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# **AIR FORCE WORKING CAPITAL FUND**



**U.S. AIR FORCE**

**Fiscal Year (FY) 2005**

**Budget Estimates**

**February 2004**

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**AIR FORCE WORKING CAPITAL FUND  
FISCAL YEAR (FY) 2005 BUDGET ESTIMATES  
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# **AIR FORCE WORKING CAPITAL FUND**



**U.S. AIR FORCE**

**SUMMARY**

## **Air Force Working Capital Fund Fiscal Year (FY) 2005 Budget Estimates**

The FY 2005 Air Force Working Capital Funds (AFWCF) Budget Estimates reflect current execution plans and a number of Air Force initiatives to improve the efficiency and effectiveness of our activities while continuing to meet the needs of the warfighting forces. Successful WCF operations are essential to the Air Force's Global Engagement mission and operation of the Air Expeditionary Force. To this end, we have incorporated changes in business management practices to provide needed war-fighter support at reasonable cost.

### **Activity Group Overview:**

The AFWCF conducts business in three primary areas: the Supply Management Activity Group (SMAG), the Depot Maintenance Activity Group (DMAG) and the Information Services Activity Group (ISAG). The Transportation Working Capital Fund (TWCF), for which the Air Force assumed cash oversight responsibility in FY 1998, is part of this submission, although the Air Force does not have day-to-day management responsibility for TWCF operations.

### **Air Force Core Competencies:**

The AFWCF activities support all the Air Force core competencies: *Air and Space Superiority, Global Attack, Precision Engagement, Rapid Global Mobility, Information Superiority and Agile Combat Support*. These core competencies are fundamental to the "Pathway to the 21<sup>st</sup> Century Air Force." The working capital funds provide key maintenance, transportation and support services and weapon system spare parts and supplies. The working capital funds are integral to the readiness and sustainability of our air and space assets and our ability to deploy forces around the globe and across any theater in support of the National Military Strategy. Maintenance depots provide the equipment, skills and repair services necessary to keep forces operating worldwide. Supply management activities procure and manage inventories of consumable and reparable spare parts required to keep all elements of the force structure mission ready, Transportation provides the worldwide mobility element of the global engagement vision, Activities that provide information services make it possible to operate and improve data collection and management systems essential to war-fighting and support activities. Directly or indirectly, working capital fund activities provide war-fighters the key services needed to meet mission capability standards.

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## **Air Force Initiatives:**

Agile Logistics paid dividends for both the business activities and for our customers. We've reduced pipeline times, improved repair processes and reduced primary operating inventory with the development of time definite deliveries through improved ordering and shipping procedures. Changes in inventory retention policy and initiatives on managing insurance levels will improve our inventory status. Other acquisition reform efforts to streamline contracting, strengthen vendor relationships and expand the use of electronic interchanges are underway in all areas of material management.

In Depot Maintenance, a number of process changes are underway with the intent of reducing cost and improving performance. Standard process improvement tools; e.g., Six Sigma, and Lean Manufacturing, are under review. A centralized maintenance directorate has been established at each Air Logistics Center to maximize economies, and updated cost and requirements estimating models are under development. The Air Force increased the use of industrial engineers to update bills of material and create more efficient repair processes and increased the use of industrial prime vendor contracts to assure timely delivery of materials. In FY 2003, the transition of contract depot maintenance out from under the working capital fund umbrella began and should be completed in FY 2005. This brings the user and provider of contract depot maintenance services closer together and removes the WCF from its current role of 'middleman'. This action will allow the depot managers to dedicate their time and efforts to organic production. In addition, the Depot Maintenance Accounting and Production System (DMAPS) began implementation at the start of FY 2002 and implementation was completed in FY 2003. DMAPS provides more detailed and timely production cost information and moves DMAG closer to Chief Financial Officer (CFO) Act compliance.

The Air Force has formalized the use of functional and financial performance plans to assess business operations at both Air Force Materiel Command (AFMC) and Air Logistics Center (ALC) levels since FY 1997. Quarterly reviews by the SECAF and CSAF continue to focus management attention on cost performance as well as the ALCs' ability to deliver parts and maintenance on demand and on schedule.

The Air Force continues to make improvements in our financial and reporting structures through close cooperation with the Office of the Secretary of Defense and the Defense Finance and Accounting Service. We are working on revisions to simplify depot level repair accounting and move to a more accurate historical inventory valuation methodology. AFMC continues to analyze wholesale sales and backorder data on a more real time basis utilizing the Keystone database. The Keystone database allows us to work closely with customers by having the same data at the same time, and it provides automatic identification of discrepancies between the accounting system and the logistics feeder systems from which data is supplied.

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### **Supply Management Activity Group (SMAG):**

Projected sales estimates reflect changes in operational tempo, business concepts, supply availability, and additional focus on filling backorders. Beginning in FY03, MSD implemented a flat surcharge recovery rate for business operating costs and condemnation material expenses. This new pricing methodology minimized pricing volatility by applying the same surcharge factor to each repair or acquisition cost. The previous methodology collected business operating costs and condemnation material expenses based on product groupings. Even though this change minimizes the effects of surcharge factors on pricing, adjustments to latest repair cost and latest acquisition cost will still cause fluctuations in prices.

We will continue to focus on filling backorders and improving **our performance** factors. In addition we continue to refine and integrate the Diminishing Manufacturing Sources and Material Shortages (DMSMS) processes within our organizations to deal with a growing parts obsolescence problem associated with an aging fleet. We are presently tracking over 107,000 obsolete parts in various systems and support equipment, and current trends allow us to estimate there will be 153,000 obsolete parts in ten years. In addition, other aircraft components, particularly those used on older weapon systems, are also negatively affected by a dearth of manufacturers willing to continue their production and /or repair. The Air Force remains committed to re-engineer these parts for which no suppliers exist and to take a proactive look at parts for which support appears to be to be disappearing.

### **War Reserve Materiel (WRM):**

The Medical Dental Division finances contingency medical assets via a direct Congressional appropriation that enables procurement of medical War Reserve Materiel for the Air Force. The Surgeon General of the Air Force is responsible for programming and execution of funding to provide contingency health care in accordance with Combatant Commander Operational Plans. The Air Force (AF) has 2,431 medical War Reserve Materiel (WRM) assemblages and 397 force health protection medication programs at 83 bases worldwide. These medical assets directly support the healthcare needs of the war-fighter and provide the required antidotes for response in case of chemical/biological attack. The inherent value of these assets is battle proven; over the last 24 months, 831 of these assemblages valued at **\$108.0M** have been deployed to Afghanistan, the Philippines, Iraq and other countries in support of the global war on terrorism. The Expeditionary Medical System (EMEDS) has proven itself to be light, lean and lifesaving to the more than 65,000 AF, Joint and Coalition forces.

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The General Support Division maintains a War Reserve Materiel Stockpile to augment peacetime inventory during the first 60 days of war and to provide basic airfield and supply support facilities at remote locations. This ensures that contingency operations can be conducted until industrial production can meet wartime consumption requirements and airfield construction, as required, can be accomplished. The requirement includes War Consumable Distribution Objective (WCDO) items such as packaged petroleum, oil and lubricants (POL), deicing fluid, aviator's breathing oxygen, halon, hydrazine, argon, etc. The General Support Division also buys consumable Basic Expeditionary Airfield Resources (BEAR) assets, formally known as Harvest Falcon (HF) and Harvest Eagle (HE).

### **Depot Maintenance Activity Group (DMAG):**

Depot maintenance continues to see higher material cost driven by the costs of engine parts and higher consumption. In addition, costs associated with the C/KC-135 are higher due to, the ongoing modernization/modification program, aging airframes, and corrosion. Other workload increases are for the A-10 wings, armament (electrical winches), power systems, diesel engine repair, and landing gear. New workload has been produced for items such as the AN/APG-68 Radar Programmable Signal Processor (PSP), upgraded vertical/horizontal stabilizers, and additional gas turbine engines for the generator workload. The Department of Defense (DoD) aging aircraft fleets are requiring more repairs for occurrence and replacement factor increases on rotors, valves, fuel controls, compressors, seals, impellers, and shafts. In addition to workload becoming more material intensive, four years of double-digit sales rate growth experienced within depot maintenance previous to FY05 has had a cumulative effect on these types of cost and work scope changes. While cost control continues to be a focus within the depots, some level of growth associated with the increasing age of the aircraft fleet will not be mitigated until older airframes are retired and the next generation of Air Force aircraft enters operation.

The Air Force has established a number of initiatives to ensure that the depots are poised to meet the mission of the warfighter by giving the customer the best product at the best price. These initiatives include formal training programs to develop "maintenance ready" technicians and managers, benchmarking programs to identify industry leaders in various production processes, and personnel related actions to attract and retain critically needed engineers within our depots. Finally, in support of the Depot Maintenance Strategic Plan, the Air Force has dedicated **\$150M** for the recapitalization/modernization of the depots throughout the FYDP. These funds will mainly be used to fund a backlog of facility and equipment projects that will help to develop 'world class' depots. DMAG's customers expect a certain level of support and the Air Force is committed to providing the appropriate tools to provide that support.

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## **Information Services Activity Group (ISAG)**

The Air Force's Information Services Activity Group (ISAG) provides information services to agencies of other departments or instrumentalities of the U. S. Government, private parties, and other agencies. The ISAG is aggressively transforming itself into the net-centric information technology organization required by the Air Force. Net-centric is the architecture that focuses on placing more applications onto the Internet. The focal point of transformation efforts is establishing a minimum core organic workforce that optimizes the ISAG military, civilian, and contractor mix by providing flexibility to surge or retrench based on customer demand. In our efforts to reshape the workforce, the ISAG was granted Voluntary Separation Incentive Pay (VSIP) funding in FY04 and has identified an additional VSIP requirement in FY05. Ongoing implementation of aggressive and prudent expense reduction initiatives resulting in reductions in ISAG labor expenses and the capital investment budgets are transforming ISAG into the information services organization of the future. ISAG adopted the Defense Working Capital Fund Accounting System (DWAS) as its accounting system in FY02. DWAS continues to provide accurate accounting data as it facilitates ISAG in its progress toward its goal of achieving CFO compliant certification.

