOPMENT
 SUB-ACTIVITY GROUP: SPAWAR/SPAWAR SYSTEMS CENTERS (SSC'S)
 FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
 FEBRUARY 2006
 (Dollars in Millions)**

	<u>Expenses</u>
FY 2006 Current Estimate	2,155.2
<u>Price Changes:</u>	
Annualization of Prior Year Pay Raises	5.3
FY 2007 Pay Raise	
Civilian Personnel	10.3
Military Personnel	0.1
Working Capital Fund Price Changes	1.4
General Purchase Inflation	30.8
<u>Productivity Initiatives and Other Efficiencies:</u>	
Strategic Sourcing Savings increase	-1.4
Capital Purchases Program savings increase	-1.3
<u>Program Changes:</u>	
Direct labor hours	-9.4
Reimbursable workload	-57.6
Navy ERP implementation	6.7
Sustainment, Restoration and Modernization	-2.7
Payments to DFAS	0.7
FY 2007 Current Estimate	2,138.1

Activity Group Capital Investment Summary							
Department of the Navy							
SPAWAR System Centers / Research and Development							
Fiscal Year (FY) 2007 Budget Estimates							
February 2006							
Dollars in Millions							
Line #	Item Description	FY 2005		FY 2006		FY 2007	
		Quant	Total Cost	Quant	Total Cost	Quant	Total Cost
	1. Non-ADP Equipment		0.319		0.609		0.476
L0001	(a) \$500K to \$999K		0.000		0.000		0.000
L0002	(b) \$100K to \$499K		0.319		0.609		0.476
	2. ADPE and telecommunications resources		4.030		1.691		1.440
L0003	(a) \$500K to \$999K		3.239		0.500		0.750
L0004	(b) \$100K to \$499K		0.791		1.191		0.690
	3. Software Development (>=\$.100M and < \$0.750M)		1.294		0.500		0.500
L0008	(a) Miscellaneous		0.444		0.000		0.000
L0005	(b) Enterprise Resource Planning (ERP) San Diego		0.850		0.500		0.500
	4. Minor Construction (>= \$.100M and < \$.750M)		3.495		6.679		7.617
L0006	(a) \$500K to \$750K		3.018		4.494		6.696
L0007	(b) \$100K to \$499K		0.477		2.185		0.921
	Grand Total		9.138		9.479		10.033
	Total Capital Outlays		9.439		9.890		9.142
	Total Depecciation Expense		8.189		10.000		10.033

Exhibit Fund-9A Capital Investment Summary

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)			A. FISCAL YEAR (FY) 2007 BUDGET ESTIMATES FEBRUARY 2006								
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)			C. L0002 - Miscellaneous Non-ADP Equipment >\$100 and <\$500				D. SSC's				
			FY 2005			FY 2006		FY 2007			
Element of Cost			Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Equipment			1	319	319	2	305	609	2	238	476
TOTAL			1	319	319	2	305	609	2	238	476
Justification:											
The items scheduled for purchase are the minimum necessary to meet daily R&D mission operating requirements, to effectively manage R&D resources, and to respond to customer needs.											
Equipment items are used at the SPAWAR System Centers (SSCs) to:											
- expand the mobile facilities to meet current and projected growth in the C4ISR Engineering Acquisition and Integration program											
- provide filtering of commercial power during normal operations, conduct load switching/balancing, and provide battery power backup during loss of commercial line power.											
Non-ADP Equipment items include the following											
FY 2005	San Diego	Emergency Generator System for Building 40						\$319K			
FY 2006	Charleston	Navy Yard Bldg 196 Emergency Power 500kVA									
		Uninterruptible Power Supply (UPS)						\$300K			
FY 2006	San Diego	Emergency Generator System						\$309K			
FY 2007	Charleston	Rubb Building (C4ISR Engineering Acquisition & Integration Facility)						\$350K			
FY 2007	Charleston	Pensacola Bldg Emergency Power 500kVA									
		Uninterruptible Power Supply (UPS)						\$126K			

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FISCAL YEAR (FY) 2007 BUDGET ESTIMATES FEBRUARY 2006					
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)		C. L0003 - Miscellaneous ADP Equipment >\$500 and <\$1,000			D. SSC's				
Element of Cost	FY 2005			FY 2006			FY 2007		
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Equipment	6	540	3,239	1	500	500	1	750	750
TOTAL	6	540	3,239	1	500	500	1	750	750
Justification: This investment provides the largest impact to the greatest number of people and projects supported by the SPAWAR Systems Centers (SSC's). At the core of all the highly technical and sophisticated research and development (R&D) conducted at the SSC's are equally technical and sophisticated computer systems. The SSC's make use of a wide variety of computers to accomplish the objectives of the R&D projects, to ensure the security of those projects, and to coordinate work within the claimancy, with sponsors, and with the fleet. The uniqueness and complexity of these projects requires equally unique and complex ADP support. In some cases, upgrades are required because manufacturers will not support obsolete operating systems/equipment. The items scheduled for purchase are the minimum necessary to meet daily R&D mission operating requirements, effectively manage R&D resources, and meet customers' C4ISR R&D requirements. This category provides the SSC's the means to procure ADP items used for multiple projects. ADP Equipment items include the following:									
FY 2005 Charleston	Test Lab for Science & Technology (S&T) Network					\$506K			
FY 2005 Charleston	Task Force Web Compliance Effort w/Storage Area Network Softwark/Hardware (SANS) Storage Hardware					\$534K			
FY 2005 San Diego	Network Upgrade (Mandated Security Enhancements)					\$500K			
FY 2005 San Diego	Network Upgraded to Internet Protocol Version 6					\$500K			
FY 2005 San Diego	Upgrade Security (Central Computing Station/Intrusion Detection System)					\$500K			
FY 2005 San Diego	Upgrade Security (Access Control System)					\$699K			
FY 2006 San Diego	Network Upgrade					\$500K			
FY 2007 Charleston	Document Imaging Systems Replacement					\$750K			

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)			A. FISCAL YEAR (FY) 2007 BUDGET ESTIMATES FEBRUARY 2006																													
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)			C. L0004 - Miscellaneous ADP Equipment >\$100 and <\$500				D. SSC's																									
			FY 2005			FY 2006		FY 2007																								
Element of Cost			Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost																					
Equipment			2	396	791	3	397	1,191	2	345	690																					
TOTAL			2	396	791	3	397	1,191	2	345	690																					
Justification: <p>The SSC's make use of a wide variety of computer equipment to accomplish the objectives of their R&D projects and to ensure the security of those projects. In some cases, upgrades are required because manufacturers will not support obsolete systems/equipment. The items scheduled for purchase are the minimum necessary to meet daily R&D mission operating requirements, effectively manage R&D resources, and meet customers' C4ISR R&D requirements.</p> <p>ADP Equipment items costing less than \$500K include the following:</p> <table> <tr> <td>FY 2005 San Diego</td> <td>Database Engine Upgrade</td> <td>\$450K</td> </tr> <tr> <td>FY 2005 San Diego</td> <td>Global Information Grid (GIG) IC Switch</td> <td>\$341K</td> </tr> <tr> <td>FY 2006 Charleston</td> <td>Network Centric/ForceNet Development & Certification Environment</td> <td>\$491K</td> </tr> <tr> <td>FY 2006 San Diego</td> <td>Database Engine Upgrade</td> <td>\$450K</td> </tr> <tr> <td>FY 2006 San Diego</td> <td>Integrated Library System (ILS)</td> <td>\$250K</td> </tr> <tr> <td>FY 2007 San Diego</td> <td>Database Engine Upgrade</td> <td>\$450K</td> </tr> <tr> <td>FY 2007 San Diego</td> <td>Access Control & Intrusion Detection System (Guam)</td> <td>\$240K</td> </tr> </table>												FY 2005 San Diego	Database Engine Upgrade	\$450K	FY 2005 San Diego	Global Information Grid (GIG) IC Switch	\$341K	FY 2006 Charleston	Network Centric/ForceNet Development & Certification Environment	\$491K	FY 2006 San Diego	Database Engine Upgrade	\$450K	FY 2006 San Diego	Integrated Library System (ILS)	\$250K	FY 2007 San Diego	Database Engine Upgrade	\$450K	FY 2007 San Diego	Access Control & Intrusion Detection System (Guam)	\$240K
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ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)			A. FISCAL YEAR (FY) 2007 BUDGET ESTIMATES FEBRUARY 2006				
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)		C. L0005 - ERP Systems Software Development			D. SSC's		
Element of Cost	FY 2005			FY 2006		FY 2007	
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Total Cost
Equipment							
Installation							
Testing							
Design	1	850	850	1	500	500	500
TOTAL	1	850	850	1	500	500	500
Justification:							
Required follow-on work for Project Cabrillo will be accomplished as follows:							
FY 2005: Develop archiving capability in SAP, which is the book of record.							
FY 2006: Develop new interfaces for existing legacy applications not supported by Navy Enterprise Resource Planning (N-ERP).							
FY 2007: Develop new interfaces for remaining legacy applications not supported by Navy Enterprise Resource Planning (N-ERP).							

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FISCAL YEAR (FY) 2007 BUDGET ESTIMATES FEBRUARY 2006											
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)				C. L0006 - Miscellaneous Minor Construction >\$500 and <\$750			D. SSC's								
				FY 2005			FY 2006			FY 2007					
Element of Cost				Quant		Unit Cost	Total Cost	Quant		Unit Cost	Total Cost	Quant		Unit Cost	Total Cost
Design															
Construction				5		604	3,018	6		749	4,494	9		744	6,696
Site Preparation															
TOTAL				5		604	3,018	6		749	4,494	9		744	6,696
Justification:															
<p>Minor Construction is used by the SPAWAR System Centers (SSC's) to replace obsolete facilities, provide greater security, and increase productivity.</p> <p>Minor construction is used at the SSC's to:</p> <ul style="list-style-type: none"> - modify existing spaces and construct new facilities to provide suitable space to test and design new equipment (often in a protected environment) for the forces afloat. - improve existing security measures and provide increased security through new initiatives. - reduce operating expense by building or improving government owned space so that leased space and high maintenance spaces may be vacated and energy conservation can be achieved. - modify existing spaces to bring facilities up to current building, safety and environmental code. <p>FY2005 Charleston Engineering Support Facility \$649K FY2005 San Diego Crash Resistant Barriers \$500K FY2005 San Diego OTI Environmental Controls \$499K FY2005 San Diego 2nd Story Building 624 Seaside \$621K FY2005 San Diego Electromagnetics & Advanced Technical Division Bldg in Model Range \$749K</p> <p>FY2006 Charleston SATCOM Facility \$749K FY2006 Charleston Electronic & Communications Integration Facility \$749K FY2006 San Diego Code 270 ISR Laboratory \$749K FY2006 San Diego Sand Clemente Island Dive Locker Complex \$749K FY2006 San Diego Marine Mammal Surgical Center \$749K FY2006 San Diego Trailer Replacement (Seaside) \$749K</p> <p>FY2007 Charleston Communication Security Material System/Special Security Office \$749K FY2007 San Diego Hydraulic Vehicle Barriers - OTC Gate \$704K FY2007 San Diego Renovate Building 513 Mt Soledad \$749K FY2007 San Diego T1/T2 Trailer Replacement \$749K FY2007 San Diego Trailer Replacement (Tidepools) \$749K FY2007 San Diego Robotics Test Facility \$749K FY2007 San Diego GIS Facility in Model Range \$749K FY2007 San Diego San Clemente Island T&E Facility Replacement \$749K FY2007 San Diego Replace Building 204 \$749K</p>															

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FISCAL YEAR (FY) 2007 BUDGET ESTIMATES FEBRUARY 2006																																																					
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)				C. L0007 - Miscellaneous Minor Construction >\$100 and <\$500			D. SSC's																																																		
Element of Cost	FY 2005			FY 2006			FY 2007																																																		
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost																																																
Design Construction Site Preparation	3	159	477	6	364	2,185	3	307	921																																																
TOTAL	3	159	477	6	364	2,185	3	307	921																																																
Justification: Minor Construction is used by the SPAWAR System Centers (SSC's) to replace obsolete facilities, provide greater security, and increase productivity. The centers are located throughout the nation with millions of square feet of laboratory and office space. Minor construction is used at the SSC's to: <ul style="list-style-type: none"> - modify existing spaces and construct new facilities to provide suitable space to test and design new equipment (often in a protected environment) for the forces afloat - modify existing spaces and construct new facilities to provide suitable space to provide the highest quality of humane care and maintenance of the marine mammals assigned to the US Navy - improve existing security measures and provide increased security through new initiatives <table> <tr> <td>FY 2005</td> <td>Charleston</td> <td>Marine Corps Command & Control Parking Apron</td> <td>\$100K</td> </tr> <tr> <td>FY 2005</td> <td>San Diego</td> <td>Water Supply to Seaside Area</td> <td>\$268K</td> </tr> <tr> <td>FY 2005</td> <td>San Diego</td> <td>Fencing & Lighting of Tidepool Compound</td> <td>\$109K</td> </tr> <tr> <td>FY 2006</td> <td>Charleston</td> <td>Code 80 Bldg V53 Modification</td> <td>\$420K</td> </tr> <tr> <td>FY 2006</td> <td>San Diego</td> <td>CPF Facility Expansion</td> <td>\$375K</td> </tr> <tr> <td>FY 2006</td> <td>San Diego</td> <td>TransDEC Support Facility Replacement</td> <td>\$353K</td> </tr> <tr> <td>FY 2006</td> <td>San Diego</td> <td>Hydraulic Vehicle Barriers - Woodward Road Gate</td> <td>\$347K</td> </tr> <tr> <td>FY 2006</td> <td>San Diego</td> <td>Fencing/Clear Zone Improvements, Seaside</td> <td>\$279K</td> </tr> <tr> <td>FY 2006</td> <td>San Diego</td> <td>Building 85 Additions & Improvements</td> <td>\$411K</td> </tr> <tr> <td>FY 2007</td> <td>San Diego</td> <td>Security Upgrade OTC Layout Area</td> <td>\$308K</td> </tr> <tr> <td>FY 2007</td> <td>San Diego</td> <td>Fencing/Clear Zone Improvements, Model Range</td> <td>\$300K</td> </tr> <tr> <td>FY 2007</td> <td>San Diego</td> <td>Perimeter Fence/Gate for Mt Soledad</td> <td>\$313K</td> </tr> </table>										FY 2005	Charleston	Marine Corps Command & Control Parking Apron	\$100K	FY 2005	San Diego	Water Supply to Seaside Area	\$268K	FY 2005	San Diego	Fencing & Lighting of Tidepool Compound	\$109K	FY 2006	Charleston	Code 80 Bldg V53 Modification	\$420K	FY 2006	San Diego	CPF Facility Expansion	\$375K	FY 2006	San Diego	TransDEC Support Facility Replacement	\$353K	FY 2006	San Diego	Hydraulic Vehicle Barriers - Woodward Road Gate	\$347K	FY 2006	San Diego	Fencing/Clear Zone Improvements, Seaside	\$279K	FY 2006	San Diego	Building 85 Additions & Improvements	\$411K	FY 2007	San Diego	Security Upgrade OTC Layout Area	\$308K	FY 2007	San Diego	Fencing/Clear Zone Improvements, Model Range	\$300K	FY 2007	San Diego	Perimeter Fence/Gate for Mt Soledad	\$313K
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DEPARTMENT OF THE NAVY
CAPITAL BUDGET EXECUTION
 COMPONENT: DEPARTMENT OF THE NAVY
 ACTIVITY GROUP: RESEARCH & DEVELOPMENT / SPAWAR SYSTEMS CENTERS
 FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
 FEBRUARY 2006
 (Dollars in Millions)

<u>FY 2006</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
Equip. (Non-ADPE)	0.126	0.000	0.126	0.609	0.483	
Equip. (ADPE)	1.691	0.000	1.691	1.691	0.000	
Software Development	0.500	0.000	0.500	0.500	0.000	
Minor Construction	6.988	0.000	6.988	6.679	(0.309)	
Total FY06	9.305	0.000	9.305	9.479	0.174	
Non-ADP Equipment	0.126	0.000	0.126	0.609	0.483	Emergent requirements for emergency power supply equipment and generator system.
ADPE and telecommunications resources	1.691	0.000	1.691	1.691	0.000	
Software Development >= \$.100M	0.500	0.000	0.500	0.500	0.000	
Minor Construction (>= \$.100M and < \$.750M)	6.988	0.000	6.988	6.679	(0.309)	Projects deferred to satisfy higher priority emergent requirements.

Naval Research Laboratory

NAVY WORKING CAPITAL FUND NARRATIVE
DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT/NAVAL RESEARCH LABORATORY
Fiscal Year (FY) 2007 BUDGET ESTIMATE
February 2006

Activity Group Function

The Naval Research Laboratory (NRL) operates as the Navy's full-spectrum corporate laboratory, conducting a broadly based multidisciplinary program of scientific research and advanced technological development directed toward maritime applications of new and improved materials, techniques, equipment, systems and ocean, atmospheric, and space sciences and related technologies. In fulfillment of this mission, NRL:

- a. Initiates and conducts broad scientific research of a basic and long-range nature in scientific areas of interest to the Navy.
- b. Conducts exploratory and advanced technological development deriving from or appropriate to the scientific program areas.
- c. Within areas of technological expertise, develops prototype systems applicable to specific projects.
- d. Assumes responsibility as the Navy's principal R&D activity in areas of unique professional competence upon designation from appropriate Navy or DoD authority.
- e. Performs scientific research and development for other Navy activities and, where specifically qualified, for other agencies of the Department of Defense and, in defense-related efforts, for other Government agencies.
- f. Serves as the lead Navy activity for space technology and space systems development and support.
- g. Serves as the lead Navy activity for mapping, charting, and geodesy (MC&G) research and development for the National Imagery and Mapping Agency.

NRL, the Navy's single, integrated corporate laboratory, provides the Navy with a broad foundation of in-house expertise from scientific through advanced development activity. Specific leadership responsibilities are assigned in the following areas:

- a. Primary in-house research in the physical, engineering, space, and environmental sciences.
- b. Broadly based exploratory and advanced development program in response to identified and anticipated Navy and Marine Corps needs.
- c. Broad multidisciplinary support to the Naval Warfare Centers.
- d. Space and space systems technology development and support.

Activity Group Composition

In addition to its Washington, D.C. campus of about 131 acres and 85 main buildings, NRL maintains 14 other research sites, including a vessel for fire research and a Flight Squadron. The many diverse scientific and technological research and support facilities include the large facility located at the Stennis Space Center in Bay St. Louis, Mississippi; a facility at the Naval Support Activity, Monterey Bay in Monterey, California; the Chesapeake Bay Detachment in Maryland; and additional sites located in Maryland, Virginia, Alabama, and Florida.

The Scientific Development Squadron One (VXS-1), located aboard the Patuxent River Naval Air Station in Lexington Park, Maryland, operates and maintains five uniquely configured P-3 Orion turboprop aircraft as airborne research platforms for worldwide scientific research operations.

The Chesapeake Bay Detachment occupies a 168-acre site near Chesapeake Beach, Maryland, and provides facilities and support services for research in radar, electronic warfare, optical devices, materials, communications, and fire research. Because of its location high above the Chesapeake Bay on the western shore, unique experiments can be performed in conjunction with the Tilghman Island site 16 km across the bay.

The NRL Stennis Space Center (NRL-SSC) is a tenant activity at NASA's Stennis Space Center. Other Navy tenants at the Stennis Space Center include the Naval Meteorology and Oceanography Command and the Naval Oceanographic Office, who are major operational users of the oceanographic and atmospheric research and development performed by the NRL. This unique concentration of operational and research oceanographies makes NRL-SSC the center of naval oceanography and the largest such grouping in the Western world.

The Marine Meteorology Division at Monterey, California, a tenant activity of the Naval Support Activity, Monterey Bay, is collocated with the Fleet Numerical Meteorology and Oceanography Center to support development of numerical atmospheric prediction systems and related user products. This collocation allows easy access to a large vector classified supercomputer mainframe, providing real time as well as archived global atmospheric and oceanographic databases for research at Monterey and at other NRL locations.

	(Dollars in Millions)		
<u>Accumulated Operating Results</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue	582.9	625.2	633.3
Cost of Goods Sold	<u>590.8</u>	<u>627.1</u>	<u>638.2</u>
Net Operating Results	-7.9	-1.9	-4.9
Capital Investment Program Surcharges	-2.3	-1.8	-1.3
Extraordinary Expense	5.2	0.0	0.0
Other Adjustments Affecting AOR	3.7	0.0	0.0
Previous Year AOR Balance	<u>11.1</u>	<u>9.9</u>	<u>6.2</u>
Accumulated Operating Results	<u>9.9</u>	<u>6.2</u>	<u>0.0</u>

In FY 2005 Supplemental Appropriations in the amount of \$3.7 million were received to address the impact of Hurricane Katrina. The favorable Accumulated Operating Results (AOR) reflects additional economies and efficiencies effected throughout NRL. The FY 2007 rate is established to achieve an end-of-year AOR of zero.

(Dollars in Millions)

Funding	FY 2005	FY 2006	FY 2007
Reimbursable Orders	593.0	617.4	620.5

Major NRL customers include the Office of Naval Research, the Naval Sea Systems Command, the Naval Air Systems Command, the Space and Naval Warfare Systems Command, the Defense Advanced Research Projects Agency, Naval Warfare Centers, the Army, the Air Force, other Navy and Department of Defense customers, the Department of Energy, and the National Aeronautics and Space Administration.

(Dollars in Millions)

Cost	FY 2005	FY 2006	FY 2007
Direct Costs	455.5	489.3	497.9
Indirect Costs	<u>135.6</u>	<u>137.7</u>	<u>140.3</u>
Total Costs	<u>591.1</u>	<u>627.0</u>	<u>638.2</u>

(Dollars in Millions)

Capital Investment Program (CIP)	FY 2005	FY 2006	FY 2007
Equipment-Non ADPE/TELECOM	12.3	13.1	11.5
ADPE/Telecommunications/Equipment/ Software	2.3	2.2	3.8
Software Development	0.0	0.0	0.0
Minor Construction	<u>1.8</u>	<u>2.0</u>	<u>2.0</u>
TOTAL	<u>16.4</u>	<u>17.3</u>	<u>17.3</u>

This CIP plan provides a modest investment level that allows NRL to acquire needed technology to maintain a state-of-the-art facility to fulfill science and technology mission areas supporting the DoN, DoD, and related customer programs.

Civilian Personnel	FY 2005	FY 2006	FY 2007
FTE	2,437	2,455	2,411
End-Strength	2,517	2,556	2,512

Civilian strength levels, measured by both end strength and full-time equivalents (FTE), reflect a steady workforce.

Military Personnel

Military personnel levels will remain constant at 14 officers and 68 enlisted, a total of 82.

<u>Workload, Direct Labor Hours</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Current Submission	2,976,756	3,011,408	2,959,328

A conservative and steady workforce profile is projected for FY 2005 through FY 2007 given the relatively consistent customer funding plans.

<u>Customer Rate Changes</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Stabilized Customer Rate	\$105.41	\$110.48	\$117.08
Stabilized Rate Change		+ 4.81%	+5.97%
Composite Customer Rate Change		+3.40%	+4.12%

The Stabilized Customer Billing Rate consists of direct labor and applied overhead. Unique direct non-labor costs are billed on a reimbursable basis to the benefiting/requiring customer. The Composite Customer Rate Change incorporates both the stabilized costs and the reimbursable costs. The FY 2007 rate change reflects an increase from the previous year mostly due to inflation.

<u>Unit Cost</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	
Current Submission		\$111.15	\$112.80	\$116.39

The Unit Cost is a measurement of total direct labor and overhead costs per direct labor hour. The change in unit cost for FY 2005 through FY 2007 primarily reflects increases for annual inflation/price changes from year to year and increases in depreciation.

(Dollars in Millions)

<u>Cash Position</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Collections	\$585.8	\$624.4	\$633.1
Disbursements	<u>\$594.3</u>	<u>\$627.6</u>	<u>\$638.5</u>
Net Outlays	<u>\$8.5</u>	<u>\$3.2</u>	<u>\$5.4</u>

NRL's Collections and Disbursements remain fairly stable over the budget years, with Net Outlays primarily caused by budgeted negative NOR. In addition to the collections, shown above for FY 2005 \$3.7 million in supplemental appropriations was provided for Hurricane Katrina costs.

NAVY WORKING CAPITAL FUND
REVENUE and EXPENSES
RESEARCH AND DEVELOPMENT/NRL
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
February 2006
(\$ MILLIONS)

	FY 2005 CON	FY 2006 CON	FY 2007 CON
Revenue:			
Gross Sales			
Operations	565.6	607.9	616.0
Surcharges	2.3	1.8	1.3
Depreciation excluding Major Constructio	15.0	15.5	16.0
Other Income			
Total Income	582.9	625.2	633.3
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	3.4	3.2	3.9
Civilian Personnel	266.4	276.0	279.0
Travel and Transportation of Personnel	9.2	8.9	9.1
Material & Supplies (Internal Operations	40.0	38.5	39.4
Equipment	23.0	23.0	23.5
Other Purchases from NWCF	13.5	13.3	13.6
Transportation of Things	1.4	1.5	1.6
Depreciation - Capital	15.0	15.5	16.0
Printing and Reproduction	.0	.2	.2
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	19.7	19.9	20.4
Other Purchased Services	199.7	226.9	231.8
Total Expenses	591.1	627.0	638.3
Work in Process Adjustment	-.4	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	590.8	627.0	638.3
Operating Result	-7.9	-1.8	-4.9
Less Surcharges	-2.3	-1.8	-1.3
Plus Appropriations Affecting NOR/ACR	.0	.0	.0
Other Changes Affecting NOR/ACR	5.3	.0	.0
Extraordinary Expenses Unmatched	-.1	.0	.0
Net Operating Result	-4.9	-3.6	-6.2
Other Changes Affecting ACR	3.7	.0	.0
Accumulated Operating Result	9.9	6.2	.0

Exhibit Fund-14

NAVY WORKING CAPITAL FUND
SOURCE OF REVENUE
RESEARCH AND DEVELOPMENT/NRL
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
FEBRUARY 2006
AMOUNT IN MILLIONS

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
	-----	-----	-----
1. New Orders	593	617	621
a. Orders from DoD Components	496	507	509
Department of the Navy	345	361	361
O & M, Navy	22	24	24
O & M, Marine Corps	1	0	0
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	1	1	1
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	1	3	3
Other Procurement, Navy	3	3	3
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	318	331	331
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	5	5	5
Army Operation & Maintenance	0	0	0
Army Res, Dev, Test, Eval	5	5	5
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	50	54	54
Air Force Operation & Maintenance	4	3	4
Air Force Res, Dev, Test, Eval	30	33	34
Air Force Procurement	16	17	17
Air Force Other	0	0	0
DOD Appropriation Accounts	95	88	89
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	2	2	2
Res, Dev, Test & Eval Accounts	85	81	82
Procurement Accounts	5	2	2
Defense Emergency Relief Fund	0	0	0
DOD Other	2	2	2
b. Orders from other WCF Activity Groups	7	8	9
c. Total DoD	502	516	518
d. Other Orders	91	102	103
Other Federal Agencies	78	90	91
Foreign Military Sales	1	1	1
Non Federal Agencies	12	11	11
2. Carry-In Orders	180	190	182
3. Total Gross Orders	773	807	803
a. Funded Carry-Over before Exclusions	190	182	169
b. Total Gross Sales	583	625	633
4. End of Year Work-In-Process (-)	-1	-1	-1
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-55	-35	-29
6. Net Funded Carryover	134	146	139

Note: Line 4 (End of Year Work-In-Process)
Is adjusted for Non-DoD, BRAC & FMS
and Institutional MRTFB

Exhibit Fund-11

Changes in the Cost of Operation
Activity Group: Research & Development
Sub-Activity Group: Naval Research Laboratory
Fiscal Year (FY) 2007 Budget Estimates
Date: February 2006
(Dollars in Millions)

	Expenses
FY 2005 Actual	590.8
FY 2006 Estimate in FY 2006 President's Budget:	632.7
Pricing Adjustments:	
Civilian Personnel	1.5
General Purchase Inflation	1.5
Program Changes:	
Workload Changes	-11.8
Revised Depreciation	1.0
Revised Fuel Cost	-0.5
Purchased Utilities	2.3
Purchased Goods and Services	0.6
Other Cost	-0.3
FY 2006 Current Estimate:	627.0
Pricing Adjustments:	
Civilian Personnel Pay Raise	
Impact of 2007 Pay Raise	6.1
Annualization of Prior Year Pay Raise	1.7
Military Personnel Pay Raise	
Impact of 2007 Pay Raise	0.1
Annualization of Prior Year Pay Raise	0.0
General Purchase Inflation	7.2
Program Changes:	
Civilian Personnel	-4.9
Additional Depreciation Cost	0.5
Other	0.6
FY 2007 Current Estimate:	638.3

Fiscal Year (FY) 2007 Budget Estimates
Activity Group: Research & Development
Sub Activity Group: Naval Research Laboratory
Date: February 2006
(Dollars in Millions)

Line No.	Item Description	FY 2005		FY 2006		FY 2007	
		Quant	Total Cost	Quant	Total Cost	Quant	Total Cost
1001	Total Non-ADP Equipment (=\$1M)	0	0.000	0	0.000	2	2.675
2001	Total Non-ADP Equipment (\$500K-\$999K)	4	2.407	4	2.575	0	0.000
3001	Total Non-ADP Equipment (<\$500K)	39	9.872	39	10.478	26	8.870
4001	Total ADP Equipment (=\$1M)	0	0.000	0	0.000	1	1.200
5001	Total ADP Equipment (\$500K-\$999K)	0	0.000	0	0.000	0	0.000
6001	Total ADP Equipment (<\$500K)	8	2.309	9	2.247	8	2.555
7001	Total Software Development	0	0.000	0	0.000	0	0.000
8001	Total Minor Construction (=\$500K <\$1M)	2	1.314	2	1.500	2	1.500
9001	Total Minor Construction (<\$500K)	1	0.500	2	0.500	2	0.500
	TOTAL CAPITAL PURCHASE PROGRAM	54	16.402	56	17.300	41	17.300
	Total Capital Outlays		15.626		17.000		17.000
	Total Depreciation Expense		15.044		15.500		16.000

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2007 PRESIDENT'S BUDGET					
B. Component/Activity Group/Date Department of the Navy Research and Development February 2006			C. Line No. & Item Description 1001. Common Data Link				D. Activity Identification Naval Research Laboratory Washington, DC 20375					
			FY 2005		FY 2006			FY 2007				
Element of Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Non ADP Equipment (>\$1M)							1	\$1,575	\$1,575			
<p>Narrative Justification:</p> <p>This investment is to acquire a Common Data Link antenna with X-Band capabilities to support military operations by DoD's space systems which have become pervasive in current warfighting doctrine, and is being incorporated more so for future operations. The technologies for interoperability, redundancy and security are being developed for incorporation into these space systems by NRL with pathfinder programs such as TacSat. Also, battlespace characterization technologies being developed by the research divisions of NRL, such as hyperspectral remote sensing, require significantly higher bandwidths for transmitting the battlescene to the warfighter. These technologies are being developed and demonstrated by NRL experimental satellites, and will incorporate X-band downlinks to satisfy the demand for higher data rates and more bandwidth. The antenna will provide command, telemetry, and housekeeping functions for future spacecraft being developed by NRL and other DoD laboratories which incorporate the X-band and CDL format. Future programs require a Common Data Link (CDL) to achieve a standard means of communications with airborne and space assets, thus providing interoperability and redundancy. X-band and CDL will provide this interoperability and the capability to handle high data rates. CDL is a full duplex, jam resistant spread spectrum, point-to-point digital microwave communications link. NRL would purchase the CDL Surface Communications Element containing forward and return link equipment and antenna. A very beneficial approach to developing a redundant path as well as a simultaneous X-band operational capability, is to acquire a CDL. The CDL provides interoperability with other DOD assets. In addition, the CDL provides NRL with the redundancy of a second X-band antenna along with its' associated data path consisting of downconverter, receiver, bit sync and FEP. When complete, NRL would have CDL capability; one multi feed (L/S and X band) antenna; one X-band only antenna; and all the LNA's down converters, receivers, bit synchronizers and front end processor for the X band path. The two alternatives to purchasing the X-band feed and associated data path components are not acceptable. They are: (1) doing nothing, and thus losing the capabilities of NRL for future X-band satellite support and, (2) lease services from an X-band provider. Because, most DOD programs require encrypted space-to-ground links, this is not considered a viable alternative.</p>												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)										A. Budget Submission FY 2007 PRESIDENT'S BUDGET		
B. Component/Activity Group/Date				C. Line No. & Item Description						D. Activity Identification		
Department of the Navy Research and Development February 2006				1001. 43 Gigabit/sec Transmission Analyzer						Naval Research Laboratory Washington, DC 20375		
				FY 2005			FY 2006			FY 2007		
Element of Cost				Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Non ADP Equipment (>\$1M)										1	\$1,100	\$1,100
<p>Narrative Justification:</p> <p>This equipment will provide a unique DoD research capability to test the fidelity of Fiber-Optic (FO) digital communications systems. Future threats to the Synchronous Optical Network (SONET) based optical communication networks can be analyzed and addressed. SONET allows data streams of different formats to be combined onto a single high-speed FO synchronous data stream. Transitioning from a 10 to 40 Gigabit per second (Gb/s) testing capability will provide a new and expanded R&D capability. Recent developments in phase encoding modulation formats have shown reduced susceptibility to cross-phase-modulation crosstalk. Together with advanced forward-error-correction techniques, recent experiments have successfully demonstrated 40 Gb/s transmission over Trans-Atlantic distances without the need for polarization-mode-dispersion compensation. This test equipment will allow NRL to examine FO systems and identify critical DOD specific needs and vulnerabilities to 40 Gb/s.</p> <p><u>Need/Requirement/Objective Statement:</u> Maximum bit rates for present operational scenarios are 2.4 Gb/s (near term) and 10 Gb/s (in 3 years) with systems using various intensity modulation formats. However, recent progress in phase encoded signaling formats have enabled long haul data transmission at rates up to 40 Gb/s. Economics will drive the deployment of 40 Gb/s systems in terms of transport cost-per-bit over 10 Gb/s systems. Due to the large commercial technology investment over the last 3 years, it now appears that development of 40 Gb/s systems is forthcoming. NRL is in a unique position being the only DoD laboratory with the expertise to address the security aspects of future 40 Gb/s systems. A number of R&D issues unique to the DoD's mission remain including: testing/understanding the effects of propagation nonlinearities, their impact on fiber type, and evaluation of the new phase-encoded modulation formats. This test equipment is critical to NRL's ability to determine the loss in signal fidelity as a function of transmission impairments - some of these impairments appear only as data rates exceed 20 Gb/s. This equipment will be used in the NRL recirculating loop testbed to expand the measurement capabilities to 40 Gb/s and allow for the investigation of propagation impairments, various signaling formats; quantify and investigate issues related to fiber nonlinearities; and to study the security aspects of higher bit rate systems.</p> <p><u>Workload Projections:</u> NRL's workload in SONET-based optical communications R&D is expected to increase over the next four years given that NRL continues to provide a leadership role in custom solutions for advanced communication systems.</p> <p><u>Alternative(s):</u> - Status Quo: NRL presently has testing capabilities only to 15 Gb/s. Without this equipment, custom measurement solutions will have to be designed and developed which would be too labor intensive to be practical. This acquisition is the only viable alternative to providing the capability to test OC-768 FO transmission systems. OC-768 is an optical carrier (OC) system running at a data rate 768 times faster than the base SONET rate of 51.83 Mb/s.</p>												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2007 PRESIDENT'S BUDGET						
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification						
Department of the Navy Research and Development February 2006		2001. Total Non-ADP (≥\$500K<\$1M)					Naval Research Laboratory Washington, DC 20375						
		FY 2005			FY 2006			FY 2007					
Element of Cost		Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Total Non-ADP (≥\$500K<\$1M)		4		2,407	4		2,575						
Narrative Justification:													
<u>FY 2005</u> Directed Energy Effects Test Facility \$593,060 Railgun Energy Storage Bank \$554,095 Spacecraft RF Subsystem Design & Test Instrumentation Upgrade \$749,965 X-Band Satellite Receiving System \$509,907 <u>FY 2006</u> Laser Ranging, Detection, & Imaging System (LRD) \$720,000 Mobile Atmosphere Aerosol with Characterizations Observatory with Calibration Facility \$555,000 Propulsion Test Station \$600,000 X-band Ground System Hardware \$700,000													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2007 PRESIDENT'S BUDGET					
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification					
Department of the Navy Research and Development February 2006		3001. Total Non-ADP (<\$500K)					Naval Research Laboratory Washington, DC 20375					
		FY 2005			FY 2006			FY 2007				
Element of Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Total Non-ADP (<\$500K)	39		9,872	39		10,478	26		8,870			
Narrative Justification:												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2007 PRESIDENT'S BUDGET					
B. Component/Activity Group/Date			C. Line No. & Item Description				D. Activity Identification					
Department of the Navy Research and Development February 2006			4001. Expansion of High Speed Disk Storage and Archive				Naval Research Laboratory Washington, DC 20375					
			FY 2005		FY 2006			FY 2007				
Element of Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
ADP Equipment (>\$1M)							1	1,200	1,200			
<p>Narrative Justification:</p> <p>Project Description: This project is intended to replace NRL's main data archive and provide capacity to meet increasing current and projected data storage and archive requirements. This investment corresponds with the end of life of the existing tape archive supporting High Performance Computing (HPC) scientific users at NRL. The existing system was installed in Nov 1997, and is at the end of its service life with no vendor support or maintenance available beyond FY-06. Further, the existing system is no longer a good match for the current generation of HPC and will not satisfy projected requirements. Key deficiencies include both the volume of data storage that will be needed as well as the ability to move data quickly enough to keep pace with the I/O demands of modern HPC and the connected high performance networks.</p> <p>Workload Projections: This project will address several needs including:</p> <ul style="list-style-type: none"> - extending the high speed online disk storage and archive capability for supporting NRL scientific users in the HPC environment; data requirements are doubling every twelve to eighteen months; current requirements of about 150 terabytes will expand to and be satisfied by this CPP with about 500-700 terabytes in FY-07; - the I/O for the new storage/archive will be based on InfiniBand technology available at the time of procurement; it is anticipated that the new system will need to accommodate data streams at the rate of tens of gigabits/sec (orders of magnitude faster than available with the current system); - supporting Library requirements with the needed databases, storage and access to electronic information resources will be included in the context of this project; the NRL library databases are presently stand-alone resources that will be moved onto this new resource resulting in reduced costs, improved reliability, and future scalability; - providing a baseline for backup and protection of critical corporate and scientific data; - improved availability of data; through the integration of this resource with hierarchical disk-based storage built on a distributed Storage Array Network (SAN). - also planned for this effort is the introduction/integration of a RAIN (Redundant Array of Independent Nodes) archive architecture that would integrate the existing SAN and combine both indexing and search functions. <p>Alternatives: The end of life of the existing archive requires an alternative for data storage. Without a centrally managed archive each scientific user at NRL would have to install their own mini-archive disk or tape array for each individual project. This would be far more costly in the aggregate and a poor use of the individual scientist's time.</p> <p>Economic Benefits: This CPP project combines two large data repositories at NRL; first is the repository for scientific users of the HPC resources and second is NRL's library databases. This project will save about \$300K per year in maintenance, system engineering support, and regular hardware replacement costs. The scientific data protected by this procurement is invaluable and includes everything from the well-renowned Clementine Moon Project to the daily work of hundreds of the Nation's leading scientists.</p>												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2007 PRESIDENT'S BUDGET						
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification						
Department of the Navy Research and Development February 2006		6001. Total ADP (<\$500K)					Naval Research Laboratory Washington, DC 20375						
		FY 2005			FY 2006			FY 2007					
Element of Cost		Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Total ADP (<\$500K)		8		2,309	9		2,247	8		2,555			
Narrative Justification:													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2007 PRESIDENT'S BUDGET						
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification						
Department of the Navy Research and Development February 2006		8001. Total Minor Construction (≥\$500K<\$1M)					Naval Research Laboratory Washington, DC 20375						
		FY 2005			FY 2006			FY 2007					
Element of Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	
Total Minor Construction (≥\$500K<\$1M)	2		1,314	2		1,500	2		1,500				
Narrative Justification:													
<p><u>FY 2005</u> Midway Research Center Perimeter Fence \$600,000 Renovate Acoustic Tank Area \$713,929</p> <p><u>FY 2006</u> Chemistry Facility Modernization \$750,000 Chilled Water Plant Expansion \$750,000</p> <p><u>FY 2007</u> Hazardous Materials Minimization Center \$750,000 Optical Physics Facility Modifications \$750,000</p>													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2007 PRESIDENT'S BUDGET					
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification					
Department of the Navy Research and Development February 2006		9001. Total Minor Construction (<\$500K)					Naval Research Laboratory Washington, DC 20375					
		FY 2005			FY 2006			FY 2007				
Element of Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Total Minor Construction (<\$500K)	1		499	2		500	2		500			
Narrative Justification:												

CAPITAL BUDGET EXECUTION
Department of the Navy - Navy Working Capital Fund
Activity Group: RESEARCH AND DEVELOPMENT/Sub Activity Group: NAVAL RESEARCH LABORATORY
FY 2006

Fiscal Year (FY) 2007 Budget Estimates
February 2006

PROJECTS ON THE FY 2007 PRESIDENT'S BUDGET

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>(Dollars in Millions)</u>		<u>Explanation/ Reason for Change</u>
				<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	
	Equipment except ADPE and TELECOM					
2006	Equipment except ADPE and TELECOM (= \$500K < \$1M)	0.035	2.540	2.575	-0.035	1/
2006	Equipment except ADPE and TELECOM (<\$500K)	-0.132	10.610	10.478	0.132	1/
	Total Equipment except ADPE and TELECOM	-0.097	13.150	13.053	0.097	
	Equipment - ADPE and TELECOM					
2006	Equipment - ADPE (= \$500K < \$1M)	0.000	0.000	0.000	0.000	
2006	Equipment - ADPE (<\$500K)	0.097	2.150	2.247	-0.097	1/
	Total Equipment - ADPE and TELECOM	0.097	2.150	2.247	-0.097	
	Software Development					
2006	Software Development (<\$500K)	0.000	0.000	0.000	0.000	
	Total - Software Development	0.000	0.000	0.000	0.000	
	Minor Construction					
2006	Minor Construction (= \$500K < \$1M)	0.000	1.500	1.500	0.000	
2006	Minor Construction (<\$500K)	0.000	0.500	0.500	0.000	
	Total - Minor Construction	0.000	2.000	2.000	0.000	
	Total FY 2006 Capital Purchase Program	0.000	17.300	17.300	0.000	

1/ Cancelled multiple projects to fund higher priorities

Military Sealift Command

Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund
Military Sealift Command
February 2006

General Descriptions of Business Area: The Military Sealift Command (MSC) acts as the single manager-operating agency for sealift services. MSC operates as a Working Capital Fund (WCF) in two separate capacities. This submission addresses MSC's Navy mission funded by the Navy Working Capital Fund (NWCF), providing support to the Fleet Commanders (FLTCOMs) and other DOD activities by providing unique vessels and programs. The second mission, providing sealift support for DOD cargoes in peacetime, is accomplished through the Transportation Working Capital Fund (TWCF) under the auspices of US Transportation Command (TRANSCOM.) Ship availability for MSC customers is the metric for evaluating mission performance in the sealift transportation business area.

Outputs and Customers through the NWCF: MSC supports the FLTCOMs for Pacific and Atlantic Fleets (COMPACFLT and COMLANTFLT/CFFC), Naval Sea Systems Command (NAVSEA), Space and Naval Warfare Systems Command (SPAWAR), Strategic Systems Programs (DIRSSP), the US Air Force and the National Defense Sealift Fund (NDSF) with unique vessels and programs. The three programs budgeted through the Navy Working Capital Fund (NWCF) are:

1. Naval Fleet Auxiliary Force (NFAF): Provides support utilizing civilian mariner manned non-combatant ships for material support and ocean going tugs.
2. Special Mission Ships (SMS): Provides unique seagoing platforms, operation of Navy Command Ships, and contracted Harbor Tugs.
3. Afloat Propositioning Force - Navy (APF-N): Deploys advance materiel for strategic lifts for the Marine Expeditionary Forces.

Budget Highlights: FY 2007 estimates are based on MSC PR07 estimates and approved adjustments for fuel, escalation and efficiencies associated with FY 2005 actual experience. The actual FY 2005 estimate reflects a fuel increase which was offset by a below the line supplemental adjustment. The budget contains increased costs associated with Operation Vigilant Mariner (OVM). FY 2005 actual also reflects below the line adjustments to AOR for prior year adjustments related to the APF-N program.

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The APF-N program includes an adjustment to AOR of \$27.1M related to prior year bills and expenses. Actions have been taken to prevent late receipt or processing in the future.

Changes by Program from Pres. Budget (PB):

NFAF:

FY 2006 PB to FY 2005 Actual: Port operations and Harbor Tugs from NFAF to SMS.

FY 2006 PB to FY 2006 CE: Port operations and Harbor Tugs transfer from NFAF to SMS. Additionally, the Santa Barbara and Mohawk are deactivated and delivery dates for the T-AKE 1 and T-AKE 2 slip.

FY 2005 Actual to FY 2006 CE: The first two of eleven new construction T-AKEs (USNS Lewis & Clark and Sacagawea) will be delivered to MSC in FY 2006. Two former Navy ARS vessels (USNS Grapple and USNS Grasp) will be transferred to MSC in FY 2006. Additionally, one T-AFS 8 class ship will be laid up in FY 2006 and one T-AO transitions from ROS-30 to FOS.

FY 2006 CE to FY 2007 CE: Two additional ARS vessels (USNS Salvor and USNS Safeguard) will be delivered to MSC in FY 2007. Three additional T-AKEs will be delivered to MSC in FY 2007. Also, one ocean going tug is laid up at the end of FY 2006 and a T-AO transitions from ROS-30 to full year FOS operation.

SMS:

FY 2006 PB to FY 2005 Actual: Harbor Tugs and port operations transfer from NFAF to SMS.

FY 2006 PB to FY 2006 CE: Port operations and Harbor Tugs transfer from NFAF to SMS.

FY 2005 Actual to FY 2006 CE: The SMS Program remains relatively stable. Partial augments to direct expenses in FY 2006 CE are due to two more major yard periods

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scheduled. Additionally, four CMOC oceanographic ships are in ROS for part of the year.

FY 2006 CE to FY 2007 CE: The SMS fleet undergoes a reduction with the return of the contractor-owned and contractor-operated ships Kellie and Dolores Chouest to the contractor. Revenue and expense are reduced accordingly.

APF -N:

FY 2006 PB to FY 2005 Actual and FY 2006 PB to FY 2006 CE: The program's workload is static. There are increases in Maintenance and Repair (higher shipyard costs and expanded scope of work); overtime expenses resulting from new Standard Training and Certification for Watchstanding requirements, and higher costs in commercial ports.

FY 2005 Actual to FY 2006 CE: The program's workload is static. Change in costs due primarily to reduced capital hire payments as MSC continues the buyout of MPS vessels.

FY 2006 CE to FY 2007 CE: The program's workload is static. There is no Capital payment based on the FY 2006 MPS buyout .

Force Protection:

Based on Navy direction, new peacetime FP costs associated with MSC ships were incorporated into MSC rate structure starting in FY 2006.

ANALYSIS OF COST OF OPERATIONS (statistical):

FY 2005 increase in cost from the approved budget is due to increased fuel and scope of M&R.

FY 2006 increase from approved budget due mainly to the net effect of FP, fuel, and M&R increases offset by a budget reduction in charter hire expenses.

FY 2007 costs increase from approved budget due to effect of FP, fuel, M&R, and CIVMAR salaries.

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Table One: COST (\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
DIRECT COST	1,853.1	1,992.7	1,931.5
COST OF G&A	149.6	184.0	185.0
TOTAL COST	2,002.7	2,176.7	2,116.5

REVENUE ANALYSIS:

FY 2005 revenue is essentially the same as approved.

FY 2006 revenue increases due primarily to fuel and FP reimbursables.

FY 2007 revenue reflects guidance to attain a zero AOR.

Table Two: REVENUE

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
REVENUE	1,951.9	2,164.9	2,045.4

ANALYSIS OF AOR/NOR:

The FY 2005 approved President's Budget reflected a NOR of \$-30.2M vice actual of \$-50.8M.

The FY 2006 approved President's Budget reflected a NOR of \$-9.5M vice the current estimate of \$-11.8M.

The FY 2007 rates were computed to result in a zero AOR.

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Table Three: AOR/NOR (\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
BEGINNING AOR	39.7	82.9	71.1
FY05 SUPPLEMENTAL (FUEL)	67.0		
APFN PRIOR YEAR ADJUSTMENT	27.1		
NET OP RESULT	-50.9	-11.8	-71.1
ENDING	82.9	71.1	0.0

UNIT COST ANALYSIS: MSC operates under three distinct unit cost goals, one for each of the programs. All programs have cost/per day as the unit cost basis (costs include only per diem expenses in the annual operating budget (AOB) as per OSD guidelines.) Ship mix (e.g. harbor tugs and T-AOEs) impacts unit cost levels. Changes in all years are primarily a function of approved escalation, CIVMAR salaries, ship mix, and M&R.

Table Four: UNIT COST

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
NFAF	72,585	87,339	85,133
SMS	13,353	13,522	15,953
APF-N	79,176	67,510	69,750

WORKLOAD INDICATORS: The NFAF program decreases over the President's Budget due mainly to the transfer of the Harbor Tugs from NFAF to SMS, reduced T-AKE days and the deactivation of Santa Barbara and Mohawk. Increases for FY 2007 are due to activation of T-AKE ships and T-ARS Ships. SMS program increases over the prior President's Budget with the transfer of Harbor Tugs from NFAF. Program is stable across budget years. APF-N workload is stable for FY 2005 - FY 2007.

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Table Five – WORKLOAD

PER DIEM SHIP DAYS	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
NFAF	13,840	13,411	14,630
SMS	16,784	17,520	17,520
APF-N	6,205	6,205	6,205

HOW WORKLOAD LEVELS ARE OBTAINED: Budgeted workload estimates are provided directly by each funding sponsor. Operational requirements are received directly from the sponsor by message or other direct communication for each of these dedicated ships.

CUSTOMER RATE PERCENTAGE CHANGES: FY 2006 rates reflect the President's budget approved program. Rates for FY 2007 were developed to attain the required zero AOR.

Table Six - CUSTOMER RATE CHANGES

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
NFAF	5.0%	10.5%	2.7%
SMS	11.2%	21.9%	13.6%
APF-N	10.0%	-3.7%	-29.5%

MANPOWER TRENDS:

Afloat: Increases due primarily to T-AKE and T-ARS Ships coming on line.

Ashore: End strength numbers vary across the budget years as MSC realigns due to efforts associated with transformation initiatives.

Table Seven: Manpower by Major Program

End strength	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
NFAF	4,202	4,417	5,006
SMS	278	278	285
APF-N	4	4	4
OH	771	848	878
TOTAL	5,255	5,547	6,168

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ANALYSIS OF FINANCIAL CONDITIONS: The FY 2005 NOR reflects a loss of \$50.8M vice loss of \$30.2M contained in the President's Budget. The FY 2006 NOR reflects a loss of \$11.8M vice loss of \$9.5M shown in the President's Budget. FY 2007 reflects requirement to attain zero AOR.

**Table Eight: Financial Condition
 (\$000)**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
REVENUE	1,951.9	2,164.9	2,045.4
EXPENSE	2,002.7	2,176.7	2,116.5
NOR	-50.8	-11.8	-77.1
SUPPLEMENTAL (FUEL)	67.0		
PRIOR YEAR ADJ	27.1		
AOR	82.9	71.1	0.0

OVERHEAD TRENDS/ANALYSIS:

These costs relate to MSC Ashore personnel. Costs for all years are lower than President's budget due to revised estimates for depreciation, delay in move of COMSCLANT Personnel in Norfolk and, lower salary costs as MSC goes through the initial phase of transformation efforts. The current submission reflects fully loaded hourly rates of \$52, \$54, and \$56 respectively for FY 2005 – FY 2007 based on GS/GM costs contained in MSC Civilian Personnel exhibits.

Table Nine: Manpower and Ove head Costs (\$ in millions)

ENDSTRENGTH	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilians	771	848	873
Military	156	186	149
Ashore Costs	149.6	184.0	185.0

Capital Purchase Program (CPP):

Information Technology (IT/ADP) efforts represent the predominant share of CPP costs. These efforts include migration to a paperless environment; secure storage of engineering materials, ADPE for Shipboard local area networks (LANs) and systems development efforts (e.g. mandated travel system, financial management (FMS), etc.).

The CPP peacetime FP effort for the Shipboard Security Module (SSM) continues.

Finally, the request for FY 2007 includes the phased replacement procurement (over a two year cycle) for 300 forklifts. MSC has an inventory of approximately 600 forklifts. The majority of these items are over fifteen years old. The cost for maintenance has been running about \$3M per year. The remaining forklifts will be changed out as the T-AKE class replaces T-AE and T-AKFS class ships. NAVSUP Pub 538 recommends replacement of these items when the cost to repair exceeds 50% of the initial value of the unit. This value has been exceeded on all current MSC forklifts. Replacements will ensure forklifts meet requirements of NAVSEA Pub SWO-23 for the handling of explosives. Forklifts are centrally managed and will be ordered through the NAVSUP master contract.

Table Ten: CPP Costs (\$ in millions)

CAPITAL INVESTMENT	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equipment		12.0	19.3
ADPE Hardware	7.6	6.8	7.0
Development	7.1	8.8	8.4
Minor Construction	0.4	0.4	0.4
Total	15.1	28.0	35.1

PERFORMANCE MEASURES:

Program Performance is measured by "ship availability days," which measures days against plan ships are actually available to perform the function for which they were intended. Changes in ship operations such as FOS to ROS, transitioning ships between coasts, or changing ship status (e.g., from ROS-15, ROS-30 or ROS-45) are coordinated with the respective MSC customer.

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All obligation, expense, revenue, disbursement and collection data is captured and recorded in MSC's financial system by program. Data is recorded at the ship and expenditure level and is rolled up and accumulated to include all ships supported by each Navy sponsor. All sponsor data is then rolled up to reflect the accumulated revenue, expense, and other USSGL account data at the Navy level. MSC has two separate reporting responsibilities: Navy and TRANSCOM. USTRANSCOM data is also identified based on common user ships and is separately captured and reported.

MSC has a corporate plan, a strategic plan, and business and support plans. MSC's vision is a 10-year review. The Strategic Plan is a five-year look ahead that outlines Mission, Vision, Operating Environment, Workforce Attributes, and Long Term Goals and Strategies. The Corporate plan focuses on the strategic issues that will affect MSC's mission effectiveness over the next one to five years and includes revised MSC Command priorities and updated strategic initiatives. MSC is following the CNO's lead and intends to transform the MSC force into a 21st century organization. The Corporate plan is aligned vertically with the JCS "Joint Vision 2020" with regard to focused logistics, specifically with respect to "conceptual innovation...the combination of new *things* with new *ways* to carry out tasks." To support the Navy's "global striking power," MSC strategic initiatives promote "network-centric operations," Navy and Marine Corp Intranet (NMCI) and other Command, Control, Communication and Computer Systems initiatives. MSC initiatives also leverage the "mobility and security of our ships" and "sea-basing" as a secure foundation from which to project expeditionary warfare while minimizing the requirement to stage vulnerable forces and supplies ashore. MSC Business Plans and Support Plans are one-year execution documents.

Termination Liability:

The annual value of termination and/or cancellation fees for the MSC Navy sealift portion is financed in the NWCF cash balance and the MSC U.S. Transportation Command sealift portion is financed in the Air Force Working Capital (AFWCF) cash balance.

Fiscal Year (FY) 2007 Budget Estimates
 Military Sealift Command
 February 2006
 REVENUE and EXPENSES
 AMOUNT IN MILLIONS
 COMSC / TOTAL

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
Revenue:			
Gross Sales			
Operations	1,940.5	2,149.5	2,027.6
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	11.4	15.4	17.8
Other Income			
Total Income	1,951.9	2,164.8	2,045.5
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	30.1	29.9	34.5
Civilian Personnel	472.5	549.6	605.7
Travel and Transportation of Personnel	19.1	30.4	21.7
Material & Supplies (Internal Operations)	270.4	401.4	398.6
Equipment	79.7	94.3	60.9
Other Purchases from NMCF	10.6	2.3	2.3
Transportation of Things	6.0	3.7	4.5
Depreciation - Capital	11.4	15.4	17.8
Printing and Reproduction	.8	.9	.9
Advisory and Assistance Services	2.4	3.1	3.2
Rent, Communication & Utilities	551.7	462.9	404.1
Other Purchased Services	548.1	582.8	562.3
Total Expenses	2,002.7	2,176.7	2,116.5
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	2,002.7	2,176.7	2,116.5
Operating Result	-50.9	-11.9	-71.1
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NDR/ACR	.0	.0	.0
Other Changes Affecting NDR/ACR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-50.9	-11.9	-71.1
Other Changes Affecting ACR	94.1	.0	.0
Accumulated Operating Result	82.9	71.1	.0

Exhibit Fund-14

Fiscal Year (FY) 2007 Budget Estimates
 Military Sealift Command
 February 2006
 COMSC / TOTAL
 SOURCE of REVENUE
 AMOUNT IN MILLIONS

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
1. New Orders	2,202	2,165	2,045
a. Orders from DoD Components	1,947	2,160	2,035
Department of the Navy	1,877	2,126	2,000
O & M, Navy	1,361	1,595	1,640
O & M, Marine Corps	11	0	0
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	3	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	22	0	0
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	2	0	0
Military Construction, Navy	0	0	0
Other Navy Appropriations	481	528	359
Other Marine Corps Appropriations	0	0	0
Department of the Army	37	0	0
Army Operation & Maintenance	0	0	0
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	37	0	0
Department of the Air Force	29	34	36
Air Force Operation & Maintenance	29	34	36
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	4	0	0
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	4	0	0
Res, Dev, Test & Eval Accounts	0	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	4	5	5
c. Total DoD	1,950	2,165	2,040
d. Other Orders	252	0	5
Other Federal Agencies	252	0	5
Foreign Military Sales	0	0	0
Non Federal Agencies	0	0	0
2. Carry-In Orders	131	381	381
3. Total Gross Orders	2,333	2,546	2,427
a. Funded Carry-Over before Exclusions	381	381	381
b. Total Gross Sales	1,952	2,165	2,045
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-242	-242	-242
6. Net Funded Carryover	140	140	140

Note: Line 4 (End of Year Work-In-Process) is adjusted for Non-DoD, BRAC & FMS and Institutional MRTFB.

Exhibit Fund-11

Fiscal Year (FY) 2007 Budget Estimates
 Changes in the Costs of Operation
 Military Sealift Command/Transportation
 (Dollars in Millions)
 February 2006

	<u>Total Expenses</u>
FY 2005 Actual	2,002.7
FY 2006 Estimate in President's Budget:	2,032.9
Pricing Adjustments:	
a. FY 2005 Pay Raise	
(1) Civilian Personnel	1.5
(2) Military Personnel	0.0
b. Annualization of Prior Year Pay Raises	
(1) Civilian Personnel	0.0
(2) Military Personnel	0.0
c. Fuel	113.7
d. Supplies	0.0
e. General Purchase Inflation	5.4
Productivity Initiatives & Other Efficiencies:	
a.	
Program Changes (list) as appropriate	
I. Other	0.0
Civmar costs (Salary/Travel)	11.0
Fuel	7.0
Utilities/IT Afloat	6.1
Net decrease in APF-N (lower charter hire offset by increase in M&R)	-40.5
Increase for FP reimbursables (outlay)	41.3
Other Changes:	
a. General & Administrative	-1.7
FY 2006 Current Estimate:	2,176.7
Pricing Adjustments:	
a. FY 2007 Pay Raise	
(1) Civilian Personnel	7.2
(2) Military Personnel	1.0

Fiscal Year (FY) 2007 Budget Estimates
 Changes in the Costs of Operation
 Military Sealift Command/Transportation
 (Dollars in Millions)
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	<u>Total Expenses</u>
b. Annualization of Prior Year Pay Raises	
(1) Civilian Personnel	12.3
(2) Military Personnel	0.0
c. Fuel	-60.5
d. Supplies	4.1
e. DLRs	
f. General Purchase Inflation	23.0
Productivity Initiatives & Other Efficiencies:	-80.0
a.	0.0
Program Changes:	
g. Other	
Increase in NFAF Workload (OPTEMPO/M&R/Civmar Salary)	45.2
APF-N: Decrease for Capital Payment offset by M&R increase	-14.5
Other Changes:	
a. Depreciation	2.5
b. General & Administrative	-0.5
 FY 2007 Estimate:	 2,116.5

Fiscal Year (FY) Budget Est
Business Area Capital Investment Summary
Component: Military Sealift Command
Business Area: Transportation
February 2006
(\$ in Millions)

Line Number	Item Description	FY 2005		FY 2006		FY 2007	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	<u>Equipment</u>						
C001a	Replacement Productivity						6.0
C001	New Mission				12.0		13.3
	Environmental Compliance						
	Sub-total	0	0.0	0	12.0	0	19.3
	<u>ADPE & Telecomm</u>						
C002	Computer Hardware (Productic						
	LAN		6.9		6.3		6.5
	Computer Software (Operating		0.7		0.5		0.5
	Telecommunications						
	Other Communications and						
	Telecommunications Suppo						
	Equipment						
	Sub-total	0	7.6	0	6.8	0	7.0
	<u>Software Development</u>						
C003	Systems		7.1		8.8		8.4
C004	APM		5.1		5.3		5.4
			2.0		3.5		3.0
C005	Minor Construction		0.4		0.4		0.4
	Total	0	15.1	0	28.0	0	35.1
	<u>Related Information</u>						
	<u>Outlays</u>						
	Equipment				2.4		7.6
	ADPE		4.2		7.7		6.6
	Software		6.5		7.2		9.0
	Minor Construction		0.0		0.2		0.4
	Total		10.7		17.5		23.6
	<u>Depreciation</u>						
	Equipment				0.2		1.2
	ADPE		4.2		7.2		8.1
	Software		7.1		7.8		8.4
	Minor Construction		0.1		0.1		0.1
	Total		11.4		15.3		17.8

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission Fiscal Year (FY) Budget Estimates					
B. Component/Business Area/Date				C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2006				C001a Forklifts								
			FY 2005		FY 2006		FY 2007			FY 2008		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Forklifts							150	40K	6,000			
Total	0		0	0		0	150		6,000	0		0
Narrative Justification:												
<p>MSC has an inventory of approximately 600 forklifts. The majority of these items are over fifteen years old. The cost for maintenance has been running about \$3M per year. The request for FY 2007 represents a phase in approach for replacement procurement over a two year cycle for 300 of the forklifts. The remaining forklifts will be changed out as T-AKE class replaces T-AE and T-AKFS class ships. NAVSUP Pub 538 recommends replacement of these items when the cost to repair exceeds 50% of the initial value of the unit. This value has been exceeded on all current MSC forklifts. Forklifts need to meet requirements of NAVSEA Pub SWO-23 for the handling of explosives. Above items are centrally managed and will be ordered through the NAVSUP master contract.</p>												

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission Fiscal Year (FY) Budget Estimates					
B. Component/Business Area/Date				C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2006				C001 Force Protection								
			FY 2005		FY 2006		FY 2007			FY 2008		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Shipboard Security Module (SSM)						12,000			13,300			
Total	0		0	0		12,000	0		13,300	0		0
Narrative Justification:												
<p>SSM will provide MSC mariners with an integrated security system to augment their limited manpower by detecting and monitoring shipboard intrusions. The system will be stand-alone without any connection to the existing shipboard Local Area Network (LAN.) The system is intended to be operational in all conditions: at port, at sea, and in both low and high threat conditions.</p> <p>SSM installation will be accomplished during scheduled availability periods; these periods are and have been affected by increased OPTEMPO in support of OIF and GWOT. The preference would be to install on ships most frequently in harms way, however, scheduling is based purely on availability.</p> <p>The SSM includes the following:</p> <ul style="list-style-type: none"> - Closed Circuit TV - Intrusion Detection System - Audible Warning System - Hull Perimeter Lighting 												

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission Fiscal Year (FY) Budget Estimates							
B. Component/Business Area/Date				C. Line No. & Item Description				D. Activity Identification						
Military Sealift Command/Transportation/ February 2006				C002 LAN										
			FY 2005			FY 2006			FY 2007			FY 2008		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
ADPE - Afloat		Varies	6,781		Varies	5,700		Varies	5,700		Varies			
ADPE - Ashore			200			626			850					
Software - Ashore			659			470			450					
Total	0		7,640	0		6,796	0		7,000	0		0		
Narrative Justification:														
<p>The above represents MSC requirements to implement unclassified and classified LANS at all ships, offices, area command, and headquarters world-wide. Equipment includes servers, routers, modem pools, printers, firewall, etc. Increase for FY 2005 support the installation of Public Key Infrastructure (PKI,) Remote Administration Application Servers, and Exchange 2000. Additionally, funding will provide the ability to integrate with MSC Financial Management System (FMS,) replicate data shoreside, and facilitate web enablement in accordance with Taks Force Web (TFW) directives.</p> <p>MSC requires equipment and software to maintain backup sites - i.e. Mission Continuity Plan (MCP.) The refresh requirements are not covered by NMCI or Base Level Infrastructure Implementation (BLII) plans.</p>														

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission Fiscal Year (FY) Budget Estimates					
B. Component/Business Area/Date				C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2006				C003 Systems								
			FY 2005		FY 2006		FY 2007			FY 2008		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Information Systems/Dev			2,027			3,242			3,242			
Procure to Pay Initiative			3,041			2,081			2,123			
Total	0		5,068	0		5,323	0		5,365	0		0

Narrative Justification:

Development
All systems operate on existing MSC or Defense Mega Center (DMC) computers. All funds are for system design, product integration, acceptance testing, implementation, and documentation.

Various modules integrate existing worldwide procurement system with developing/deploying financial system; this ensures validation of accounting data at time of origination, and tracking of both procurement and funds control from obligation through payment.

Includes funding required to implement DOD mandated travel system and integrate it with the Command financial management system as well as the paperless environment.

Information Systems
This will enable Web systems to operate all MSC Ashore and Afloat operations. Funding supports system design,

Procure to Pay Initiative
This initiative will provide for cross functional requirements and continuing development of enhancement and upgrades to MSC business systems. Supports the introduction of additional modules required to provide a total automated procure to pay solution for MSC. It also will support the development of interfaces required with external systems - e.g. DOD wide implementation of the End -to-End procurement process.

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission Fiscal Year (FY) Budget Estimates						
B. Component/Business Area/Date				C. Line No. & Item Description			D. Activity Identification						
Military Sealift Command/Transportation/ February 2006				C004 HRMS									
			FY 2005		FY 2006			FY 2007			FY 2008		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
Development			1,976			3,500			3,000				
Total	0		1,976	0		3,500	0		3,000	0		0	
Narrative Justification:													
<p>MSC HRMS (Human Resources Management System) MSC has consolidated its civmar personnel functions at the Afloat Personnel Management Center (APMC.) This funding will satisfy the requirement to migrate to a paperless environment - i.e. total automation of the AP process, automated workflow and documentation management utilizing Oracle Human Resource (HR) and Payroll. Implementation of HR also will provide the ability to integrate with MSC's corporate data environment.</p> <p>Note: CIVMAR personnel functions are not handled by the DOD Modern Defense Civilian Payroll Data System (DCPDS.)</p>													

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission Fiscal Year (FY) Budget Estimates							
B. Component/Business Area/Date				C. Line No. & Item Description				D. Activity Identification						
Military Sealift Command/Transportation/ February 2006				C005 Minor Construction										
			FY 2005			FY 2006			FY 2007			FY 2008		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Minor Construction														
Sitework		246	358		Varies	200								
Paving/Surfacing/ Etc					Varies	100		Varies	200		Varies			
Electrical/ Material/Labor					Varies	100		Varies	200		Varies			
Total	0		358	0		400	0		400	0		0		
Narrative Justification:														
The above covers requirements associated with the move of MSC personnel in the Norfolk Area. Renovation of three buildings will allow MSCLANT to consolidate in the Tidewater area.														

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission Fiscal Year (FY) Budget Estimates					
B. Component/Business Area/Date				C. Line No. & Item Description					D. Activity Identification			
Military Sealift Command/Transportation/ February 2006												
ELEMENTS OF COST	FY 2005			FY 2006			FY 2007			FY 2008		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Total	0		0	0		0	0		0	0		0
<i>Narrative Justification:</i>												

Fiscal Year (FY) Budget Estimates
Component: Military Sealift Command
Activity Group: Transportation
February 2006
(\$ in Millions)

FY	Approved Projects	PB Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/Deficiency	Explanation
05	Equipment except ADPE & Telcomm	\$0.0		\$0.0	\$0.0	\$0.0	
	ADPE & Telecomm LAN	\$7.6		\$7.6	\$7.6	\$0.0	
	Software Development Systems/Lan	\$7.4	-\$0.3	\$7.1	\$7.1	\$0.0	Realign to Minor Construction/Actuals
	Minor Construction	\$0.2	\$0.2	\$0.4	\$0.4	\$0.0	Realign from Software/Development
	TOTAL FY 2005	\$15.2	-\$0.1	\$15.1	\$15.1	\$0.0	
<hr/>							
06	Equipment except ADPE & Telcomm	\$12.0		\$12.0	\$12.0	\$0.0	
	ADPE & Telecomm LAN	\$6.8		\$6.8	\$6.8	\$0.0	
	Software Development Systems/Lan	\$8.8		\$8.8	\$8.8	\$0.0	
	Minor Construction	\$0.4		\$0.4	\$0.4	\$0.0	
	TOTAL FY 2006	\$28.0	\$0.0	\$28.0	\$28.0	\$0.0	

Public Works Centers

**Fiscal Year (FY) 2007 Budget Estimates
Navy Working Capital Fund (NWCF)
Base Support/Facilities Engineering Commands
February 2006**

Activity Group Function:

The mission of the NWCF funded operations of the Facilities Engineering Commands (FECs), formerly known as Public Works Centers (PWCs), is to provide Navy, DoD, and other Federal clients with quality public works support and services. The FECs provide utilities services, facilities maintenance, transportation support, engineering services, environmental services, and shore facilities planning support required by afloat and ashore operating forces and other activities.

Activity Group Transformation:

The Naval Facilities Engineering Command (NAVFAC) is taking a major step forward to reshape its worldwide organization. By integrating all Public Works Departments (PWDs) into FECs there will now be one public works delivery model that will be a single touch point for all FEC products and services. The FECs will enable the Navy to leverage “best of class” technology with the amalgamation of former Engineering Field Divisions (EFDs), Engineering Field Activities (EFAs), Resident Officers in Charge of Construction (ROICC), independent PWDs and the former PWCs.

In FY 2006 twenty-eight PWDs were transferred into the NAVFEC group. In FY 2007, fifteen CONUS PWDs and the OCONUS PWD in Japan, will be integrated into the FECs. By integrating all Public Works Departments into FECs, there will now be one public works delivery model that will be a single touch-point for all NAVFAC products and services.

Activity Group Composition:

<u>Activity *(Former PWCs)</u>	<u>Location</u>
NAVFEC Midwest	Great Lakes, Illinois
NAVFEC Marianas	Agana, Guam, Marianas Islands

NAVFEC Southeast	Jacksonville, Florida
NAVFEC Mid Atlantic	Norfolk, Virginia
NAVFEC Hawaii	Pearl Harbor, Hawaii
NAVFEC Southwest	San Diego, California
NAVFEC Washington	Washington, D.C.
NAVFEC Far East	Yokosuka, Japan

Activity Group FY 2005 Performance:

In FY 2005, the FECs continued to provide best value and high quality products and services to the fleets and ashore-based naval activities. FY 2005 operational challenges included the integration of ten individual PWDs into the FECs and continued efforts to implement a work force reshaping plan to meet right-sizing objectives and meet established net operating result targets. In addition, the escalating fuel price increases in the private sector have had a direct impact on the utility companies that supply the FECs and their customers, resulting in higher purchased utility costs to the FECs.

Financial Profile:

Revenue/Expense/Operating Results (\$M)	FY 2005	FY 2006	FY 2007
Revenue	\$1,650.8	\$2,079.2	\$2,244.4
Cost of Goods Sold	\$1,611.1	\$2,140.9	\$2,243.1
*Operating Results	\$39.7	-\$61.7	\$1.4
*Accumulated Operating Results (AOR)	\$60.3	-\$1.4	\$0.0

Note: \$18M Hurricane Supplemental funding received in FY 2005 and recorded as a direct appropriation in the financial reports.