The ISAG continues to work hard at identifying and developing new business opportunities and strengthening current customer relationships. Recent decisions such as the movement of AF Directory Services and Deliberate Crisis Action Planning and Execution Segments (DCAPES) resulted in additional customer orders in FY03, FY04, and FY05. Throughout the 21<sup>st</sup> century, the ISAG will continue to focus on transforming itself into the leading net-centric information technology organization required by the Air Force.

## **Transportation Working Capital Funds (TWCF):**

USTRANSCOM, as the single manager of the Defense Transportation System (DTS), exercises combatant command and peacetime management over all common user aspects of the global mobility system. One of DoD's highest priority goals is to maintain a robust and responsive national DTS as a critical element of America's national security strategy of rapid power projection of a CONUS-based force. USTRANSCOM's ability to move sufficient numbers of U.S. forces and equipment enables us to defend vital national interests anywhere in the world at a moment's notice. A strong defense transportation capability gives credence to our alliance commitments by delivering economic and security assistance and when needed--military forces. The DTS--a partnership of military and commercial assets--enables us to accomplish these actions.



Over 80 percent of USTRANSCOM's cost base is directly associated with the contracts and materials required to meet this need. From FY 1994 to FY 2005, USTRANSCOM productivity initiatives/cost avoidance and organizational streamlining efforts have resulted in savings of over \$1.3B. These productivity and streamlining initiatives are designed to optimize efficiency, effectiveness and customer support without degrading USTRANSCOM's core competencies and readiness posture.

**Cash Management:**

Air Force Working Capital Fund's (AFWCF) cash on hand at the end of FY03 was \$2,475.0M, which was above the FY04 PB projected ending balance of \$1,273.1 M. USTRANSCOM finished the year with a cash balance well above expectations as a result of robust operations in support of the global war on terrorism (GWOT). Cash balances in other AFWCF activity groups fell at, or above expectations. For FY04 AFWCF has transferred \$671 M to AF O&M in accordance with H.R 2658 sections 8104 and 8127 , this transfer along with continued normal operations for AFWCF will bring the EOY balance to \$1,321 .1M. All activity groups have taken the appropriate measures to return profits (and cash) through reduced rates in FY05. In addition, cash is required to liquidate the following obligations: 1) Depot Maintenance Activity Group will continue to draw down cash in the outyears (FY06-FY-08) as expenses related to the decapitalization of contract DMAG materialize. 2) The Material Support Division of the AFWCF has purchased materials in support of GWOT that will continue to deliver in FY04 and FY05 drawing down cash.

**Air Force Working Capital Fund Cash  
Including USTRANSCOM  
(Dollars in Millions)**

	FY 2003	FY 2004	FY 2005
BOP Cash Balance	\$ 1,323.3	\$ 2,475.0	\$ 1,321.1
Disbursements	\$ (24,750.7)	\$ (25,897.2)	\$ (21,321.4)
Collections	\$ 26,043.5	\$ 25,414.3	\$ 20,979.6
Transfers	\$ (141.0)	\$ (671.0)	\$ -
<b>EOP Cash Balance</b>	<b>\$ 2,475.0</b>	<b>\$ 1,321.1</b>	<b>\$ 979.3</b>

**AFWCF Total Summary - Financial Highlights****Air Force Working Capital Fund****Consolidation**

Fiscal Year (FY) 2005 Budget Estimates

AFWCF Total Summary  
(Dollars in Millions)

February 2004

	2003 <b>AC</b>	2004 <b>AP</b>	2005 <b>R</b>
<b>Cost of Goods Sold</b>	<b>22,212.5</b>	<b>20,626.0</b>	<b>20,303.7</b>
<b>Net Operating Results</b>	<b>(151.8)</b>	<b>(448.2)</b>	<b>(41.0)</b>
<b>Accumulated Operating Results</b>	<b>527.3</b>	<b>54.2</b>	<b>13.2</b>
<b>Civilian End Strength</b>	<b>29,526</b>	<b>31,642</b>	<b>29,864</b>
<b>Military End Strength</b>	<b>15,453</b>	<b>16,371</b>	<b>16,237</b>
<b>Civilian Workyears</b>	<b>29,032</b>	<b>31,381</b>	<b>29,946</b>
<b>Military Workyears</b>	<b>15,081</b>	<b>15,705</b>	<b>15,880</b>
<b>Capital Budget Program Authority</b>	<b>368.7</b>	<b>423.3</b>	<b>397.6</b>

## Revenues and Expenses

### Air Force Working Capital Fund Consolidation

Fiscal Year (FY) 2005 Budget Estimates

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(Dollars in Millions)

February 2004

	2003 AC	2004 AP	2005 R
<b>Revenue:</b>			
Gross Sales	30,014.813	28,395.903	23,766.182
Operations	29,645.489	28,184.537	23,546.223
Capital Surcharge	0.000	0.000	0.000
Depreciation exc Maj Const	50.000	0.000	0.000
Major Construction Dep	210.186	211.366	219.959
Cash Surcharge	25.000	0.000	0.000
Other Income	1,029.109	295.606	221.539
Refunds/Discounts	3,227.207	3,342.527	3,348.727
Total Income:	27,732.577	25,348.982	20,638.994
<b>Expenses:</b>			
Cost of Materiel Sold from Inv	8,020.365	8,504.665	8,723.392
Mobilization	33.456	33.400	193.600
Full Cost Recovery	0.000	0.000	0.000
Lean Logistics	0.000	0.000	0.000
Inventory Gains/Losses	0.000	0.000	0.000
Inventory Maintenance	0.000	0.000	0.000
<b>Salaries and Wages:</b>			
Military Personnel Compensation & Benefits	100.352	89.931	90.567
Civilian Personnel Compensation & Benefits	1,960.766	2,128.865	2,098.649
Travel & Transportation of Personnel	304.228	238.668	122.096
Materials & Supplies (For internal Operations)	4,453.369	4,708.103	4,236.858
Equipment	79.085	92.631	92.770
Other Purchases from Revolving Funds	1,554.816	1,517.035	1,574.281
Transportation of Things	135.183	108.384	110.634
Depreciation - Capital	385.953	400.980	418.473
Printing and Reproduction	5.503	8.647	8.724
Advisory and Assistance Services	71.923	73.460	74.734
Rent, Communication, Utilities, & Misc. Charges	87.029	101.888	105.956
Other Purchased Services	7,444.539	6,809.404	3,545.467
Other Expenses	344.859	397.606	221.539
Total Expenses	24,981.426	25,213.667	21,617.740
Change in Work in Process	(1,395.876)	(212.850)	(265.358)
Operating Result	1,355.275	(77.535)	(1,244.104)
Less Capital Surcharge Reservation	50.000	(37.690)	0.000
Plus Passthroughs or Other Approps (NOR)	0.000	139.690	0.000
Other Adjustments (NOR)	(392.209)	(410.920)	191.610
Mobilization	33.456	33.480	193.600
Other Changes	(425.665)	(444.320)	(1.990)
Net Operating Result (Calculation)	913.066	(386.455)	(1,052.494)
Net Operating Result (1307 Report)	1,002.845	(386.455)	(1,052.494)
Prior Year Adjustments	(57.786)	(25.000)	0.000
Other Changes (AOR)	(164.179)	(119.100)	0.025
Prior Year AOR	880.206	1,596.307	1,065.752
Accumulated Operating Result	1,661.086	1,065.752	13.283
Non-Recoverable Adjustment (AOR)	64.779	0.000	0.000
Accumulated Operating Result for Bdgt Purposes	1,596.307	1,065.752	13.283

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# **AIR FORCE WORKING CAPITAL FUND**



**U.S. AIR FORCE**

**OPERATING BUDGET**

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**Air Force Working Capital Fund  
Fiscal Year (FY) 2005 Budget Estimates  
Supply Management Activity Group**

**Activity Group Overview**

The Air Force Supply Management Activity Group (SMAG) was incorporated into the Air Force Working Capital Fund effective 11 Dec 1996. During FY01, the Supply Management Activity Group consisted of five diverse wholesale and retail divisions: Material Support, General Support, Medical-Dental, Fuels, and United States Air Force Academy. Effective with the beginning of FY02, the Fuels Division transferred to the Defense Energy Support Center (DESC) as directed by DoD.

The Supply Management Activity Group manages over 1.7 million inventory items including weapon system spare parts, medical-dental supplies and equipment, and other supply items used in non-weapon system applications. The Air Force Supply Management Activity Group is an equal partner in the support of combat readiness for all customers by procuring critical material and making repair parts available for sale to authorized customers. As a part of the inventory, the Air Force maintains a War Reserve Material (WRM) Stockpile. The WRM provides an initial war fighting capability until industrial production can sustain wartime demands.

The Air Force Supply Management Activity Group generates revenue from sales of various supplies to a variety of customers. The primary customers are Air Force Operations and Maintenance, Air Force Reserve, Air National Guard, Foreign Military Sales, Army, Navy and other non-DoD activities, as well as other working capital funds, such as Depot Maintenance.