Workload:

Acronym List

CHITS	In-house request for work document	MBTU	Million British Thermal Units
CUYD	Cubic Yard	MWH	Mega Watt Hour
KCF	Thousand Cubic Feet	SRO	Shop Repair Order
KGAL	Thousand Gallons	LBS	Pounds

	<u>MEASURE</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<u>Utility Services</u>				
Electricity	MWH	5,808,019	6,765,481	7,416,297
Potable Water	KGAL	24,324,677	25,603,841	26,691,972
Salt Water	KGAL	8,609,666	8,756,201	8,712,521
Steam	MBTU	9,664,637	11,158,942	10,662,732
Sewage	KGAL	17,156,817	16,459,627	17,570,356
Natural Gas	MBTU	3,335,542	2,655,929	2,933,337
Compressed Air	KCF	11,623,408	10,963,741	12,663,826
<u>Sanitation Services</u>				
Refuse Collection/ Disposal	CUYD	1,686,086	1,613,707	1,238,928
Pest Control	HOURS	46,784	52,038	55,190
Hazardous Waste I	GAL	569,089	479,776	434,437
Hazardous Waste II	LBS	11,079,576	13,069,504	12,607,558
Industrial Waste	KGAL	60,709	58,871	334,569
Environmental Engineering	HOUR	168,184	153,132	180,840
Environmental Lab	TEST	85,569	91,095	89,366
<u>Transportation Services</u>				
Equipment Rental	HOURS	32,976,255	42,316,787	49,786,708
Vehicle Operations	HOURS	700,843	832,250	749,147
Vehicle Maintenance	SRO	59,841	58,222	57,155

	<u>MEASURE</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<u>Maintenance & Repair</u>				
Specifics	JOBS	151,988	91,757	153,722
Minors	ITEMS	13,483	28,956	117,593
Emergency	CHITS	79,013	107,408	169,783
Service	CHITS	375,906	300,089	410,832
Recurring	ITEMS	111,348	110,219	343,600
Engineering Support		190,712	234,082	231,087

(DOLLARS)

<u>Utility Services</u>	<u>MEASURE</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Electricity	MWH	85.36	104.35	108.38
Potable Water	KGAL	3.27	4.46	4.62
Salt Water	KGAL	.70	.82	.81
Steam	MBTU	15.84	23.41	24.67
Sewage	KGAL	3.51	5.82	5.79
Natural Gas	MBTU	5.48	9.44	10.88
Compressed Air	KCF	0.72	1.54	1.47

Sanitation Services

		<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Refuse	CUYD	7.22	7.94	12.78
Collection/Disposal				
Pest Control	HOURS	49.41	52.56	54.82
Hazardous Waste I	GAL	4.38	5.59	6.13
Hazardous Waste II	LBS	1.08	.97	1.01
Industrial Waste	KGAL	131.29	127.76	28.02
Environmental	HOUR	59.82	72.01	25.29
Engineering				
Environmental Lab	TEST	63.58	59.85	58.81

Transportation Services

		<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equip Rental	HOURS	3.24	3.37	3.43
Vehicle Ops	HOURS	46.04	48.02	50.70
Vehicle Maintenance	SRO	110.00	148.78	158.29

<u>Maintenance & Repair</u>		<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Specifics	JOBS	679.79	1,265.36	755.79
Minors	ITEMS	4,887.96	3,072.59	760.31
Emergency	CHITS	234.49	263.65	174.82
Service	CHITS	149.35	203.42	155.60
Recurring	ITEMS	1,199.40	1,322.13	406.65
Engineering Support		280.98	240.28	95.24

Commercial Activity And Functional Analysis Studies:

The FECs continue to strive for efficiencies to improve and streamline all work-processes. They completed all announced reviews of core direct functions, which include maintenance, utilities, transportation, environment and engineering.

Rate Changes/Unit Cost:

<u>(Percentages)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
East Coast - Utilities	-5.0%	+3.7%	+15.4%
East Coast - Other	+2.4%	+1.8%	+3.6%
West Coast - Utilities	-1.3%	+4.0%	+3.2%
West Coast - Other	+0.8%	+1.7%	+1.7%
Composite Rate Change	-0.4%	+2.9%	+7.0%

Performance Indicators:

The primary performance indicator for the FECs is unit cost. Although unit cost presented in the table below remains the primary efficiency measure, other key corporate performance measures include: net operating results (as stated above), timeliness, workforce safety, and client satisfaction. Timeliness is also an extremely important client satisfaction indicator in the area of maintenance of real property; they are reported quarterly.

Performance Measurements	Goal	Annual Avg
Emergency Work Response Time Schedule Adherence-in house workforce	95%	92.1%
Specific Work completion Date Schedule Adherence – in house workforce	95%	84.3%
Minor Work Completion Date Schedule Adherence – in house workforce	95%	84.5%

Civilian and Military Personnel:

Personnel resources are one of the most valuable assets to the FEC organization. End strength and work year figures reflect the incorporation of individual PWDs into NAVFEC organization in FY 2006 and FY 2007. The NWCF FEC Management team continues to focus on the optimal mix and quantity of personnel required to ensure the effectiveness in providing quality products and service to our customers.

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian End Strength	7,196	8,692	8,490
Civilian Workyears (FTE)	7,599	8,691	8,312
Military End Strength	95	79	79
Military Workyears (FTE)	102	79	79

Capital Budget Authority (\$ in Millions):

<u>Capital Investment Program (CIP)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Equipment-Non ADPE/ TELECOM >500K	\$4.1	\$6.6	\$5.3
Equipment-Non ADPE/ TELECOM <500K	\$6.6	\$5.9	\$7.5
ADPE/TELECOM Equipment	\$0.0	\$0.6	\$0.0
Software Development	\$0.7	\$0.0	\$0.0
Minor Construction	<u>\$ 6.3</u>	<u>\$5.8</u>	<u>\$6.2</u>
Total	\$17.7	\$18.9	\$19.0

Cash Collection, Disbursements, and Net Outlays:

<u>(\$ in Millions)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Collections	\$1,624.6	\$2,033.9	\$2,081.7
Disbursements	\$1,619.1	\$2,077.8	\$2,082.5
Net Outlays	-\$5.5	\$43.9	\$0.8

Summary:

The FECs strive to be efficient and effective organizations that provide high quality products and services to the afloat and ashore-based activities. Sound business practices are the core for decisions that promote continuous and innovative improvements of products and services. It is our objective to accomplish the mission, while reducing total cost for services, increasing productivity, improving quality/client satisfaction, and providing a safe and productive work environment.

INDUSTRIAL BUDGET INFORMATION SYSTEM
REVENUE and EXPENSES
AMOUNT IN MILLIONS
PWC / TOTAL

	FY 2005 CON	FY 2006 CON	FY 2007 CON
Revenue:			
Gross Sales			
Operations	1,632.3	2,057.5	2,224.5
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	18.5	21.7	19.9
Other Income			
Total Income	1,650.8	2,079.2	2,244.4
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	9.9	7.1	8.0
Civilian Personnel	503.5	602.3	586.5
Travel and Transportation of Personnel	2.4	6.6	6.6
Material & Supplies (Internal Operations)	167.7	309.5	279.4
Equipment	22.8	29.8	34.4
Other Purchases from NWCF	12.9	13.9	14.0
Transportation of Things	.3	.6	.4
Depreciation - Capital	18.5	21.7	19.9
Printing and Reproduction	.3	.8	.8
Advisory and Assistance Services	.2	.6	.6
Rent, Communication & Utilities	596.8	722.1	847.4
Other Purchased Services	275.9	426.0	445.1
Total Expenses	1,611.1	2,140.9	2,243.1
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	1,611.1	2,140.9	2,243.1
Operating Result	39.7	-61.7	1.4
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	39.7	-61.7	1.4
Other Changes Affecting AOR	19.2	.0	.0
Accumulated Operating Result	60.3	-1.4	.0

Exhibit Fund-14

NAVY WORKING CAPITAL FUND
SOURCE of REVENUE
FWC/FEC TOTAL
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
FEBRUARY 2006
AMOUNT IN MILLIONS

	FY 2005 CCN	FY 2006 CCN	FY 2007 CCN
	-----	-----	-----
1. New Orders	1,631	2,054	2,239
a. Orders from DoD Components	1,211	1,460	1,620
Department of the Navy	1,004	1,279	1,430
O & M, Navy	884	1,103	1,250
O & M, Marine Corps	34	64	65
O & M, Navy Reserve	2	4	4
O & M, Marine Corp Reserve	2	1	1
Aircraft Procurement, Navy	1	5	5
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	1	2	2
Other Procurement, Navy	6	17	18
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	70	76	79
Research, Dev., Test, & Eval., Navy	2	3	3
Military Construction, Navy	1	2	2
Other Navy Appropriations	1	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	10	17	18
Army Operation & Maintenance	5	10	10
Army Res, Dev, Test, Eval	0	2	2
Army Procurement	0	0	0
Army Other	5	5	6
Department of the Air Force	28	28	29
Air Force Operation & Maintenance	18	26	28
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	9	1	1
DOD Appropriation Accounts	169	136	143
Base Closure & Realignment	0	0	1
Operation & Maintenance Accounts	78	56	57
Res, Dev, Test & Eval Accounts	3	2	2
Procurement Accounts	3	1	1
Defense Emergency Relief Fund	0	0	0
DOD Other	85	77	81
b. Orders from other WCF Activity Groups	304	459	476
c. Total DoD	1,514	1,920	2,096
d. Other Orders	117	135	143
Other Federal Agencies	6	12	12
Foreign Military Sales	1	0	0
Non Federal Agencies	110	123	131
2. Carry-In Orders	188	192	167
3. Total Gross Orders	1,819	2,246	2,406
a. Funded Carry-Over before Exclusions	192	167	162
b. Total Gross Sales	1,627	2,079	2,244
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRIFB (-)	-15	-12	-11
6. Net Funded Carryover	153	131	127

Note: Line 4 (End of Year Work-In-Process)
Is adjusted for Non-DoD, BRAC & FMS
and Institutional MRIFB

**Changes in the Costs of Operation
Department of the Navy
Base Support Services - PWC/FEC
Fiscal Year (FY) 2007 Budget Estimates
February 2006**

		Total Cost
1.	FY 2005 Actuals	1611.1
2.	FY 2006 President's Budget:	2002.4
3.	Pricing Adjustments:	
	a. FY 2006 Pay raise	
	(1) Civilian Personnel	2.7
	(2) Military Personnel	0.0
	c. General Inflation	6.4
	c. Fuel	47.2
4.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	6.0
	(2) Direct Materiel & Supplies	8.5
	(3) Contract/Other Purchases	69.3
5.	Other Changes	
	a. Indirect Labor	-5.2
	b. VERA/VSIP	2.6
	c. Indirect Materiel	1.6
	d. Depreciation	1.2
	e. Contract Services	-1.7
	f. Other	0.0
6.	FY 2006 Current Estimate:	2141.0
7.	Pricing Adjustments:	
	a. FY 2007 Pay raise	
	(1) Civilian Personnel	3.6
	(2) Military Personnel	0.0
	b. Annualization of Prior Year Pay Raise	
	(1) Civilian Personnel	6.3
	(2) Military Personnel	0.0
	c. General Inflation	30.4
	d. Fuel	7.2
8.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	-19.0
	(2) Direct Material & Supplies	-16.3
	(3) Contract Services	99.5
	(4) Other Purchases	-0.3
9.	Other Changes	
	a. Indirect Labor	-4.8
	b. VERA/VSIP	1.0
	c. Indirect Material	-4.1
	d. Depreciation	-1.8
	e. Contract Services	0.4
	f. Other	0.0
10.	FY 2007 Current Estimate	2243.1

Navy Working Capital Fund Capital Investment Summary
Component: Department of Navy
Base Support
Fiscal Year (FY) 2007 Budget Estimates
February 2006
(Dollars in Millions)

Line No.	Item Description	FY2005		FY2006		FY2007	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	<u>Non-ADP Equipment (>\$500K)</u> Replacement (List)						
L01	CRANE TRUCK MOUNTED (MTD) 2-ENG 8246	1	0.824	0	0.000	5	2.717
L02	CRANE TRUCK MOUNTED/MTD 51 TON AND UP 8249	4	2.500	3	2.384	2	1.711
L03	CRANE TRUCK 4X4 MTD 90 TON 8253	1	0.800	1	0.900	1	0.863
L04	CRANE TRUCK HYDRAULIC LATTICE TRUCK MOUNT/70-100 TON 8219	0	0.000	3	2.500	0	0.000
L05	CRANE TRUCK MTD 8242	0	0.000	1	0.800	0	0.000
	Total Non-ADP Equipment (>\$500K)	6	4.124	8	6.584	8	5.291
L06	Total Non-ADP Equipment (>\$100K<\$500K)	33	6.600	29	5.921	39	7.514
	Grand Total Non-ADP Equipment	39	10.724	37	12.505	47	12.805
	<u>ADP Equipment & Telecommunications (>\$500K)</u> (List)						
L07	Total ADP Equipment & Telecommunications (>\$500K)	0	0.000	1	0.648	0	0.000
	Total ADP Equipment & Telecommunications (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000
	Grand Total ADP Equipment & Telecommunications	0	0.000	1	0.648	0	0.000
	<u>Software Development (>\$500K)</u> (List)						
L08	DWAS	1	0.672	0	0.000	0	0.000
	Total Software Development (>\$500K)	1	0.672	0	0.000	0	0.000
	Total Software Development (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000
	Grand Total Software Development	1	0.672	0	0.000	0	0.000
L09	Total Minor Construction (>\$100K<\$750K)	13	6.271	14	5.767	16	6.206
	Total Capital Purchase Program	53	17.667	52	18.920	63	19.011
	Total Capital Outlays		10.751		19.335		17.717
	Total depreciation Expense		18.493		21.719		19.919

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Fiscal Year (FY) 2007 Budget Estimates February 2006		
B. Department of the Navy/Base Support				C. L01 CRANE TRUCK MTD 2-ENG 8246			D. Facilities Engineering Centers		
Element of Cost	FY 2005			FY 2006			FY2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	1	824.00	824	0	0.00	0	5	543.40	2,717
<p>Narrative Justification:</p> <p>FY 07:</p> <p>FEC SOUTHEAST The FEC Southeast requests the replacement of one overaged crane located at SUB BASE Kings Bay which provides public works services to sub base Navy customers. This replacement reduces the usage of the rental cranes when the current asset is in downtime due to age and accelerated deterioration. This asset current exceeds its life expectancy and is difficult to find replacement parts. Commercial leasing rates are over 50% higher with additional cost for delivery, pickup, and dead time charges. By replacing this aging crane the FEC will be able to avoid excessive maintenance and repair as well as additional lease costs to the Navy.</p> <p>FEC MIDLANT The FEC Midlant requests replacement of four overaged cranes which provide public works support for waterfront operations at NAVSTAT Norfolk Amphib Base, Little Creek and Naval Weapons Station Yorktown. Workload for these cranes includes various public works maintenance functions. These cranes are 16 to 17 years old with a life expectancy of 10 years. To maintain a level of reliability and safety, FEC Midlant will need to replace these cranes. In addition, maintenance costs can be reduced by up to 50%. Currently lease cost for these cranes exceed over \$250K on annual basis and over \$1million for rental on an as needed basis which is charged directly to the customer. Replacement will assist in avoiding excessive annual maintenance and repair as well as lease cost to the Navy.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)						A. Fiscal Year (FY) 2007 Budget Estimates February 2006			
B. Department of the Navy/Base Support			C. L02 CRANE TRUCK MOUNTED/ MTD 51 TON AND UP 8249			D. Facilities Engineering Centers			
Element of Cost	FY 2005			FY 2006			FY2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	4	625.00	2,500	3	794.67	2,384	2	855.50	1,711
Narrative Justification:									
FY 06:									
FEC HAWAII									
FEC Hawaii requests the replacement of one all terrain, 90 Ton crane which exceeds its life expectancy due to accelerated deterioration and continuous use. This asset supports Pearl Harbor fleet and shore establishment public works requirements. Currently this crane is in excessive downtime cycles due to continuous maintenance and repair requirements. Maintenance exceeds \$325K annually with an average downtime in excess of 1,597 hours. Leasing this asset from commercial sources cost 25-30% more along with additional delivery/pick-up fees. By replacing this crane the FEC will be able to avoid excessive maintenance and repair as well as leasing costs.									
FEC SOUTHWEST									
FEC Southwest requests the replacement of two 20-50 ton cranes which are beyond their life expectancy and are experiencing excessive maintenance downtimes. These cranes are beyond economic repair and have significant safety issues requiring expensive repairs due primarily to the lack of available parts. These cranes provide a wide range of fleet and shore construction, maintenance, and utilities support requirements to the San Diego Naval complex. Replacement will reduce workload delays and assist in avoiding increased commercial rental costs and lost revenue due to downtime delays. Both assets are difficult to get parts for which results in operational inefficiency and safety delays. By replacing these cranes the FEC will be able to avoid excessive maintenance and repair as well as leasing costs.									
FY 07:									
FEC SOUTHWEST									
FEC Southwest requests the replacement of two cranes, 51 ton and up, which are beyond their life expectancy and are in need of replacement due to accelerated age and deterioration. These cranes are in support of a wide range of public works services to the Navy fleet and shore establishment requirements in the San Diego Naval complex. Replacement will reduce workload delays and commercial rental costs when maintenance and repairs requirements take these cranes out of service. Both assets are difficult to find parts which often leads to reduced operational efficiency. By replacing these cranes the FEC will be able to avoid excessive maintenance and lease costs as well as operational delays.									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Fiscal Year (FY) 2007 Budget Estimates February 2006		
B. Department of the Navy/Base Support				C. L03 CRANE TRUCK 4X4 MTD 90 TON 8253			D. Facilities Engineering Centers		
Element of Cost	FY 2005			FY 2006			FY2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	1	800.00	800	1	900.00	900	1	863.00	863
<p>Narrative Justification:</p> <p>FY06: SOUTHWEST FEC Southwest requests the replacement of one overaged 4X4 swing cab crane which provide a wide range of Fleet and repair, construction, maintenance, and utilities support requirements. The proposed crane replaces a crane that is overage and beyond economical repair. Replacement will reduce workload delays and equipment downtimes which have resulted in lost work. Also the current asset is difficult to get parts for and as a result will contribute to excessive downtimes and accelerated maintenance cost. Alternative leases accelerate cost to customers in the San Diego area at a projected 50% higher hourly rate. By replacing this asset the FEC can avoid accelerated maintenance and lease cost to the Navy.</p> <p>FY07: SOUTHEAST FEC Southeast requests the replacement of one overaged rough terrain 4X4 crane which services various Navy customers in the Jacksonville Naval base complex. In addition there are specific facilities which require a replacement crane whose specifications allow for the ease of operation where full reach capability of most crane booms will not fit. This requirement reduces the usage of the current asset and hinders the cross decking as well as outboard antenna work and overall mission capability. Commercial leasing rates are over 50% higher with additional cost for delivery and pickup and dead time charges. By replacing the aging crane the FEC will be able to save significant annual lease and maintenance costs to the Navy.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)						A. Fiscal Year (FY) 2007 Budget Estimates Feb-06			
B. Department of the Navy/Base Support			C. L04 CRANE			D. Facilities Engineering Centers			
Element of Cost	FY 2005			FY 2006			FY2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	0	0.00	0	3	833.33	2,500	0	0.00	0
<p>Narrative Justification:</p> <p>FY 06:</p> <p>FEC SOUTHEAST FEC Southeast requests the replacement of one overage lattice crane crane which services various Navy customers at the Mayport Naval base complex. In addition there are specific facilities which require a replacement crane whose specifications meet engineering evaluations mandating a updated crane with a 30 foot set back from pier walls. This requirement reduces the usage of the current asset and hinders the cross decking as well as outboard antenna work and overall mission capability. Commercial leasing rates are over 50% higher with additional cost for delivery and pickup and dead time charges. By replacing the aging crane the FEC will be able to save significant annual lease and maintenance costs to the Navy.</p> <p>FEC MIDLANT Crane replacement is proposed for 2 overaged cranes at FEC Midlant, which are primarily used for waterfront support operations at the Naval Station Norfolk Naval Amphibious Base, Little Creek and Naval Weapons Stations at Yorktown, VA. And Earle, NJ. Workload for this type crane consists of various maintenance and public works support handling evolutions. The cranes being replaced are 16 and 17 years old, with a life expectancy of 10 years. To maintain a level of reliability and safety, FEC Norfolk needs to replace these units. Preinvestment analysis shows that maintenance costs will reduce by up to 50% when replaced with new cranes. Lease cost for the required crane with this capacity is over \$250K on an annual basis (charged directly to the customer). Due to the high cost of leasing, the most cost effective method of providing service is to purchase replacements.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)						A. Fiscal Year (FY) 2007 Budget Estimates February 2006			
B. Department of the Navy/Base Support			C. L05 CRANE TRUCK MTD, 8242			D. Facilities Engineering Centers			
Element of Cost	FY 2005			FY 2006			FY2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Productivity	0	0.00	0	1	800.00	800	0	0.00	0
<p>Narrative Justification:</p> <p>FY06:</p> <p>MIDLANT</p> <p>The proposed crane replacement is for an overaged crane at FEC Midlant, which is exclusively to support public works requirements at NAS Oceana. This crane's mission is critical due to nature of NAS workload and the need to respond quickly to requirements. Excessive age and deterioration precludes cost effective repair of this crane. In addition, the terrain where the crane is to be used precludes the use of any other type equipment. The requested crane procurement will replace the current asset which is 35 years old with a life expectancy of 10 years. Leasing this asset when available locally would cost the FEC a potential \$1 million a year on as needed basis and over \$250K on an annual lease. Currently this asset is reaching critical replacement since downtimes have begun to affect operations and costs.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)						A. Fiscal Year (FY) 2007 President's Budget February 2006			
B. Department of the Navy/Base Support			C. L06 Non-ADP Equipment (>\$100K<\$500K)			D. Facilities Engineering Centers			
Element of Cost	FY 2005			FY 2006			FY2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$100K<\$500K)	33	200.00	6,600	29	204.17	5,921	39	192.67	7,514
Narrative Justification:									
All the equipment listed below met their replacement (age/hours) criteria set forth in NAVFAC P-300. Excessive maintenance costs of aged equipment impacts timeliness and cost to our customers. High demand and urgent requirements from customer often times require use of commercial rentals that can go as high as three times the cost of FEC owned equipment. Equipment requested in this category also include environmental plant equipment in support of Federal and State compliance and monitoring requirements. FY05/06/07 requirements are listed as follows:									
	FY05 QTY	DESCRIPTION		FY06 QTY	DESCRIPTION		FY07 QTY	DESCRIPTION	
FEC MIDWEST	1	Tractor, Crawler, LE Dozer		1	Tractor, Crawler, LE Dozer		1	Tractor, Crawler, LE Dozer	
	1	Truck Fuel Servicing		1	Truck Hoist & Carry				
FEC SOUTHEAST	1	Truck, Avgas/Jet Fuel, 5000 GAL			None		1	Crane wheel mounted 4X4 cab HYD (35T)	
FECMIDLANT	1	Truck, cable handling/ship to shore		1	Truck, battery transporter		1	Truck, cable handling/ship to shore	
	1	Truck, tractor 25 Ton		1	Truck, tractor 25 Ton		1	Truck, tractor 25 Ton	
	3	Truck, maintenance pole/line		2	Truck, maintenance aerial service		2	Truck, maintenance pole/line	
	3	Truck, maintenance aerial service		1	Loader scoop wheel mounted 4X4		1	Truck Wrecker rollback	
	1	Truck, Avgas/Jet Fuel, 5000 GAL		2	Platform maintenance		1	Truck reel, handling/tensioning powered	
	1	Semitrailer tank 6000 gal and over GP		2	Crane truck, mounted HYD 20 Ton		1	Forklift diesel 15K RT	
	1	Forklift, DSL, 15K, RT		2	Crane RT 35-40 Ton		2	MHE Swingmaster sideloader 8K	
	1	Materials Handling Equip. Swingmaster sideloader 8K					2	Loader scoop wheel mounted 4X4	
	1	Truck refuse collection M					1	Tractor crawler tracked	
	1	Truck material Handling/hoist/haul 45 CY					4	Platform maintenance	
	1	Asphalt Grinder					1	Crane RT 35-40 Ton	
	1	Lathe							
FEC HAWAII		Platform maintenance		1	Truck, basket 90 FT		1	Crane truck 60 Ton	
	1	Truck, maintenance pole/line					1	Truck, basket 65 FT	
							1	Street sweeper	
							1	Paint bioreactor	
FEC SOUTHWEST		Crane truck 4X4 MTD 30 Ton		2	Truck Container Roll Off		1	Crane, truck 4X4 MTD 30 Ton	
	2	Truck container Roll-Off		1	Chain/Haul Truck		1	Front Load Refuse Truck	
				1	Crane Wheel Mounted 4X4 Cab HYD		1	Chain / Haul Truck	
				1	Cable & Wire laser marking machine				
FEC FAREAST		Bucket Truck		2	Bucket Truck		2	Bucket Truck	
	3	Truck, Avgas/Jet Fuel, 5000 GAL		2	Truck, Avgas/Jet Fuel, 5000 GAL		2	TRK LDR AC HI-lift	
	1	Arial Platform Manlift		2	Crane, truck MTD HYD 4X4 15Ton&Up		4	Fuel Tank truck 2000 GAL	
	2	Crane, truck MTD HYD 4X4 15Ton&Up		1	10ton Truck tractor		1	Semitrailer 35 Ton	
	1	Truck refuse collection M		1	10ton Stake (Long Bed)		1	Grader, road diesel	
				1	TRK LDR AC HI-lift		1	Airfield Sweeper	
				1	Rotary Sweeper		1	Rotary Sweeper	
							1	Crane, truck MTD HYD 4X4 15 Ton & Up	

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)						A. Fiscal Year (FY) 2007 Budget Estimates February 2006			
B. Department of the Navy/Base Support			C. L07 ADP Equipment & Telecommunications (>\$500K)			D. Facilities Engineering Centers			
Element of Cost	FY 2005			FY 2006			FY2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
ADP Equipment & Telecommunications (>\$500K)	0	0.00	0	1	648.00	648	0	0.00	0
<p>Narrative Justification:</p> <p>FY 06: The Public Works Support Division, FEC Southwest, provides FEC WCF activity group management guidance and support for system requirements. This responsibility includes The Defense Working Capital Accounting System (DWAS) accounting system that the Defense Finance and Accounting Service (DFAS) provided as a replacement for the FECs Management Information System's Financial Module. DWAS is a data entry accounting system centrally run on a mainframe and and operated and managed by the DFAS. All of the financial data required by DWAS cannot be input on line but required input from various financial feeders. These systems that were previously locals but have been adopted by the Corporation because of the need to standardize system interfacing to DWAS. Specific systems included in this category are:</p> <ol style="list-style-type: none"> 1. Labor Management Support Information System (formerly known as A-05/Z-05) that supports labor reconciliation and interface needs of FEC production, 2. Micro Data Entry Program (MDEP) that provides a simple front-end program for batch entry of data and, some data preparation/consolidation into DWAS. 3. Electronic Information Transfer System (EITS) that provides for the capability to electronically accept and transfer information on funding document. <p>These 3 systems currently or will be running on file servers located at all FECs and this CPP Project is for the consolidation of all three systems to one single platform thereby consolidating servers from a minimum of 8 servers to 1 single platform. This will reduce the cost of operation to the Navy.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)						A. Fiscal Year (FY) 2007 President's Budget February 2006			
B. Department of the Navy/Base Support			C. L09 Minor Construction (>\$100K<\$750K)			D. Facilities Engineering Centers			
			FY 2005		FY 2006		FY2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction (>\$100K<\$750K)	13	482.38	6,271	14	411.93	5,767	16	387.88	6,206
Narrative Justification:									
The following FEC Minor Construction requirements represent FEC facilities requirements for a full range of transportation, utilities, environmental and storage requirements.									
FY05 PROJECT DESCRIPTION	(\$000)	FY06 PROJECT DESCRIPTION		(\$000)	FY07 PROJECT DESCRIPTION		(\$000)		
FEC MARIANAS									
Install New 12" Fire Protection Line at Sherman Circle	151	Construct Water Well, NH area		700	Replace 8" Waterline with 10" Mimitz Hill		275		
Replace Wastewater Plant w/Larger Centrifuge	550	Upgrade/expand Fonte River Sewerline		185	Harden, upgrade and expand steam plant aux equip fac.		625		
		Replace 16" Waterline with 18" Sumay Drive		350	Replace 10" Waterline with 16" Bullard Ave.		475		
FEC MIDLANT									
Construct Berm, Craney Island Tanks	573	Construct Oily Waste Surge Tank & Line Contm. Berm		530	Construct Recycling/Solid Waste Facility		655		
		Construct Office Complex, Bldg P65		450	Build Material Warehouse		495		
		Construct Environmental Lab		200					
FEC HAWAII									
Construct Supervisory Control & Data Acquisition Systems facility	750	Construct emergency generator facility SC-15 loc		240	Construct emergency generator WL-065 loc.		180		
Construct emergency generator facility SC-13 loc	250	Construct substation at Bishop Point		307	Install expanded 16" waterline		500		
Install expanded 12" waterline requirement	300	Install remote meter		303	Security Upgrade/Card Access Waiawa Pump Station		125		
Construct dispatch/riggers/weight handling facility	550				Security Upgrade/Card Access Manana Pump Station		125		
					Security Upgrade/Card Access Barbers Pt Pump Station		125		
					Security Upgrade/Card Access Water Tanks S1/S2		125		
FEC SOUTHWEST									
Expansion of Area Wide *EMS/DDC Point Loma Z-3	637	Expansion of Area Wide EMS/DDC Miramar Z-4		601	Expansion of Area Wide EMS/DDC San Diego Z-5		265		
Expansion of Area Wide EMS/DDC Miramar Z-3	465	Expansion of Area Wide EMS/DDC Coroando Z-4		458	Expansion of Area Wide EMS/DDC Miramar Z-5		355		
Expansion of Area Wide EMS/DDC Coronado Z-3	329	Expansion of Area Wide EMS/DDC Coronado Z-4a		490	Expansion of Area Wide EMS/DDC Coronado Z-5		746		
Expansion of Area Wide EMS/DDC San Diego Z-3	456	Expansion of Area Wide EMS/DDC San Diego Z-4		498	Expansion of Area Wide EMS/DDC San Diego Z-5a		522		
Expansion of Area Wide EMS/DDC Point Loma Z-4	604	Expansion of Area Wide EMS/DDC San Diego Z-4a		455	Expansion of Area Wide EMS/DDC San Diego Z-5b		613		
CLEMCO Abrasive Blast Cleaning Facility	656								
EMS/DDC = *Emergency Management System/Direct Digital Control									

DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT
FACILITIES ENGINEERING COMMANDS
FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
FEBRUARY 2006

PROJECTS ON THE FY 2006 PRESIDENT'S BUDGET
(Dollars in Millions)

FY	Approved Project	PRESIDENT'S BUDGET	REPROGS	APPROVED PROJ COST	CURRENT PROJ COST	ASSET/ DEFICIENCY	JUSTIFICATION
2006	Equipment except ADPE and TELCOM	11.695	0.000	11.695	12.505	-0.810	
	Equipment - ADPE and TELCOM	0.648	0.000	0.648	0.648	0.000	
	Software Development	0.000	0.000	0.000	0.000	0.000	
	Minor Construction	6.070	0.000	6.070	5.767	0.303	
	TOTAL FY 2006	18.413	0.000	18.413	18.920	-0.507	
	EQUIPMENT		FEC		QNTY	(\$000)	
	CRANE TRUCK MTD 2-ENG PRT		MIDLANT		(1)	(925) Cancelled no longer required.	
	CRANE TRUCK MTD HYD DED 51 TON & UP		MIDLANT		(1)	(675) Cancelled no longer required.	
	CRANE TRUCK MOUNTED HYD DED 100 TON		MIDLANT		1	800 Revised specifications for boom and lift capability to meet workload requirements	
	CRANE TRUCK MOUNTED HYD DED 70 TON		MIDLANT		1	600 Revised specifications for boom and lift capability to meet workload requirements	
	BULLDOZER D8		MIDLANT		1	167 Urgent equipment replacement resulting from the transfer of PWD Portsmouth Naval Ship Yard to FEC MIDLAN	
	LOADER, SCOOP		MIDLANT		1	109 Urgent equipment replacement resulting from the transfer of PWD Portsmouth Naval Ship Yard to FEC MIDLAN	
	LOADER, SCOOP WHEEL MOUNTED 4X4		MIDLANT		1	165 Unanticipated priority replacement due to accelerated deterioration and breakdown.	
	TRUCK TRACTOR 15 TON		MIDLANT		(1)	(103) Cancel requirement due to unanticipated priority replacements.	
	TRUCK TANK AVGAS/JETFUEL 5000 GAL&UP		MIDLANT		(1)	(163) Cancel requirement due to unanticipated priority replacements.	
	TRUCK MAT HNDLG HOIST/HAUL UP TO 45 CY		MIDLANT		(1)	(212) Cancel requirement due to unanticipated priority replacements.	
	TRUCK MAINTENANCE AERIAL		MIDLANT		1	124 Unanticipated priority replacement due to accelerated deterioration and breakdown.	
	TRUCK MAINTENANCE AERIAL		MIDLANT		-	40 Vendor price change	
	CRANE TRUCK MOUNTED HYD DED 20-50 TON		MIDLANT		1	315 Unanticipated priority replacement due to accelerated deterioration and breakdown.	
	CRANE TRUCK MOUNTED HYD ALL TERRAIN 75 TON		HAWAII		-	324 Unanticipated revision in specifications to meet current workload requirements.	
	CRANE HYT 15 TON		HAWAII		(1)	(221) Cancelled no longer required.	
	CRANE HYT 40 TON		HAWAII		(1)	(476) Cancelled no longer required.	
	GAS CHROMATOGRAPH		HAWAII		(1)	(150) Cancelled no longer required.	
	CRANE TRUCK MOUNTED DED HYD 51 TON		SOUTHWEST		1	912 Urgent equipment replacement resulting from the transfer of PWD Bangor to FEC SOUTHWEST.	
	CABLE AND WIRE LASER MARKING MACHINE		SOUTHWEST		1	125 Urgent requirement to improve overall internal control and inventory	
	CRANE WHEEL MOUNTED 4X4 CAB HYD		SOUTHWEST		1	221 Urgent equipment replacement resulting from the transfer of PWD Bangor to FEC SOUTHWEST.	
	FRONT LOADING REFUSE TRUCK		SOUTHWEST		(1)	(276) Cancelled no longer required.	
	BUCKET TRUCK		FAREAST		-	(3) Vendor price change	
	TRACTOR TRUCK 10 TON		FAREAST		1	130 Unanticipated priority replacement due to accelerated deterioration and breakdown.	
	STAKE TRUCK 10 TON		FAREAST		1	137 Unanticipated priority replacement due to accelerated deterioration and breakdown.	
	DUMP TRUCK W/SNOW PLOW 50000GVW		FAREAST		(1)	(115) Cancelled no longer required.	
	AIRCRAFT REFUELER 5000 GAL&UP		FAREAST		(1)	(185) Unanticipated reduction in quantity due to workload requirements	
	TRUCK LOADER AC HI-LIFT		FAREAST		1	145 Unanticipated priority replacement due to accelerated deterioration and breakdown.	
				SUBTOTAL	2	810	
	MINOR CONSTRUCTION						
	CONSTRUCT ENVIRONMENTAL LAB FACILITY		MIDLANT		1	200 Unanticipated priority facility requirements to meet workload requirements	
	INSTALL 8" WATERLINE, NAMUR ROAD		HAWAII		(1)	(300) Canceled project accomplished in FY 2005 .	
	CONSTRUCT EMERGENCY GENERATOR FACILITY		HAWAII		-	(10) Reduced material for project	
	INSTALL AUTOMATIC GATE CONTROL W/ CAC CARD ACCESS, VAR. LOC.		HAWAII		(1)	(500) Cancelled no longer required.	
	CONSTRUCT BPA AT BISHOP POINT		HAWAII		1	307 Unanticipated priority facility requirements to meet workload requirements	
				SUBTOTAL	-	(303)	
				FEC TOTAL ALL	2	507	

Exhibit Fund-9c Capital Budget Execution

Naval Facilities Engineering Service Center

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Navy Working Capital Fund
Base Support/NFESC
February 2006

Activity Group function and Technical Capabilities:

The Naval Facilities Engineering Service Center (NFESC) is a Navy-wide technical center, delivering quality products and services in:

- Energy and Utilities
- Amphibious and Expeditionary Systems
- Environment
- Shore, Ocean, and Waterfront Facilities

As a member of the Navy Facilities Engineering Command (NAVFAC) team, we provide worldwide support to the Navy, Marine Corps, and other DoD agencies. We provide solutions to problems through engineering, design, construction, consultation, test and evaluation, technology demonstration/implementation, and program management support. We leverage technology to enhance our clients' effectiveness and efficiency. We use existing technology where we can, identify and adapt breakthrough technology when appropriate, and perform technology development when required.

The NFESC is the principal Navy provider of specialized engineering services and products for shore and offshore facilities, energy and utilities, environmental support and amphibious and expeditionary systems. The work performed by NFESC is accomplished by mobilizing the proper expertise mix of personnel and other resources from these technology areas to address customer requirements. NFESC is a critical part of the overall NAVFAC's Strategic Plan. NFESC provides a synergism of its expertise and practical field experience for the solution of field activity and fleet needs. We support a very broad range of Navy and Marine Corps customers and focus on delivering quality products and services. Program execution is funded by many appropriations, but primarily from Operations &

Maintenance Navy, Research & Development, Navy, Working Capital Fund, and other DoD Accounts. |

The Energy and Utilities area of expertise is responsible for the Navy's ashore Establishment's Energy program. Efforts focus on energy conservation systems, energy data management, energy technology transfer, energy and utilities management, utilities control systems, utility systems engineering, and thermal and power plant engineering.

The Amphibious and Expeditionary area of expertise is responsible for developing and providing support and enhancement of Naval Construction Battalion and Marine Corps advanced base construction and operations, amphibious force operations, and Marine Corps combat engineer operations. Efforts focus on amphibious systems, combat engineer system, expedient facilities, and logistics engineering.

The Environmental area of expertise is responsible for planning, reviewing, and analyzing Navy wide functions, and assembling and deploying customized technology to meet the environmental requirements of the Naval Shore Establishment. Efforts focus on environmental restoration, waste management, environmental compliance, environmental data management, environmental technology transfer, pollution prevention, indoor air management, and oil spill program.

The Ocean facilities department area of expertise is responsible for developing, implementing, and improving the Navy's capabilities for the design, construction, maintenance, and repair of fixed ocean facilities. Efforts focus on marine geotechniques, anchor systems, ocean structures, ocean construction, undersea warfare, underwater cable facilities, hyperbaric facilities, mooring systems, magnetic silencing facilities, underwater inspection, ocean construction equipment inventory, coastal facilities, and pipeline integrity assessment.

The Shore Facilities area of expertise is responsible for providing innovative engineering solutions, designs, technological tools and field services to best support a viable Naval Shore Establishment. Efforts focus on waterfront facilities, aviation facilities, physical security, ordnance facilities, materials and coatings, computer

aided design, facilities life cycle management, base survivability electronics thermal and power plant engineering.

Financial Profile:

\$ in Millions	FY 2005	FY 2006	FY 2007
Revenue	88.3	90.8	82.9
Cost of Goods Sold	82.7	88.7	88.9
Net Operating Results	5.6	2.1	-6.0
Accum. Operating Results (AOR)	3.9	6.0	0.0

As a result of one-time Accounts Payable cleanup efforts in FY 2005, Cost of Goods Sold has been decreased and is less than the estimate in the FY 2006 President's Budget. The result improved AOR and helped reduce the revenue requirement in FY 2007. Revenue and related contract costs increased in FY 2006 due to increases in Environmental and Energy Program requirements. Revenue and Cost of Goods Sold remain relatively level between FY 2006 and FY 2007 due to expected customer workload requirements. The NFESC continues to experience steady workload in Logistics Information Systems, Anti-Terrorism Force Protection, Un-interruptible Power Supplies, the Integrated Undersea Surveillance Program, and is the program center of expertise for Critical Shore Facilities Systems.

Workload (Direct Labor Hours):

(Thousands)	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Direct Labor Hours	548.2	501.7	489.6

Direct labor hours decreased from FY 2006 President's Budget due to reductions in the Amphibious, Environmental, Energy, Shore, and Ocean Programs, (see End Strength/Full Time Equivalent). Based upon customer requirements, direct labor hour workload remains relatively stable from FY 2005 through FY 2007.

Civilian and Military Personnel:

<u>Civilian / Military End Strength & Workyears</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Civilian End Strength	394	383	377
Civilian Workyears (FTE)	388	378	364
Military End Strength	3	3	3
Military Workyears (FTE)	3	3	3

End Strength and Workyears remain relatively stable based upon workload requirements through FY 2007. Variance from the FY 2006 Presidents budget is primarily due to reduction in customer requirements in the various departments.

Performance Indicators:

The primary performance indicator is unit cost. Unit cost measures total direct labor and overhead costs per direct labor hour. The change in unit cost in FY 2006 and FY 2007 primarily reflects adjustments in customer requirements.

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Unit Cost	\$81.52	\$91.68	\$91.43
Productivity Ratio	78.7%	75.1%	76.5%

Unit Cost in FY 2005 was below the FY 2006 President's Budget estimate primarily due to Accounts Payable clean-up efforts. In FY 2005 NFESC and Defense Finance & Accounting Service (DFAS) made a special effort to identify and remove invalid and outdated Accounts Payable related to prior year transactions. The result of this process produced credits that lowered NFESC's net cost. NFESC is expected to maintain a close watch on Accounts Payable in the future so that special clean-up effort won't be necessary again. Productivity Ratios remain relatively level throughout FY -2006 and FY -2007. In FY 2005, the Production Ratio was somewhat higher due to additional direct hour workload.

Stabilized Rates:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Stabilized Rates	\$87.20	\$88.22	\$85.28
Stabilized Rate Change		+1.2%	-3.3%

Stabilized Rates in FY 2007 decrease by -3.3% due to the impact of Accounts Payable cleanup and reduced indirect cost.

	<u>FY 2006</u>	<u>FY 2007</u>
Composite Rate Change to Navy Customers	+1.2%	-3.3%

Capital Investment Program (CIP):

There are no Capital Investment Program requirements for FY 2005 through FY 2007.

Cash Collections, Disbursements and Net Outlays

<u>(\$ in Millions)</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Collections	\$81.7	\$69.6	\$91.9
Disbursements	\$78.6	\$94.5	\$75.7
Net Outlays	-\$3.1	\$24.9	-\$16.2

Customer Evaluation:

NFESC uses a Customer Request Evaluation Form (CREF) to measure customer satisfaction. Projects referred through the Activity Liaison Officer (ALNO) program are then evaluated by the system. Based on a rating scale A-F, NFESC has received a customer rating of "A" since the CREF was implemented.

INDUSTRIAL BUDGET INFORMATION SYSTEM
REVENUE and EXPENSES
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
FEBRUARY 2006
AMOUNT IN MILLIONS
NFESC / TOTAL

	FY 2005 CN	FY 2006 CN	FY 2007 CN
Revenue:			
Gross Sales			
Operations	88.1	90.7	82.8
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	.2	.1	.1
Other Income			
Total Income	88.3	90.8	82.9
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	.3	.3	.3
Civilian Personnel	41.7	42.0	41.8
Travel and Transportation of Personnel	3.7	3.6	3.6
Material & Supplies (Internal Operations)	3.9	1.4	1.4
Equipment	1.2	.5	.6
Other Purchases from NWC	4.6	5.3	5.3
Transportation of Things	.6	.4	.4
Depreciation - Capital	.2	.1	.1
Printing and Reproduction	.0	.5	.5
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	.6	1.0	.9
Other Purchased Services	26.0	33.6	34.1
Total Expenses	82.7	88.7	88.9
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	82.7	88.7	88.9
Operating Result	5.6	2.1	-6.0
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NDR/AGR	.0	.0	.0
Other Changes Affecting NDR/AGR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	5.6	2.1	-6.0
Other Changes Affecting AGR	.0	.0	.0
Accumulated Operating Result	3.9	6.0	.0

INDUSTRIAL BUDGET INFORMATION SYSTEM
 NFESC / TOTAL
 SOURCE of REVENUE
 FISCAL YEAR (FY) 2007 BUDGET ESTIMATE
 FEBRUARY 2006
 AMOUNT IN MILLIONS

	FY 2005 CCN -----	FY 2006 CCN -----	FY 2007 CCN -----
1. New Orders	84	86	81
a. Orders from DoD Components	75	56	56
Department of the Navy	62	44	40
O & M, Navy	32	26	22
O & M, Marine Corps	3	1	1
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	2	1	1
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	23	15	15
Military Construction, Navy	1	0	0
Other Navy Appropriations	0	1	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	2	1	1
Army Operation & Maintenance	1	0	0
Army Res, Dev, Test, Eval	1	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	2	1	2
Air Force Operation & Maintenance	0	0	1
Air Force Res, Dev, Test, Eval	1	0	0
Air Force Procurement	1	1	1
Air Force Other	0	0	0
DOD Appropriation Accounts	9	10	13
Base Closure & Realignment	1	0	0
Operation & Maintenance Accounts	1	2	1
Res, Dev, Test & Eval Accounts	6	2	2
Procurement Accounts	1	0	1
Defense Emergency Relief Fund	0	0	0
DOD Other	0	6	9
b. Orders from other WCF Activity Groups	6	24	19
c. Total DoD	81	80	75
d. Other Orders	2	6	6
Other Federal Agencies	2	4	4
Foreign Military Sales	0	1	1
Non Federal Agencies	1	1	1
2. Carry-In Orders	27	22	17
3. Total Gross Orders	111	108	98
a. Funded Carry-Over before Exclusions	22	17	15
b. Total Gross Sales	88	91	83
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	0	-1	-2
6. Net Funded Carryover	22	16	13

Note: Line 4 (End of Year Work-In-Process)
 Is adjusted for Non-DoD, BRAC & FMS
 and Institutional MRTFB

**CHANGES IN THE COSTS OF OPERATION
DEPARTMENT OF THE NAVY
BASE SUPPORT/NFESC
Fiscal Year (FY) 2007 Budget Estimates
FEBRUARY 2006
(Dollars in Millions)**

		Total Cost
1.	FY 2005 Actuals	82.7
2.	FY 2006 President's Budget:	88.4
3.	Pricing Adjustments:	
	a. FY 2006 Pay raise	
	(1) Civilian Personnel	0.2
	(2) Military Personnel	0.0
	b. Annualization of Prior Year Pay Raise	
	(1) Civilian Personnel	0.0
	(2) Military Personnel	0.0
	c. General Inflation	0.2
4.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	-0.1
	(2) Direct Materiel & Supplies	-0.3
	(3) Contract/Other Purchases	0.5
5.	Other Changes	
	a. Indirect Labor	-0.4
	b. VERA/VSIP	0.1
	c. Indirect Materiel	0.1
	d. Depreciation	0.0
	e. Contract Services	0.2
	f. Other	-0.2
6.	FY 2006 Current Estimate:	88.7
7.	Pricing Adjustments:	
	a. FY 2007 Pay raise	
	(1) Civilian Personnel	0.4
	(2) Military Personnel	0.0
	b. Annualization of Prior Year Pay Raise	
	(1) Civilian Personnel	0.3
	(2) Military Personnel	0.0
	c. General Inflation	0.8
8.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	0.0
	(2) Direct Material & Supplies	0.2
	(3) Contract Services	-2.0
	(4) Other Purchases	-0.4
9.	Other Changes	
	a. Indirect Labor	-0.2
	b. VERA/VSIP	0.0
	c. Indirect Material	-0.2
	d. Depreciation	0.0
	e. Contract Services	1.3
	f. Other	0.0
10.	FY 2007 Current Estimate	88.9

Navy Working Capital Fund Capital Investment Summary
Component: Department of Navy
Base Support - NFESC
Fiscal year (FY) 2007 Budget Esitmates
February 2006
(Dollars in Millions)

Line No.	Item Description	FY2005		FY2006		FY2007	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
L07	Non-ADP Equipment (>\$500K) Replacement (List) Productivity New Mission Environmental Compliance						
	Total Non-ADP Equipment (>\$500K)	0	0.000	0	0.000	0	0.000
	Total Non-ADP Equipment (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000
	Grand Total Non-ADP Equipment	0	0.000	0	0.000	0	0.000
L08	ADP Equipment & Telecommunications (>\$500K) (List)	0	0.000	0	0.000	0	0.000
	Total ADP Equipment & Telecommunications (>\$500K)	0	0.000	0	0.000	0	0.000
	Total ADP Equipment & Telecommunications (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000
	Grand Total ADP Equipment & Telecommunications	0	0.000	0	0.000	0	0.000
L11	Software Development (>\$500K) (List)						
	Total Software Development (>\$500K)	0	0.000	0	0.000	0	0.000
	Total Software Development (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000
	Grand Total Software Development	0	0.000	0	0.000	0	0.000
	Total Minor Construction (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000
	Total Capital Purchase Program	0	0.000	0	0.000	0	0.000
	Total Capital Outlays		0.000		0.000		0.000
	Total depreciation Expense (DOIBIS DBC 4950)		0.221		0.062		0.062

NAVY SUPPLY MANAGEMENT

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
ACTIVITY GROUP: SUPPLY MANAGEMENT- NAVY
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES – FEBRUARY 2006**

Activity Group Functions:

The Navy Working Capital Fund Supply Management (NWCF-SM) Activity Group performs inventory management functions that result in the sale of aviation and shipboard components; ships store stock and consumables to a wide variety of customers. Major customers include Fleet and Marine Corps forces, Department of the Navy (DON) shore activities, Army, Air Force, Defense Agencies, other government agencies and foreign governments. Costs related to supplying this material to the customer are recouped through stabilized rates that include recovery elements such as inventory management, contract management, receipt and issue of Department managed material and the depreciation of capital assets.

Activity Group Composition:

Operations for the following activities are funded in this Activity Group:

Naval Inventory Control Point (NAVICP), Mechanicsburg/Philadelphia, PA

Commander, Fleet and Industrial Support Centers (COMFISCS):

Fleet and Industrial Supply Center, San Diego, CA

Fleet and Industrial Supply Center, Jacksonville, FL

Fleet and Industrial Supply Center, Norfolk, VA

Fleet and Industrial Supply Center, Pearl Harbor, HI

Fleet and Industrial Supply Center, Puget Sound, WA

Fleet and Industrial Supply Center, Yokosuka, JP

Fleet and Industrial Supply Center, Sigonella, IT

Navy Supply Information Systems Activity (NAVSISA), Mechanicsburg, PA

Executive Summary / Significant Changes in Activity Group:

The Naval Supply Systems Command (NAVSUP) provides U.S. Naval forces with quality supplies and services. A principal source of readiness for U.S. Naval forces, NAVSUP delivers logistics support in supply operations, contracting, resale, transportation, security assistance, conventional ordnance, food service and other quality of life programs.

NAVSUP's four-phased transformation efforts continue throughout the period covered in this budget estimate. The four phases of transformation are aimed at aligning elements of the organization to more effectively and efficiently sustain current and future combat capabilities.

I. Organizational & Functional Alignment

This effort realigned enterprise field activities and functions to improve service delivery to customers. The Naval Operational Logistics Support Center (NOLSC) was established by combining three activities, NAVPETOFF, NALC, and NAVTRANS. Commander, Fleet Industrial Supply Centers (COMFISC) was established by aligning six FISCs into one

command structure responsible for waterfront support. All Information Technology was transferred to NAVSISA. Savings were achieved in both manpower and non-labor.

II. Products & Services (P&S)

NAVSUP is aggressively pursuing a top down review of all products and services as a means to better understand and reduce total costs. The key enabler of this effort is the Enterprise-wide application of LEAN / Six Sigma.

III. Enterprise Resource Planning (ERP)

The Navy's single endeavor to unify its business processes and automated information systems to lower overall maintenance costs, improve management decision making, move more maintenance work ashore, improve resource management, and enhance combat readiness. The Navy ERP initiative has the potential to be a long-range program with a long-range goal, and directly support the Secretary of the Navy's Sea Enterprise section of Naval Power 21 and future DON Objectives.

IV. Human Capital Strategy (HCS)

This strategy is based on a process, with supporting tools, which can be applied to any initiative or effort to define the HCS tail. The NAVSUP HCS team develops "lead turn" execution strategies to provide the right mix of people and skills to perform the desired mission.

While concurrently engaged in Transformation Phases II, III and IV, NAVSUP is implementing an aggressive Lean 6 Sigma (L6S) effort to achieve efficiencies in approximately seventy products and services with potential savings available for Navy reinvestment. In anticipation of achieving savings targets, this submission includes a reduction in FY 2007 obligation authority of \$25.0 million. Combined with the Phase I Organizational & Functional Alignment NWCF savings, NAVSUP Transformation has provided more than \$110 million toward recapitalization and other Navy priorities.

Cash and Pricing

Net outlays for the budget horizon (FY 2005 - 2007) are -\$62.641 million, -\$179.317 million and -\$5.477 million, respectively, and in total are consistent with the FY 2006 President's Budget projections.

The Annual Price Change (APC) to be applied to customer accounts for FY 2007 is 2.4 percent, which includes \$25 million savings associated with L6S efforts and reflects NAVSUP's commitment to minimizing customer rate growth despite escalating repair costs.

Highlights

This budget reflects a significant effort to identify and quantify the drivers of reduced demand observed during FY 2005. The demand re-centering project resulted in the alignment of requirements to match decreasing demand.

Navy successfully implemented the National Inventory Management Strategy (NIMS) at Naval Station Ingleside in May 2003 and Naval Air Station (NAS) Whidbey Island in August 2005. NAVSUP is working with NIMS stakeholders to finalize plans for implementation at CONUS Naval Air Stations and Fleet Industrial Support regions. This budget submission does not reflect pre-decisional implementation plans.

The planned industrial support partnership between Naval Aviation Depot (NADEP) Jacksonville, FL and Cherry Point, NC with Fleet and Industrial Support Center (FISC) Jacksonville, FL, is presently scheduled for 2006. This initiative transfers all NADEP inventory to the Naval Inventory Control Point (NAVICP) and consolidates material management with FISC. To allow for potential delay in the scheduled transfer of inventory, this budget reflects a 1:1 ratio of obligations to sales with no expenditure deviation.

Summary

Navy's FY 2007 budget delivers the required readiness posture at the right cost to win the Global War on Terrorism (GWOT), to support today's military needs, and to continue the transformation required to ensure we win tomorrow's fights as well. NAVSUP continues to closely monitor operations from the perspective of ensuring material availability and adequately reflecting anticipated sales. The L6S efforts and continued emphasis on process review/reengineering will ensure NAVSUP continues to meet our customers' requirements while focusing on reducing operations costs and inventory levels.

Material Cost and Rates:

Description	FY 2005	FY 2006	FY 2007
Purchase Inflation	1.3%	2.0%	2.1%
Customer Rate Changes	2.4%	7.7%	2.4%
Composite Cost Recovery Rate	17.0%	12.4%	13.8%
Cost of Material Sold (\$Million)	3803.228	4170.461	4005.620

Financial Profile:

(Dollars in Millions)

Description	FY 2005	FY 2006	FY 2007
Revenue	5,193.643	6,006.696	6,217.933
Expenses	5,102.714	6,235.720	6,166.219
Capital Surcharge	-28.174	-17.489	-15.114
Other Changes Affecting NOR	-49.100	0.979	0.000
Net Operating Result	70.003	-210.313	66.828
Accumulated Operating Result	143.485	-66.828	0.000

Revenue: FY 2005 amounts reflect actual revenue. A Net Operating Result (NOR) benefit of \$73.86 million impacts FY 2007 sales through a reduced Cost Recovery Rate (CRR). Year-to-year increases are driven by anticipated FISC/NADEP industrial partnership sales.

Expense: FY 2006 reflects \$14.492 million additional operations expenses recovered through FY 2007 sales. This includes inflation and a transportation rate increase.

Other Changes Affecting NOR: FY 2005 includes FY 2003 end-of-year NOR benefit.

Obligation Authority: (Dollars in Millions)

Obligations	FY 2005	FY 2006	FY 2007
Wholesale	3,331.171	3,790.153	3,980.169
Retail	598.023	1,184.776	1,358.137
Operating	1,139.895	1,277.394	1,265.096
Total	5,069.089	6,252.323	6,603.402

Wholesale: Focuses on a continued emphasis to align customer funding and demand to NWCF wholesale production and repair investments. Increased wholesale obligations due mostly to outfitting requirements growth in the V-22 and H-60 programs.

Retail: Reflects ongoing efforts to reduce the retail footprint in non-core business areas. The increase in retail obligations is attributable primarily to the planned FISC/NADEP industrial partnership scheduled to begin in FY 2006.

Operations: The FY 2005 – FY 2006 operations budget growth reflects increased partnership activities and increased transportation costs. The FY 2006 – FY 2007 profile includes \$25.0 million in anticipated Lean 6 Sigma savings and other adjustments.

Cash: (Dollars in Millions)

Net Outlay	FY 2005	FY 2006	FY 2007
Collections	5,267.211	5,988.696	6,197.933
Disbursements	5,308.355	5,892.689	6,276.248
Transfers/Other	38.400	0.243	0.000
Inventory Augmentation	63.385	83.067	83.792
Net Outlay	-62.641	-179.317	-5.477

Transfers: \$0.243 million in FY 2006 reflects planned receipt of appropriated funding for travel expenses related to NWCF-SM personnel evacuation from the Gulf Coast region during the recent hurricanes.

Inventory Augmentation: Inventory augmentation finances NWCF-SM prior investments in system stock for new and modified weapon systems. FY 2006 and FY 2007 have inventory augmentation in the amounts shown above for expenditures made in FY 2004 and FY 2005.

Net Outlay: The negative outlay numbers FY 2005 – FY 2007 represent cash inflows, not losses, and therefore are positive in their impact on the overall Navy Working Capital Fund cash position.

Workload: (Dollars in Millions)

Gross Sales	FY 2005	FY 2006	FY 2007
Wholesale	4,262.147	4,497.910	4,557.672
Retail	681.859	1,199.450	1,355.771
Total	4,944.006	5,697.360	5,913.443

Wholesale: Sales tied to customer funding and NAVICP's ability to fill orders.

Retail: Sales tied to customer funding and NAVICP's ability to fill orders. Increases are due to planned FISC NADEP industrial partnership.

Unit Cost:

Description	FY 2005	FY 2006	FY 2007
Wholesale (A-goal w/o inventory augmentation)	.930	.985	1.011
Retail	.884	.999	1.014

Staffing:

Description	FY 2005	FY 2006	FY 2007
Civilian End Strength	6,922	7,826	7,826
Civilian Work Years	6,855	7,600	7,800
Military End Strength	383	383	369
Military Work Years	402	383	376

Civilian Personnel: Civilian end strength and workyears growth is attributable to functional transfers and COMFISCS Material Support Integration (MSI) efforts.

Capital Budget Authority: (Dollars in Millions)

Description	FY 2005	FY 2006	FY 2007
Equipment Non-ADPE/Telecom	1.822	1.849	1.933
ADPE/Telecom Equipment	1.786	1.805	1.827
Software Development	5.745	8.471	7.857
Minor Construction	2.328	2.398	2.470
Total	11.681	14.523	14.087

Capital Purchases Program (CPP) Budget Authority: FY 2007 CPP authority reflects an ERP program change delaying full operational capability until FY 2011.

Metrics

Description	FY 2005	FY 2006	FY 2007
Items Managed	393,614	392,740	393,177
Requisitions Received	525,584	469,625	497,604
Receipts	919,198	1,031,772	1,083,675
Issues	1,321,497	1,183,170	1,252,334
Contracts Executed	46,535	41,136	43,836
Supply Material	85.1%	85.0%	85.0%

Cost of Goods Sold Breakout: Costs associated with transportation, depot washout, obsolescence, Logistics Engineering Change Proposal (LECP) management, testing and NADEP Transformation are recovered through material cost of goods. The breakout below applies. Note: "Depot Washout" refers to those components that do not survive the repair process and therefore must be replaced. When an old Depot Level Repairable (DLR) item is replaced by a new one, the "Net/Standard Deviation" element recovers the difference between the cost a customer pays with a valid carcass turn-in (net price) and the NAVICP replacement cost (standard price).

(M)	Transportation	Obsolescence	Depot Washout	LECP	Testing	Net/Standard Deviation	H1 Burdening	NADEP Transform.
FY2005								
BP 34	17.100	8.300			5.700			
BP 81	30.600	4.700	37.168	1.000				
BP 85	<u>118.700</u>	<u>19.200</u>	<u>284.435</u>	<u>11.010</u>	<u>2.500</u>			<u>-20.384</u>
Total	166.400	32.200	321.603	12.010	8.200			-20.384
FY2006								
BP 34	16.400	1.600			5.700			
BP 81	33.000	21.100	40.448	1.000				
BP 85	<u>128.000</u>	<u>46.600</u>	<u>333.100</u>	<u>10.920</u>	<u>3.000</u>	<u>70.000</u>		
Total	177.400	69.300	373.548	11.920	8.700	70.000		
FY2007								
BP 34	15.352	2.000			5.700			
BP 81	32.547	23.164	41.316	1.000				
BP 85	<u>132.998</u>	<u>49.219</u>	<u>275.000</u>	<u>15.630</u>	<u>4.500</u>	<u>74.305</u>	<u>11.958</u>	
Total	180.897	74.383	316.316	16.630	10.200	74.305	11.958	

Undelivered Orders: Undelivered orders represent contracts or orders for goods for which a liability has not yet accrued. The accrual of the liability creates an outlay requirement. Most undelivered orders are a result of known or calculable procurement, production, financial and administrative lead times that are part of normal supply management business operations. These factors are taken into consideration in the development of inventory levels and cash plans. Therefore, with the exception of extraordinary events, the impact of undelivered orders

on cash and inventory is minimal. Undelivered orders balances (dollars in millions) for FY 2003 through FY 2007 are as follows:

<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
4,727.589	3,817.396	3,762.637	3,762.637	3,762.637

Performance Based Measures: NWCF-SM reflects the full cost of achieving performance goals in Budget Form SM-16, "Total Cost Per Output Summary." This budget submission fully funds both material and operations costs. The primary performance measurement tool for the Supply Management – Navy business area is the "Dashboard Metrics" tool. Dashboard Metrics provide the indicators that link NAVSUP's strategic plan to their performance budget and to the Chief of Naval Operations priorities, which directly support DoD strategic goals as described in the Quadrennial Defense Review (QDR).

FUND 14

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
REVENUE AND EXPENSE SUMMARY**

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006

(Dollars in Millions)

	FY2005	FY2006	FY2007
REVENUE:			
Net Sales			
Operations	4826.736	5576.652	5790.952
Capital Surcharge	-24.688	-17.489	-15.114
Depreciation except Maj Const	39.855	32.012	29.201
Major Construction Dep	0.000	0.000	0.000
Other Income	351.740	415.521	412.894
Refunds/Discounts (-)			
Total Income:	5193.643	6006.696	6217.933
EXPENSES:			
Cost of Materiel Sold from Inventory	4117.816	5109.302	5271.364
Salaries and Wages:			
Military Personnel	27.385	24.905	27.537
Civilian Personnel	478.798	524.467	525.535
Travel & Transportation of Personnel	10.593	10.960	11.201
Materials & Supplies	25.447	30.663	31.338
Equipment	7.568	11.985	12.703
Other Purchases from Revolving Funds	262.511	274.718	244.894
Transportation of Things	0.000	0.000	0.000
Depreciation - Capital	39.855	32.012	29.201
Printing and Reproduction	0.152	0.175	0.177
Advisory and Assistance Services	27.008	23.832	26.592
Rent, Communication, Utilities & Misc	16.708	18.581	18.989
Other Purchased Services	-23.027	104.820	-133.021
Inventory Gains and Losses	111.900	69.300	99.709
TOTAL EXPENSES	5102.714	6235.720	6166.219
Operating Result	90.929	-229.024	51.714
Less Capital Surcharge reservation	-28.174	-17.489	-15.114
Plus Appro Affecting NOR/AOR	0.000	0.243	0.000
Plus Other Changes Affecting NOR	-49.100	0.979	0.000
Net Operating Result	70.003	-210.313	66.828
Other Changes Affecting AOR			
Accumulated Operating Result	143.485	-66.828	0.000

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
SOURCES OF REVENUE
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(\$ in Millions)**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
a. Orders from DoD Components:			
Own Component			
1105 Military Personnel, M.C.	0.000	0.000	0.000
1106 O&M Marine Corps	7.990	9.551	10.148
1108 Reserve Personnel, M.C.	0.000	0.000	0.000
1109 Procurement, M.C.	4.385	5.242	5.569
1205 Military Construction, Navy	0.000	0.000	0.000
1319 RDT & E, Navy	0.097	0.116	0.124
1405 Reserve Personnel, Navy	0.097	0.116	0.124
1453 Military Personnel, Navy	3.215	3.844	4.084
1506 Aircraft Procurement, Navy	440.808	476.912	570.070
1507 Weapons Procurement, Navy	0.000	5.500	7.100
1611-1811 Shipbuilding & Conv. Navy	33.300	41.900	47.600
1804 O&M, Navy	3360.948	4063.244	4253.916
1806 O&M, Navy Reserve	130.962	158.326	165.756
1810 Other Procurement, Navy	50.800	51.000	59.100
4930 Navy Working Capital Fund	<u>362.414</u>	<u>438.143</u>	<u>458.703</u>
	4395.017	5253.894	5582.295
Orders from other DoD Components			
2100 Army	12.277	14.676	15.594
5700 Air Force	48.524	58.006	61.632
9700 Other DoD	<u>0.195</u>	<u>0.233</u>	<u>0.248</u>
	60.996	72.916	77.473
b. Orders from other Fund Business Areas:			
Distribution Depots, Navy	0.000	0.000	0.000
Logistics Support, Navy	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
	0.000	0.000	0.000
c. Total DoD	4456.012	5326.810	5659.769
d. Other Orders:			
Other Federal Agencies	15.298	18.287	19.430
Trust Fund	0.000	0.000	0.000
Non-Federal Agencies *	155.090	176.259	184.992
Foreign Military Sales (FMS)	<u>106.889</u>	<u>127.777</u>	<u>135.764</u>
	277.277	322.323	340.186
2. Carry-In Orders	682.260	471.543	423.316
3. Total Gross Orders	5415.549	6120.676	6423.271
4. Change to Backlog	471.543	423.316	509.828
5. Total Gross Sales **	4944.006	5697.360	5913.443
Reimbursable Orders (BP 91)	351.740	415.521	412.894

* Non-federal agencies line includes cash sales

** Revenue and Expense Statement reflects Net Sales

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
FUEL DATA**

Product	FY 2005 Actual			FY 2006 Estimate			FY 2007 Estimate		
	BBLs (Millions)	Cost Per BBL (\$)	Extended Price (\$Millions)	BBLs (Millions)	Cost Per BBL (\$)	Extended Price (\$Millions)	BBLs (Millions)	Cost Per BBL (\$)	Extended Price (\$Millions)
Aircraft Ops									
AVGAS (CONUS)	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
MOGAS: Unleaded-Mid	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
JP-4 Milspec	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
JP-5	0.142	57.12	8.133	0.000	0.00	0.000	0.000	0.00	0.000
JP-8	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Distillates	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Residuals	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Diesel	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Total Air Ops	0.142		8.133	0.000		0.000	0.000		0.000
Other									
AVGAS (CONUS)	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
MOGAS: Leaded	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
MOGAS: Unleaded-Mid	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
JP-5	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
JP-8	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Distillates	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Residuals	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Gasahol	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Reclaimed	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Diesel	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Total Other	0.000		0.000	0.000		0.000	0.000		0.000
Ship Ops									
MOGAS: Unleaded - Mid	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
JP-5	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Distillates	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Residuals	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Reclaimed	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Diesel	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Total Ship Ops	0.000		0.000	0.000		0.000	0.000		0.000
Vehicle Ops									
AVGAS: (CONUS)	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
MOGAS: Leaded	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
MOGAS: Unleaded-Mid	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
JP-5	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Distillates	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Gasohol	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Reclaimed	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Diesel	0.000	0.00	0.000	0.000	0.00	0.000	0.000	0.00	0.000
Total Vehicle Ops	0.000		0.000	0.000		0.000	0.000		0.000
Total	0.142		8.133	0.000		0.000	0.000		0.000

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
SUPPLY MANAGEMENT SUMMARY- FY 05**

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
OBLIGATION TARGETS

DIVISION	PEACETIME INVENTORY	NET		OPERATING	MOBILIZATION	INVENTORY AUGMENT	TOTAL OBLIGATIONS	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
		CUSTOMER ORDERS	NET SALES							
BP 21										
Approved	35.948	87.000	87.000	87.000	0.000	0.000	87.000	6.500	93.500	0.000
Request	29.610	86.939	86.939	80.613	0.000	0.000	80.613	6.500	87.113	0.000
Delta	(6.338)	(0.061)	(0.061)	(6.387)	0.000	0.000	(6.387)	0.000	(6.387)	0.000
BP 25										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 28										
Approved	1,303.925	944.600	944.600	905.200	0.000	0.000	905.200	75.600	980.800	16.100
Request	1,302.959	595.236	595.236	509.277	0.000	0.000	509.277	75.600	584.877	4.888
Delta	(0.966)	(349.364)	(349.364)	(395.923)	0.000	0.000	(395.923)	0.000	(395.923)	(11.212)
BP 34										
Approved	861.959	409.337	411.900	352.254	0.000	12.570	364.824	90.000	454.824	1.420
Request	1,042.185	348.687	359.460	289.299	0.000	12.570	301.869	90.000	391.869	0.648
Delta	180.226	(60.650)	(52.440)	(62.955)	0.000	0.000	(62.955)	0.000	(62.955)	(0.772)
BP 38										
Approved	0.000	0.000	0.000	25.000	0.000	0.000	25.000	0.000	25.000	0.000
Request	0.000	(5.204)	(5.204)	8.133	0.000	0.000	8.133	0.000	8.133	0.000
Delta	0.000	(5.204)	(5.204)	(16.867)	0.000	0.000	(16.867)	0.000	(16.867)	0.000
BP 81										
Approved	7,591.185	788.300	788.300	615.344	0.000	13.256	628.600	104.500	733.100	29.000
Request	8,452.653	747.501	773.231	630.393	0.000	13.256	643.649	104.500	748.149	29.025
Delta	861.468	(40.799)	(15.069)	15.049	0.000	0.000	15.049	0.000	15.049	0.025
			** REPAIR->	236.175						
BP85										
Approved	35,147.113	3,083.809	3,190.900	2,701.358	0.000	29.215	2,730.573	1,049.100	3,779.673	73.600
Request	30,469.909	3,009.416	3,032.241	2,356.438	0.000	29.215	2,385.653	1,049.100	3,434.753	67.542
Delta	(4,677.204)	(74.393)	(158.659)	(344.920)	0.000	0.000	(344.920)	0.000	(344.920)	(6.058)
			** REPAIR->	1,481.860						
BP 91										
Approved	0.000	0.000	0.000	1,196.900	0.000	0.000	1,196.900	0.000	1,196.900	0.000
Request	0.000	0.000	0.000	1,139.895	0.000	0.000	1,139.895	0.000	1,139.895	0.000
Delta	0.000	0.000	0.000	(57.005)	0.000	0.000	(57.005)	0.000	(57.005)	0.000
TOTAL										
Approved	44,940.130	5,313.046	5,422.700	5,883.056	0.000	55.041	5,938.097	1,325.700	7,263.797	120.120
Request	41,297.316	4,782.575	4,841.903	5,014.048	0.000	55.041	5,069.089	1,325.700	6,394.789	102.103
Delta	(3,642.814)	(530.471)	(580.797)	(869.008)	0.000	0.000	(869.008)	0.000	(869.008)	(18.017)

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
SUPPLY MANAGEMENT SUMMARY- FY 06**

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
OBLIGATION TARGETS

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OPERATING	MOBILIZATION	INVENTORY AUGMENT	TOTAL OBLIGATIONS	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
BP 21										
Approved	33.905	76.000	76.000	73.000	0.000	0.000	73.000	6.500	79.500	0.000
Request	29.950	84.750	84.750	84.000	0.000	0.000	84.000	6.500	90.500	0.000
Delta	(3.955)	8.750	8.750	11.000	0.000	0.000	11.000	0.000	11.000	0.000
BP 25										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 28										
Approved	1,224.925	1,260.700	1,260.700	1,260.800	0.000	0.000	1,260.800	99.500	1,360.300	21.400
Request	1,319.858	1,100.776	1,100.776	1,100.776	0.000	0.000	1,100.776	99.500	1,200.276	13.924
Delta	94.933	(159.924)	(159.924)	(160.024)	0.000	0.000	(160.024)	0.000	(160.024)	(7.476)
BP 34										
Approved	896.602	391.600	394.036	360.108	0.000	17.566	377.674	90.000	467.674	1.451
Request	1,006.062	350.859	352.608	304.913	0.000	17.566	322.479	90.000	412.479	1.061
Delta	109.460	(40.741)	(41.428)	(55.195)	0.000	0.000	(55.195)	0.000	(55.195)	(0.390)
BP 38										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 81										
Approved	7,079.735	828.939	828.939	662.175	0.000	18.525	680.700	104.500	785.200	29.000
Request	7,782.799	792.128	792.128	659.746	0.000	18.525	678.271	104.500	782.771	29.000
Delta	703.064	(36.811)	(36.811)	(2.429)	0.000	0.000	(2.429)	0.000	(2.429)	0.000
			** REPAIR->	250.971						
BP85										
Approved	37,504.560	3,339.893	3,359.876	2,853.877	0.000	39.449	2,893.326	1,049.100	3,942.426	73.600
Request	33,186.398	3,214.435	3,260.913	2,749.954	0.000	39.449	2,789.403	1,063.612	3,853.015	62.200
Delta	(4,318.162)	(125.458)	(98.963)	(103.923)	0.000	0.000	(103.923)	14.512	(89.411)	(11.400)
			** REPAIR->	1,766.289						
BP 91										
Approved	0.000	0.000	0.000	1,205.789	0.000	0.000	1,205.789	0.000	1,205.789	0.000
Request	0.000	0.000	0.000	1,277.394	0.000	0.000	1,277.394	0.000	1,277.394	0.000
Delta	0.000	0.000	0.000	71.605	0.000	0.000	71.605	0.000	71.605	0.000
TOTAL										
Approved	46,739.727	5,897.132	5,919.551	6,415.749	0.000	75.540	6,491.289	1,349.600	7,840.889	125.451
Request	43,325.067	5,542.948	5,591.175	6,176.783	0.000	75.540	6,252.323	1,364.112	7,616.435	106.185
Delta	(3,414.660)	(354.184)	(328.376)	(238.966)	0.000	0.000	(238.966)	14.512	(224.454)	(19.266)

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
SUPPLY MANAGEMENT SUMMARY- FY 07**