**War Reserve Material (WRM)**

The Medical Dental Division finances contingency medical assets via a direct Congressional appropriation that enables procurement of medical War Reserve Materiel for the Air Force. The Surgeon General of the Air Force is responsible for programming and execution of funding to provide contingency health care in accordance with Combatant Commander Operational Plans. The Air Force (AF) has 2,431 medical War Reserve Materiel (WRM) assemblages and 397 force health protection medication programs at 83 bases worldwide. These medical assets directly support the healthcare needs of the war-fighter and provide the required antidotes for response in case of chemical/biological attack. The inherent value of these assets is battle proven; over the last 24 months, 831 of these assemblages valued at \$108.0M have been deployed to Afghanistan, the Philippines, Iraq and other countries in support of the global war on terrorism. The Expeditionary Medical System (EMEDS) has proven itself to be light, lean and lifesaving to the more than 65,000 AF, Joint and Coalition personnel. The high operations tempo environment has brought our current inventory of deployable assets to critical levels. At one point in FY03 the AFMS had no EMEDS

Basic assemblages available for deployment because all assets had already been sent to support on-going missions or were committed to operational theaters. Without programmed dollars, the build schedule for EMEDS, man-portable, and specialty sets will leave us in a precarious situation. Additionally, postponed technology insertions threaten to make this premiere system less than current. Keeping pace with the frenetic speed of medical device technological advancement to ensure our war-fighters have the best possible care provided when they go in harms way places a significant financial burden on our WRM resources. This Division also finances supply and equipment sales in 83 medical treatment facilities worldwide.

## Division Overviews

### **Wholesale Activities**

The Material Support Division (MSD) manages over 126,000 depot level reparable (DLR) and consumable items for which the Air Force is the Inventory Control Point (ICP). The Air Force Materiel Command procures the inventory items and all inventory items are generally weapon system related. The Supply Management Activity Group provides cost visibility related to wholesale inventory control point operations (including cataloging and standardization) in support of the MSD. MSD accumulates the costs for civilian and military labor, travel, supplies, expendable equipment, and contractual services. Additionally, this division recovers capital asset depreciation for funding future capital investments. Also, MSD accumulates the expenses for reimbursable services provided by the Defense Logistics Agency (DLA), Defense Logistics Information Services (DLIS), Defense Finance and Accounting Service (DFAS), Defense Reutilization and Marketing Service (DRMS), Defense Information Systems Agency (DISA), and AF Operation and Maintenance - Base Operating support.

Increased deployments since 1990, aging aircraft, problems in funding spares through most of the **1990s**, and low retention of maintenance technicians in recent years have combined and caused a drop in Air Force mission capable (MC) rates from 79.2% in FY94 to a low of 72.7% in **FY01**. Improved funding and depot surge activity has provided increase aircraft support during FY02 and FY03 providing us the ability to improve the mission capable rate to 75.9% for FY03. In addition to MC rates improving, we have also have improved spare parts availability, improving our non-mission capable rates relating to supply (NMCS) from a low 14.3% in FY00 to 10.7% in FY03. These efforts were primarily funding based, including the **FY99 Bowwave** funding (381 Million) which allowed the Air Force to purchase much needed engine components, Kosovo reconstitution funding, and an Air Force decision to provide funding to replace condemned spares,



## **Retail Activities**

The **General Support Division** (GSD) finances the Air Force retail inventory and issue requirements for all non-Air Force managed items other than those pertaining to medical requirements. The GSD customers use the majority of items to support field and depot maintenance of aircraft, ground and airborne communication and electronic systems, as well as other sophisticated systems and equipment. The General Support Division also manages many items related to installation, maintenance, and administrative functions. For FY05, the number of different items managed by General Support Division is over 1,502,453.

The Surgeon General of the Air Force is responsible for the overall management of the **Medical-Dental Division**. The AF assigned the central financial and material management functions to the Air Force Medical Logistics Office at Frederick, Maryland. The division manages 3,270 different items through 83 outlets, of which 69 are in the CONUS. The Medical-Dental Division has a War Reserve Material requirement for prepositioned medical supplies and equipment vital to support forces in combat pending resupply. It reduces the demand for high priority transportation and ensures a rapid go-to-war capability.

The **Air Force Academy Division** finances the purchase of uniforms and uniform accessories for sale to cadets in accordance with regulations of the Air Force Academy and related statutes. The customer base consists of over 4,000 cadets who receive distinctive uniforms procured from various manufacturing contractors located coast to coast.

### **Revenue, Expenses and Items Managed**

The table below provides revenue and expenses for the total Supply Management Activity Group (includes other income – direct reimbursement).

(\$ Millions)	FY2003	FY 2004	FY 2005
Revenue	\$ 10,119.8	\$ 10,284.0	\$ 10,161.6
Expenses	\$ 9,646.5	\$ 10,158.4	\$ 10,417.1
Operating Result	\$ 473.3	\$ 125.7	\$ (255.5)
Net Operating Results	\$ 83.5	\$ 25.6	\$ (61.9)
Accumulated Operating Results	\$ 60.7	\$ 86.3	\$ 24.4

### **Military and Civilian End Strength**

Civilian and Military End Strength, Full Time Equivalents and Workyears are only applicable to the Material Support Division.

	FY2003	FY 2004	FY 2005
Civilian End Strength	2,261	2,490	2,490
Civilian Full Time Equivalents	2,235	2,462	2,496
Military End Strength	63	60	61
Military Workyears	63	60	61

### **Customer Price Change (%)**

Division	FY 2003	FY 2004	FY 2005
Material Support	10.3	18.27	3.78
General Support	3.09	10.76	-2.53
Medical-Dental	2.20	0.27	-2.04
Academy	2.92	-0.28	-0.02

## Stockage Effectiveness

Stockage Effectiveness measures how often the supply system has available for immediate sale that items it intends to maintain at base and depot level supply locations.

Division	FY 2003	FY 2004	FY 2005
Material Support	74%	75%	77%
General Support	87%	87%	87%
Medical-Dental	94%	95%	95%
Academy	97%	97%	97%

## Item Quantity Requirements

Item	FY 2003	FY 2004	FY 2005
Number of Issues (1,4)	8,012,842	8,103,136	8,547,465
Number of Receipts (1)	4,971,808	5,029,543	5,026,213
Number of Requisitions (1)	6,623,899	6,691,643	6,393,706
Contracts Executed (1,2)	51,937	52,733	51,762
Purchase Inflation (3)	1.0%	1.3%	1.3%
Supply Material Availability			
MSD	74.0%	75.0%	77.0%
GSD	87.0%	87.0%	87.0%
Med /Dent	94.0%	95.0%	95.0%
ACADEMY	97.0%	97.0%	97.0%
Items Managed	1,749,949	1,709,486	1,669,345

Note:

- (1) Excludes Med/Dent information - AF Med Log system is unable to generate requested information. Will be included when Defense Medical Logistical Standard System (DMLSS) to be deployed defense wide in FY06.
- (2) Excludes MSD - current contracting system cannot distinguish MSD funding if multiple fund citations used on a contract.
- (3) Standard Inflation used
- (4) FY 2004 to FY 2005 increase in issues due to GSD

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Material Cost Summary  
Air Force Working Capital Fund  
AF Supply Management Activity Group

Fiscal Year (FY) 2005  
Budget Estimates  
February 2004

SM1  
(Dollars in Millions)

2003 AC	DIVISION	NET		COST TARGETS				COMMITMENT TARGET	TARGET TOTAL	
		PEACETIME INVENTORY	CUSTOMER ORDERS	NET SALES	OPERATING	MOBILIZATION	OTHER			TOTAL
<b>Supply Management Activity Group</b>										
<b>ICP Retail Summary</b>										
	GSD	1,584.422	2,428.473	2,423.793	2,423.793	9.500	0.000	2,433.293	555.647	2,988.940
	Med/Dent	28.052	937.369	990.568	931.621	23.956	0.000	955.577	215.298	1,170.875
	Academy	3.320	5.200	5.200	5.200	0.000	0.000	5.200	1.100	6.300
	<b>Subtotal</b>	<b>1,615.794</b>	<b>3,371.042</b>	<b>3,419.561</b>	<b>3,360.614</b>	<b>33.456</b>	<b>0.000</b>	<b>3,394.070</b>	<b>772.045</b>	<b>4,166.115</b>
<b>ICP Wholesale Summary</b>										
	MSD	22,421.921	5,583.425	5,755.248	6,113.371	0.000	579.967	6,693.338	1,528.343	8,221.681
	<b>Subtotal</b>	<b>22,421.921</b>	<b>5,583.425</b>	<b>5,755.248</b>	<b>6,113.371</b>	<b>0.000</b>	<b>579.967</b>	<b>6,693.338</b>	<b>1,528.343</b>	<b>8,221.681</b>
	<b>Component Total</b>	<b>24,037.715</b>	<b>8,954.467</b>	<b>9,174.809</b>	<b>9,473.985</b>	<b>33.456</b>	<b>579.967</b>	<b>10,087.408</b>	<b>2,300.388</b>	<b>12,387.796</b>

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Material Cost Summary  
Air Force Working Capital Fund  
AF Supply Management Activity Group

Fiscal Year (FY) 2005  
Budget Estimates  
February 2004

SM1  
(Dollars in Millions)

2004 AP DIVISION	NET		NET SALES	COST TARGETS			TOTAL	COMMITMENT TARGET	TARGET TOTAL
	PEACETIME INVENTORY	CUSTOMER ORDERS		OPERATING	MOBILIZATION	OTHER			
<b>Supply Management Activity Group</b>									
<b>ICP Retail Summary</b>									
GSD	1,399.009	2,308.155	2,379.022	2,379.022	33.400	0.000	2,412.422	631.096	3,043.518
Med/Dent	22.370	872.500	785.321	785.321	0.000	0.000	785.321	196.330	981.651
Academy	3.205	5.400	5.400	5.400	0.000	0.000	5.400	1.350	6.750
Subtotal	1,424.584	3,186.055	3,169.743	3,169.743	33.400	0.000	3,203.143	828.776	4,031.919
<b>ICP Wholesale Summary</b>									
MSD	22,699.587	6,826.699	6,818.699	6,638.532	0.000	349.070	6,987.602	1,659.633	8,647.235
Subtotal	22,699.587	6,826.699	6,818.699	6,638.532	0.000	349.070	6,987.602	1,659.633	8,647.235
Component Total	24,124.171	10,012.754	9,988.442	9,808.275	33.400	349.070	10,190.745	2,488.409	12,679.154