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
OBLIGATION TARGETS

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OPERATING	MOBILIZATION	INVENTORY AUGMENT	TOTAL OBLIGATIONS	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
BP 21										
Approved	34.745	62.000	62.000	62.000	0.000	0.000	62.000	6.500	68.500	0.000
Request	31.797	73.990	73.990	74.790	0.000	0.000	74.790	6.500	81.290	0.000
Delta	(2.948)	11.990	11.990	12.790	0.000	0.000	12.790	0.000	12.790	0.000
BP 25										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 28										
Approved	1,173.625	1,282.100	1,282.100	1,301.400	0.000	0.000	1,301.400	99.500	1,400.900	21.800
Request	1,340.291	1,265.770	1,265.770	1,283.347	0.000	0.000	1,283.347	99.500	1,382.847	16.011
Delta	166.666	(16.330)	(16.330)	(18.053)	0.000	0.000	(18.053)	0.000	(18.053)	(5.789)
BP 34										
Approved	747.545	430.773	431.670	398.910	0.000	17.764	416.674	90.000	506.674	1.928
Request	1,103.172	383.852	384.589	349.241	0.000	17.764	367.005	90.000	457.005	1.193
Delta	355.627	(46.921)	(47.081)	(49.669)	0.000	0.000	(49.669)	0.000	(49.669)	(0.735)
BP 38										
Approved	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Request	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Delta	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
BP 81										
Approved	6,657.797	837.660	837.660	648.470	0.000	18.735	667.205	104.500	771.705	29.000
Request	7,402.897	790.694	790.694	658.720	0.000	18.735	677.455	104.500	781.955	29.000
Delta	745.100	(46.966)	(46.966)	10.250	0.000	0.000	10.250	0.000	10.250	0.000
			** REPAIR->	254.926						
BP85										
Approved	37,945.708	3,392.175	3,396.381	2,982.627	0.000	39.894	3,022.521	1,049.100	4,071.621	73.600
Request	34,428.799	3,377.245	3,289.996	2,895.815	0.000	39.894	2,935.709	1,049.100	3,984.809	62.200
Delta	(3,516.909)	(14.930)	(106.385)	(86.812)	0.000	0.000	(86.812)	0.000	(86.812)	(11.400)
			** REPAIR->	1,799.483						
BP 91										
Approved	0.000	0.000	0.000	1,235.922	0.000	0.000	1,235.922	0.000	1,235.922	0.000
Request	0.000	0.000	0.000	1,265.096	0.000	0.000	1,265.096	0.000	1,265.096	0.000
Delta	0.000	0.000	0.000	29.174	0.000	0.000	29.174	0.000	29.174	0.000
TOTAL										
Approved	46,559.420	6,004.708	6,009.811	6,629.329	0.000	76.393	6,705.722	1,349.600	8,055.322	126.328
Request	44,306.957	5,891.551	5,805.039	6,527.009	0.000	76.393	6,603.402	1,349.600	7,953.002	108.404
Delta	(2,252.463)	(113.157)	(204.772)	(102.320)	0.000	0.000	(102.320)	0.000	(102.320)	(17.924)

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

FY 2005

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	9.9	7.458	0.000	1.518	8.976
AV-8B/T-45	10.4/7.7	0.000	0.000	0.715	0.715
EA-6B	8.8	0.000	0.000	3.380	3.380
F-14	5.3	0.000	0.000	0.000	0.000
V-22	13.0	0.000	0.000	0.000	0.000
S-3	6.3	0.000	0.000	0.732	0.732
C-130	11.0	0.000	0.000	0.554	0.554
P-3	6.3	0.583	0.000	1.657	2.240
E-2/C-2	12.4/8.7	0.988	0.000	2.351	3.339
Common Systems	n/a	1.281	7.201	7.231	15.713
Aircraft Engines	n/a	0.000	43.774	61.389	105.163
Aviation Support Systems	n/a	0.370	4.513	39.201	44.084
H-1	13.9	0.045	0.000	4.875	4.920
H-46	11.4	0.000	0.000	9.467	9.467
H-53	11.6	0.120	0.000	3.096	3.216
H-60	8.7	3.872	0.000	4.047	7.919
Multi-application	n/a	0.000	0.000	75.217	75.217
Efficiencies/Self Financing	n/a	0.000	0.000	-7.185	-7.185
Anticipated Special Programs	n/a	0.000	0.000	0.000	0.000
Full PBL	n/a	0.000	0.000	10.849	10.849
Sub-total		14.717	55.488	219.094	289.299
System Stock: Initial/Follow-on					12.570
Operating Requirement					301.869

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

FY 2006

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	9.9	9.626	0.000	16.085	25.711
AV-8B/T-45	10.4/7.7	0.000	1.986	0.625	2.611
EA-6B	8.8	0.875	0.000	2.678	3.553
F-14	5.3	0.000	0.000	0.000	0.000
V-22	13.0	0.000	0.000	0.031	0.031
S-3	6.3	0.000	0.000	0.000	0.000
C-130	11.0	0.000	0.000	0.484	0.484
P-3	6.3	0.284	0.000	2.575	2.859
E-2/C-2	12.4/8.7	0.128	0.000	1.317	1.445
Common Systems	n/a	1.247	0.000	6.491	7.738
Aircraft Engines	n/a	0.000	15.714	51.670	67.384
Aviation Support Systems	n/a	0.075	1.193	34.334	35.602
H-1	13.9	0.000	0.000	3.388	3.388
H-46	11.4	0.000	0.000	7.402	7.402
H-53	11.6	0.000	0.000	2.707	2.707
H-60	8.7	18.283	0.000	7.990	26.273
Multi-application	n/a	0.000	0.000	86.859	86.859
Efficiencies/Self Financing	n/a	0.000	0.000	-2.134	-2.134
Anticipated Special Programs	n/a	0.000	25.000	0.000	25.000
Full PBL	n/a	0.000	0.000	8.000	8.000
Sub-total		30.518	43.893	230.502	304.913
System Stock: Initial/Follow-on					17.566
Operating Requirement					322.479

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

FY 2007

<u>Weapon System</u>	<u>NMCS Rates¹</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	9.9	6.693	0.000	20.972	27.665
AV-8B/T-45	10.4/7.7	0.000	1.986	0.637	2.623
EA-6B	8.8	2.155	0.000	3.161	5.316
F-14	5.3	0.000	0.000	0.000	0.000
V-22	13.0	0.000	0.000	13.118	13.118
S-3	6.3	0.000	0.000	0.000	0.000
C-130	11.0	0.000	0.000	0.493	0.493
P-3	6.3	0.235	0.000	2.585	2.820
E-2/C-2	12.4/8.7	0.328	0.000	1.413	1.741
Common Systems	n/a	1.351	0.000	7.288	8.639
Aircraft Engines	n/a	0.000	15.714	52.130	67.844
Aviation Support Systems	n/a	0.000	1.350	34.973	36.323
H-1	13.9	0.000	0.000	3.452	3.452
H-46	11.4	7.070	0.000	7.541	14.611
H-53	11.6	0.000	0.000	2.758	2.758
H-60	8.7	22.505	0.000	9.833	32.338
Multi-application	n/a	0.000	0.000	98.852	98.852
Efficiencies/Self Financing	n/a	0.000	0.000	-2.354	-2.354
Anticipated Special Programs	n/a	0.000	25.000	0.000	25.000
Full PBL	n/a	0.000	0.000	8.000	8.000
Sub-total		40.337	44.050	264.854	349.241
System Stock: Initial/Follow-on					17.764
Operating Requirement					367.005

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

<u>Weapon System</u>	FY 2005					<u>Total</u>
	<u>NMCS Rates¹</u>	<u>Buy-In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	
F/A-18	9.9	114.513	96.709	58.850	146.569	416.641
AV-8B/T-45	10.4/7.7	0.000	2.165	6.959	20.426	29.550
EA-6B	8.8	0.000	5.186	16.471	35.255	56.912
F-14	5.3	0.000	0.000	0.000	18.614	18.614
V-22	13.0	0.000	0.000	0.000	0.000	0.000
S-3	6.3	0.000	0.000	0.000	22.899	22.899
C-130	11.0	0.000	0.000	2.609	1.528	4.137
P-3	6.3	7.464	0.000	13.241	34.184	54.890
E-2/C-2	12.4/8.7	6.014	0.000	20.145	45.828	71.988
Common Systems	n/a	20.427	3.946	16.723	40.330	81.426
Aircraft Engines	n/a	20.091	57.675	48.744	97.517	224.027
Aviation Support Systems	n/a	7.671	1.754	8.299	21.558	39.282
H-1	13.9	0.000	9.783	18.547	84.569	112.899
H-46	11.4	0.000	9.588	24.980	38.656	73.224
H-53	11.6	1.343	2.248	28.854	97.038	129.483
H-60	8.7	41.332	2.155	13.252	36.589	93.327
Multi-application	n/a	0.000	0.000	140.654	362.098	502.752
Efficiencies/Self Financing	n/a	-64.503	0.000	-9.684	0.000	-74.187
NAVAIR IISRP	n/a					
NAVAIR PBD437	n/a					
Carcass Losses - incl MCR adj.	n/a		0.000	18.300	0.000	18.300
Full PBL	n/a		0.000	155.406	405.002	560.408
LECP Investment/Savings	n/a		0.000	29.842	-26.800	3.042
Cash Mitigation/Other	n/a		0.000	-83.176	0.000	-83.176
Sub-Total		154.352	191.209	529.017	1481.860	2356.438
System Stock: Initial/Follow-on						29.215
Operating Requirement						2385.653

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

<u>Weapon System</u>	FY 2006					
	<u>NMCS Rates¹</u>	<u>Buy-In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	9.9	109.156	56.476	77.447	193.311	436.390
AV-8B/T-45	10.4/7.7	0.000	0.000	5.153	18.482	23.635
EA-6B	8.8	9.874	0.000	22.576	31.994	64.444
F-14	5.3	0.000	0.000	0.000	4.463	4.463
V-22	13.0	0.000	0.000	0.184	0.000	0.184
S-3	6.3	0.000	0.000	0.000	23.100	23.100
C-130	11.0	0.000	0.000	2.952	4.644	7.596
P-3	6.3	3.208	0.000	12.320	43.262	58.790
E-2/C-2	12.4/8.7	1.845	0.000	25.304	50.136	77.285
Common Systems	n/a	20.983	0.000	17.155	48.625	86.763
Aircraft Engines	n/a	37.431	0.000	41.782	162.019	241.232
Aviation Support Systems	n/a	0.564	0.490	7.002	16.844	24.900
H-1	13.9	0.000	0.000	15.220	80.710	95.930
H-46	11.4	0.000	0.000	21.058	34.311	55.369
H-53	11.6	0.000	0.000	29.574	100.891	130.465
H-60	8.7	113.568	0.000	38.164	46.102	197.834
Multi-application	n/a	0.000	0.000	123.037	423.616	546.653
Efficiencies/Self Financing	n/a	-63.028	0.000	-31.997	0.000	-95.025
NAVAIR IISRP	n/a					0.000
NAVAIR PBD437	n/a					0.000
Anticipated Special Programs	n/a		25.000		10.000	35.000
Carcass Losses	n/a			39.750		39.750
Full PBL	n/a			205.780	510.034	715.814
LECP Investment/Savings	n/a			15.637	-36.255	-20.618
Sub-Total		233.601	81.966	668.098	1766.289	2749.954
System Stock: Initial/Follow-on						39.449
Operating Requirement						2789.403

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

<u>Weapon System</u>	FY 2007					
	<u>NMCS Rates¹</u>	<u>Buy-In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	9.9	93.247	5.042	88.262	207.132	393.683
AV-8B/T-45	10.4/7.7	0.000	0.000	5.392	19.302	24.694
EA-6B	8.8	0.039	0.000	16.782	34.324	51.145
F-14	5.3	0.000	0.000	0.000	0.000	0.000
V-22	13.0	70.785	0.000	65.401	0.000	136.186
S-3	6.3	0.000	0.000	0.000	17.787	17.787
C-130	11.0	0.000	0.000	3.101	5.216	8.317
P-3	6.3	2.360	0.000	12.903	52.458	67.721
E-2/C-2	12.4/8.7	4.193	0.000	25.953	51.883	82.029
Common Systems	n/a	20.030	0.490	18.167	52.757	91.444
Aircraft Engines	n/a	43.011	0.000	44.049	188.034	275.094
Aviation Support Systems	n/a	0.501	0.000	7.360	16.272	24.133
H-1	13.9	0.000	0.000	15.926	68.481	84.407
H-46	11.4	0.000	0.000	22.037	36.203	58.240
H-53	11.6	0.000	0.000	32.017	104.656	136.673
H-60	8.7	188.156	0.000	42.837	49.886	280.879
Multi-application	n/a	0.000	0.000	129.640	423.002	552.642
Efficiencies/Self Financing	n/a	-113.018	0.000	-39.391	0.000	-152.409
NAVAIR IISRP	n/a					0.000
NAVAIR PBD437	n/a					0.000
Anticipated Special Programs	n/a		50.000		10.000	60.000
Carcass Losses	n/a			34.750		34.750
Full PBL	n/a			188.010	506.504	694.514
LECP Investment/Savings	n/a			18.299	-44.414	-26.115
Sub-Total		309.304	55.532	731.496	1799.483	2895.815
System Stock: Initial/Follow-on						39.894
Operating Requirement						2935.709

¹Not Mission Capable Supply (NMCS) - Percentage of time aircraft are Not Mission Capable due to a supply shortage. Used in conjunction with Not Mission Capable Maintenance (NMCM) to determine total Not Mission Capable rate (inverse of MC). NMCS is computed only for weapon systems. NMCS is not computed for weapon system parts, such as engines.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENTS BY WEAPON SYSTEM
BUDGET PROJECT 81
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

FY2005

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>STOCK</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	5.747	4.689	0.156	4.600	24.511	39.703
NUCLEAR	25.365	6.748	10.627	36.317	0.500	79.557
SUBSAFE LI/ASDS/DSSP	25.359	0.257	0.018	9.348	14.378	49.360
SUBMARINE SUPPORT	17.448	7.767	0.186	24.052	37.000	86.453
HM&E	20.742	0.469	0.010	44.385	43.364	108.970
END ITEM MGT/CARPER/MSC	6.962	0.000	0.000	1.495	3.300	11.757
GPETE	0.224	0.000	0.000	26.683	4.007	30.914
AEGIS/LAUNCHERS	12.569	5.446	0.473	8.545	57.267	84.300
CIWS/INTEGRATED SELF-DEFENSE	29.773	14.859	1.506	20.950	30.873	97.961
COMMUNICATION/SURVEILLANCE	18.285	11.356	0.280	9.778	20.975	60.674
GROSS REQUIREMENTS	162.474	51.591	13.256	186.153	236.175	649.649
PBL SAVINGS				-6.000		-6.000
TOTAL	162.474	51.591	13.256	180.153	236.175	643.649

<u>PLATFORM</u>	<u>FY05 POTF *</u>
AIRCRAFT CARRIERS	95%
AMPHIBIOUS WARFARE	80%
COMBAT LOGISTICS SHIPS	98%
MINE WARFARE SHIPS	38%
SUBMARINES	96%
SURFACE COMBATANTS	78%
SURFACE SHIPS	74%
MISCELLANEOUS	80%
ACROSS ALL PLATFORMS	79%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level.

FY05 POTF is based on actual POTF data experienced during entire fiscal year (Source: CIS).

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENTS BY WEAPON SYSTEM
BUDGET PROJECT 81
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

FY2006

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>STOCK</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	5.363	7.700	4.600	2.436	26.122	46.221
NUCLEAR	21.370	8.200	10.196	41.883	0.500	82.149
SUBSAFE LI/ASDS/DSSP	23.663	0.200	0.300	10.264	15.223	49.650
SUBMARINE SUPPORT	16.280	7.500	1.700	20.704	39.226	85.410
HM&E	19.355	0.700	0.200	40.492	46.013	106.760
END ITEM MGT/CARPER/MSC	6.496	0.000	0.000	4.961	3.461	14.918
GPETE	0.209	0.000	0.000	22.181	4.259	26.649
AEGIS/LAUNCHERS	11.727	7.100	1.700	16.510	60.966	98.003
CIWS/INTEGRATED SELF-DEFENSE	27.779	17.790	7.100	23.233	32.908	108.810
COMMUNICATION/SURVEILLANCE	17.061	9.900	1.500	8.947	22.293	59.701
GROSS REQUIREMENTS	149.303	59.090	27.296	191.611	250.971	678.271

<u>PLATFORM</u>	<u>FY06 POTF *</u>
AIRCRAFT CARRIERS	90%
AMPHIBIOUS WARFARE	81%
COMBAT LOGISTICS SHIPS	91%
MINE WARFARE SHIPS	38%
SUBMARINES	96%
SURFACE COMBATANTS	78%
SURFACE SHIPS	74%
MISCELLANEOUS	80%
ACROSS ALL PLATFORMS	79%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level.

Basis for FY06 POTF projections vary slightly by platform. All Platforms are the same as FY05 actual experience, except Carriers, Amphibious, and Combat Ships. They are as follows: Carriers and Amphibious are based on 5-yr avg; Combat ships based on 2-yr avg.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
OPERATING REQUIREMENTS BY WEAPON SYSTEM
BUDGET PROJECT 81
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

FY2007

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>STOCK</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	5.368	4.800	4.500	2.391	26.460	43.519
NUCLEAR	21.470	7.900	11.489	40.102	0.500	81.461
SUBSAFE LI/ASDS/DSSP	23.683	0.200	0.300	14.363	15.520	54.066
SUBMARINE SUPPORT	16.295	10.000	3.200	17.403	39.945	86.843
HM&E	19.372	0.500	0.000	34.936	46.814	101.622
END ITEM MGT/CARPER/MSC	6.502	0.000	0.000	2.628	3.562	12.692
GPETE	0.209	0.000	0.000	22.491	4.325	27.025
AEGIS/LAUNCHERS	11.738	5.200	1.300	17.327	61.826	97.391
CIWS/INTEGRATED SELF-DEFENSE	27.804	14.272	8.100	27.601	33.330	111.107
COMMUNICATION/SURVEILLANCE	17.077	8.900	1.900	11.208	22.644	61.729
GROSS REQUIREMENTS	149.518	51.772	30.789	190.450	254.926	677.455

<u>PLATFORM</u>	<u>FY07 POTF *</u>
AIRCRAFT CARRIERS	90%
AMPHIBIOUS WARFARE	81%
COMBAT LOGISTICS SHIPS	91%
MINE WARFARE SHIPS	38%
SUBMARINES	96%
SURFACE COMBATANTS	78%
SURFACE SHIPS	74%
MISCELLANEOUS	80%
ACROSS ALL PLATFORMS	79%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level.

Basis for FY07 POTF projections vary slightly by platform. All Platforms are the same as FY05 actual experience, except Carriers, Amphibious, and Combat Ships. They are as follows: Carriers and Amphibious are based on 5-yr avg; Combat ships based on 2-yr avg.

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2005

	Total	Mobilization	---Peacetime---	
			Operating	Other
1. INVENTORY BOP	45,458.161	257.698	21,594.665	23,605.798
2. BOP INVENTORY ADJUSTMENTS	856.900	2.511	3,367.458	(2,513.070)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	2,869.594	(2,869.594)
B. PRICE CHANGE AMOUNT (memo)	856.900	2.511	497.864	356.524
C. INVENTORY RECLASSIFIED AND REPRICED	46,315.061	260.209	24,962.123	21,092.728
3. RECEIPTS AT STANDARD	2,502.526	0.000	2,358.634	143.892
4. SALES AT STANDARD	4,944.006	0.000	4,944.006	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	709.788	0.000	415.684	294.104
B. RETURNS FROM CUSTOMERS FOR CREDIT	102.103	0.000	77.262	24.841
C. RETURNS FROM CUSTOMERS, NO CREDIT	18,444.936	0.000	7,402.399	11,042.537
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(5,975.033)	0.000	0.000	(5,975.033)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(854.396)	0.000	(152.454)	(701.942)
G. OTHER (listed in Section 9)	(14,749.132)	(5.678)	(12,607.301)	(2,136.153)
H. TOTAL ADJUSTMENTS	(2,321.732)	(5.678)	(4,864.410)	2,548.355
6. INVENTORY EOP	41,551.847	254.531	17,512.341	23,784.976
7. INVENTORY EOP (REVALUED)	25,274.918	250.213	11,873.156	13,151.549
A. APPROVED ACQUISITION OBJECTIVE (memo)				11,404.994
B. ECONOMIC RETENTION (memo)				985.424
C. CONTINGENCY RETENTION (memo)				698.773
D. POTENTIAL DOD REUTILIZATION (memo)				62.358
8. INVENTORY ON ORDER EOP (memo)	1,961.995	0.000	1,915.570	65.710
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(4,683.051)	(3.076)	(4,414.405)	(265.570)
Strata Transfers	0.000	(2.602)	1,873.185	(1,870.583)
Net/Standard Difference	(10,060.877)	0.000	(10,060.877)	0.000
Aged Accounts Receivable Write-Off	(5.204)	0.000	(5.204)	0.000
Total	(14,749.132)	(5.678)	(12,607.301)	(2,136.153)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2006

	Total	Mobilization	---Peacetime---	
			Operating	Other
1. INVENTORY BOP	41,551.847	254.531	17,512.341	23,784.976
2. BOP INVENTORY ADJUSTMENTS	2,380.181	3.433	4,804.710	(2,427.962)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	3,767.562	(3,767.562)
B. PRICE CHANGE AMOUNT (memo)	2,380.181	3.433	1,037.148	1,339.600
C. INVENTORY RECLASSIFIED AND REPRICED	43,932.028	257.964	22,317.051	21,357.014
3. RECEIPTS AT STANDARD	3,308.182	0.000	3,333.939	(25.758)
4. SALES AT STANDARD	5,697.360	0.000	5,697.360	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	331.369	0.000	66.294	265.075
B. RETURNS FROM CUSTOMERS FOR CREDIT	106.185	0.000	29.137	77.048
C. RETURNS FROM CUSTOMERS, NO CREDIT	14,691.330	0.000	7,047.957	7,643.374
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(3,107.013)	0.000	0.000	(3,107.013)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(191.640)	0.000	(157.886)	(33.754)
G. OTHER (listed in Section 9)	(9,790.051)	0.000	(9,022.030)	(768.021)
H. TOTAL ADJUSTMENTS	2,040.181	0.000	(2,036.528)	4,076.709
6. INVENTORY EOP	43,583.031	257.964	17,917.102	25,407.964
7. INVENTORY EOP (REVALUED)	26,516.716	253.696	12,187.721	14,075.299
A. APPROVED ACQUISITION OBJECTIVE (memo)				12,320.328
B. ECONOMIC RETENTION (memo)				985.661
C. CONTINGENCY RETENTION (memo)				704.941
D. POTENTIAL DOD REUTILIZATION (memo)				64.369
8. INVENTORY ON ORDER EOP (memo)	2,110.869	0.000	2,100.390	10.479
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(206.043)	0.000	(63.400)	(142.643)
Strata Transfers	(0.000)	0.000	625.377	(625.378)
Net/Standard Difference	(9,584.008)	0.000	(9,584.008)	0.000
Total	(9,790.051)	0.000	(9,022.030)	(768.021)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2007

	Total	Mobilization	---Peacetime---	
			Operating	Other
1. INVENTORY BOP	43,583.031	257.964	17,917.102	25,407.964
2. BOP INVENTORY ADJUSTMENTS	724.366	3.481	4,455.688	(3,734.803)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	4,071.560	(4,071.560)
B. PRICE CHANGE AMOUNT (memo)	724.366	3.481	384.128	336.757
C. INVENTORY RECLASSIFIED AND REPRICED	44,307.397	261.446	22,372.790	21,673.162
3. RECEIPTS AT STANDARD	4,075.984	0.000	4,115.546	(39.561)
4. SALES AT STANDARD	5,913.444	0.000	5,913.444	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	335.676	0.000	67.156	268.520
B. RETURNS FROM CUSTOMERS FOR CREDIT	108.405	0.000	31.103	77.302
C. RETURNS FROM CUSTOMERS, NO CREDIT	14,312.248	0.000	6,940.418	7,371.830
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(2,907.810)	0.000	0.000	(2,907.810)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(194.130)	0.000	(159.937)	(34.193)
G. OTHER (listed in Section 9)	(9,555.924)	0.000	(9,086.608)	(469.316)
H. TOTAL ADJUSTMENTS	2,098.464	0.000	(2,207.868)	4,306.332
6. INVENTORY EOP	44,568.402	261.446	18,367.024	25,939.933
7. INVENTORY EOP (REVALUED)	25,496.165	256.945	11,814.858	13,424.362
A. APPROVED ACQUISITION OBJECTIVE (memo)				11,773.667
B. ECONOMIC RETENTION (memo)				924.295
C. CONTINGENCY RETENTION (memo)				665.305
D. POTENTIAL DOD REUTILIZATION (memo)				61.095
8. INVENTORY ON ORDER EOP (memo)	2,362.380	0.000	2,351.172	11.208

9. NARRATIVE:

Other adjustments (Total posted to line 5g):

Other Gains/Losses	(228.078)	0.000	(84.836)	(143.241)
Strata Transfers	0.000	0.000	326.074	(326.074)
Net/Standard Difference	(9,327.847)	0.000	(9,327.847)	0.000
Total	(9,555.924)	0.000	(9,086.608)	(469.316)

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INVENTORY STATUS
BUDGET PROJECT 21
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2005

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	34.972	0.000	34.972	0.000
2. BOP INVENTORY ADJUSTMENTS	0.964	0.000	0.964	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	0.964	0.000	0.964	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	35.936	0.000	35.936	0.000
3. RECEIPTS AT STANDARD	80.613	0.000	80.613	0.000
4. SALES AT STANDARD	86.939	0.000	86.939	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	0.000	0.000	0.000	0.000
H. TOTAL ADJUSTMENTS	0.000	0.000	0.000	0.000
6. INVENTORY EOP	29.610	0.000	29.610	0.000
7. INVENTORY EOP (REVALUED)	0.000	0.000	0.000	0.000
A. APPROVED ACQUISITION OBJECTIVE (memo)				0.000
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	0.000	0.000	0.000	0.000
9. NARRATIVE: N/A				

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 21
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2006

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	29.610	0.000	29.610	0.000
2. BOP INVENTORY ADJUSTMENTS	1.090	0.000	1.090	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	1.090	0.000	1.090	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	30.700	0.000	30.700	0.000
3. RECEIPTS AT STANDARD	84.000	0.000	84.000	0.000
4. SALES AT STANDARD	84.750	0.000	84.750	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	0.000	0.000	0.000	0.000
H. TOTAL ADJUSTMENTS	0.000	0.000	0.000	0.000
6. INVENTORY EOP	29.950	0.000	29.950	0.000
7. INVENTORY EOP (REVALUED)	0.000	0.000	0.000	0.000
A. APPROVED ACQUISITION OBJECTIVE (memo)				0.000
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	0.000	0.000	0.000	0.000
9. NARRATIVE: N/A				

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 21
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	29.950	0.000	29.950	0.000
2. BOP INVENTORY ADJUSTMENTS	1.047	0.000	1.047	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	1.047	0.000	1.047	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	30.997	0.000	30.997	0.000
3. RECEIPTS AT STANDARD	74.790	0.000	74.790	0.000
4. SALES AT STANDARD	73.990	0.000	73.990	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	0.000	0.000	0.000	0.000
H. TOTAL ADJUSTMENTS	0.000	0.000	0.000	0.000
6. INVENTORY EOP	31.797	0.000	31.797	0.000
7. INVENTORY EOP (REVALUED)	0.000	0.000	0.000	0.000
A. APPROVED ACQUISITION OBJECTIVE (memo)				0.000
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	0.000	0.000	0.000	0.000
9. NARRATIVE: N/A				

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 28
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2005

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,624.243	236.100	1,063.119	325.024
2. BOP INVENTORY ADJUSTMENTS	16.242	2.361	39.465	(25.584)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	28.979	(28.979)
B. PRICE CHANGE AMOUNT (memo)	16.242	2.361	10.486	3.395
C. INVENTORY RECLASSIFIED AND REPRICED	1,640.485	238.461	1,102.584	299.440
3. RECEIPTS AT STANDARD	544.767	0.000	584.424	(39.657)
4. SALES AT STANDARD	600.124	0.000	600.124	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	327.116	0.000	65.443	261.673
B. RETURNS FROM CUSTOMERS FOR CREDIT	4.888	0.000	4.888	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	70.391	0.000	10.559	59.832
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(168.451)	0.000	0.000	(168.451)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(188.549)	0.000	(155.228)	(33.321)
G. OTHER (listed in Section 9)	(89.103)	0.000	(39.722)	(49.381)
H. TOTAL ADJUSTMENTS	(43.708)	0.000	(114.060)	70.352
6. INVENTORY EOP	1,541.420	238.461	972.824	330.135
7. INVENTORY EOP (REVALUED)	1,383.759	238.461	972.824	172.474
A. APPROVED ACQUISITION OBJECTIVE (memo)				170.378
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				2.096
8. INVENTORY ON ORDER EOP (memo)	29.580	0.000	29.580	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(89.103)	0.000	(39.722)	(49.381)
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(89.103)	0.000	(39.722)	(49.381)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 28
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2006

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,541.420	238.461	972.824	330.135
2. BOP INVENTORY ADJUSTMENTS	20.039	3.100	35.521	(18.582)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	23.038	(23.038)
B. PRICE CHANGE AMOUNT (memo)	20.039	3.100	12.483	4.456
C. INVENTORY RECLASSIFIED AND REPRICED	1,561.459	241.561	1,008.345	311.553
3. RECEIPTS AT STANDARD	1,136.268	0.000	1,176.441	(40.173)
4. SALES AT STANDARD	1,114.700	0.000	1,114.700	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	331.369	0.000	66.294	265.075
B. RETURNS FROM CUSTOMERS FOR CREDIT	13.924	0.000	13.924	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	71.801	0.000	10.770	61.031
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(170.641)	0.000	0.000	(170.641)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(191.640)	0.000	(157.886)	(33.754)
G. OTHER (listed in Section 9)	(76.421)	0.000	(15.834)	(60.587)
H. TOTAL ADJUSTMENTS	(21.608)	0.000	(82.732)	61.124
6. INVENTORY EOP	1,561.419	241.561	987.354	332.504
7. INVENTORY EOP (REVALUED)	1,402.798	241.561	987.354	173.883
A. APPROVED ACQUISITION OBJECTIVE (memo)				171.770
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				2.113
8. INVENTORY ON ORDER EOP (memo)	29.964	0.000	29.964	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(76.421)	0.000	(15.834)	(60.587)
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(76.421)	0.000	(15.834)	(60.587)

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INVENTORY STATUS
BUDGET PROJECT 28
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,561.419	241.561	987.354	332.504
2. BOP INVENTORY ADJUSTMENTS	20.298	3.140	30.986	(13.828)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	18.315	(18.315)
B. PRICE CHANGE AMOUNT (memo)	20.298	3.140	12.671	4.487
C. INVENTORY RECLASSIFIED AND REPRICED	1,581.717	244.701	1,018.340	318.676
3. RECEIPTS AT STANDARD	1,326.019	0.000	1,366.714	(40.695)
4. SALES AT STANDARD	1,281.781	0.000	1,281.781	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	335.676	0.000	67.156	268.520
B. RETURNS FROM CUSTOMERS FOR CREDIT	16.011	0.000	16.011	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	72.734	0.000	10.910	61.824
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(172.859)	0.000	0.000	(172.859)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(194.130)	0.000	(159.937)	(34.193)
G. OTHER (listed in Section 9)	(98.395)	0.000	(37.332)	(61.063)
H. TOTAL ADJUSTMENTS	(40.963)	0.000	(103.192)	62.229
6. INVENTORY EOP	1,584.992	244.701	1,000.081	340.210
7. INVENTORY EOP (REVALUED)	1,423.248	244.701	1,000.081	178.466
A. APPROVED ACQUISITION OBJECTIVE (memo)				176.297
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				2.169
8. INVENTORY ON ORDER EOP (memo)	30.384	0.000	30.384	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(98.395)	0.000	(37.332)	(61.063)
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(98.395)	0.000	(37.332)	(61.063)

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INVENTORY STATUS
BUDGET PROJECT 34
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2005

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	952.917	2.156	478.295	472.466
2. BOP INVENTORY ADJUSTMENTS	(22.633)	(0.025)	87.527	(110.135)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	105.634	(105.634)
B. PRICE CHANGE AMOUNT (memo)	(22.633)	(0.025)	(18.107)	(4.501)
C. INVENTORY RECLASSIFIED AND REPRICED	930.284	2.131	565.822	362.331
3. RECEIPTS AT STANDARD	425.853	0.000	230.271	195.582
4. SALES AT STANDARD	360.108	0.000	360.108	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	68.652	0.000	60.282	8.370
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.648	0.000	0.577	0.072
C. RETURNS FROM CUSTOMERS, NO CREDIT	77.771	0.000	3.872	73.899
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(82.928)	0.000	0.000	(82.928)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	1.745	0.000	18.053	(16.308)
G. OTHER (listed in Section 9)	(18.504)	(0.902)	(40.982)	23.380
H. TOTAL ADJUSTMENTS	47.386	(0.902)	41.802	6.486
6. INVENTORY EOP	1,043.413	1.228	477.787	564.398
7. INVENTORY EOP (REVALUED)	817.746	0.976	379.499	437.271
A. APPROVED ACQUISITION OBJECTIVE (memo)				366.533
B. ECONOMIC RETENTION (memo)				56.075
C. CONTINGENCY RETENTION (memo)				13.483
D. POTENTIAL DOD REUTILIZATION (memo)				1.180
8. INVENTORY ON ORDER EOP (memo)	310.777	0.000	282.044	28.733
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(18.504)	0.000	(29.331)	10.827
Strata Transfers	0.000	(0.902)	(11.651)	12.553
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(18.504)	(0.902)	(40.982)	23.380

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INVENTORY STATUS
BUDGET PROJECT 34
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2006

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,043.413	1.228	477.787	564.398
2. BOP INVENTORY ADJUSTMENTS	(35.798)	(0.002)	(11.609)	(24.186)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	2.866	(2.866)
B. PRICE CHANGE AMOUNT (memo)	(35.798)	(0.002)	(14.475)	(21.321)
C. INVENTORY RECLASSIFIED AND REPRICED	1,007.616	1.226	466.178	540.212
3. RECEIPTS AT STANDARD	323.387	0.000	312.962	10.425
4. SALES AT STANDARD	353.669	0.000	353.669	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	1.061	0.000	1.009	0.052
C. RETURNS FROM CUSTOMERS, NO CREDIT	71.109	0.000	3.513	67.596
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(36.372)	0.000	0.000	(36.372)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(5.844)	0.000	(5.590)	(0.254)
H. TOTAL ADJUSTMENTS	29.954	0.000	(1.067)	31.022
6. INVENTORY EOP	1,007.288	1.226	424.403	581.659
7. INVENTORY EOP (REVALUED)	836.034	1.037	359.056	475.941
A. APPROVED ACQUISITION OBJECTIVE (memo)				400.478
B. ECONOMIC RETENTION (memo)				60.421
C. CONTINGENCY RETENTION (memo)				13.769
D. POTENTIAL DOD REUTILIZATION (memo)				1.273
8. INVENTORY ON ORDER EOP (memo)	331.595	0.000	330.939	0.656
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(5.844)	0.000	(5.628)	(0.216)
Strata Transfers	0.000	0.000	0.038	(0.038)
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(5.844)	0.000	(5.590)	(0.254)

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INVENTORY STATUS
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(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	1,007.288	1.226	424.403	581.659
2. BOP INVENTORY ADJUSTMENTS	29.572	0.086	108.815	(79.330)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	95.205	(95.205)
B. PRICE CHANGE AMOUNT (memo)	29.572	0.086	13.610	15.875
C. INVENTORY RECLASSIFIED AND REPRICED	1,036.859	1.313	533.218	502.329
3. RECEIPTS AT STANDARD	453.553	0.000	452.773	0.781
4. SALES AT STANDARD	385.782	0.000	385.782	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	1.193	0.000	1.135	0.058
C. RETURNS FROM CUSTOMERS, NO CREDIT	39.584	0.000	1.955	37.628
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(34.951)	0.000	0.000	(34.951)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(5.971)	0.000	(5.711)	(0.260)
H. TOTAL ADJUSTMENTS	(0.146)	0.000	(2.620)	2.474
6. INVENTORY EOP	1,104.485	1.313	597.588	505.584
7. INVENTORY EOP (REVALUED)	927.833	1.113	506.862	419.858
A. APPROVED ACQUISITION OBJECTIVE (memo)				352.938
B. ECONOMIC RETENTION (memo)				53.442
C. CONTINGENCY RETENTION (memo)				12.354
D. POTENTIAL DOD REUTILIZATION (memo)				1.124
8. INVENTORY ON ORDER EOP (memo)	376.200	0.000	376.200	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(5.971)	0.000	(5.750)	(0.221)
Strata Transfers	0.000	0.000	0.039	(0.039)
Net/Standard Difference	0.000	0.000	0.000	0.000
Total	(5.971)	0.000	(5.711)	(0.260)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 38
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2005