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Material Cost Summary  
 Air Force Working Capital Fund  
 AF Supply Management Activity Group

Fiscal Year (FY) 2005  
 Budget Estimates  
 February 2004

SM1  
 (Dollars in Millions)

2005 R DIVISION	NET		NET SALES	COST TARGETS				COMMITMENT TARGET	TARGET TOTAL
	PEACETIME INVENTORY	CUSTOMER ORDERS		OPERATING	MOBILIZATION	OTHER	TOTAL		
<b>Supply Management Activity Group</b>									
<b>ICP Retail Summary</b>									
GSD	1,358.906	2,296.119	2,307.845	2,307.845	112.500	0.000	2,420.345	632.984	3,053.329
Med/Dent	22.683	890.700	849.115	849.115	81.100	0.000	930.215	216.404	1,146.619
Academy	3.106	5.410	5.410	5.410	0.000	0.000	5.410	1.371	6.781
Subtotal	1,384.695	3,192.229	3,162.370	3,162.370	193.600	0.000	3,355.970	850.759	4,206.729
<b>ICP Wholesale Summary</b>									
MSD	23,766.467	6,893.621	6,777.772	6,983.428	0.000	276.121	7,259.549	1,745.857	9,005.406
Subtotal	23,766.467	6,893.621	6,777.772	6,983.428	0.000	276.121	7,259.549	1,745.857	9,005.406
Component Total	25,151.162	10,085.850	9,940.142	10,145.798	193.600	276.121	10,615.519	2,596.616	13,212.135

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**Weapon System Funding**  
**Air Force Working Capital Fund**  
**AF Supply Management Activity Group**

**Fiscal Year (FY) 2005**  
**Budget Estimates**  
**February 2004**

**SM-3B**  
(Dollars in Millions)

2003	Rep Buy	Con Buy	Total Buy	Initial Spares	Repair	Total	NMCSR'
A-10	16.981	25.845	42.826	0.193	155.769	198.788	12.4%
B-1 B	90.091	20.720	110.811	4.279	189.938	305.028	11.3%
B-2	9.589	28.137	37.726	4.674	31.163	73.563	7.2%
B-52	20.442	20.923	41.365	0.444	72.313	114.122	12.5%
c-5	154.337	9.572	163.909	2.371	210.283	376.563	16.4%
c-130	50.985	4.327	55.312	2.739	224.654	282.705	11.0%
C-1 35	40.979	4.718	45.697	12.593	194.759	253.049	9.2%
c-141	0.740	0.648	1.388	0.000	11.814	13.202	11.1%
E-3	15.877	7.507	23.384	2.954	41.989	68.327	7.8%
E-4	0.266	0.000	0.266	0.000	0.368	0.634	9.2%
E-8	1.333	0.000	1.333	0.000	0.125	1.458	12.0%
F-4	2.005	0.149	2.154	0.000	5.197	7.351	N/A
F-15	103.492	29.829	133.321	19.152	413.740	566.213	9.2%
F-16	30.765	27.258	58.023	28.455	215.636	302.114	10.7%
F100 ENGINES	377.185	91.500	468.685	0.000	585.054	1,053.739	N/A
F110 ENGINES	145.754	32.186	177.940	0.000	179.719	357.659	N/A
F-22	0.000	0.000	0.000	0.000	0.000	0.000	N/A
F-111	0.050	0.005	0.055	0.000	0.645	0.700	N/A
F-117	0.000	0.000	0.000	0.000	0.057	0.057	4.1%
H-I	0.506	0.004	0.510	0.000	3.189	3.699	7.0%
H-53	7.687	1.089	8.776	0.000	57.325	66.101	11.5%
H-60	0.513	0.061	0.574	0.000	3.107	3.681	19.5%
TRAINERS	14.324	14.462	28.786	0.000	34.886	63.672	4.3%
OTHER A/C	20.049	0.725	20.774	0.000	13.374	34.148	5.0%
SOF	1.580	0.876	2.456	32.611	22.744	57.811	10.7%
COMMON	83.196	13.094	96.290	0.000	300.803	397.093	N/A
COMMON EW	3.149	0.912	4.061	0.000	90.881	94.942	N/A
MISSILES	37.733	10.191	47.924	0.334	22.449	70.707	N/A
OTHER	14.609	14.615	29.224	9.467	59.178	97.869	N/A
NI MSC5	0.000	0.000	0.000	0.000	157.623	157.623	N/A
<b>TOTAL</b>	<b>1,244.217</b>	<b>359.353</b>	<b>1,603.570</b>	<b>120.266</b>	<b>3,298.782</b>	<b>5,022.618</b>	

'NMCSR - Not Mission Capable Supply Rate is the percentage of time a weapons system is down for parts. Assuming no other factors impact aircraft availability, then the aircraft availability is computed 1 minus NMCSR. NMCSR is computed only for weapon systems. NMCSR is not computed for weapon system parts; such as engines.

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**Weapon System Funding**  
**Air Force Working Capital Fund**  
**AF Supply Management Activity Group**

**Fiscal Year (FY) 2005**  
**Budget Estimates**  
**February 2004**

**SM-3B**  
**(Dollars in Millions)**

2004	Rep Buy	Con Buy	Total Buy	Initial Spares	Repair	Total	NMCSR'
<b>A-10</b>	15.680	16.979	<b>32.659</b>	1.209	174.501	208.586	14.4%
<b>B-1B</b>	46.323	21.489	67.812	41.190	238.214	311.865	12.9%
B-2	9.826	42.009	51.835	2.000	39.174	94.701	10.5%
B-52	31.495	13.229	44.724	2.607	90.465	137.762	15.1%
c-5	155.380	13.961	169.341	0.000	255.808	425.149	17.8%
c-130	40.428	8.682	49.111	1.953	284.260	335.126	12.3%
<b>c-1 35</b>	105.572	6.422	111.994	18.611	305.955	432.468	10.5%
c-141	0.099	0.600	0.699	0.000	9.000	9.698	19.9%
E-3	17.470	11.418	28.887	6.405	46.125	83.337	9.7%
E-4	0.405	0.000	0.405	0.000	0.412	0.817	9.2%
E-8	0.456	0.000	0.456	0.000	0.151	0.608	12.0%
<b>F-4</b>	0.743	0.586	1.329	0.000	6.172	7.501	<b>N/A</b>
<b>F-15</b>	98.825	43.699	142.524	14.404	445.307	603.025	<b>9.9%</b>
<b>F-16</b>	31.746	32.612	64.358	43.794	253.034	352.024	12.2%
<b>F100ENGINES</b>	351.568	102.522	454.090	0.000	727.967	<b>1,182.057</b>	N/A
<b>F110ENGINES</b>	131.809	40.190	171.999	0.000	213.873	385.873	N/A
<b>F-22</b>	0.000	0.000	0.000	0.000	0.000	0.000	N/A
<b>F-111</b>	0.014	0.002	0.016	0.000	0.599	0.615	N/A
<b>F-117</b>	0.000	0.000	0.000	0.000	0.048	0.048	4.1%
<b>H-I</b>	0.561	0.007	0.568	0.000	4.857	5.425	7.8%
<b>H-53</b>	5.147	0.599	5.746	0.000	50.362	56.108	13.7%
<b>H-60</b>	0.009	2.175	2.184	0.000	3.963	6.147	20.5%
<b>TRAINERS</b>	14.587	14.178	28.765	0.000	36.817	65.583	5.0%
<b>OTHER AK</b>	14.217	0.585	14.802	1.518	17.051	31.853	5.3%
<b>SOF</b>	1.013	0.971	1.984	0.000	22.468	35.833	11.4%
<b>COMMON</b>	86.820	16.187	103.007	0.000	331.220	434.227	N/A
<b>COMMON EW</b>	11.007	1.286	12.293	0.000	90.863	103.156	N/A
<b>MISSILES</b>	17.747	10.101	27.847	14.114	20.291	48.522	N/A
<b>OTHER</b>	10.697	11.770	22.467	2.242	77.343	124.884	N/A
<b>NIMSC5</b>	0.000	0.000	0.000	0.000	148.340	148.340	N/A
<b>TOTAL</b>	<b>1,199.645</b>	<b>412.260</b>	<b>1,611.904</b>	<b>150.047</b>	<b>3,894.642</b>	<b>5,631.338</b>	

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**Weapon System Funding**  
**Air Force Working Capital Fund**  
**AF Supply Management Activity Group**

**Fiscal Year (FY) 2005**  
**Budget Estimates**  
**February 2004**

**SM-3B**  
**(Dollars in Millions)**

2005	Rep Buy	Con Buy	Total Buy	Initial Spares	Repair	Total	NMCSR'
A-10	20.872	<b>18.099</b>	38.971	1.065	174.207	214.242	12.4%
B-1 B	68.098	<b>19.964</b>	88.062	20.196	256.547	364.805	12.2%
B-2	10.942	40.387	51.328	2.272	41.349	94.950	9.1%
B-52	67.163	14.528	81.691	2.902	91.115	175.708	14.3%
c-5	194.033	14.599	208.632	0.000	274.489	483.121	17.2%
c-130	56.446	8.799	65.244	1.802	268.080	335.126	12.0%
c-135	133.294	8.884	142.178	19.588	338.019	499.786	10.0%
c-141	0.610	0.617	1.227	0.000	5.264	6.492	25.8%
E-3	13.551	13.161	26.712	4.922	46.346	77.980	9.0%
E-4	0.332	0.348	0.680	0.000	0.244	0.924	9.2%
E-8	0.394	0.000	0.394	0.000	0.170	0.564	12.0%
F-4	2.985	0.614	3.599	0.000	6.377	9.976	N/A
F-15	112.697	51.093	163.790	1.338	402.843	567.971	9.9%
F-16	36.054	32.957	69.011	16.119	274.327	359.457	11.5%
<b>F100 ENGINES</b>	<b>372.416</b>	<b>111.597</b>	<b>484.013</b>	<b>0.000</b>	<b>668.454</b>	<b>1,152.467</b>	N/A
<b>F110 ENGINES</b>	<b>164.386</b>	<b>51.336</b>	<b>215.722</b>	<b>0.000</b>	<b>233.523</b>	<b>449.245</b>	N/A
F-22	0.000	0.000	0.000	0.000	0.000	0.000	N/A
F-111	0.005	0.002	0.007	0.000	0.436	0.443	N/A
F-117	0.000	0.000	0.000	0.000	0.044	0.044	4.1%
H-1	0.664	0.008	0.672	0.000	5.293	5.965	7.5%
H-53	1.792	0.404	2.196	0.000	39.773	41.969	13.1%
H-60	0.417	0.992	1.409	0.000	3.599	5.008	25.9%
TRAINERS	17.133	13.870	31.003	0.000	42.850	73.853	4.7%
OTHER A/C	16.554	1.642	18.196	0.000	18.401	36.597	5.3%
SOF	7.014	0.974	7.988	16.206	21.170	45.364	10.4%
COMMON	91.086	18.594	109.680	0.000	347.888	457.568	N/A
COMMON EW	13.487	1.515	15.002	0.000	85.079	100.081	N/A
MISSILES	24.725	10.871	35.596	0.381	23.974	59.952	N/A
OTHER	12.087	11.813	23.899	16.285	80.574	120.758	N/A
NI MSC5	0.000	0.000	0.000	0.000	164.370	164.370	N/A
<b>TOTAL</b>	<b>1,439.235</b>	<b>447.667</b>	<b>1,886.902</b>	<b>103.076</b>	<b>3,914.807</b>	<b>5,904.787</b>	

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Inventory Status  
Air Force Working Capital Fund  
AF Supply Management Activity Group  
Material Support Division

Fiscal Year (FY) 2005  
Budget Estimates  
February 2004

(Dollars in Millions)

Y03 Act	TOTAL	MOBILITY	PEACETIME OPERATING	PEACETIME OTHER
<b>Inventory BOP</b>	<b>24,174.795</b>	<b>1,083.825</b>	<b>18,784.074</b>	<b>4,306.897</b>
<b>BOP Inventory Adjustments</b>				
a. Reclassification Change (Memo)	0.000	0.000	0.000	0.000
b. Price Change Amount	53.489	19.150	<b>33.684</b>	0.655
c. Inventory Reclassified and Repriced	24,228.284	1,102.975	18,817.758	4,307.552
<b>Receipts at Standard</b>	<b>4,854.650</b>	<b>184.786</b>	<b>4,227.416</b>	<b>442.445</b>
<b>Gross Sales w/o Surcharge</b>	<b>(2,184.830)</b>	<b>(107.824)</b>	<b>(975.095)</b>	<b>(1,101.911)</b>
<b>Inventory Adjustments</b>				
a. Capitalizations + or (-)	<b>(9.282)</b>	<b>(6.710)</b>	<b>(3.766)</b>	1.193
b. Returns from Customers for Credit +	3,227.207	57.513	2,581.944	587.750
c. Returns from Customers w/o Credit	13,061.294	244.490	10,328.650	2,488.154
d. Returns to Suppliers (-)	<b>(80.646)</b>	<b>(6.316)</b>	(70.389)	(3.942)
e. Transfers to Property Disposal (-)	<b>(756.175)</b>	<b>(84.477)</b>	<b>(367.654)</b>	<b>(304.043)</b>
f. Issues/Receipts w/o Reimbursement	<b>(353.259)</b>	(9.042)	<b>(254.498)</b>	(89.718)
g. Other Adjustments	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
1. Destruct, Shrink, Deteriorations, etc.	(19.166)	<b>(7.579)</b>	<b>(9.307)</b>	(2.281)
2. Discounts on Returns	<b>(58.008)</b>	<b>(9.430)</b>	(45.916)	<b>(2.663)</b>
3. Trade-ins	<b>0.000</b>	<b>0.000</b>	0.000	<b>0.000</b>
4. Loss from Disaster	<b>0.085</b>	<b>0.002</b>	<b>0.067</b>	<b>0.016</b>
5. Assembly/Disassembly	(14,039.449)	<b>(262.563)</b>	(11,088.500)	(2,688.386)
6. Physical Inventory Adj	(185.329)	<b>(1.663)</b>	<b>(145.519)</b>	<b>(38.147)</b>
7. Accounting Adjustments	5,807.206	120.212	4,630.604	1,056.391
8. Shipment Discrepancies	175.869	<b>2.043</b>	<b>30.799</b>	143.028
9. Other Gains/Losses	(1,366.747)	<b>(93.308)</b>	(1,020.900)	(252.539)
10. Strata Transfers	(0.051)	<b>0.000</b>	(0.051)	0.000
11. Strata Transfers in Transit	0.010	<b>0.000</b>	0.010	0.000
12. Other Adjustments - Total	<b>(9,685.581)</b>	<b>(252.287)</b>	<b>(7,648.714)</b>	<b>(1,784.580)</b>
h. Total Inventory Adjustments	5,403.557	<b>(56.830)</b>	4,565.573	894.813
<b>Inventory EOP</b>	<b>25,160.823</b>	<b>1,123.109</b>	<b>19,494.815</b>	<b>4,374.907</b>
<b>Inventory EOP, Revalued (LAC, Discounted)</b>	<b>25160.823</b>	<b>1,123.109</b>	<b>19,494.815</b>	<b>4,542.900</b>
a. Economic Retention (Memo)	2,417.159	<b>0.000</b>	<b>0.000</b>	2,417.159
b. Contingency Retention (Memo)	1,852.500	<b>0.000</b>	<b>0.000</b>	1,852.500
c. Potential DOD Reutilization (Memo)	265.105	<b>0.000</b>	<b>0.000</b>	265.105
<b>Inventory on Order at Cost EOP (Memo)</b>	<b>3,150.410</b>	<b>60.177</b>	<b>2,570.598</b>	<b>519.635</b>

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Inventory Status  
Air Force Working Capital Fund  
AF Supply Management Activity Group  
Material Support Division

Fiscal Year (FY) 2005  
Budget Estimates  
February 2004

(Dollars in Millions)

FY04 AP	TOTAL	MOBILITY	PEACETIME OPERATING	PEACETIME OTHER
<b>i. Inventory BOP</b>	<b>25,160.823</b>	<b>1,123.109</b>	<b>19,494.815</b>	<b>4,542.909</b>
<b>ii. BOP Inventory Adjustments</b>				
a. Reclassification Change (Memo)	0.000	0.000	0.000	0.000
b. Price Change Amount	458.966	(2.037)	361.400	99.603
c. Inventory Reclassified and Repriced	25,619.789	1,121.072	19,856.215	4,642.502
<b>iii. Receipts at Standard</b>	<b>4,555.293</b>	<b>109.835</b>	<b>3,976.295</b>	<b>469.163</b>
<b>iv. Gross Sales w/o Surcharge</b>	<b>(3,506.267)</b>	<b>(127.748)</b>	<b>(2,072.998)</b>	<b>(1,305.521)</b>
<b>v. Inventory Adjustments</b>				
a. Capitalizations + or (-)	(0.923)	(2.126)	(0.018)	1.221
b. Returns from Customers for Credit +	3,342.527	59.841	2,671.143	611.544
c. Returns from Customers w/o Credit	13356.503	248.982	10,562.117	2,545.405
d. Returns to Suppliers (-)	(69.464)	(0.004)	(68.336)	(1.124)
e. Transfers to Property Disposal (-)	(737.714)	(9.661)	(376.153)	(351.900)
f. Issues/Receipts w/o Reimbursement	(351.089)	(9.129)	(250.705)	(91.255)
g. Other Adjustments	0.000	0.000	0.000	0.000
1. Destruct, Shrink, Deteriorations, etc.	(10.859)	(0.231)	(8.577)	(2.052)
2. Discounts on Returns	(59.103)	(9.599)	(46.783)	(2.721)
3. Trade-ins	0.000	0.000	0.000	0.000
4. Loss from Disaster	0.087	0.002	0.069	0.017
5. Assembly/Disassembly	(14,362.322)	(268.737)	(11341.016)	(2,752.570)
6. Physical Inventory Adj	(188.251)	(0.726)	(148.658)	(38.867)
7. Accounting Adjustments	5,549.030	111.144	4,414.557	1,023.329
8. Shipment Discrepancies	176.679	2.090	28.882	145.707
9. Other Gains/Losses	(1,366.540)	(26.713)	(1,068.134)	(271.693)
10. Strata Transfers	(0.050)	0.000	(0.050)	0.000
11. Strata Transfers in Transit	0.000	0.000	0.000	0.000
12. Other Adjustments - Total	(10,261.330)	(192.770)	(8,169.709)	(1,898.850)
h. Total Inventory Adjustments	5,278.512	95.133	4,368.338	815.041
<b>vi. Inventory EOP</b>	<b>25,322.463</b>	<b>1,198.292</b>	<b>19,502.986</b>	<b>4,621.185</b>
<b>vii. Inventory EOP, Revalued (LAC, Discounted)</b>	<b>25,322.463</b>	<b>1,198.292</b>	<b>19,502.986</b>	<b>4,621.185</b>
a. Economic Retention (Memo)	2,463.931	0.000	0.000	2,463.931
b. Contingency Retention (Memo)	1,891.070	0.000	0.000	1,891.070
c. Potential DOD Reutilization (Memo)	74.083	0.000	0.000	74.083
<b>viii. Inventory on Order at Cost EOP (Memo)</b>	<b>3,775.350</b>	<b>68.984</b>	<b>3,089.998</b>	<b>616.368</b>