	Total	Mobilization	--- Peacetime ---	
			Operating	Other
1. INVENTORY BOP	0.000	0.000	0.000	0.000
2. BOP INVENTORY ADJUSTMENTS	0.000	0.000	0.000	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	0.000	0.000	0.000	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	0.000	0.000	0.000	0.000
3. RECEIPTS AT STANDARD	0.000	0.000	0.000	0.000
4. SALES AT STANDARD	(5.204)	0.000	(5.204)	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS, NO CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(5.204)	0.000	(5.204)	0.000
H. TOTAL ADJUSTMENTS	(5.204)	0.000	(5.204)	0.000
6. INVENTORY EOP	0.000	0.000	0.000	0.000
7. INVENTORY EOP (REVALUED)	0.000	0.000	0.000	0.000
A. APPROVED ACQUISITION OBJECTIVE (memo)				0.000
B. ECONOMIC RETENTION (memo)				0.000
C. CONTINGENCY RETENTION (memo)				0.000
D. POTENTIAL DOD REUTILIZATION (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	0.000	0.000	0.000	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	0.000	0.000	0.000	0.000
Strata Transfers	0.000	0.000	0.000	0.000
Net/Standard Difference	0.000	0.000	0.000	0.000
Aged Accounts Receivable Write-Off	(5.204)	0.000	(5.204)	0.000
Total	(5.204)	0.000	(5.204)	0.000

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 81
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2005

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	8,715.921	15.977	3,066.366	5,633.578
2. BOP INVENTORY ADJUSTMENTS	(127.752)	(0.038)	61.332	(189.046)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	114.227	(114.227)
B. PRICE CHANGE AMOUNT (memo)	(127.752)	(0.038)	(52.895)	(74.819)
C. INVENTORY RECLASSIFIED AND REPRICED	8,588.169	15.939	3,127.698	5,444.532
3. RECEIPTS AT STANDARD	486.764	0.000	487.158	(0.394)
4. SALES AT STANDARD	802.256	0.000	802.256	0.000
5. INVENTORY ADJUSTMENTS	385.678			
A. CAPITALIZATIONS + or (-)	20.851	0.000	7.647	13.204
B. RETURNS FROM CUSTOMERS FOR CREDIT	29.025	0.000	7.907	21.118
C. RETURNS FROM CUSTOMERS, NO CREDIT	2,129.344	0.000	669.077	1,460.267
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(971.731)	0.000	0.000	(971.731)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(41.822)	0.000	(15.279)	(26.543)
G. OTHER (listed in Section 9)	(972.828)	(3.076)	(579.332)	(390.420)
H. TOTAL ADJUSTMENTS	192.839	(3.076)	90.020	105.895
6. INVENTORY EOP	8,465.516	12.863	2,902.620	5,550.033
7. INVENTORY EOP (REVALUED)	5,117.431	9.514	2,146.921	2,960.996
A. APPROVED ACQUISITION OBJECTIVE (memo)				2,159.014
B. ECONOMIC RETENTION (memo)				468.011
C. CONTINGENCY RETENTION (memo)				311.866
D. POTENTIAL DOD REUTILIZATION (memo)				22.105
8. INVENTORY ON ORDER EOP (memo)	258.658	0.000	258.658	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(139.763)	(3.076)	(58.006)	(78.681)
Strata Transfers	0.000	0.000	311.739	(311.739)
Net/Standard Difference	(833.065)	0.000	(833.065)	0.000
Total	(972.828)	(3.076)	(579.332)	(390.420)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 81
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2006

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	8,465.516	12.863	2,902.620	5,550.033
2. BOP INVENTORY ADJUSTMENTS	55.768	0.269	150.725	(95.226)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	120.053	(120.053)
B. PRICE CHANGE AMOUNT (memo)	55.768	0.269	30.672	24.827
C. INVENTORY RECLASSIFIED AND REPRICED	8,521.284	13.132	3,053.345	5,454.807
3. RECEIPTS AT STANDARD	540.306	0.000	540.306	0.000
4. SALES AT STANDARD	821.128	0.000	821.128	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	29.000	0.000	5.019	23.981
C. RETURNS FROM CUSTOMERS, NO CREDIT	1,509.982	0.000	548.211	961.771
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(1,100.000)	0.000	0.000	(1,100.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(883.513)	0.000	(286.549)	(596.964)
H. TOTAL ADJUSTMENTS	(444.531)	0.000	266.681	(711.212)
6. INVENTORY EOP	7,795.932	13.132	3,039.204	4,743.595
7. INVENTORY EOP (REVALUED)	4,821.078	9.793	2,266.337	2,544.948
A. APPROVED ACQUISITION OBJECTIVE (memo)				1,855.592
B. ECONOMIC RETENTION (memo)				402.277
C. CONTINGENCY RETENTION (memo)				268.080
D. POTENTIAL DOD REUTILIZATION (memo)				18.999
8. INVENTORY ON ORDER EOP (memo)	296.206	0.000	296.206	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(50.242)	0.000	(17.445)	(32.797)
Strata Transfers	(0.000)	0.000	564.167	(564.167)
Net/Standard Difference	(833.271)	0.000	(833.271)	0.000
Total	(883.513)	0.000	(286.549)	(596.964)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 81
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	7,795.932	13.132	3,039.204	4,743.595
2. BOP INVENTORY ADJUSTMENTS	102.331	0.201	180.641	(78.511)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	124.619	(124.619)
B. PRICE CHANGE AMOUNT (memo)	102.331	0.201	56.022	46.108
C. INVENTORY RECLASSIFIED AND REPRICED	7,898.263	13.333	3,219.845	4,665.084
3. RECEIPTS AT STANDARD	571.574	0.000	571.574	0.000
4. SALES AT STANDARD	819.694	0.000	819.694	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	29.000	0.000	5.019	23.981
C. RETURNS FROM CUSTOMERS, NO CREDIT	1,522.220	0.000	572.818	949.402
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(900.000)	0.000	0.000	(900.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(885.132)	0.000	(462.616)	(422.516)
H. TOTAL ADJUSTMENTS	(233.912)	0.000	115.221	(349.133)
6. INVENTORY EOP	7,416.231	13.333	3,086.946	4,315.951
7. INVENTORY EOP (REVALUED)	4,602.800	9.898	2,291.711	2,301.191
A. APPROVED ACQUISITION OBJECTIVE (memo)				1,677.808
B. ECONOMIC RETENTION (memo)				363.770
C. CONTINGENCY RETENTION (memo)				242.434
D. POTENTIAL DOD REUTILIZATION (memo)				17.179
8. INVENTORY ON ORDER EOP (memo)	297.853	0.000	297.853	0.000
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(49.965)	0.000	(17.192)	(32.773)
Strata Transfers	0.000	0.000	389.743	(389.743)
Net/Standard Difference	(835.167)	0.000	(835.167)	0.000
Total	(885.132)	0.000	(462.616)	(422.516)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 85
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2005

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	34,130.108	3.465	16,951.913	17,174.730
2. BOP INVENTORY ADJUSTMENTS	990.079	0.213	3,178.170	(2,188.304)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	2,620.754	(2,620.754)
B. PRICE CHANGE AMOUNT (memo)	990.079	0.213	557.416	432.450
C. INVENTORY RECLASSIFIED AND REPRICED	35,120.187	3.678	20,130.083	14,986.426
3. RECEIPTS AT STANDARD	964.529	0.000	976.168	(11.639)
4. SALES AT STANDARD	3,099.783	0.000	3,099.783	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	293.169	0.000	282.312	10.857
B. RETURNS FROM CUSTOMERS FOR CREDIT	67.542	0.000	63.891	3.651
C. RETURNS FROM CUSTOMERS, NO CREDIT	16,167.430	0.000	6,718.891	9,448.539
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(4,751.923)	0.000	0.000	(4,751.923)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(625.770)	0.000	0.000	(625.770)
G. OTHER (listed in Section 9)	(13,663.493)	(1.699)	(11,942.061)	(1,719.732)
H. TOTAL ADJUSTMENTS	(2,513.045)	(1.699)	(4,876.968)	2,365.622
6. INVENTORY EOP	30,471.888	1.979	13,129.500	17,340.409
7. INVENTORY EOP (REVALUED)	17,955.982	1.262	8,373.912	9,580.808
A. APPROVED ACQUISITION OBJECTIVE (memo)				8,709.069
B. ECONOMIC RETENTION (memo)				461.338
C. CONTINGENCY RETENTION (memo)				373.424
D. POTENTIAL DOD REUTILIZATION (memo)				36.977
8. INVENTORY ON ORDER EOP (memo)	1,259.980	0.000	1,242.288	17.692
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(4,435.681)	0.000	(4,287.346)	(148.335)
Strata Transfers	0.000	(1.699)	1,573.097	(1,571.397)
Net/Standard Difference	(9,227.812)	0.000	(9,227.812)	0.000
Total	(13,663.493)	(1.699)	(11,942.061)	(1,719.732)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 85
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2006

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	30,471.888	1.979	13,129.500	17,340.409
2. BOP INVENTORY ADJUSTMENTS	2,339.081	0.065	4,628.983	(2,289.968)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	3,621.605	(3,621.605)
B. PRICE CHANGE AMOUNT (memo)	2,339.081	0.065	1,007.378	1,331.637
C. INVENTORY RECLASSIFIED AND REPRICED	32,810.969	2.044	17,758.483	15,050.442
3. RECEIPTS AT STANDARD	1,224.221	0.000	1,220.231	3.990
4. SALES AT STANDARD	3,323.113	0.000	3,323.113	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	62.200	0.000	9.185	53.015
C. RETURNS FROM CUSTOMERS, NO CREDIT	13,038.438	0.000	6,485.463	6,552.976
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(1,800.000)	0.000	0.000	(1,800.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(8,824.273)	0.000	(8,714.057)	(110.216)
H. TOTAL ADJUSTMENTS	2,476.365	0.000	(2,219.409)	4,695.775
6. INVENTORY EOP	33,188.443	2.045	13,436.191	19,750.207
7. INVENTORY EOP (REVALUED)	19,456.806	1.305	8,574.974	10,880.527
A. APPROVED ACQUISITION OBJECTIVE (memo)				9,892.488
B. ECONOMIC RETENTION (memo)				522.963
C. CONTINGENCY RETENTION (memo)				423.092
D. POTENTIAL DOD REUTILIZATION (memo)				41.984
8. INVENTORY ON ORDER EOP (memo)	1,453.104	0.000	1,443.281	9.823
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(73.536)	0.000	(24.493)	(49.043)
Strata Transfers	0.000	0.000	61.173	(61.173)
Net/Standard Difference	(8,750.737)	0.000	(8,750.737)	0.000
Total	(8,824.273)	0.000	(8,714.057)	(110.216)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT 85
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)
FY2007

	Total	Mobilization	---- Peacetime ----	
			Operating	Other
1. INVENTORY BOP	33,188.443	2.045	13,436.191	19,750.207
2. BOP INVENTORY ADJUSTMENTS	571.119	0.054	4,134.199	(3,563.134)
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	3,833.421	(3,833.421)
B. PRICE CHANGE AMOUNT (memo)	571.119	0.054	300.778	270.287
C. INVENTORY RECLASSIFIED AND REPRICED	33,759.561	2.099	17,570.390	16,187.073
3. RECEIPTS AT STANDARD	1,650.048	0.000	1,649.695	0.353
4. SALES AT STANDARD	3,352.196	0.000	3,352.196	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	62.200	0.000	8.938	53.263
C. RETURNS FROM CUSTOMERS, NO CREDIT	12,677.710	0.000	6,354.735	6,322.975
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(1,800.000)	0.000	0.000	(1,800.000)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (listed in Section 9)	(8,566.426)	0.000	(8,580.950)	14.524
H. TOTAL ADJUSTMENTS	2,373.485	0.000	(2,217.277)	4,590.762
6. INVENTORY EOP	34,430.898	2.099	13,650.612	20,778.187
7. INVENTORY EOP (REVALUED)	18,542.284	1.233	8,016.204	10,524.847
A. APPROVED ACQUISITION OBJECTIVE (memo)				9,566.624
B. ECONOMIC RETENTION (memo)				507.083
C. CONTINGENCY RETENTION (memo)				410.517
D. POTENTIAL DOD REUTILIZATION (memo)				40.623
8. INVENTORY ON ORDER EOP (memo)	1,657.943	0.000	1,646.735	11.208
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(73.746)	0.000	(24.562)	(49.184)
Strata Transfers	0.000	0.000	(63.708)	63.708
Net/Standard Difference	(8,492.680)	0.000	(8,492.680)	0.000
Total	(8,566.426)	0.000	(8,580.950)	14.524

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT- NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

SHIPS/AVIATION	FY 05	FY 06	FY07
1. Net sales at Cost	3803.200	4170.461	4005.620
2. Less: Material Inflation Adj	68.800	473.202	49.166
3. Revised Net Sales at Cost	3734.400	3697.259	3956.454
4. Surcharge (\$)	646.400	516.440	552.052
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.171	0.170	0.124
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.192	0.268	0.152
c. Percent change to customer	2.4%	7.7%	2.4%

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT- NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

BP34-AVIATION CONSUMABLES	FY 05	FY 06	FY07
1. Net sales at Cost	376.300	358.425	350.578
2. Less: Material Inflation Adj	6.100	2.973	5.045
3. Revised Net Sales at Cost	370.200	355.452	345.533
4. Surcharge (\$)	57.900	37.061	35.204
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.213	0.154	0.103
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.173	0.113	0.116
c. Percent change to customer	-3.3%	-3.6%	1.2%

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT- NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

BP81-SHIP	FY 05	FY 06	FY07
1. Net sales at Cost	660.300	731.277	695.162
2. Less: Material Inflation Adj	21.800	51.645	22.197
3. Revised Net Sales at Cost	638.500	679.632	672.965
4. Surcharge (\$)	130.200	126.662	124.533
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.251	0.197	0.173
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.238	0.262	0.218
c. Percent change to customer	-0.2%	5.1%	3.8%

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT- NAVY
WHOLESALE COST RECOVERY RATE CALCULATION
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(DOLLARS IN MILLIONS)**

BP85-AVIATION REPAIRABLES	FY 05	FY 06	FY07
1. Net sales at Cost	2766.700	3080.760	2959.881
2. Less: Material Inflation Adj	41.000	418.585	21.924
3. Revised Net Sales at Cost	2725.700	2662.175	2937.957
4. Surcharge (\$)	458.200	352.717	392.315
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.151	0.166	0.114
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.183	0.290	0.141
c. Percent change to customer	3.9%	9.8%	2.2%

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
WAR RESERVE MATERIAL (WRM)
STOCKPILE**

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)**

FY 2005

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	257.698	257.698	
2. Price Change	2.511	2.511	
3. Reclassification	0.000	0.000	
4. Inventory Changes	(5.678)	(5.678)	0.000
a. Receipts @ std	0.000	0.000	0.000
(1). Purchases	0.000	0.000	
(2). Returns from customers	0.000	0.000	
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	
(2). Returns to suppliers	0.000	0.000	
(3). Disposals	0.000	0.000	
(4). Issues/receipts w/o ADJs	0.000	0.000	
c. Adjustments @ std	(5.678)	(5.678)	0.000
(1). Capitalizations	0.000	0.000	
(2). Gains and losses	(3.076)	(3.076)	
(3). Other	(2.602)	(2.602)	
5. Inventory EOP	254.531	254.531	0.000

STOCKPILE COSTS

1. Storage	0.259
2. Management	0.000
3. Maintenance/Other	0.000
Total Cost	0.259

WRM BUDGET REQUEST

1. Obligations @ cost	0.000
a. Additional WRM	0.000
b. Replen. WRM	0.000
c. Repair WRM	0.000
d. Assemble/Disassemble	0.000
e. Other	0.000
Total Request	0.000

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
WAR RESERVE MATERIAL (WRM)
STOCKPILE**

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)**

FY 2006

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	254.531	254.531	
2. Price Change	3.433	3.433	
3. Reclassification	0.000	0.000	
4. Inventory Changes	0.000	0.000	0.000
a. Receipts @ std	0.000	0.000	0.000
(1). Purchases	0.000	0.000	
(2). Returns from customers	0.000	0.000	
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	
(2). Returns to suppliers	0.000	0.000	
(3). Disposals	0.000	0.000	
(4). Issues/receipts w/o ADJs	0.000	0.000	
c. Adjustments @ std	0.000	0.000	0.000
(1). Capitalizations	0.000	0.000	
(2). Gains and losses	0.000	0.000	
(3). Other	0.000	0.000	
5. Inventory EOP	257.964	257.964	0.000

STOCKPILE COSTS

1. Storage	0.255
2. Management	0.000
3. Maintenance/Other	0.000
Total Cost	0.255

WRM BUDGET REQUEST

1. Obligations @ cost	0.000
a. Additional WRM	0.000
b. Replen. WRM	0.000
c. Repair WRM	0.000
d. Assemble/Disassemble	0.000
e. Other	0.000
Total Request	0.000

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - NAVY
WAR RESERVE MATERIAL (WRM)
STOCKPILE**

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(Dollars in Millions)**

FY 2007

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	257.964	257.964	
2. Price Change	3.481	3.481	
3. Reclassification	0.000	0.000	
4. Inventory Changes	0.000	0.000	0.000
a. Receipts @ std	0.000	0.000	0.000
(1). Purchases	0.000	0.000	
(2). Returns from customers	0.000	0.000	
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	
(2). Returns to suppliers	0.000	0.000	
(3). Disposals	0.000	0.000	
(4). Issues/receipts w/o ADJs	0.000	0.000	
c. Adjustments @ std	0.000	0.000	0.000
(1). Capitalizations	0.000	0.000	
(2). Gains and losses	0.000	0.000	
(3). Other	0.000	0.000	
5. Inventory EOP	261.446	261.446	0.000

STOCKPILE COSTS

1. Storage	0.275
2. Management	0.000
3. Maintenance/Other	0.000
Total Cost	0.275

WRM BUDGET REQUEST

1. Obligations @ cost	0.000
a. Additional WRM	0.000
b. Replen. WRM	0.000
c. Repair WRM	0.000
d. Assemble/Disassemble	0.000
e. Other	0.000
Total Request	0.000

Activity Group Capital Investment Summary
Component: Navy
Activity Group: Supply Management
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006
(\$ IN MILLIONS)

LINE NUMBER	ITEM DESCRIPTION	FY 2005		FY 2006		FY 2007	
		QUANTITY	TOTAL COST	QUANTITY	TOTAL COST	QUANTITY	TOTAL COST
	Equipment		1.822		1.849		1.933
	Replacement		1.822		1.849		1.933
	\$1,000,000 and over						
0001	Material Handling Equipment (Forklifts)	VAR	1.015	VAR	1.030	VAR	1.100
0002	\$250,000 to \$999,999	VAR	0.807	VAR	0.819	VAR	0.833
0003	\$100,000 to \$249,999		0.000		0.000		0.000
0004	Productivity		0.000		0.000		0.000
0005	New Mission		0.000		0.000		0.000
0006	Environmental		0.000		0.000		0.000
	ADPE & Telecommunications Equipment		1.786		1.805		1.827
	\$1,000,000 and over						
0007	Information Technology Support/BLC	VAR	1.286	VAR	1.305	VAR	1.327
0008	\$250,000 to \$999,999	VAR	0.500	VAR	0.500	VAR	0.500
0009	\$100,000 to \$249,999		0.000		0.000		0.000
	Software Development		5.745		8.471		7.857
	Internally Developed		5.745		8.471		7.857
	\$1,000,000 and over						
0010	Asset Visibility Initiatives	VAR	0.670	VAR	0.000	VAR	0.000
0011	Financial Initiatives	VAR	1.245	VAR	1.007	VAR	1.086
0012	Inform-21	VAR	0.599	VAR	0.000	VAR	0.000
0013	Integrated Data Environment	VAR	0.731	VAR	0.000	VAR	0.000
0014	One Touch v3.0	VAR	2.500	VAR	1.000	VAR	0.750
0015	UADPS-ICP/UADPS-U2/SP	VAR	0.000	VAR	6.464		6.021
0016	\$250,000 to \$999,999		0.000		0.000		0.000
0017	\$100,000 to \$249,999		0.000		0.000		0.000
	Externally Development		0.000		0.000		0.000
	\$1,000,000 and over						
0018	Enterprise Resource Planning	VAR	0.000	VAR	0.000	VAR	0.000
0019	\$250,000 to \$999,999		0.000		0.000		0.000
0020	\$100,000 to \$249,999		0.000		0.000		0.000
0021	Minor Construction	VAR	2.328	VAR	2.398	VAR	2.470
	TOTAL		11.681		14.523		14.087
	Total Capital Outlays		42.134		16.630		13.937
	Total Depreciation Expense		39.855		32.012		29.201

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006				C. Line No. & Item Description 01 MATERIAL HANDLING EQUIPMENT (FORKLIFTS)			D. Activity Identification NWCF		
FY 2005				FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
01 MATERIAL HANDLING EQUIPMENT (FORKLIFTS)	VAR	VAR	1.015	VAR	VAR	1.030	VAR	VAR	1.100

Narrative Justification:

This program funds the procurement of new/initial outfitting and replacement of Material Handling Equipment (MHE) and Automated Material Handling Systems (AMHS) to satisfy operational requirements within the Navy Supply System. Replacement MHE is for over aged non-repairable equipment used in material handling operations at various activities. With a large inventory of equipment at the various Fleet and Industrial Supply Centers (FISCs) there will always be units eligible for replacement through procurement. If fully supported, this funding will allow the Navy to develop the right mix of new procurements, resulting in overall requirement reductions, and resolving the problem of trying to maintain old equipment at high maintenance cost and reduced state of readiness. MHE funding limitations in past years has precluded the purchase of required MHE planned for issue. We can not emphasize enough that this is a continuing program and one year builds on the next. Delaying any funding only postpones the inevitable requirement to procure a new unit at a higher cost. Supply readiness and logistical support are dependent upon the availability of reliable MHE. Non-repairable equipment is not cost effective to maintain for continued operation, and repair parts are difficult to obtain. Replacement of non-repairable equipment with new and more efficient models will reduce excessive costs attributed to repair/overhaul, downtime and maintenance. New equipment will enhance productivity and enable users to meet handling and logistics requirements in an efficient and effective manner. For these reasons it is essential to maintain funding to cover procurement of new equipment as required.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006			C. Line No. & Item Description 02 CIVIL ENGINEERING SUPPORT EQUIPMENT			D. Activity Identification NWCF			
Element of Cost	FY 2005			FY 2006			FY 2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
02 CIVIL ENGINEERING SUPPORT EQUIPMENT	VAR	VAR	0.807	VAR	VAR	0.819	VAR	VAR	0.833

Narrative Justification:

Naval Supply Systems Command (NAVSUP) is responsible for replacing and maintaining aging Civil Engineering Support Equipment (CESE) necessary for fuel depot operations throughout the claimancy. This equipment is necessary to maintain and improve the working conditions and assist NAVSUP operations employees. Safety, reliability, maintenance cost and customer support are directly impacted by age and condition of this equipment. Examples: Tanker truck, fire fighting pumper truck, 20 ton semi trailer stake 2 axle, 20 ton semi trailer van 2 axle.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006			C. Line No. & Item Description 07 INFORMATION TECHNOLOGY (Base Level Computing)				D. Activity Identification NWCF		
FY 2005			FY 2006				FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
07 INFORMATION TECHNOLOGY (Base Level Computing)	VAR	VAR	1.286	VAR	VAR	1.305	VAR	VAR	1.327

Narrative Justification:

This project supports Information Technology (IT) services that are not subject to transition from Navy Supply Information Systems Activity (NAVSISA) to the Navy/Marine Corps Intranet (NMCI) contractor. These Application Hosting Services include the administration of Mid-Tier servers across the Hewlett Packard (HP), Novell and SUN environments. These servers function as hosts for production applications supporting NAVSUP HQ and NAVICP operations, and as development and testing platforms supporting NAVSISA Central Design Agency (CDA) project work sponsored by NAVSUP for corporate applications. Included in this project are infrastructure project management; technical support for Customer Support Group (CSG) production sites; systems, data base, and applications administration; server architecture security; configuration management/change control; Corporate Help Desk Services for NAVSUP sponsored applications; Legacy Network Administration; desktop support; Capacity Planning and Acquisition Support; Joint Computer-Aided Acquisition and Logistics Support (JCALS) Application Administration; Environmental Systems Interfaces; Firewall; Security; Environmental Architecture and support for the MQ Series brand of software.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006				C. Line No. & Item Description 08 NAVSISA EQUIPMENT			D. Activity Identification NWCF		
FY 2005				FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
08 NAVSISA EQUIPMENT	VAR	VAR	0.500	VAR	VAR	0.500	VAR	VAR	0.500

Narrative Justification:

Navy Supply Information Systems Activity (NAVSISA) - Funds provide support to the NAVSISA Legacy/Non-Navy/Marine Corps Intranet (NMCI) Network Plan. As part of the plan, NAVSISA is upgrading its network, which will replace obsolete non-NMCI ADP equipment to provide an environment for client/server development. A variety of PC hardware platforms currently exists in NAVSISA that prevents deployment of the development tools needed to maintain its competitiveness. Upgrading and standardizing hardware infrastructure will allow NAVSISA to use the network to deploy the latest legacy/non-NMCI software products.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006				C. Line No. & Item Description 11 FINANCIAL INITIATIVES			D. Activity Identification NWCF		
FY 2005				FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
11 FINANCIAL INITIATIVES	VAR	VAR	1.245	VAR	VAR	1.007	VAR	VAR	1.086

Narrative Justification:

The Material Financial Control System (MFCS) is the Navy's premier Inventory and Financial Accounting system for Wholesale and Retail inventories within the Navy. MFCS consists of several individual projects: Retail Ashore; Retail Afloat; Allotment Accounting/Expenditure Processing (PX02/04) and Billing Modules (PX06). The system is jointly owned by Naval Supply Systems Command (NAVSUP) (51%) and Defense Finance and Accounting Service (DFAS) (49%). The program goals include: meeting Congressional CFO compliance standards; standardizing financial business practices for Navy Working Capital Fund (NWCF) material ashore and afloat, retail and wholesale; replacing legacy accounting systems; centralizing accounting processes at Naval Inventory Control Point (NAVICP); supporting Total Asset Visibility initiatives; and providing a stepping stone for Enterprise Resource Planning (ERP) financials. Development efforts include incorporation of the afloat community into the Allotment Accounting/Expenditure Processing and Billing modules; several large projects deferred at implementation; and smaller projects to enhance both Retail and Wholesale functionality. End state - MFCS supports the NAVSUP ERP initiative by consolidating accounting/financial systems into something that is easier to convert to SAP. Benefits of centralized accounting under MFCS include: eliminating redundant systems; improving retail in-transit tracking; reducing operations costs; enhancing metrics/control; and detecting supply/financial disconnects early.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006				C. Line No. & Item Description 14 ONE TOUCH V3.2			D. Activity Identification NWCF		
FY 2005				FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
14 ONE TOUCH V3.2	VAR	VAR	2.500	VAR	VAR	1.000	VAR	VAR	0.750

Narrative Justification:

One Touch Supply (OTS) is the technology component of the Commander, Fleet and Industrial Supply Centers (COMFISCS) customer support strategy. One Touch enables a customer to use internet technology to access the broad scope of the Navy/DOD supply systems to locate available stock, enter requisitions, perform technical screening functions, check on requisition status, and verify shipment status. Through One Touch, the user has virtual access to all Navy-authorized supply sources. Sustainment of One Touch is a vital tool for efficient and effective Fleet logistics support; it is a primary component of a fully automated electronic supply chain for US Navy customers and suppliers. Customer support functions are evolving to best satisfy afloat and ashore supply requirements.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006				C. Line No. & Item Description 15 UADPS-SP			D. Activity Identification NWCF		
Element of Cost	FY 2005			FY 2006			FY 2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
15 UADPS-SP	VAR	VAR		VAR	VAR	6.464	VAR	VAR	6.021

Narrative Justification:

The Uniform Automated Data Processing System -Stock Points (UADPS-SP) is a Navy legacy system. It is the automated system used for material management of consumer level inventory. It also contains requisite physical distribution capability for the Fleet and Industrial Supply Centers (FISCs) and partner sites. This modernization/development effort corrects a security deficiency in the UADPS-SP program. The current database software is no longer supported and requires an upgrade. If not upgraded, Defense Information Systems Agency (DISA) has indicated they may shut down this system. These funds are required to sustain this system until the Enterprise Resource Planning (ERP) program is in place.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Millions)							A. Budget Submission FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006		
B. Component/Business Area/Date Navy/Supply Management/January 2006				C. Line No. & Item Description 21 MINOR CONSTRUCTION			D. Activity Identification NWCF		
FY 2005				FY 2006			FY 2007		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
21 MINOR CONSTRUCTION	VAR	VAR	2.328	VAR	VAR	2.398	VAR	VAR	2.470

Narrative Justification:

NAVSUP is responsible for the minor construction portion of Real Property Maintenance (RPM) for facilities occupied and operated by NAVSUP. These projects are necessary to maintain and improve the working conditions for NAVSUP claimancy employees. Projects include minor construction requirements for facilities maintenance, Quality of Life (QOL) and correction of safety deficiencies. The requested Minor Construction funding supports the RPM objectives of the Naval Facilities Engineering Command (NAVFAC)-recommended maintenance spending limits (2% to 4% annually based on the associated property values). Each minor construction project must be less than \$500,000.

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY2005
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
05	Non-ADP Equipment	.000	1.822	1.822	.000	
05	ADP Equipment	.000	1.786	1.786	.000	
05	Software Development	-3.486	9.231	5.745	.000	Adjustment
05	Minor Construction	.000	2.328	2.328	.000	
	Total Capital Investment	-3.486	15.167	11.681	.000	

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY2006
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
06	Non-ADP Equipment	.000	1.849	1.849	.000	
06	ADP Equipment	.000	1.805	1.805	.000	
06	Software Development	.000	8.471	8.471	.000	
06	Minor Construction	.000	2.398	2.398	.000	
	Total Capital Investment	.000	14.523	14.523	.000	

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY2007
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES - FEBRUARY 2006

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
07	Non-ADP Equipment	.000	1.933	1.933	.000	
07	ADP Equipment	.000	1.827	1.827	.000	
07	Software Development	-1.000	8.857	7.857	.000	Adjustment
07	Minor Construction	.000	2.470	2.470	.000	
	Total Capital Investment	-1.000	15.087	14.087	.000	

Marine Corps Supply

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
PRESIDENT'S BUDGET SUBMISSION
FEBRUARY 2006**

Activity Group Functions

The Navy Working Capital Fund Supply Management (NWCF-SM) Activity Group performs inventory management functions that result in the sale of consumable and reparable items to support the Department of Defense (DOD), other government agencies and non-governmental customers. Costs related to providing material support to customers are recouped through the application of stabilized rates that include recovery for cost elements such as inventory management and the receipt and issue of assets.

Activity Group Composition

Portions of the following Marine Corps organizations are funded in this Activity Group:

- Supply Chain Management Center, Albany, GA
- Direct Support Stock Control, Albany, GA
- Direct Support Stock Control, Barstow, CA
- Direct Support Stock Control, Quantico, VA
- Direct Support Stock Control, Twentynine Palms, CA (FY 2005 only)
- Direct Support Stock Control, Camp Butler, JA
- Business Logistics Support Department, Camp LeJeune, NC
- Consolidated Material and Service Center, Camp Pendleton, CA

Executive Summary

The Marine Corps continues to focus on the transformation of distribution and maintenance systems as outlined in its Logistics Modernization plan; the purpose

of which is to improve the processes and technology supporting Marine Air Ground Task Force (MAGTF) operations. Logistics Modernization goals include:

- Standardize/streamline secondary repairables (SECREP) maintenance processes; reduce the industrial footprint and improve material availability and responsiveness to the consumer.
- Eliminate redundant induction and quality control inspections; reduce supply transportation volume and streamline the repair part order, shipment and receipt process.
- Enable operating units to focus on core competencies versus supply management by consolidating supply support functions at the retail level.
- Improve material management through use of decision support tools that focus attention on those individual line items that pose the greatest risk to the war fighter's mission.
- Institutionalize Performance Based Agreements (PBA) consistent with proven best practices.

These business process re-engineering efforts enhancing managers' knowledge of customers' operational requirements and enable more efficient, effective budget forecasting.

As of this submission, decapitalization of fuel has occurred at all sites except Camp LeJeune, NC and Camp Pendleton, CA. The Department expects to decapitalize Camp LeJeune in FY 2006 and Camp Pendleton in FY 2007. This budget includes obligation authority to sustain these two sites through the transition period, and to provide continuing support for those commodities that will not be capitalized, such as JP-5 and JP-8 fuel.

This budget does not include FY 2006/FY 2007 obligation authority or sales for Marine Corps Direct Support Stock Control (DSSC), Twentynine Palms, CA. The source of supply for this operation is now the General Services Administration (GSA).

Program Highlights

Retail

(\$ In Millions)	FY 2005	FY 2006	FY 2007
Gross Sales	90.170	96.311	91.751
Credit Sales	0.210	0.000	0.000
Net Sales	89.960	96.311	91.751
Obligations- Peacetime	82.840	100.524	84.927
Obligations- Mobilization	0.400	0.000	0.000
Unit Cost	0.92	1.04	0.93

Gross Sales. FY 2005 amounts reflect actual gross sales. FY 2006 gross sales increase of \$6.1 million is attributable to the receipt and sale of long lead-time material such as Light Weight Howitzer spares and gas masks. FY 2007 gross sales decreased \$4.5 million reflecting a return to normal recurring demand.

Obligations-Peacetime. FY 2005 obligations-peacetime reflects actual obligations. FY 2006 obligations-peacetime increased \$18.1 million as a direct result of additional consumable provisioning and replenishment requirements for nuclear, biological and chemical (NBC) defense equipment (predominately gas masks) in support of the Global War on Terrorism (GWOT). FY 2007 obligations-peacetime decrease \$15.6 million, which is the net result of fuel rate increases, a decrease in obligation authority due to the transfer of DSSC support from NWCF-SM to GSA, and a return to normal recurring demand.

Wholesale

(\$ In Millions)	FY 2005	FY 2006	FY2007
Gross Sales	112.849	82.380	75.876
Credit Sales	11.832	7.400	7.014
Net Sales	101.017	74.980	68.862
Obligations- Peacetime	83.485	65.421	61.137
Obligations- Mobilization	4.500	0.000	0.000
Cost of Operations	12.243	12.308	11.464
Unit Cost	0.95	1.03	1.05

Gross Sales. FY 2005 amounts reflect actual gross sales that were above plan due to higher customer demand in support of the GWOT. FY 2006 gross sales decrease \$30.4 million as the result of a lower cost recovery rate and reduced

GWOT impact. This decline continues into FY 2007 where gross sales decrease by \$6.5 million.

Obligations-Peacetime. FY 2005 amounts reflect actual obligations. FY 2006 and FY 2007 obligations decrease \$18.1 million and \$4.3 million, respectively, primarily as a result of declining demand for the rebuild of damaged equipment.

Obligations-Cost of Operation. FY 2007 declines from previous years mainly due to lower distribution/storage rates from the Defense Logistics Agency (DLA).

Economic Indicators

Description	FY 2005	FY 2006	FY 2007
Cost Recovery Rate (%)	33.51%	17.74%	1.62%
Annual Price Change (%)	6.05%	-10.77%	-12.98%

The FY 2006 and FY 2007 Cost Recovery Rates (CRR) and Annual Price Changes (APC) decreased primarily due to a higher sales posture and return to customers of Accumulated Operating Results (AOR) gains.

Description	FY 2005	FY 2006	FY 2007
Personnel (End Strength):	24	24	24
Civilian	24	24	24
Military	0	0	0

Peacetime Operating Stock (POS) Inventory

Standard Unit Price (\$ In Millions)	FY 2005	FY 2006	FY 2007
Retail	154.320	146.826	143.093
Wholesale	498.244	431.480	402.511
Total	652.564	578.306	545.604

As previously stated, this budget estimate reflects a reduction in the retail inventory associated with reducing the NWCF-SM footprint applicable to the DSSC. The wholesale inventory reduction reflects efficiencies realized through Logistics Modernization initiatives and single site supply chain management.

Net Operating Result (NOR)/Accumulated Operating Result (AOR)

(\$Million)	FY 2005	FY 2006	FY 2007
Revenue	190.978	171.291	160.613
Expenses	178.539	180.608	164.435
Operating Result	12.439	-9.317	-3.822
Adj. to NOR	0.000	0.000	0.000
NOR	12.439	-9.317	-3.822
Other Changes AOR	0.000	0.000	0.000
Adj. to AOR	-15.100	-14.400	3.822
AOR	27.539	3.822	0.000

Revenue and expenses decline across the budget years commensurate with sales and obligations. This budget reflects spreading projected AOR gains over two years. The budget is balanced and achieves a zero AOR in FY 2007.

Metrics

Category	FY 2005	FY 2006	FY 2007
Items Managed	3733	3770	3770
Requisitions Received	6156	6388	6447
Receipts	814	806	798
Issues	6705	6638	6572
Contracts Executed	150	99	70
Supply Material Availability	88.0%	88.0%	88.0%
Purchase Inf ation	2.8%	2.5%	2.2%

Undelivered Orders: Undelivered orders represent contracts or orders for goods for which a liability has not yet accrued. The accrual of the liability creates an outlay requirement. Most undelivered orders are a result of known or calculable procurement, production, financial and administrative lead times that are part of normal supply management business operations. These factors are taken into consideration in the development of inventory levels and cash plans. Therefore, with the exception of extraordinary events, the impact of undelivered orders on cash and inventory is minimal. Undelivered orders balances (dollars in millions) for FY 2003 through FY 2007 are as follows:

<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
92.400	81.400	45.030	33.361	25.701

Performance Measures

In addition to core metrics such as net and accumulated operating results (NOR/AOR), the primary performance measurement tool for the Marine Corps Supply Management business activity is the "Balanced Scorecard" tool. The Balanced Scorecard provides the indicators that link the Marine Corps Logistics Command (LOGCOM) strategic plan to their performance budget and to the Commandant of the Marine Corps' priorities, which directly support DOD strategic goals as described in the Quadrennial Defense Review (QDR). The Balanced Scorecard is divided into four major categories: Customer/War fighter, Financial, Internal Process and Learning & Growth. The primary performance indicator, Supply Chain Channel Performance, measures the capacity of the supply chain to respond to customer demand. Key metrics include:

- Fill Rate
- Order Filling Accuracy
- On-Time Shipping
- Claim-Free Delivery
- Backorders

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
REVENUE AND EXPENSES
(Dollars in Millions)
SUMMARY

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue			
Operations (Gross Sales)	203.020	178.691	167.627
Capital Surcharge	0.000	0.000	0.000
Depreciation except Maj Const	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts	(12.042)	(7.400)	(7.014)
Total Income:	190.978	171.291	160.613
Expenses			
Cost of Materiel Sold from Inventory	166.296	168.300	152.971
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel & Compensation & Benefits	1.890	1.859	1.950
Travel & Transportation of Personnel	0.100	0.100	0.100
Materials & Supplies (For internal Operations)	0.000	0.000	0.000
Mobilization	4.900	0.000	0.000
Other Purchases from Revolving Funds	8.146	7.731	6.795
Transportation of Things	0.100	0.100	0.100
Depreciation - Capital	0.000	0.000	0.000
Printing and Reproduction	0.000	0.000	0.000
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Communication, Utilities, & Misc. Charges	0.000	0.000	0.000
Other Purchased Services	2.007	2.518	2.519
Total Expenses:	183.439	180.608	164.435
Operating Result:	7.539	(9.317)	(3.822)
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Appropriations Affecting NOR/AOR - <i>WRM</i>	(4.900)	0.000	0.000
Other Changes Affecting NOR/AOR	0.000	0.000	0.000
Navy Cash Recovery	0.000	0.000	0.000
Net Operating Result:	12.439	(9.317)	(3.822)
Other Changes Affecting AOR			
Prior Year AOR	54.166	27.539	3.822
AOR Redistribution	(38.400)	0.000	0.000
Cash Factor	(0.666)	(14.400)	0.000
Accumulated Operating Result:	27.539	3.822	0.0000

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
REVENUE AND EXPENSES
(Dollars in Millions)
RETAIL PROGRAM

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue			
Gross Sales	90.170	96.311	91.751
Capital Surcharge	0.000	0.000	0.000
Depreciation except Maj Const	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts	(0.210)	0.000	0.000
Total Income:	89.960	96.311	91.751
Expenses			
Cost of Materiel Sold from Inventory	82.840	100.524	84.927
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel & Compensation & Benefits	0.000	0.000	0.000
Travel & Transportation of Personnel	0.000	0.000	0.000
Materials & Supplies (For Internal Operations)	0.000	0.000	0.000
Mobilization	0.400	0.000	0.000
Other Purchases from Revolving Funds	0.000	0.000	0.000
Transportation of Things	0.000	0.000	0.000
Depreciation - Capital	0.000	0.000	0.000
Printing and Reproduction	0.000	0.000	0.000
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Communication, Utilities, & Misc. Charges	0.000	0.000	0.000
Other Purchased Services	0.000	0.000	0.000
Total Expenses:	83.240	100.524	84.927
Operating Result:	6.720	(4.213)	6.824
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Appropriations Affecting NOR/AOR - <i>WRM</i>	(0.400)	0.000	0.000
Other Changes Affecting NOR/AOR	0.000	0.000	0.000
Navy Cash Recovery	0.000	0.000	0.000
Net Operating Result:	7.120	(4.213)	6.824
Other Changes Affecting AOR			
Prior Year AOR	38.254	45.374	41.161
AOR Redistribution	0.000	0.000	0.000
Cash Factor	0.000	0.000	0.000
Accumulated Operating Result:	45.374	41.161	47.985

Fund - 14

FEB 2006

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
REVENUE AND EXPENSES
(Dollars in Millions)
BP 84 MC MANAGED - SURCHARGED APPLIED

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue			
Gross Sales	78.276	54.554	49.180
Capital Surcharge	0.000	0.000	0.000
Depreciation except Maj Const	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts	(8.304)	(5.600)	(5.260)
Total Income:	69.972	48.954	43.920
Expenses			
Cost of Materiel Sold from Inventory (w/ Surcharge)	52.409	42.128	43.330
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel & Compensation & Benefits	1.890	1.859	1.950
Travel & Transportation of Personnel	0.100	0.100	0.100
Materials & Supplies (For internal Operations)	0.000	0.000	0.000
Mobilization	4.500	0.000	0.000
Other Purchases from Revolving Funds	8.146	7.731	6.795
Transportation of Things	0.100	0.100	0.100
Depreciation - Capital	0.000	0.000	0.000
Printing and Reproduction	0.000	0.000	0.000
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Communication, Utilities, & Misc. Charges	0.000	0.000	0.000
Other Purchased Services	2.007	2.518	2.519
Total Expenses:	69.152	54.436	54.794
Operating Result:	0.820	(5.482)	(10.874)
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Appropriations Affecting NOR/AOR - <i>WRM</i>	(4.500)	0.000	0.000
Other Changes Affecting NOR/AOR	0.000	0.000	0.000
Navy Cash Recovery	0.000	0.000	0.000
Net Operating Result:	5.320	(5.482)	(10.874)
Other Changes Affecting AOR			
Prior Year AOR	15.940	(17.806)	(23.288)
AOR Redistribution	(38.400)	0.000	0.000
Cash Factor	(0.666)	0.000	0.000
Accumulated Operating Result:	(17.806)	(23.288)	(34.162)

Fund - 14

FEB 2006

FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
REVENUE AND EXPENSES
(Dollars in Millions)

BP 84: NON-SURCHARGED ITEMS

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue			
Gross Sales	34.574	27.826	26.696
Capital Surcharge	0.000	0.000	0.000
Depreciation except Maj Const	0.000	0.000	0.000
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts	(3.528)	(1.800)	(1.754)
Total Income:	31.046	26.026	24.942
Expenses			
Cost of Material Sold	31.047	25.648	24.714
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel & Compensation & Benefits	0.000	0.000	0.000
Travel & Transportation of Personnel	0.000	0.000	0.000
Materials & Supplies (For internal Operations)	0.000	0.000	0.000
Mobilization	0.000	0.000	0.000
Other Purchases from Revolving Funds	0.000	0.000	0.000
Transportation of Things	0.000	0.000	0.000
Depreciation - Capital	0.000	0.000	0.000
Printing and Reproduction	0.000	0.000	0.000
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Communication, Utilities, & Misc. Charges	0.000	0.000	0.000
Other Purchased Services	0.000	0.000	0.000
Total Expenses:	31.047	25.648	24.714
Operating Result:	(0.001)	0.378	0.228
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Appropriations Affecting NOR/AOR - <i>WRM</i>	0.000	0.000	0.000
Other Changes Affecting NOR/AOR	0.000	0.000	0.000
Navy Cash Recovery	0.000	0.000	0.000
Net Operating Result:	(0.001)	0.378	0.228
Other Changes Affecting AOR			
Prior Year AOR	(0.028)	(0.029)	(14.051)
AOR Redistribution	0.000	0.000	0.000
Cash Factor	0.000	(14.400)	0.000
Accumulated Operating Result:	(0.029)	(14.051)	(13.823)

Source of Revenue
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Summary
(Dollars in Millions)

Marine Corps/Supply Management	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	130.467	131.418	125.369
O & M, M.C. Reserve	2.367	1.605	1.615
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	13.308	13.254	11.616
Other Services (O&M)			
Army	3.477	4.292	4.866
Air Force	1.515	1.469	1.490
Navy	2.273	2.001	2.103
All Other DOD	0.002	0.388	0.171
Subtotal	153.409	154.427	147.230
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.093	0.198	0.123
M.C. Depot Maintenance	11.445	10.986	11.185
Subtotal	11.538	11.184	11.308
1c. Total DoD	164.947	165.611	158.538
1d. Other Orders:			
Other Federal Agencies	0.225	0.248	0.263
Foreign Military Sales	1.315	1.000	1.000
Non Federal Agencies	0.137	0.163	0.166
Subtotal	1.677	1.411	1.429
1. Total New Orders	166.624	167.022	159.967
2. Carry-In Orders	81.425	45.030	33.361
3. Total Gross Orders:	248.049	212.052	193.328
4. Funded Carry-over:	45.030	33.361	25.701
5. Total Gross Sales:	203.019	178.691	167.627

Source of Revenue
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Total Retail (Including BP38)
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	69.434	79.281	73.732
O & M, M.C. Reserve	2.367	1.605	1.615
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	2.962	3.293	2.137
Other Services (O&M)			
Army	2.516	2.792	3.366
Air Force	0.340	0.569	0.590
Navy	2.101	1.701	1.803
All Other DOD	0.002	0.388	0.171
Subtotal	79.722	89.629	83.414
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.093	0.198	0.123
M.C. Depot Maintenance	4.161	3.986	4.185
Subtotal	4.254	4.184	4.308
1c. Total DoD	83.976	93.813	87.722
1d. Other Orders:			
Other Federal Agencies	0.225	0.248	0.263
Foreign Military Sales	0.000	0.000	0.000
Non Federal Agencies	0.137	0.163	0.166
Subtotal	0.362	0.411	0.429
1. Total New Orders	84.338	94.224	88.151
2. Carry-In Orders	19.319	13.487	11.400
3. Total Gross Orders:	103.657	107.711	99.551
4. Funded Carry-over:	13.487	11.400	7.800
5. Total Gross Sales:	90.170	96.311	91.751

Source of Revenue
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Total Budget Project 28
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	57.469	58.877	53.400
O & M, M.C. Reserve	2.348	1.585	1.595
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	2.962	3.293	2.137
Other Services (O&M)			
Army	2.481	2.757	3.331
Air Force	0.340	0.569	0.590
Navy	1.399	1.003	1.101
All Other DOD	0.000	0.386	0.169
Subtotal	66.999	68.470	62.323
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.093	0.198	0.123
M.C. Depot Maintenance	4.085	3.919	4.118
Subtotal	4.178	4.117	4.241
1c. Total DoD	71.177	72.587	66.564
1d. Other Orders:			
Other Federal Agencies	0.225	0.244	0.263
Foreign Military Sales	0.000	0.000	0.000
Non Federal Agencies	0.137	0.163	0.166
Subtotal	0.362	0.407	0.429
1. Total New Orders	71.539	72.994	66.993
2. Carry-In Orders	19.319	13.487	11.400
3. Total Gross Orders:	90.858	86.481	78.393
4. Funded Carry-over:	13.487	11.400	7.800
5. Total Gross Sales:	77.371	75.081	70.593

Source of Revenue
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Budget Project 28 DSSC
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	46.480	49.345	48.600
O & M, M.C. Reserve	2.348	1.585	1.595
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	0.000	0.000	0.000
Other Services (O&M)			
Army	2.325	2.537	3.131
Air Force	0.240	0.269	0.290
Navy	1.299	0.783	0.901
All Other DOD	0.000	0.386	0.169
Subtotal	52.692	54.905	54.686
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.093	0.198	0.123
M.C. Depot Maintenance	3.376	3.319	3.518
Subtotal	3.469	3.517	3.641
1c. Total DoD	56.161	58.422	58.327
1d. Other Orders:			
Other Federal Agencies	0.225	0.244	0.263
Foreign Military Sales	0.000	0.000	0.000
Non Federal Agencies	0.137	0.163	0.166
Subtotal	0.362	0.407	0.429
1. Total New Orders	56.523	58.829	58.756
2. Carry-In Orders	0.000	0.000	0.000
3. Total Gross Orders:	56.523	58.829	58.756
4. Funded Carry-over:	0.000	0.000	0.000
5. Total Gross Sales:	56.523	58.829	58.756

Source of Revenue
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Budget Project 28 Retail Centrally Managed
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	10.989	9.532	4.800
O & M, M.C. Reserve	0.000	0.000	0.000
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	2.962	3.293	2.137
Other Services (O&M)			
Army	0.156	0.220	0.200
Air Force	0.100	0.300	0.300
Navy	0.100	0.220	0.200
All Other DOD	0.000	0.000	0.000
Subtotal	14.307	13.565	7.637
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.000	0.000	0.000
M.C. Depot Maintenance	0.709	0.600	0.600
Subtotal	0.709	0.600	0.600
1c. Total DoD	15.016	14.165	8.237
1d. Other Orders:			
Other Federal Agencies	0.000	0.000	0.000
Foreign Military Sales	0.000	0.000	0.000
Non Federal Agencies	0.000	0.000	0.000
Subtotal	0.000	0.000	0.000
1. Total New Orders	15.016	14.165	8.237
2. Carry-In Orders	19.319	13.487	11.400
3. Total Gross Orders:	34.335	27.652	19.637
4. Funded Carry-over:	13.487	11.400	7.800
5. Total Gross Sales:	20.848	16.252	11.837

Source of Revenue
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Budget Project 38 Fuel
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	11.965	20.404	20.332
O & M, M.C. Reserve	0.019	0.020	0.020
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	0.000	0.000	0.000
Other Services (O&M)			
Army	0.035	0.035	0.035
Air Force	0.000	0.000	0.000
Navy	0.702	0.698	0.702
All Other DOD	0.002	0.002	0.002
Subtotal	12.723	21.159	21.091
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.000	0.004	0.000
M.C. Depot Maintenance	0.076	0.067	0.067
Subtotal	0.076	0.071	0.067
1c. Total DoD	12.799	21.230	21.158
1d. Other Orders:			
Other Federal Agencies	0.000	0.000	0.000
Foreign Military Sales	0.000	0.000	0.000
Non Federal Agencies	0.000	0.000	0.000
Subtotal	0.000	0.000	0.000
1. Total New Orders	12.799	21.230	21.158
2. Carry-In Orders	0.000	0.000	0.000
3. Total Gross Orders:	12.799	21.230	21.158
4. Funded Carry-over:	0.000	0.000	0.000
5. Total Gross Sales:	12.799	21.230	21.158

Source of Revenue
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
Wholesale - BP 84 (Depot Level Repairables)
(Dollars in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.000	0.000	0.000
O & M, M.C.	61.033	52.137	51.637
O & M, M.C. Reserve	0.000	0.000	0.000
Reserve Personnel, M.C.	0.000	0.000	0.000
Procurement, M.C.	10.346	9.961	9.479
Other Services (O&M)			
Army	0.961	1.500	1.500
Air Force	1.175	0.900	0.900
Navy	0.172	0.300	0.300
All Other DOD	0.000	0.000	0.000
Subtotal	73.687	64.798	63.816
1b. Orders from other Fund Business Areas:			
Navy Supply Management	0.000	0.000	0.000
M.C. Depot Maintenance	7.284	7.000	7.000
Subtotal	7.284	7.000	7.000
1c. Total DoD	80.971	71.798	70.816
1d. Other Orders:			
Other Federal Agencies	0.000	0.000	0.000
Foreign Military Sales	1.315	1.000	1.000
Non Federal Agencies	0.000	0.000	0.000
Subtotal	1.315	1.000	1.000
1. Total New Orders	82.286	72.798	71.816
2. Carry-In Orders	62.106	31.543	21.961
3. Total Gross Orders:	144.392	104.341	93.777
4. Funded Carry-over:	31.543	21.961	17.901
5. Total Gross Sales:	112.849	82.380	75.876

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
FUEL DATA**

Depots

	FY 2005 Estimate			FY 2006 Estimate			FY 2007 Estimate		
	BBLs	Unit Cost	\$000,000	BBLs	Unit Cost	\$000,000	BBLs	Unit Cost	\$000,000
Aircraft Ops									
AVGAS (CONUS)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
MOGAS: Unleaded-Mid	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JP-4 Milspec	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JP-5	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JP-8	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Distillates	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Residuals	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Diesel	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Air Ops	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other									
AVGAS (CONUS)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
MOGAS: Leaded	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
MOGAS: Unleaded-Mid	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JP-5	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JP-8	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Distillates	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Residuals	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Gasahol	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reclaimed	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Diesel	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ship Ops									
MOGAS: Unleaded - Mid	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JP-5	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Distillates	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Residuals	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reclaimed	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Diesel	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Ship Ops	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Vehicle Ops									
AVGAS: (CONUS)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Unleaded - Regular	0.000	0.000	0.000	10.500	87.783	921.726	13.265	81.900	1,086.404
MOGAS: Unleaded-Mid	21.110	55.020	1,161.471	8.360	91.980	768.953	8.360	86.520	723.307
JP-5	0.824	57.120	47.067	0.750	90.720	68.040	0.750	84.840	63.630
JP-8	39.805	56.280	2,240.225	34.455	89.880	3,096.815	39.100	84.000	3,284.400
Distillates	142.486	55.860	7,959.274	152.540	89.460	13,646.228	159.995	83.580	13,372.419
Gasahol	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reclaimed	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
*Bio-Diesel	33.005	55.020	1,815.935	29.645	87.780	2,602.238	32.000	78.120	2,499.840
Diesel	1.400	55.020	77.028	0.000	60.480	0.000	0.000	0.000	0.000
Total Vehicle Ops	210.117	0.000	0.000	236.250	0.000	0.000	253.470	0.000	0.000
Total			13,301.000			21,104.000			21,030.000

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)
TOTAL PROGRAM SUMMARY

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	559.811	133.941	175.649	179.619	4.900	0.000	184.519	40.400	224.919	3.663
Request	652.564	154.582	190.977	178.568	4.900	0.000	183.468	40.400	223.868	12.042
Delta	92.753	20.641	15.328	(1.051)	0.000	0.000	(1.051)	0.000	(1.051)	8.379
FY 2006										
Approved	552.343	123.830	135.150	146.846	0.000	0.000	146.846	19.600	166.446	3.663
Request	578.306	155.577	171.291	178.253	0.000	0.000	178.253	46.222	224.475	7.400
Delta	25.963	31.747	36.141	31.407	0.000	0.000	31.407	26.622	58.029	3.737
FY 2007										
Approved	525.281	126.034	129.082	151.651	0.000	0.000	151.651	19.600	171.251	3.663
Request	545.604	151.743	160.613	157.528	0.000	0.000	157.528	19.634	177.162	7.014
Delta	20.323	25.709	31.531	5.877	0.000	0.000	5.877	0.034	5.911	3.351

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)
RETAIL SUMMARY

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	137.511	81.041	88.949	83.619	0.400	0.000	84.019	0.000	84.019	0.163
Request	154.320	84.128	89.960	82.840	0.400	0.000	83.240	0.000	83.240	0.210
Delta	16.809	3.087	1.011	(0.779)	0.000	0.000	(0.779)	0.000	(0.779)	0.047
FY 2006										
Approved	134.943	83.530	87.050	83.146	0.000	0.000	83.146	0.000	83.146	0.163
Request	146.826	90.179	96.311	100.524	0.000	0.000	100.524	12.000	112.524	0.000
Delta	11.883	6.649	9.261	17.378	0.000	0.000	17.378	12.000	29.378	(0.163)
FY 2007										
Approved	132.881	79.934	82.882	82.751	0.000	0.000	82.751	0.000	82.751	0.163
Request	143.093	86.941	91.751	84.927	0.000	0.000	84.927	0.000	84.927	0.000
Delta	10.212	7.007	8.869	2.176	0.000	0.000	2.176	0.000	2.176	(0.163)

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)
BUDGET PROJECT 28 (RETAIL SPARES)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	136.987	63.733	71.651	66.347	0.400	0.000	66.747	0.000	66.747	0.163
Request	153.378	71.329	77.161	69.539	0.400	0.000	69.939	0.000	69.939	0.210
Delta	16.391	7.596	5.510	3.192	0.000	0.000	3.192	0.000	3.192	0.047
FY 2006										
Approved	134.401	64.213	67.900	63.829	0.000	0.000	63.829	0.000	63.829	0.163
Request	145.872	68.949	75.081	79.420	0.000	0.000	79.420	12.000	91.420	0.000
Delta	11.471	4.736	7.181	15.591	0.000	0.000	15.591	12.000	27.591	(0.163)
FY 2007										
Approved	132.322	62.029	64.977	64.839	0.000	0.000	64.839	0.000	64.839	0.163
Request	142.201	65.783	70.593	63.897	0.000	0.000	63.897	0.000	63.897	0.000
Delta	9.879	3.754	5.616	(0.942)	0.000	0.000	(0.942)	0.000	(0.942)	(0.163)

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)

BUDGET PROJECT 28 - DIRECT SUPPORT STOCK CONTROL (DSSC)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	18.547	57.503	57.501	57.447	0.000	0.000	57.447	0.000	57.447	0.163
Request	51.897	56.313	56.313	54.607	0.000	0.000	54.607	0.000	54.607	0.210
Delta	33.350	(1.190)	(1.188)	2.840	0.000	0.000	(2.840)	0.000	(2.840)	0.047
FY 2006										
Approved	19.091	58.353	58.450	58.419	0.000	0.000	58.419	0.000	58.419	0.163
Request	51.681	58.829	58.829	58.796	0.000	0.000	58.796	0.000	58.796	0.000
Delta	32.590	0.476	0.379	0.377	0.000	0.000	0.377	0.000	0.377	(0.163)
FY 2007										
Approved	19.522	59.259	59.307	59.249	0.000	0.000	59.249	0.000	59.249	0.163
Request	51.702	58.756	58.756	58.722	0.000	0.000	58.722	0.000	58.722	0.000
Delta	32.180	(0.503)	(0.551)	(0.527)	0.000	0.000	(0.527)	0.000	(0.527)	(0.163)

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)
BUDGET PROJECT 28 - RETAIL CENTRALLY MANAGED (RCM)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	118.440	6.230	14.150	8.900	0.400	0.000	9.300	0.000	9.300	0.000
Request	101.481	15.016	20.848	14.932	0.400	0.000	15.332	0.000	15.332	0.000
Delta	(16.959)	8.786	6.634	6.032	0.000	0.000	6.032	0.000	6.032	0.000
FY 2006										
Approved	115.310	5.860	9.450	5.410	0.000	0.000	5.410	0.000	5.410	0.000
Request	94.190	10.120	16.252	20.624	0.000	0.000	20.624	12.000	32.624	0.000
Delta	(21.120)	4.260	6.802	15.214	0.000	0.000	15.214	12.000	27.214	0.000
FY 2007										
Approved	112.800	2.770	5.670	5.590	0.000	0.000	5.590	0.000	5.590	0.000
Request	90.499	7.027	11.837	5.175	0.000	0.000	5.175	0.000	5.175	0.000
Delta	(22.301)	4.257	6.167	(0.415)	0.000	0.000	(0.415)	0.000	(0.415)	0.000

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)
BUDGET PROJECT 38 (FUEL)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	0.524	17.308	17.298	17.272	0.000	0.000	17.272	0.000	17.272	0.000
Request	0.942	12.799	12.799	13.301	0.000	0.000	13.301	0.000	13.301	0.000
Delta	0.418	4.509	(4.499)	(3.971)	0.000	0.000	(3.971)	0.000	(3.971)	0.000
FY 2006										
Approved	0.542	19.317	19.150	19.317	0.000	0.000	19.317	0.000	19.317	0.000
Request	0.955	21.230	21.230	21.104	0.000	0.000	21.104	0.000	21.104	0.000
Delta	0.413	1.913	2.080	1.787	0.000	0.000	1.787	0.000	1.787	0.000
FY 2007										
Approved	0.559	17.905	17.905	17.912	0.000	0.000	17.912	0.000	17.912	0.000
Request	0.892	21.158	21.158	21.030	0.000	0.000	21.030	0.000	21.030	0.000
Delta	0.333	3.253	3.253	3.118	0.000	0.000	3.118	0.000	3.118	0.000

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)
WHOLESALE - BP 84 (DEPOT LEVEL REPARABLES)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	422.300	52.900	86.700	83.800	4.500	0.000	88.300	40.400	128.700	3.500
Request	498.244	70.454	101.017	83.485	4.500	0.000	87.985	40.400	128.385	11.832
Delta	75.944	17.554	14.317	(0.315)	0.000	0.000	(0.315)	0.000	(0.315)	8.332
FY 2006										
Approved	417.400	40.300	48.100	51.200	0.000	0.000	51.200	19.600	70.800	3.500
Request	431.480	65.398	74.980	65.421	0.000	0.000	65.421	34.222	99.643	7.400
Delta	14.080	25.098	26.880	14.221	0.000	0.000	14.221	14.622	28.843	3.900
FY 2007										
Approved	392.400	46.100	46.200	56.300	0.000	0.000	56.300	19.600	75.900	3.500
Request	402.511	64.802	68.862	61.137	0.000	0.000	61.137	19.634	80.771	7.014
Delta	10.111	18.702	22.662	4.837	0.000	0.000	4.837	0.034	4.871	3.514

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
(DOLLARS IN MILLIONS)
COST OF OPERATIONS - BP 91

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2005										
Approved	0.000	0.000	0.000	12.200	0.000	0.000	12.200	0.000	12.200	0.000
Request	0.000	0.000	0.000	12.243	0.000	0.000	12.243	0.000	12.243	0.000
Delta	0.000	0.000	0.000	0.043	0.000	0.000	0.043	0.000	0.043	0.000
FY 2006										
Approved	0.000	0.000	0.000	12.500	0.000	0.000	12.500	0.000	12.500	0.000
Request	0.000	0.000	0.000	12.308	0.000	0.000	12.308	0.000	12.308	0.000
Delta	0.000	0.000	0.000	(0.192)	0.000	0.000	(0.192)	0.000	(0.192)	0.000
FY 2007										
Approved	0.000	0.000	0.000	12.600	0.000	0.000	12.600	0.000	12.600	0.000
Request	0.000	0.000	0.000	11.464	0.000	0.000	11.464	0.000	11.464	0.000
Delta	0.000	0.000	0.000	(1.136)	0.000	0.000	(1.136)	0.000	(1.136)	0.000

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NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
BY WEAPON SYSTEM/CATEGORY
RETAIL CENTRALLY MANAGED
FY 2005
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS BP 28	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
Logistics Assault Vehicle (LAV)		0.553			0.000 0.553
BASIC REPLEN/BASIC REWORK	2.900				0.000 2.900
TOTAL ORDNANCE TANK AUTOMOTIVE	2.900	0.553	0.000	0.000	3.453
					0.000 0.000 0.000
BASIC REPLEN/BASIC REWORK	0.000				0.000 0.000
TOTAL GUIDED MISSILES AND EQUIPMENT	0.000	0.000	0.000	0.000	0.000
Unit Operation Center		0.100			0.100
Radio System		0.500			0.500
Air Operations C2 Systems		0.200			0.200
BASIC REPLEN/BASIC REWORK	4.479				0.000 4.479
TOTAL COMMUNICATION AND ELECTRONICS	4.479	0.800	0.000	0.000	5.279
					0.000 0.000 0.000
BASIC REPLEN/BASIC REWORK	1.100				1.100 1.100
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	1.100	0.000	0.000	0.000	1.100
					0.000 0.000 0.000
BASIC REPLEN/BASIC REWORK	4.700				4.700 4.700
TOTAL GENERAL PROPERTY	4.700	0.000	0.000	0.000	4.700
TOTAL PROCUREMENT	13.179	1.353	0.000	0.000	14.532
WAR RESERVE			0.400		0.400
TOTAL COST	13.179	1.353	0.400	0.000	14.932

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NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
BY WEAPON SYSTEM/CATEGORY
RETAIL CENTRALLY MANAGED
FY 2006
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS BP 28	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
Light Weight (LTWT) 155 HOWITZER		0.810			0.810
High Mobility Multi Wheeled Vehicle (HMMWV)		0.200			0.200
					0.000
BASIC REPLEN/BASIC REWORK	0.400				0.400
TOTAL ORDNANCE TANK AUTOMOTIVE	0.400	1.010	0.000	0.000	1.410
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	0.000				0.000
TOTAL GUIDED MISSILES AND EQUIPMENT	0.000	0.000	0.000	0.000	0.000
Joint Tactical Radio System		0.104			0.104
Transition Switchh Module		0.410			0.410
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	1.069				1.069
TOTAL COMMUNICATION AND ELECTRONICS	1.069	0.514	0.000	0.000	1.583
Assault Breacher Vehicle		0.331			0.331
Bulk Liquid Equipment		0.300			0.300
					0.000
BASIC REPLEN/BASIC REWORK	0.300				0.300
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	0.300	0.631	0.000	0.000	0.931
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	16.700				16.700
TOTAL GENERAL PROPERTY	16.700	0.000	0.000	0.000	16.700
TOTAL PROCUREMENT	18.400	2.155	0.000	0.000	20.624
WAR RESERVE			0.000		0.000
TOTAL COST	18.469	2.155	0.000	0.000	20.624

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NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
BY WEAPON SYSTEM/CATEGORY
RETAIL CENTRALLY MANAGED
FY 2007

(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS BP 28	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
Logistics Assault Vehicle (LAV)		0.890			0.890
Light Weight (LTWT) 155 Towed HOWITZER		0.300			0.300
High Mobility Multi Wheeled Vehicle (HMMWV)		0.100			0.100
BASIC REPLEN/BASIC REWORK	0.400				0.400
TOTAL ORDNANCE TANK AUTOMOTIVE	0.400	1.290	0.000	0.000	1.690
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	0.000				0.000
TOTAL GUIDED MISSILES AND EQUIPMENT	0.000	0.000	0.000	0.000	0.000
Command Post Systems		0.100			0.100
Joint Atactical Radio System		0.190			0.190
Transition Switch Module		0.495			0.495
BASIC REPLEN/BASIC REWORK	1.000				1.000
TOTAL COMMUNICATION AND ELECTRONICS	1.000	0.785	0.000	0.000	1.785
Assault Breacher Vehicle		0.300			0.300
Bulk Liquid Equipment		0.151			0.151
					0.000
BASIC REPLEN/BASIC REWORK	0.249				0.249
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	0.249	0.451	0.000	0.000	0.700
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	1.000				1.000
TOTAL GENERAL PROPERTY	1.000	0.000	0.000	0.000	1.000
TOTAL PROCUREMENT	2.700	2.475	0.000	0.000	5.175
WAR RESERVE			0.000		0.000
TOTAL COST	2.649	2.526	0.000	0.000	5.175

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NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES
FY 2005
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	4.300			11.700	16.000
TOTAL ORDNANCE TANK AUTOMOTIVE	4.300	0.000	0.000	11.700	16.000
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	0.700			1.900	2.600
TOTAL GUIDED MISSILES AND EQUIPMENT	0.700	0.000	0.000	1.900	2.600
UNIT OPERATIONS CENTER		1.700			1.700
RADIO SYSTEMS		1.500			1.500
COMMUNICATIONS SWITCH & CONTROL		0.400			0.400
AIR OPERATIONS C2 SYSTEMS		0.100			0.100
JOINT TACTICAL RADIO SYSTEM		0.500			0.500
GENERATOR		0.100			0.100
					0.000
					0.000
					0.000
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	20.485			13.800	34.285
TOTAL COMMUNICATION AND ELECTRONICS	20.485	4.300	0.000	13.800	38.585
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	26.300				26.300
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	26.300	0.000	0.000	0.000	26.300
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	0.000	0.000	0.000	0.000	0.000
TOTAL GENERAL PROPERTY	0.000	0.000	0.000	0.000	0.000
TOTAL PROCUREMENT	51.785	4.300	0.000	27.400	83.485
War Reserve			4.500		4.500
TOTAL COST	51.785	4.300	4.500	27.400	87.985

SM-3B

FEB 2006

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES
FY 2006
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
Light Weight 155 HOWITZER		0.642			0.000 0.642
BASIC REPLEN/BASIC REWORK	8.600			10.700	19.300
TOTAL ORDNANCE TANK AUTOMOTIVE	8.600	0.642	0.000	10.700	19.942
					0.000 0.000 0.000
BASIC REPLEN/BASIC REWORK	2.200			0.000	2.200
TOTAL GUIDED MISSILES AND EQUIPMENT	2.200	0.000	0.000	0.000	2.200
AUTO TEST SYSTEMS		0.690			0.690
GENERAL PURPOSE ELECTRIC		0.200			0.200
COMMAND POST SYSTEMS		0.300			0.300
JOINT TACTICAL RADIO SYSTEM		0.700			0.700
TRANSITION SWITCH MODULE		1.300			1.300
Tactical Remote Sensor System (TRSS-PIP)		0.700			0.700
INTELLIGENCE SUPPORT EQUIP		0.900			0.900
COMPLIMENTARY LOW ALTITUDE WS		0.200			0.200
BASIC REPLEN/BASIC REWORK	12.476			16.313	28.789
TOTAL COMMUNICATION AND ELECTRONICS	12.476	4.990	0.000	16.313	33.779
ASSAULT BREACHER VEHICLE		0.300			0.000 0.300
BULK LIQUID EQUIPMENT		0.300			0.300
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	8.900	0.600	0.000	0.000	9.500
BASIC REPLEN/BASIC REWORK					0.000 0.000
TOTAL GENERAL PROPERTY	0.000	0.000	0.000	0.000	0.000
TOTAL PROCUREMENT	32.176	6.232	0.000	27.013	65.421
War Reserve			0.000		0.000
TOTAL COST	32.176	6.232	0.000	27.013	65.421

SM-3B

FEB 2006

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES

FY 2007

(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL
Light Weight 155 TOWED HOWITZER		0.200			0.200
					0.000
BASIC REPLEN/BASIC REWORK	7.900			9.700	17.600
TOTAL ORDNANCE TANK AUTOMOTIVE	7.900	0.200	0.000	9.700	17.800
					0.000
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	2.000			0.000	2.000
TOTAL GUIDED MISSILES AND EQUIPMENT	2.000	0.000	0.000	0.000	2.000
AUTO TEST EQUIPMENT		0.800			0.800
GENERAL PURP ELEC TEST EQUIP		0.210			0.210
COMMAND POST SYSTEMS		0.600			0.600
CAC2 COMMAVTN COMD CONTR		0.600			0.600
JOINT TACTICAL RADIO SYSTEM		3.400			3.400
TRANSITION SWITCH MODULE		1.300			1.300
Tactical Remote Sensor System (TRSS-PIP)		0.310			0.310
INTELLIGENCE SUPPORT EQUIPMENT		0.610			0.610
					0.000
					0.000
BASIC REPLEN/BASIC REWORK	11.200			12.948	24.148
TOTAL COMMUNICATION AND ELECTRONICS	11.200	7.830	0.000	12.948	31.978
					0.000
ASSAULT BEACHER VEH		0.200			0.200
BULK LIQUID EQUIPMENT		0.571			0.571
BASIC REPLEN/BASIC REWORK	8.588				8.588
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	8.588	0.771	0.000	0.000	9.359
					0.000
					0.000
					0.000
					0.000
TOTAL GENERAL PROPERTY	0.000	0.000	0.000	0.000	0.000
TOTAL PROCUREMENT	29.688	8.801	0.000	22.648	61.137
War Reserve			0.000		0.000
TOTAL COST	29.688	8.801	0.000	22.648	61.137

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
SUMMARY
(DOLLARS IN MILLIONS)
FY 2005

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	610.205	34.225	336.330	239.650
2. BOP INVENTORY ADJUSTMENTS	9.970	1.090	5.300	3.580
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	9.951	1.090	5.281	3.580
C. INVENTORY RECLASSIFIED AND REPRICED	620.175	35.315	341.630	243.230
3. RECEIPTS AT STANDARD	147.388	10.156	137.232	0.000
4. SALES AT STANDARD	211.609	0.000	211.609	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	17.550	(0.079)	18.588	(0.959)
B. RETURNS FROM CUSTOMERS FOR CREDIT	11.920	0.000	12.020	(0.100)
C. RETURNS FROM CUSTOMERS W/O CREDIT	168.066	1.264	51.184	115.618
D. RETURNS TO SUPPLIERS (-)	(6.977)	0.000	0.001	(6.978)
E. TRANSFERS TO PROP. DISPOSAL (-)	(20.268)	0.000	(0.078)	(20.190)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(24.103)	15.456	(2.419)	(37.140)
G. OTHER (list/explain)	28.699	13.955	9.504	5.240
H. TOTAL ADJUSTMENTS	174.887	30.596	86.582	55.591
6. INVENTORY EOP	728.631	76.067	353.743	298.821
7. INVENTORY EOP, REVALUED	489.006	51.345	237.362	200.300
A. ECONOMIC RETENTION (memo)				12.225
B. CONTINGENCY RETENTION (memo)				71.469
C. POTENTIAL DOD EXCESS (memo)				116.606
8. INVENTORY ON ORDER EOP (memo)	107.048	4.815	98.858	3.375
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	28.607	13.955	9.412	5.240
	-----	-----	-----	-----
Total	28.607	13.955	9.412	5.240

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
SUMMARY
(DOLLARS IN MILLIONS)
FY 2006