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SM-4

Inventory Status  
Air Force Working Capital Fund  
AF Supply Management Activity Group  
Material Support Division

Fiscal Year (FY) 2005  
Budget Estimates  
February 2004

(Dollars in Millions)

2005 R	TOTAL	MOBILITY	PEACETIME OPERATING	PEACETIME OTHER
<b>Inventory BOP</b>	<b>25,322.463</b>	<b>1,198.292</b>	<b>19,502.986</b>	<b>4,621.185</b>
<b>BOP Inventory Adjustments</b>				
a. Reclassification Change (Memo)	0.000	0.000	0.000	0.000
b. Price Change Amount	834.401	4.805	657.901	171.695
c. Inventory Reclassified and Repriced	26,156.864	1,203.098	20,160.886	4,792.880
<b>Receipts at Standard</b>	<b>5,020.187</b>	<b>239.881</b>	<b>4,276.996</b>	<b>503.310</b>
<b>Gross Sales w/o Surcharge</b>	<b>(3,466.404)</b>	<b>(126.980)</b>	<b>(2,041.748)</b>	<b>(1,297.675)</b>
<b>Inventory Adjustments</b>				
a. Capitalizations + or (-)	(1.848)	(2.162)	(0.959)	1.273
b. Returns from Customers for Credit +	3348.727	59.916	2,676.503	612.308
c. Returns from Customers w/o Credit	13,870.329	258.692	10,966.981	2644.656
d. Returns to Suppliers (-)	(76.849)	(4.354)	(71.351)	(1.145)
e. Transfers to Property Disposal (-)	(768.140)	(21.357)	(386.795)	(359.988)
f. Issues/Receipts w/o Reimbursement	(370.847)	(9.485)	(266.507)	(94.856)
g. Other Adjustments	0.000	0.000	0.000	0.000
1. Destruct, Shrink, Deteriorations, etc.	(21.780)	(10.738)	(8.910)	(2.132)
2. Discounts on Returns	(60.384)	(9.778)	(47.796)	(2.811)
3. Trade-ins	0.000	0.000	0.000	0.000
4. Loss from Disaster	0.090	0.002	0.071	0.017
5. Assembly/Disassembly	(14,927.731)	(285.775)	(11,784.477)	(2,857.478)
6. Physical inventory Adj	(195.945)	(0.820)	(154.738)	(40.387)
7. Accounting Adjustments	5,912.865	118.092	4,702.463	1,092.311
8. Shipment Discrepancies	182.299	2.172	31.350	148.778
9. Other Gains/Losses	(1,488.352)	(71.206)	(1,132.542)	(284.604)
10. Strata Transfers	(0.085)	0.000	(0.085)	0.000
11. Strata Transfers in Transit	0.000	0.000	0.000	0.000
12. Other Adjustments - Total	(10,599.023)	(258.052)	(8,394.664)	(1,946.307)
h. Total Inventory Adjustments	5,402.348	23.198	4,523.208	855.941
<b>Inventory EOP</b>	<b>26,490.359</b>	<b>1,339.197</b>	<b>20,296.706</b>	<b>4,854.456</b>
<b>Inventory EOP, Revalued (LAC, Discounted)</b>	<b>26,490.359</b>	<b>1,339.197</b>	<b>20,296.706</b>	<b>4,854.456</b>
a. Economic Retention (Memo)	2,579.735	0.000	0.000	2,579.735
b. Contingency Retention (Memo)	1,979.951	0.000	0.000	1,979.951
c. Potential DOD Reutilization (Memo)	77.565	0.000	0.000	77.565
<b>Inventory on Order at Cost EOP (Memo)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

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SM-6

**WRM Stockpile Status**  
**Air Force Working Capital Fund**  
**AF Supply Management Activity Group**

Fiscal Year (FY) 2005  
 Budget Estimates  
 February 2004

(Dollars in Millions)

<b>2003</b>	Total	WRM Protected	WRM Other
1. Inventory BOP @ Std	757.057	342.503	414.554
2. Price Change	8.262	8.262	0.000
3. Reclassification	350.765	350.765	0.000
4. Inventory Changes			
a. Receipts @ Std			
(1). Purchases	126.977	101.297	25.680
(2). Returns from customers	57.513	0.000	57.513
b. Issues @ Std			
(1). Sales	-107.824	0.000	-107.824
(3). Returns from Customers w/o Credit	243.374	-0.006	243.380
(3.) Disposals	-66.278	-49.368	-16.910
c. Adjustments @ Std			
(1). Capitalizations	-2.095	-2.229	0.134
(2). Gains and losses	-32.035	-5.862	-26.173
(3). Other	-146.620	15.640	-162.260
i. Inventory EOP	838.331	410.237	428.094
<b>STOCKPILE COSTS</b>			
. Storage	Air Force spare-is-a-spare policy treats all Depot Level Repairables (DLRs) as items available for purchase. As such, WRM stock is intermingled with primary operating stock and stockpile costs are not separately identifiable.		
. Management			
. Maintenance/Other			
Total Cost			
<b>WRM BUDGET REQUEST</b>			
. Obligations @ Cost			
a. Additional WRM	9.500	9.500	0.0010
b. Replen/Repair WRM - Reinvestment	24.000	24.000	0.0010
c. Stock Rotation/Obsolescence	0.000	0.000	0.0010
d. Assemble/Disassemble	0.000	0.000	0.0010
e. Other	0.000	0.000	0.0010
Total Request	33.500	33.500	0.0010

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SM-6

**WRM Stockpile Status**  
**Air Force Working Capital Fund**  
**AF Supply Management Activity Group**

Fiscal Year (FY) 2005  
 Budget Estimates  
 February 2004

(Dollars in Millions)

2004	Total	WRM Protected	WRM Other
1. Inventory BOP @ Std	838.331	410.237	428.094
2. Price Change	-2.037	-11.883	9.846
3. Reclassification	398.069	398.069	0.000
4. Inventory Changes			
a. Receipts @ Std			
(1). Purchases	109.835	79.925	29.910
(2). Returns from customers	59.841	0.000	59.841
b. Issues @ Std			
(1). Sales	-127.748	0.000	-127.7418
(3). Returns from Customers w/o Credit	248.978	0.000	248.978
(3). Disposals	-18.790	-1.491	-17.299
c. Adjustments @ Std			
(1). Capitalizations	-2.126	-2.263	0.137
(2). Gains and losses	-32.667	-5.892	-26.775
(3). Other	-160.103	11.486	-171.589
5. Inventory EOP	913.229	479.834	433.395
<b>STOCKPILE COSTS</b>			
. Storage	Air Force spare-is-a-spare policy treats all Depot Level Repairables(DLRs) as items available for purchase. As such, WRM stock is intermingled with primary operating stock and stockpile costs are not separately identifiable.		
! . Management			
} . Maintenance/Other			
Total Cost			
<b>WRM BUDGET REQUEST</b>			
. Obligations @ Cost			
a. Additional WRM	33.400	33.400	0.000
b. Replen/Repair WRM - Reinvestment	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	33.400	33.400	0.000

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SM-6

**WRM Stockpile Status**  
**Air Force Working Capital Fund**  
**AF Supply Management Activity Group**

Fiscal Year (FY) 2005  
 Budget Estimates  
 February 2004

(Dollars in Millions)

2005	Total	WRM Protected	WRM Other
1. Inventory BOP @ Std	913.514	480.119	433.395
2. Price Change	4.805	-12.097	16.902
3. Reclassification	468.022	468.022	0.000
1. Inventory Changes			
a. Receipts @ Std			
(1). Purchases	158.862	125.942	<b>32.920</b>
(2). Returns from customers	59.916	0.000	59.916
b. issues @ Std			
(1). Sales	-126.980	0.000	-126.980
(3). Returns from Customers w/o Credit	258.684	-0.004	258.688
(3.) Disposals	-19.502	-1.529	-17.973
c. Adjustments @ Std			
(1). Capitalizations	-2.162	-2.304	0.142
(2). Gains and losses	-33.879	-6.060	-27.819
(3). Other	-163.734	11.692	-175.426
i. Inventory EOP	1,049.524	595.759	453.765
<b>STOCKPILE COSTS</b>			
. Storage	Air Force spare-is-a-spare policy treats all Depot Level Repairables (DLRs) as items available for purchase. As such, WRM stock is intermingled with primary operating stock and stockpile costs are not separately identifiable.		
1. Management			
2. Maintenance/Other			
Total Cost			
<b>WRM BUDGET REQUEST</b>			
Obligations @ Cost			
a. Additional WRM	112.500	112.500	0.000
b. Replen/Repair WRM - Reinvestment	81.000	81.000	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	193.500	193.500	0.000

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**Sources of Revenue**  
**Air Force Working Capital Fund**  
**AF Supply Management Activity Group**

Fiscal Year (FY) 2005 Budget Estimates

FUND1 1  
(Dollars in Millions)

February 2004

	2003 AC	2004 AP	2005 R
<b>1. New Orders (Gross)</b>			
<b>a. Orders From DOD Components:</b>			
<b>(1) Air Force</b>			
(a) Aircraft Procurement	36.081	47.706	47.844
(b) Missile Procurement	1.031	4.101	3.859
(c) Other Procurement	0.313	3.906	4.253
(d) Military Construction - AF	0.002	(0.002)	0.000
(e) Operations & Maintenance - AF	<b>5,643.830</b>	<b>5,852.008</b>	<b>5,750.232</b>
(f) Military Personnel - AF	38.892	36.653	40.669
(g) Research and Development - AF	120.675	78.173	86.297
(h) Reserve Personnel - AF	7.536	4.847	5.374
(i) Operations & Maintenance - AFRES	355.789	402.663	403.255
(j) Operations & Maintenance - ANG	<b>1,279.711</b>	<b>1,566.082</b>	1,390.162
(k) Guard Personnel - ANG	13.170	11.377	12.494
(l) Family Housing	7.548	19.330	23.277
(m) Special Trust Funds	5.463	5.437	5.457
(n) Other Air Force	0.000	0.721	0.657
<b>Total Air Force</b>	<b>7,510.041</b>	<b>8,032.402</b>	<b>7,773.770</b>
(2) Army	38.265	41.220	39.072
(3) Navy	175.266	184.913	178.936
(4) MAP/Grant Aid	0.262	0.149	0.186
(5) Other DOD	<b>1,246.813</b>	<b>1,365.607</b>	<b>1,371.976</b>
<b>Total DOD excluding WCF</b>	<b>8,970.647</b>	<b>9,624.291</b>	<b>9,363.940</b>
<b>b. Orders From Other Fund Activity Groups</b>			
(1) 0th AF Supply Management Activity Grt	4.778	<b>19.228</b>	19.363
(2) Transportation Activity Group - TRANSC	446.739	<b>639.497</b>	622.856
(3) Depot Maintenance Activity Group	<b>2,486.226</b>	<b>5683.240</b>	<b>3,064.789</b>
(4) Other WCF Activity Groups	0.033	0.004	<b>0.005</b>
(5) Commissary, Sur. Coll.	0.000	0.000	<b>0.000</b>
<b>Total Other Fund Activity Groups</b>	<b>2,937.776</b>	\$341.969	<b>3,707.013</b>
<b>c. Total DOD</b>	<b>11,908.423</b>	<b>12,966.260</b>	<b>13,070.953</b>
<b>d. Other Orders:</b>			
(1) Other Federal Agencies	<b>10.190</b>	18.330	18.944
(2) Non Federal Agencies	2.736	6.528	6.694
(3) FMS	260.325	364.763	337.986
<b>Total</b>	273.251	<b>389.021</b>	363.624
<b>Total New Gross Orders</b>	<b>12,181.674</b>	<b>13,355.281</b>	<b>13,434.577</b>
<b>2. Carry-In Orders</b>	<b>1,140.239</b>	919.897	944.209
<b>3. Total Gross Orders (New + Carry-in Orders):</b>	<b>13,321.913</b>	<b>14,275.178</b>	<b>14,378.786</b>
<b>4. Change to Backlog</b>	(220.342)	<b>24.312</b>	<b>145.758</b>
<b>5. Total Gross Sales</b>	<b>12,402.016</b>	<b>13,330.969</b>	<b>13,288.819</b>
<b>6. Less Credit Returns</b>	<b>3,227.207</b>	<b>3,342.527</b>	<b>3,348.727</b>
<b>7. Total Net Sales</b>	<b>9,174.809</b>	<b>9,988.442</b>	<b>9,940.092</b>

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**Revenues and Expenses**

**Air Force Working Capital Fund**

**AF Supply Management Activity Group**

Fiscal Year (FY) 2005 Budget Estimates

February 2004

FUND14

(Dollars in Millions)

	2003 AC	2004 AP	2005 R
<b>Revenue:</b>			
Gross Sales	12,402.016	13,330.969	13,288.819
Operations	12,402.016	13,330.969	13,288.819
Capital Surcharge	0.000	0.000	0.000
Depreciation exc Maj Const	0.000	0.000	0.000
Major Construction Dep	0.000	0.000	0.000
Other Income	944.971	295.606	221.539
Refunds/Discounts/Credit Returns (-)	3,227.207	3,342.527	3,348.727
Total Income:	10,119.780	10,284.048	10,161.631
<b>Expenses:</b>			
Cost of Materiel Sold from Inv	8,020.365	8,504.665	8,723.392
STD Cost of Materiel	3,885.084	3,385.196	3,516.139
Exchg Cost of Materiel	3,275.152	3,943.090	3,880.061
Condemnations @ Carcass	860.129	1,176.379	1,327.192
Mobilization	33.456	33.400	793.600
Full Cost Recovery	0.000	0.000	0.000
Lean Logistics	0.000	0.000	-0.000
Inventory Gains/Losses	0.000	0.000	0.000
Inventory Maintenance	0.000	0.000	0.000
<b>Salaries and Wages:</b>			
Military Personnel Compensation & Benefit!	4.216	4.360	4.508
Civilian Personnel Compensation & Benefit!	147.667	172.261	179.685
Travel & Transportation of Personnel	4.915	6.819	6.962
Materials & Supplies (For internal Operations	70.767	14.338	13.250
Equipment	0.000	0.000	0.000
Other Purchases from Revolving Funds	822.792	838.422	874.792
Transportation of Things	110.152	90.157	91.407
Depreciation - Capital	84.967	58.766	65.128
Printing and Reproduction	2.466	5.655	5.757
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Communication, Utilities, & Misc. Char!	(0.043)	5.959	5.473
Other Purchased Services	0.513	26.585	31.609
Other Expenses	344.859	397.606	221.539
Total Expenses	9,646.492	10,158.393	10,417.102
Operating Result	473.288	125.655	(255.471)
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Passthroughs or Other Approps (NOR)	0.000	102.000	0.000
Other Adjustments (NOR)	(389.744)	(202.036)	193.600
Mobilization	33.456	33.400	193.600
Other Changes	(423.200)	(235.436)	0.000
Net Operating Result (Calculation)	83.544	25.619	(61.871)
Net Operating Result (1307 Report)	173.323	25.619	(61.871)
Other Changes (AOR)	(164.179)	0.000	0.025
Prior Year AOR	141.287	60.652	86.271
Accumulated Operating Result	150.431	86.271	24.425
Non-Recoverable Adjustment (AOR)	89.779	0.000	0.000
Accumulated Operating Result for Bdgt Purpc	60.652	86.271	24.425

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**Air Force Working Capital Funds  
Depot Maintenance Activity Group (DMAG)  
Fiscal Year (FY) 2005 Budget Estimates**

**DMAG Mission Statement**

The Depot Maintenance Activity Group (DMAG) repairs systems and spare parts that ensure readiness in peacetime and provide sustainment to combat forces in wartime. In peacetime, the Air Force (AF) enhances readiness efficiently by economically repairing, overhauling and modifying aircraft, engines, missiles, components and software to meet customer demands. The depots have unique skills and equipment required to support and overhaul new and complex components as well as aging weapon systems. An extremely important facet of the depots is that during wartime or contingencies, the AF can surge repair operations and realign capacity to support the war-fighter's immediate needs.

Repair and overhaul are accomplished by both Air Force Materiel Command (AFMC) depot and contract operations. Depot Maintenance operates on the funds received from its customers through sales of its services. Contract DMAG is being realigned under direct appropriation funding to provide a more direct relationship between customers and repair contractors. This initiative began by direct funding certain contracts (missile contracts, foreign military sales, etc.) in FY03. Additional contracts will use direct cite funding in FY04. The current schedule is to complete the transition out of the activity by the end of FY05.

**DMAG Customers, Products and Services**

Depot Maintenance provides support to a variety of customers. Its single largest customer is the Supply Management Activity Group (SMAG) followed by the AF's Major Commands, including the Air National Guard and Air Force Reserves. These customers generate approximately 95 percent of the revenue for DMAG. The remaining balance of the work comes from other services, other government agencies and foreign countries.

Scheduled overhaul for airframes and engines is provided based on a planned timetable or number of cycles for each weapon system. Missiles and ground electronic systems are repaired through scheduled and unscheduled depot maintenance. In addition, there is unscheduled repair of individual components routed from the field on an as-needed basis. Air Force depots provide an extensive software capability to develop or modify software used to operate weapon systems, as well as software designed for diagnostic purposes. The depots manufacture critical components required for parts not otherwise obtainable in a timely or cost effective manner. Finally, storage, regeneration and disposal of excess equipment are provided for all the services at the Aerospace Maintenance and Regeneration Center at Davis-Monthan Air Force Base, Arizona.

**DMAG Objectives**

There are two primary objectives of the DMAG. The first is to provide depot repair capability for fielded and emerging weapon systems. Several actions to meet this first objective are:

- Meet end item delivery commitments 90% of the time by the end of FY05. Exchangeable delivery commitments will be based on established flow day metrics.

- Ensure technically compliant operations across all product lines.
- Manage controllable costs to meet or beat the rate of inflation.
- Ensure new and existing weapon systems/technologies are considered during the biennial core assessment to retain a viable organic core capability in the future.
- Continue development, implementation and execution of partnering agreements.
- Manage costs each year to ensure Operating Result, Net (NOR) and Accumulated (AOR), goals are met or exceeded.
- Drive accepted quality defect rates to a 3 percent per exchangeable item and according to individually established Model Design (MD) and Type Model (TM) defect rates.
- Improve DMAG budget forecasting and execution processes by forecasting within 1% of a) total revenue; b) cost of goods sold; c) expenses; and 2% of direct product standard hours (DPSHs) produced. Budget for 100% of new customer orders generated from the annual workload review.

The second primary objective is to ensure the ability to rapidly respond to user requirements driven by contingency operations. To accomplish this, short and long term strategies must be developed to implement the depot maintenance strategic plan; strategies that provide the workload capacity and capability to meet depot maintenance: a) peacetime support; b) surge; and c) core requirements by the end of FY05.

### **Outlook**

As the Air Force evolves through current Transformation initiatives, Depot Maintenance will remain a fundamental element of both readiness and sustainability by providing a cost effective rapid repair capability. The Depot Maintenance activity will: a) continue to provide a core Air Force depot capability to retain an in-house source of technical competence; b) continually seek new methods for efficient use of resources such as partnering, government owned/contractor operated facilities, and contract field teams augmenting in-house operations; and c) continue to invest prudently to find innovative ways to decrease flow days for systems and components, increase parts availability to the repair line and control material costs through process reviews, adoption of commercial practices and engineered standards.