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	728.631	76.067	353.743	298.821
2. BOP INVENTORY ADJUSTMENTS	40.284	7.246	16.873	16.165
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	41.207	7.246	17.796	16.165
C. INVENTORY RECLASSIFIED AND REPRICED	768.417	83.313	370.118	314.986
3. RECEIPTS AT STANDARD	163.218	4.539	158.679	0.000
4. SALES AT STANDARD	197.475	0.000	197.475	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	7.630	0.000	7.630	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	66.695	0.000	6.620	60.075
D. RETURNS TO SUPPLIERS (-)	(50.249)	0.000	(0.189)	(50.060)
E. TRANSFERS TO PROP. DISPOSAL (-)	(34.263)	0.000	(0.174)	(34.089)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(7.350)	0.000	0.000	(7.350)
G. OTHER (list/explain)	(51.506)	(0.750)	(49.426)	(1.330)
H. TOTAL ADJUSTMENTS	(69.043)	(0.750)	(35.571)	(32.754)
6. INVENTORY EOP	665.408	87.102	296.074	282.232
7. INVENTORY EOP, REVALUED	446.640	58.794	198.666	189.180
A. ECONOMIC RETENTION (memo)				11.546
B. CONTINGENCY RETENTION (memo)				67.501
C. POTENTIAL DOD EXCESS (memo)				110.133
8. INVENTORY ON ORDER EOP (memo)	80.956	2.600	74.981	3.375
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(51.331)	(0.750)	(49.251)	(1.330)
	-----	-----	-----	-----
Total	(51.331)	(0.750)	(49.251)	(1.330)

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
SUMMARY
(DOLLARS IN MILLIONS)
FY2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	665.408	87.102	296.074	282.232
2. BOP INVENTORY ADJUSTMENTS	4.836	0.601	1.878	2.357
A. RECLASSIFICATION CHANGE (memo)	0.024	0.000	0.024	0.000
B. PRICE CHANGE AMOUNT (memo)	5.767	0.601	2.809	2.357
C. INVENTORY RECLASSIFIED AND REPRICED	669.289	87.703	296.997	284.589
3. RECEIPTS AT STANDARD	146.251	2.700	143.551	0.000
4. SALES AT STANDARD	186.420	0.000	186.420	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.072	0.000	0.072	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	28.227	0.000	28.227	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	50.696	0.000	1.121	49.575
D. RETURNS TO SUPPLIERS (-)	(17.861)	0.000	(0.120)	(17.741)
E. TRANSFERS TO PROP. DISPOSAL (-)	(26.537)	0.000	(0.030)	(26.507)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(6.249)	0.000	0.001	(6.250)
G. OTHER (list/explain)	(1.346)	0.000	(2.276)	0.930
H. TOTAL ADJUSTMENTS	27.002	0.000	5.837	0.007
6. INVENTORY EOP	636.007	90.403	261.008	284.596
7. INVENTORY EOP, REVALUED	426.923	61.022	175.136	190.765
A. ECONOMIC RETENTION (memo)				11.643
B. CONTINGENCY RETENTION (memo)				68.066
C. POTENTIAL DOD EXCESS (memo)				111.056
8. INVENTORY ON ORDER EOP (memo)	69.889	0.000	66.514	3.375
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(1.195)	0.000	(2.125)	0.930
	-----	-----	-----	-----
Total	(1.195)	0.000	(2.125)	0.930

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
RETAIL SUMMARY
(DOLLARS IN MILLIONS)
FY 2005

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	172.405	19.825	118.030	34.550
2. BOP INVENTORY ADJUSTMENTS	3.770	0.490	2.600	0.680
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	3.751	0.490	2.581	0.680
C. INVENTORY RECLASSIFIED AND REPRICED	176.175	20.315	120.630	35.230
3. RECEIPTS AT STANDARD	90.873	3.856	87.017	0.000
4. SALES AT STANDARD	90.170	0.000	90.170	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	16.550	(0.079)	17.488	(0.859)
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.120	0.000	0.220	(0.100)
C. RETURNS FROM CUSTOMERS W/O CREDIT	40.866	0.964	15.784	24.118
D. RETURNS TO SUPPLIERS (-)	(0.377)	0.000	0.001	(0.378)
E. TRANSFERS TO PROP. DISPOSAL (-)	(6.468)	0.000	(0.078)	(6.390)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	12.697	16.256	5.081	(8.640)
G. OTHER (list/explain)	(17.682)	23.822	(47.564)	5.140
H. TOTAL ADJUSTMENTS	45.706	40.963	(11.286)	12.991
6. INVENTORY EOP	219.454	65.134	106.099	48.221
7. INVENTORY EOP, REVALUED	147.480	43.965	71.192	32.323
A. ECONOMIC RETENTION (memo)				1.973
B. CONTINGENCY RETENTION (memo)				11.533
C. POTENTIAL DOD EXCESS (memo)				18.817
8. INVENTORY ON ORDER EOP (memo)	20.715	1.339	19.301	0.075
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(18.694)	23.822	(47.656)	5.140
Total	(18.694)	23.822	(47.656)	5.140

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
RETAIL SUMMARY
(DOLLARS IN MILLIONS)
FY 2006

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	219.454	65.134	106.099	48.221
2. BOP INVENTORY ADJUSTMENTS	11.184	4.746	4.773	1.665
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	12.107	4.746	5.696	1.665
C. INVENTORY RECLASSIFIED AND REPRICED	230.140	69.880	110.374	49.886
3. RECEIPTS AT STANDARD	97.618	1.339	96.279	0.000
4. SALES AT STANDARD	96.311	0.000	96.311	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.230	0.000	0.230	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.095	0.000	0.020	0.075
D. RETURNS TO SUPPLIERS (-)	(3.549)	0.000	(0.189)	(3.360)
E. TRANSFERS TO PROP. DISPOSAL (-)	(3.763)	0.000	(0.174)	(3.589)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	1.650	0.000	0.000	1.650
G. OTHER (list/explain)	(9.106)	(0.750)	(9.226)	0.870
H. TOTAL ADJUSTMENTS	(14.443)	(0.750)	(9.371)	(4.354)
6. INVENTORY EOP	217.295	70.469	101.294	45.532
7. INVENTORY EOP, REVALUED	146.055	47.567	67.968	30.520
A. ECONOMIC RETENTION (memo)				1.863
B. CONTINGENCY RETENTION (memo)				10.890
C. POTENTIAL DOD EXCESS (memo)				17.768
8. INVENTORY ON ORDER EOP (memo)	21.956	0.000	21.881	0.075
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(8.931)	(0.750)	(9.051)	0.870
Total	(8.931)	(0.750)	(9.051)	0.870

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
RETAIL SUMMARY
(DOLLARS IN MILLIONS)
FY2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	217.295	70.469	101.294	45.532
2. BOP INVENTORY ADJUSTMENTS	0.436	0.201	0.178	0.057
A. RECLASSIFICATION CHANGE (memo)	0.024	0.000	0.024	0.000
B. PRICE CHANGE AMOUNT (memo)	1.367	0.201	1.109	0.057
C. INVENTORY RECLASSIFIED AND REPRICED	216.776	70.670	100.517	45.589
3. RECEIPTS AT STANDARD	91.751	0.000	91.751	0.000
4. SALES AT STANDARD	91.751	0.000	91.751	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.072	0.000	0.072	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	21.227	0.000	21.227	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.096	0.000	0.021	0.075
D. RETURNS TO SUPPLIERS (-)	(2.061)	0.000	(0.120)	(1.941)
E. TRANSFERS TO PROP. DISPOSAL (-)	(2.137)	0.000	(0.030)	(2.107)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	3.251	0.000	0.001	3.250
G. OTHER (list/explain)	(3.497)	0.000	(3.476)	0.130
H. TOTAL ADJUSTMENTS	16.800	0.000	(3.463)	(0.593)
6. INVENTORY EOP	213.763	70.6700	98.0970	44.9960
7. INVENTORY EOP, REVALUED	143.686	47.702	65.823	30.161
A. ECONOMIC RETENTION (memo)				1.841
B. CONTINGENCY RETENTION (memo)				10.762
C. POTENTIAL DOD EXCESS (memo)				17.558
8. INVENTORY ON ORDER EOP (memo)	15.689	0.000	15.614	0.075
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(3.195)	0.000	(3.325)	0.130
Total	(3.195)	0.000	(3.325)	0.130

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28
(DOLLARS IN MILLIONS)
FY 2005

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	171.905	19.825	117.530	34.550
2. BOP INVENTORY ADJUSTMENTS	3.630	0.490	2.460	0.680
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	3.611	0.490	2.441	0.680
C. INVENTORY RECLASSIFIED AND REPRICED	175.535	20.315	119.990	35.230
3. RECEIPTS AT STANDARD	77.866	3.856	74.010	0.000
4. SALES AT STANDARD	77.371	0.000	77.371	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	16.550	(0.079)	17.488	(0.859)
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.220	0.000	0.220	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	40.866	0.964	15.784	24.118
D. RETURNS TO SUPPLIERS (-)	(0.377)	0.000	0.001	(0.378)
E. TRANSFERS TO PROP. DISPOSAL (-)	(6.468)	0.000	(0.078)	(6.390)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	12.697	16.256	5.081	(8.640)
G. OTHER (list/explain)	(18.694)	23.822	(47.656)	5.140
H. TOTAL ADJUSTMENTS	44.794	40.963	(11.472)	12.991
6. INVENTORY EOP	218.512	65.134	105.157	48.221
7. INVENTORY EOP, REVALUED	146.848	43.965	70.560	32.323
A. ECONOMIC RETENTION (memo)				1.973
B. CONTINGENCY RETENTION (memo)				11.533
C. POTENTIAL DOD EXCESS (memo)				18.817
8. INVENTORY ON ORDER EOP (memo)	20.715	1.339	19.301	0.075
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(18.694)	23.822	(47.656)	5.140
	-----	-----	-----	-----
Total	(18.694)	23.822	(47.656)	5.140

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28
(DOLLARS IN MILLIONS)
FY 2006

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	218.512	65.134	105.157	48.221
2. BOP INVENTORY ADJUSTMENTS	10.996	4.746	4.585	1.665
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	10.977	4.746	4.566	1.665
C. INVENTORY RECLASSIFIED AND REPRICED	229.508	69.880	109.742	49.886
3. RECEIPTS AT STANDARD	76.388	1.339	75.049	0.000
4. SALES AT STANDARD	75.081	0.000	75.081	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.023	0.000	0.023	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.095	0.000	0.020	0.075
D. RETURNS TO SUPPLIERS (-)	(3.549)	0.000	(0.189)	(3.360)
E. TRANSFERS TO PROP. DISPOSAL (-)	(3.763)	0.000	(0.174)	(3.589)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	1.650	0.000	0.000	1.650
G. OTHER (list/explain)	(8.931)	(0.750)	(9.051)	0.870
H. TOTAL ADJUSTMENTS	(14.475)	(0.750)	(9.371)	(4.354)
6. INVENTORY EOP	216.340	70.469	100.339	45.532
7. INVENTORY EOP, REVALUED	145.414	47.567	67.327	30.520
A. ECONOMIC RETENTION (memo)				1.863
B. CONTINGENCY RETENTION (memo)				10.890
C. POTENTIAL DOD EXCESS (memo)				17.768
8. INVENTORY ON ORDER EOP (memo)	21.956	0.000	21.881	0.075
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(8.931)	(0.750)	(9.051)	0.870
	-----	-----	-----	-----
TOTAL	(8.931)	(0.750)	(9.051)	0.870

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28
(DOLLARS IN MILLIONS)
FY2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	216.340	70.469	100.339	45.532
2. BOP INVENTORY ADJUSTMENTS	0.436	0.201	0.178	0.057
A. RECLASSIFICATION CHANGE (memo)	0.024	0.000	0.024	0.000
B. PRICE CHANGE AMOUNT (memo)	0.412	0.201	0.154	0.057
C. INVENTORY RECLASSIFIED AND REPRICED	216.776	70.670	100.517	45.589
3. RECEIPTS AT STANDARD	70.593	0.000	70.593	0.000
4. SALES AT STANDARD	70.593	0.000	70.593	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.072	0.000	0.072	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.069	0.000	0.069	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.096	0.000	0.021	0.075
D. RETURNS TO SUPPLIERS (-)	(2.061)	0.000	(0.120)	(1.941)
E. TRANSFERS TO PROP. DISPOSAL (-)	(2.137)	0.000	(0.030)	(2.107)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	3.251	0.000	0.001	3.250
G. OTHER (list/explain)	(3.195)	0.000	(3.325)	0.130
H. TOTAL ADJUSTMENTS	(3.905)	0.000	(3.312)	(0.593)
6. INVENTORY EOP	212.871	70.670	97.205	44.996
7. INVENTORY EOP, REVALUED	143.088	47.702	65.225	30.161
A. ECONOMIC RETENTION (memo)				1.841
B. CONTINGENCY RETENTION (memo)				10.762
C. POTENTIAL DOD EXCESS (memo)				17.558
8. INVENTORY ON ORDER EOP (memo)	15.689	0.000	15.614	0.075
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(3.195)	0.000	(3.325)	0.130
	-----	-----	-----	-----
TOTAL	(3.195)	0.000	(3.325)	0.130

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28 DIRECT SUPPORT STOCK CONTROL (DSSC)
(DOLLARS IN MILLIONS)
FY 2005

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	21.300	0.000	15.000	6.300
2. BOP INVENTORY ADJUSTMENTS	(0.001)	0.000	(0.001)	0.000
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	(0.020)	0.000	(0.020)	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	21.299	0.000	14.999	6.300
3. RECEIPTS AT STANDARD	56.523	0.000	56.523	0.000
4. SALES AT STANDARD	56.523	0.000	56.523	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	16.848	0.000	16.848	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT +	0.210	0.000	0.210	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	15.784	0.000	15.784	0.000
D. RETURNS TO SUPPLIERS (-)	0.001	0.000	0.001	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(0.078)	0.000	(0.078)	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	4.205	0.000	4.205	0.000
G. OTHER (list/explain)	(4.060)	0.000	(4.060)	0.000
H. TOTAL ADJUSTMENTS	32.910	0.000	30.598	0.000
6. INVENTORY EOP	51.897	0.000	45.597	6.300
7. INVENTORY EOP, REVALUED	34.818	0.000	30.596	4.223
A. ECONOMIC RETENTION (memo)				0.258
B. CONTINGENCY RETENTION (memo)				1.507
C. POTENTIAL DOD EXCESS (memo)				2.458
8. INVENTORY ON ORDER EOP (memo)	2.906	0.000	2.906	0.000
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(4.060)	0.000	(4.060)	0.000
	-----	-----	-----	-----
Total	(4.060)	0.000	(4.060)	0.000

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28 DIRECT SUPPORT STOCK CONTROL (DSSC)
(DOLLARS IN MILLIONS)
FY 2006

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	51.897	0.000	45.597	6.300
2. BOP INVENTORY ADJUSTMENTS	0.005	0.000	0.005	0.000
A. RECLASSIFICATION CHANGE (memo)	0.019	0.000	0.019	0.000
B. PRICE CHANGE AMOUNT (memo)	(0.014)	0.000	(0.014)	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	51.902	0.000	45.602	6.300
3. RECEIPTS AT STANDARD	58.829	0.000	58.829	0.000
4. SALES AT STANDARD	58.829	0.000	58.829	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT +	0.023	0.000	0.023	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.020	0.000	0.020	0.000
D. RETURNS TO SUPPLIERS (-)	(0.189)	0.000	(0.189)	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(0.174)	0.000	(0.174)	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (list/explain)	0.099	0.000	0.099	0.000
H. TOTAL ADJUSTMENTS	(0.221)	0.000	(0.221)	0.000
6. INVENTORY EOP	51.681	0.000	45.381	6.300
7. INVENTORY EOP, REVALUED	34.674	0.000	30.451	4.223
A. ECONOMIC RETENTION (memo)				0.258
B. CONTINGENCY RETENTION (memo)				1.507
C. POTENTIAL DOD EXCESS (memo)				2.458
8. INVENTORY ON ORDER EOP (memo)	2.845	0.000	2.845	0.000
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	0.099	0.000	0.099	0.000
	-----	-----	-----	-----
Total	0.099	0.000	0.099	0.000

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28 DIRECT SUPPORT STOCK CONTROL (DSSC)
(DOLLARS IN MILLIONS)
FY2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	51.681	0.000	45.381	6.300
2. BOP INVENTORY ADJUSTMENTS	0.013	0.000	0.013	0.000
A. RECLASSIFICATION CHANGE (memo)	0.024	0.000	0.024	0.000
B. PRICE CHANGE AMOUNT (memo)	(0.011)	0.000	(0.011)	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	51.694	0.000	45.394	6.300
3. RECEIPTS AT STANDARD	58.756	0.000	58.756	0.000
4. SALES AT STANDARD	58.756	0.000	58.756	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.072	0.000	0.072	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT +	0.069	0.000	0.069	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.021	0.000	0.021	0.000
D. RETURNS TO SUPPLIERS (-)	(0.120)	0.000	(0.120)	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	(0.030)	0.000	(0.030)	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.001	0.000	0.001	0.000
G. OTHER (list/explain)	(0.005)	0.000	(0.005)	0.000
H. TOTAL ADJUSTMENTS	0.008	0.000	0.008	0.000
6. INVENTORY EOP	51.702	0.000	45.402	6.300
7. INVENTORY EOP, REVALUED	34.688	0.000	30.465	4.223
A. ECONOMIC RETENTION (memo)				0.258
B. CONTINGENCY RETENTION (memo)				1.507
C. POTENTIAL DOD EXCESS (memo)				2.458
8. INVENTORY ON ORDER EOP (memo)	3.224	0.000	3.224	0.000
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(0.005)	0.000	(0.005)	0.000
	-----	-----	-----	-----
Total	(0.005)	0.000	(0.005)	0.000

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28 RETAIL CENTRALLY MANAGED
(DOLLARS IN MILLIONS)
FY 2005

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	150.605	19.825	102.530	28.250
2. BOP INVENTORY ADJUSTMENTS	3.631	0.490	2.461	0.680
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	3.631	0.490	2.461	0.680
C. INVENTORY RECLASSIFIED AND REPRICED	154.236	20.315	104.991	28.930
3. RECEIPTS AT STANDARD	21.343	3.856	17.487	0.000
4. SALES AT STANDARD	20.848	0.000	20.848	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	(0.298)	(0.079)	0.640	(0.859)
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.010	0.000	0.010	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	25.082	0.964	0.000	24.118
D. RETURNS TO SUPPLIERS (-)	(0.378)	0.000	0.000	(0.378)
E. TRANSFERS TO PROP. DISPOSAL (-)	(6.390)	0.000	0.000	(6.390)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	8.492	16.256	0.876	(8.640)
G. OTHER (list/explain)	(14.634)	23.822	(43.596)	5.140
H. TOTAL ADJUSTMENTS	11.884	40.963	(42.070)	12.991
6. INVENTORY EOP	166.615	65.134	59.560	41.921
7. INVENTORY EOP, REVALUED	112.0	44.0	40.0	28.1
A. ECONOMIC RETENTION (memo)				1.7
B. CONTINGENCY RETENTION (memo)				10.0
C. POTENTIAL DOD EXCESS (memo)				16.4
8. INVENTORY ON ORDER EOP (memo)	17.809	1.339	16.395	0.075
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(14.634)	23.822	(43.596)	5.140
	-----	-----	-----	-----
Total	(14.634)	23.822	(43.596)	5.140

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28 RETAIL CENTRALLY MANAGED
(DOLLARS IN MILLIONS)
FY 2006

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	166.615	65.134	59.560	41.921
2. BOP INVENTORY ADJUSTMENTS	10.991	4.746	4.580	1.665
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	10.991	4.746	4.580	1.665
C. INVENTORY RECLASSIFIED AND REPRICED	177.606	69.880	64.140	43.586
3. RECEIPTS AT STANDARD	17.559	1.339	16.220	0.000
4. SALES AT STANDARD	16.252	0.000	16.252	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.075	0.000	0.000	0.075
D. RETURNS TO SUPPLIERS (-)	(3.360)	0.000	0.000	(3.360)
E. TRANSFERS TO PROP. DISPOSAL (-)	(3.589)	0.000	0.000	(3.589)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	1.650	0.000	0.000	1.650
G. OTHER (list/explain)	(9.030)	(0.750)	(9.150)	0.870
H. TOTAL ADJUSTMENTS	(14.254)	(0.750)	(9.150)	(4.354)
6. INVENTORY EOP	164.659	70.469	54.958	39.232
7. INVENTORY EOP, REVALUED	117.600	22.900	75.800	18.900
A. ECONOMIC RETENTION (memo)				1.900
B. CONTINGENCY RETENTION (memo)				4.900
C. POTENTIAL DOD EXCESS (memo)				12.100
8. INVENTORY ON ORDER EOP (memo)	19.111	0.000	19.036	0.075
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(9.030)	(0.750)	(9.150)	0.870
	-----	-----	-----	-----
Total	(9.030)	(0.750)	(9.150)	0.870

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 28 RETAIL CENTRALLY MANAGED
(DOLLARS IN MILLIONS)
FY2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	164.659	70.469	54.958	39.232
2. BOP INVENTORY ADJUSTMENTS	0.423	0.201	0.165	0.057
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	0.423	0.201	0.165	0.057
C. INVENTORY RECLASSIFIED AND REPRICED	165.082	70.670	55.123	39.289
3. RECEIPTS AT STANDARD	11.837	0.000	11.837	0.000
4. SALES AT STANDARD	11.837	0.000	11.837	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.075	0.000	0.000	0.075
D. RETURNS TO SUPPLIERS (-)	(1.941)	0.000	0.000	(1.941)
E. TRANSFERS TO PROP. DISPOSAL (-)	(2.107)	0.000	0.000	(2.107)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	3.250	0.000	0.000	3.250
G. OTHER (list/explain)	(3.190)	0.000	(3.320)	0.130
H. TOTAL ADJUSTMENTS	(3.913)	0.000	(3.320)	(0.593)
6. INVENTORY EOP	161.169	70.670	51.803	38.696
7. INVENTORY EOP, REVALUED	115.700	23.300	74.000	18.400
A. ECONOMIC RETENTION (memo)				1.800
B. CONTINGENCY RETENTION (memo)				4.800
C. POTENTIAL DOD EXCESS (memo)				11.800
8. INVENTORY ON ORDER EOP (memo)	12.465	0.000	12.390	0.075
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(3.190)	0.000	(3.320)	0.130
	-----	-----	-----	-----
Total	(3.190)	0.000	(3.320)	0.130

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 38 - FUEL
(DOLLARS IN MILLIONS)
FY2005

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	0.500	0.000	0.500	0.000
2. BOP INVENTORY ADJUSTMENTS	0.140	0.000	0.140	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	0.140	0.000	0.140	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	0.640	0.000	0.640	0.000
3. RECEIPTS AT STANDARD	13.007	0.000	13.007	0.000
4. SALES AT STANDARD	12.799	0.000	12.799	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	(0.100)	0.000	0.000	(0.100)
B. RETURNS FROM CUSTOMERS FOR CREDIT +	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (list/explain)	0.092	0.000	0.092	0.000
H. TOTAL ADJUSTMENTS	(0.008)	0.000	0.094	0.000
6. INVENTORY EOP	0.942	0.000	0.942	0.000
7. INVENTORY EOP, REVALUED	0.632	0.000	0.632	0.000
A. ECONOMIC RETENTION (memo)				0.000
B. CONTINGENCY RETENTION (memo)				0.000
C. POTENTIAL DOD EXCESS (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	1.835	0.000	1.835	0.000
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(0.182)	0.000	(0.182)	0.000
	-----	-----	-----	-----
Total	(0.182)	0.000	(0.182)	0.000

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 38 - FUEL
(DOLLARS IN MILLIONS)
FY2006

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	0.942	0.000	0.942	0.000
2. BOP INVENTORY ADJUSTMENTS	0.188	0.000	0.188	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	0.188	0.000	0.188	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	0.632	0.000	0.632	0.000
3. RECEIPTS AT STANDARD	21.230	0.000	21.230	0.000
4. SALES AT STANDARD	21.230	0.000	21.230	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT +	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (list/explain)	(0.175)	0.000	(0.175)	0.000
H. TOTAL ADJUSTMENTS	(0.175)	0.000	(0.175)	0.000
6. INVENTORY EOP	0.955	0.000	0.955	0.000
7. INVENTORY EOP, REVALUED	0.641	0.000	0.641	0.000
A. ECONOMIC RETENTION (memo)				0.000
B. CONTINGENCY RETENTION (memo)				0.000
C. POTENTIAL DOD EXCESS (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	1.857	0.000	1.857	0.000
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	0.007	0.000	0.007	0.000
	-----	-----	-----	-----
Total	0.007	0.000	0.007	0.000

NAVY WORKING CAPITAL FUND
 FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
 INVENTORY STATUS
 BUDGET PROJECT 38 - FUEL
 (DOLLARS IN MILLIONS)
 FY2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	0.955	0.000	0.955	0.000
2. BOP INVENTORY ADJUSTMENTS	0.088	0.000	0.088	0.000
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	0.088	0.000	0.088	0.000
C. INVENTORY RECLASSIFIED AND REPRICED	0.635	0.000	0.635	0.000
3. RECEIPTS AT STANDARD	21.158	0.000	21.158	0.000
4. SALES AT STANDARD	21.158	0.000	21.158	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.132	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT +	0.000	0.000	0.000	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	0.000	0.000	0.000	0.000
D. RETURNS TO SUPPLIERS (-)	0.000	0.000	0.000	0.000
E. TRANSFERS TO PROP. DISPOSAL (-)	0.000	0.000	0.000	0.000
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	0.000	0.000	0.000	0.000
G. OTHER (list/explain)	0.000	0.000	(0.151)	0.000
H. TOTAL ADJUSTMENTS	0.132	0.000	(0.151)	0.000
6. INVENTORY EOP	0.892	0.000	0.892	0.000
7. INVENTORY EOP, REVALUED	0.599	0.000	0.599	0.000
A. ECONOMIC RETENTION (memo)				0.000
B. CONTINGENCY RETENTION (memo)				0.000
C. POTENTIAL DOD EXCESS (memo)				0.000
8. INVENTORY ON ORDER EOP (memo)	1.879	0.000	1.879	0.000
9. NARRATIVE: N/A				

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 84
(DOLLARS IN MILLIONS)
FY 2005

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	437.800	14.400	218.300	205.100
2. BOP INVENTORY ADJUSTMENTS	6.200	0.600	2.700	2.900
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	6.200	0.600	2.700	2.900
C. INVENTORY RECLASSIFIED AND REPRICED	444.000	15.000	221.000	208.000
3. RECEIPTS AT STANDARD	56.515	6.300	50.215	0.000
4. SALES AT STANDARD	121.439	0.000	121.439	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	1.000	0.000	1.100	(0.100)
B. RETURNS FROM CUSTOMERS FOR CREDIT	11.800	0.000	11.800	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	127.200	0.300	35.400	91.500
D. RETURNS TO SUPPLIERS (-)	(6.600)	0.000	0.000	(6.600)
E. TRANSFERS TO PROP. DISPOSAL (-)	(13.800)	0.000	0.000	(13.800)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(36.800)	(0.800)	(7.500)	(28.500)
G. OTHER (list/explain)	47.301	(9.867)	57.068	0.100
H. TOTAL ADJUSTMENTS	130.101	(10.367)	97.868	42.600
6. INVENTORY EOP	509.177	10.933	247.644	250.600
7. INVENTORY EOP, REVALUED	341.5	7.4	166.2	168.0
A. ECONOMIC RETENTION (memo)				10.3
B. CONTINGENCY RETENTION (memo)				59.9
C. POTENTIAL DOD EXCESS (memo)				97.8
8. INVENTORY ON ORDER EOP (memo)	86.333	3.476	79.557	3.300
9. NARRATIVE:				
Other adjustments (line 5g):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	47.301	(9.867)	57.068	0.100
	-----	-----	-----	-----
Total	47.301	(9.867)	57.068	0.100

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 84
(DOLLARS IN MILLIONS)
FY 2006

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	509.177	10.933	247.644	250.600
2. BOP INVENTORY ADJUSTMENTS	29.100	2.500	12.100	14.500
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	29.100	2.500	12.100	14.500
C. INVENTORY RECLASSIFIED AND REPRICED	538.277	13.433	259.744	265.100
3. RECEIPTS AT STANDARD	65.600	3.200	62.400	0.000
4. SALES AT STANDARD	101.164	0.000	101.164	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	7.400	0.000	7.400	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	66.600	0.000	6.600	60.000
D. RETURNS TO SUPPLIERS (-)	(46.700)	0.000	0.000	(46.700)
E. TRANSFERS TO PROP. DISPOSAL (-)	(30.500)	0.000	0.000	(30.500)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(9.000)	0.000	0.000	(9.000)
G. OTHER (list/explain)	(42.400)	0.000	(40.200)	(2.200)
H. TOTAL ADJUSTMENTS	(54.600)	0.000	(26.200)	(28.400)
6. INVENTORY EOP	448.113	16.633	194.780	236.700
7. INVENTORY EOP, REVALUED	300.585	11.227	130.697	158.660
A. ECONOMIC RETENTION (memo)				9.683
B. CONTINGENCY RETENTION (memo)				56.611
C. POTENTIAL DOD EXCESS (memo)				92.366
8. INVENTORY ON ORDER EOP (memo)	59.000	2.600	53.100	3.300
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	(42.400)	0.000	(40.200)	(2.200)
	-----	-----	-----	-----
Total	(42.400)	0.000	(40.200)	(2.200)

NAVY WORKING CAPITAL FUND
FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
INVENTORY STATUS
BUDGET PROJECT 84
(DOLLARS IN MILLIONS)
FY2007

	<u>Total</u>	<u>Mobilization</u>	---- Peacetime ---- <u>Operating</u>	<u>Other</u>
1. INVENTORY BOP	448.113	16.633	194.780	236.700
2. BOP INVENTORY ADJUSTMENTS	4.400	0.400	1.700	2.300
A. RECLASSIFICATION CHANGE (memo)	0.000	0.000	0.000	0.000
B. PRICE CHANGE AMOUNT (memo)	4.400	0.400	1.700	2.300
C. INVENTORY RECLASSIFIED AND REPRICED	452.513	17.033	196.480	239.000
3. RECEIPTS AT STANDARD	54.500	2.700	51.800	0.000
4. SALES AT STANDARD	94.669	0.000	94.669	0.000
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	0.000	0.000	0.000	0.000
B. RETURNS FROM CUSTOMERS FOR CREDIT	7.000	0.000	7.000	0.000
C. RETURNS FROM CUSTOMERS W/O CREDIT	50.600	0.000	1.100	49.500
D. RETURNS TO SUPPLIERS (-)	(15.800)	0.000	0.000	(15.800)
E. TRANSFERS TO PROP. DISPOSAL (-)	(24.400)	0.000	0.000	(24.400)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(9.500)	0.000	0.000	(9.500)
G. OTHER (list/explain)	2.000	0.000	1.200	0.800
H. TOTAL ADJUSTMENTS	9.900	0.000	9.300	0.600
6. INVENTORY EOP	422.244	19.733	162.911	239.600
7. INVENTORY EOP, REVALUED	300.585	11.227	130.697	158.660
A. ECONOMIC RETENTION (memo)				9.683
B. CONTINGENCY RETENTION (memo)				56.611
C. POTENTIAL DOD EXCESS (memo)				92.366
8. INVENTORY ON ORDER EOP (memo)	54.200	0.000	50.900	3.300
9. NARRATIVE:				
Other adjustments (line 5f):				
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Other Gains/Losses	2.000	0.000	1.200	0.800
	-----	-----	-----	-----
Total	2.000	0.000	1.200	0.800

**FISCAL YEAR (FY) 2007 BUDGET ESTIMATES
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Wholesale Only (BP 84 MC Managed)
Customer Price Change
(\$ IN MILLIONS)**

Composite (BP 84)

		<u>FY 2005</u>		<u>FY 2006</u>		<u>FY 2007</u>
1. Net Sales at Cost		19.100		42.200		61.200
2. Less: Mat'l Inflation Adj.		0.500		0.489		0.500
3. Revised Net Sales		18.600		41.711		60.700
4. Surcharge (\$)		6.400		7.488		0.989
5. Change to Customers						
a. Previous Year's Surcharge (%)		29.27%		33.51%		17.74%
b. This year's Surcharge and Material Inflation divided by line 3 above (\$)		37.10%		19.12%		2.45%
c. Percent change to customer		6.05%		-10.77%		-12.986%

**WAR RESERVE MATERIAL (WRM)
STOCKPILE
Fiscal Year (FY) 2007 Budget Estimates
FY 2005
(DOLLARS IN MILLIONS)**

Stockpile Status			
	Total	WRM Protected	WRM Other
1. Inventory BOP @ std	34.225	34.225	0.000
2. Price Change	1.090	1.090	0.000
3. Reclassification	35.315	35.315	0.000
Inventory Changes			
a. Receipts @ std	10.156	10.156	0.000
(1). Purchases	10.156	10.156	0.000
(2). Returns from customers	0.000	0.000	0.000
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	0.000
(2). Returns to suppliers	0.000	0.000	0.000
(3). Disposals	0.000	0.000	0.000
c. Adjustments @ std	30.563	30.563	0.000
(1). Capitalizations	0.000	0.000	0.000
(2). Gains and losses	0.000	0.000	0.000
(3). Other	30.563	30.563	0.000
Inventory EOP	76.034	76.034	0.000
Stockpile Costs			
1. Storage	0.000	0.000	0.000
2. Management	0.000	0.000	0.000
3. Maintenance/Other	0.000	0.000	0.000
Total Cost	0.000	0.000	0.000
WRM Budget Request			
1. Obligations @ cost			
a. Additional WRM Investment	0.000	0.000	0.000
b. Replen./Repair WRM Reinvest.	4.900	4.900	0.000
c. Stock Rotation/Obsolescence	0.000	0.000	0.000
d. Assemble/Disassemble	0.000	0.000	0.000
e. Other	0.000	0.000	0.000
Total Request	4.900	4.900	0.000

**WAR RESERVE MATERIAL (WRM)
STOCKPILE
Fiscal Year (FY) 2007 Budget Estimates
FY 2006
(DOLLARS IN MILLIONS)**

Stockpile Status			
	Total	WRM Protected	WRM Other
1. Inventory BOP @ std	76.034	76.034	0.000
2. Price Change	7.246	7.246	0.000
3. Reclassification	83.280	83.280	0.000
Inventory Changes			
a. Receipts @ std	4.539	4.539	0.000
(1). Purchases	4.539	4.539	0.000
(2). Returns from customers	0.000	0.000	0.000
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	0.000
(2). Returns to suppliers	0.000	0.000	0.000
(3). Disposals	0.000	0.000	0.000
c. Adjustments @ std	0.000	0.000	0.000
(1). Capitalizations	0.000	0.000	0.000
(2). Gains and losses	0.000	0.000	0.000
(3). Other	0.000	0.000	0.000
Inventory EOP	87.069	87.069	0.000
Stockpile Costs			
1. Storage	0.000	0.000	0.000
2. Management	0.000	0.000	0.000
3. Maintenance/Other	0.000	0.000	0.000
Total Cost	0.000	0.000	0.000
WRM Budget Request			
1. Obligations @ cost			
a. Additional WRM Investment	0.000	0.000	0.000
b. Replen./Repair WRM Reinvest.	0.000	0.000	0.000
c. Stock Rotation/Obsolescence	0.000	0.000	0.000
d. Assemble/Disassemble	0.000	0.000	0.000
e. Other	0.000	0.000	0.000
Total Request	0.000	0.000	0.000

**WAR RESERVE MATERIAL (WRM)
STOCKPILE
Fiscal Year (FY) 2007 Budget Estimates
FY 2007
(DOLLARS IN MILLIONS)**

Stockpile Status			
	Total	WRM Protected	WRM Other
1. Inventory BOP @ std	87.069	87.069	0.000
2. Price Change	0.601	0.601	0.000
3. Reclassification	87.670	87.670	0.000
Inventory Changes			
a. Receipts @ std	2.700	2.700	0.000
(1). Purchases	2.700	2.700	0.000
(2). Returns from customers	0.000	0.000	0.000
b. Issues @ std	0.000	0.000	0.000
(1). Sales	0.000	0.000	0.000
(2). Returns to suppliers	0.000	0.000	0.000
(3). Disposals	0.000	0.000	0.000
c. Adjustments @ std	0.000	0.000	0.000
(1). Capitalizations	0.000	0.000	0.000
(2). Gains and losses	0.000	0.000	0.000
(3). Other	0.000	0.000	0.000
Inventory EOP	90.370	90.370	0.000
Stockpile Costs			
1. Storage	0.000	0.000	0.000
2. Management	0.000	0.000	0.000
3. Maintenance/Other	0.000	0.000	0.000
Total Cost	0.000	0.000	0.000
WRM Budget Request			
1. Obligations @ cost			
a. Additional WRM Investment	0.000	0.000	0.000
b. Replen./Repair WRM Reinvest.	0.000	0.000	0.000
c. Stock Rotation/Obsolescence	0.000	0.000	0.000
d. Assemble/Disassemble	0.000	0.000	0.000
e. Other	0.000	0.000	0.000
Total Request	0.000	0.000	0.000