### **DMAG Mission Description**

Depot Maintenance provides the capability that guarantees mission support of workload for combat forces. Organic Depot Maintenance ensures support of mission essential workloads and support of workloads that commercial sources cannot or will not perform. Contract Depot Maintenance supports non-mission essential workloads and mission essential workloads where the risk of non-support is low. This can include military workloads that have commercial derivatives, where there are multiple contract sources to perform the work, and where these sources have experienced few production disruptions.

Organic Depot Maintenance services include repair, overhaul and modification of aircraft, missiles, engines, engine modules and associated component items, exchangeable spare parts and other major end items. Other services include local manufacture, software maintenance, aircraft storage and reclamation, and support to base tenants. Organic depot maintenance sites include:

- Ogden Air Logistics Center (00-ALC), Ogden, UT
- Oklahoma City Air Logistics Center (OC-ALC), Oklahoma City, OK
- Warner Robins Air Logistics Center (WR-ALC), Warner Robins, GA
- Aerospace Maintenance and Regeneration Center (**AMARC**), Tucson, AZ

**DMAG Mission Organization**

The Depot Maintenance Activity Group (DMAG) is managed under a Chief Executive Officer structure. The AFMC Commander (**AFMC/CC**) is the Chief Executive Officer (CEO). The AFMC Director of Logistics (HQ **AFMC/LG**) serves as the Chief Operating Officer (COO) and the AFMC Director of Financial Management (HQ **AFMC/FM**) is the Chief Financial Officer (CFO). At the center level, the Center Commander (CC) has the responsibility (both operational and **financial**) for Depot Maintenance at that center. The Center Chief Operating Officer (COO) responsibility is exercised by the Director of Maintenance (MA at OC-ALC, 00-ALC and WR-ALC) or the Center Executive Director (CD) at **AMARC**). Day-to-day management of the financial portion of the DMAG is managed by the center Chief Financial Officer (CFO) while the depot maintenance managers (**DMMs**) manage the production.

**Financial Highlights**

<b>Total Customer Orders: (\$M)</b>	<b><u>FY03</u></b>	<b><u>FY04</u></b>	<b><u>FY05</u></b>
Organic	4,662.9	5,441 .0	5,691.4
Contract	<u>1,699.8</u>	<u>1,029.0</u>	0.0
Total	6,362.7	6,470.0	5,691.4
<b>Revenue and Expenses (\$M)</b>	<b><u>FY03</u></b>	<b><u>FY04</u></b>	<b><u>FY05</u></b>
Revenue	7,781 .1	6,978.4	6,198.4
- Cost of Goods Sold/Other*	<u>7,813.7</u>	<u>6,906.0</u>	<u>6,189.4</u>
= Net Operating Results	-32.6	72.4	9.0
Prior Year <b>AOR</b>	9.1	-56.4	-9.0
+ Prior Year Gains/Losses	-57.8	<u>-25.0</u>	<u>0.0</u>
= Revised Prior Year <b>AOR</b>	-48.7	-81.4	-9.0
+ Net Operating Results	<u>-32.6</u>	<u>72.4</u>	<u>9.0</u>
= End of Year <b>AOR</b>	-81.4	-9.0	0.0
- Non-Recoverable Amounts	<u>-25.0</u>	<u>0.0</u>	<u>0.0</u>
= End of Year <b>AOR</b> (Budget Purposes)	-56.4	-9.0	0.0

The transition of Contract DMAG to direct cite of customer funds is the main driver for the decrease in FY04 and FY05 revenue and cost of goods sold.

. Other includes the undepreciated value of equipment written off and extraordinary items consistent with the financial accounting statements.

**Stabilized Sales Rates and Prices**

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>
Organic Composite Sales Rate	\$199.66	\$237.84	\$254.02
Rate Change	26.6%	19.1%	6.8%
Contract Customer Price Change	4.5%	7.5%	7.5%

The following list depicts the estimated changes from the FY04 organic composite rate to the FY05 composite rate.

<b>FY04 Stabilized Rate</b>	<b>\$237.84</b>
Price Growth	4.80
Direct Labor	1.66
Direct Material	-2.94
Direct Other	0.44
Overhead Labor	-0.51
Overhead Material	2.15
Overhead Other	0.47
FY05 Initiatives**	12.68
Cash Reserve/Carry-in	<u>-2.57</u>
Total Impact	\$16.18
<b>FY05 Proposed Stabilized Rate</b>	<b>\$254.02</b>
FY05 Composite Rate Change	6.8%

\*\* Items and programmatic changes that cannot be captured by simple inflation. These include such things as material increases, depreciation, Expandability, Recoverability, Reparability Category (ERRC) changes and repairs to or replacement of the F-15 Spars, E-3 Lower Lobes, C-130 repairs, C-5 repairs, and KC-135 Carbon Brakes.

<b>Other</b>	<u>FY03</u>	<u>FY04</u>	<u>FYo5</u>
Manpower Resources:			
Civilian <b>EndStrengths</b>	22,006	23,960	22,182
Civilian Workyears (w/o OT)	21,518	23,717	22,239
Overtime (Direct)	13.4%	6.9%	7.6%
Efficiency (Direct)	95.9%	90.9%	92.7%
Military <b>EndStrengths</b>	215	214	213
Military Workyears	182	244	247
<b>Direct Production Standard Hours Produced:</b>	23,302	24,359	22,909

Increases in workload for FY04 drive the increase in manpower and production hours in relation to projected GWOT requirements. The decrease in workload for FY05 means less manpower will be needed and production hours will return to peacetime levels.

<b>Unit Cost (Organic Expense Rate):</b>	<b>\$184.85</b>	<b>\$219.90</b>	<b>\$239.49</b>
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The increase in the FY04 and FY05 unit cost is being driven by price growth associated with changes in pay and business operations, higher material prices from suppliers and higher usage of materials due to changes in workload.

<b>Capital Budget Program Authority: (\$M)</b>	<u>F</u>	Y	<u>FY04</u>	0	<u>FYo3</u>
Equipment	42.5		89.6		52.0
ADPE & Telecom	11.0		8.9		7.5
Software Development	50.7		62.8		62.5
Minor Construction	<u>3.0</u>		<u>0.9</u>		<u>3.4</u>
TOTAL	107.2		162.2		125.4

In FY04, many of the increases are in support of the Air Force's strategic plan, which calls for greater support of infrastructure. This includes investment in maintenance and repair of equipment. These investments insure the depots retain viable organic capabilities and meet long-range goals effectively and efficiently. As part of the Air Force Depot Recapitalization program, a capital surcharge of **\$37.7M** is included in the FY04 costs.

<b>Cash: (\$M)</b>	<u>FY03</u>	<u>FY04</u>	<u>FYo5</u>
Collections	<u>6,606.0</u>	<u>7,068.1</u>	<u>6,123.9</u>
Disbursements	<u>6,649.1</u>	<u>6,843.0</u>	<u>6,263.9</u>
Change in Cash	-43.1	225.1	-140.0

Collections/Disbursement estimates factor in cash impacts due to liabilities incurred by the DMAG as a result of the Contract DMAG transition out of the Working Capital Fund. Residual costs associated with the transition will continue beyond FY05, and final estimates and transition costs have not been determined.

<b>Performance Indicators:</b>	<u>Goal</u>	<u>F</u>	Y	<u>FY04</u>	0	<u>FY05</u>
Net Operating Result (\$M)	0.0	-33		72		9
Due Date Performance	90.0%	76.2%		85.0%		90.0%
Quality Defect Rate	.21	.21		.21		.21

The Due Date Performance objective is to produce 90 percent of aircraft on or before the Scheduled Out date. Overall, the AF achieved 78 percent on time for organic aircraft production. Problems have been identified and have been overcome with the implementation of product line improvements at all depots and improved training programs for aircraft technicians. The AF is back on schedule to deliver 85 percent of aircraft on or before the due date for FY04.

The Quality Defect Rate is a measure of quality expressed as defects per unit (or multiple units) produced. The objective is to produce all defect free aircraft (workmanship and tech order compliance). The AF achieved a rate of .21 defects per aircraft in FY03. It has reemphasized quality production, improved training programs, and developed a **roadmap** to complete skills training according to templates established for each skill.

<b>Net Available (\$M) Carry-over</b>	<u>FY03</u>	<u>FY04</u>	<u>FYo5</u>
Target	<u>2,034.0</u>	<u>2,042.4</u>	<u>1,759.4</u>
Actual / Budget	<u>1,638.4</u>	<u>1,345.1</u>	<u>1,121.5</u>
Under Target	395.6	697.3	637.9

The downward trend in the Budgeted amount reflects the phasing out of Contract DMAG from the Working Capital Fund.

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**Net Available:**

Carryover is the amount of work funded but not yet performed by the end of the fiscal year at the industrial-type activities such as aircraft depots, shipyards or ordnance activities.

To measure the expected performance of each activity group, outlay rates of the various customer appropriations are used to develop a unique activity group target. The formula excludes work-in-process and certain other orders, such as **non-DoD** customers, from the carryover amount. This method holds the Working Capital Fund Activities to the same standard as work performed by all providers--whether private or public, and supports budget analysis rather than just performance against an arbitrary target.

The workload carryover target for the Air Force Depot Maintenance activity group is \$1.8 billion in FY05, or 25 percent. This amount and percentage is the same or lower than general fund outlay rates. The budgeted carryover is projected at \$1 .1 billion, or 16 percent. This is 9 percent lower than allowed under the current **DoD** regulation.

**Current Issues:**

**1. MATERIAL EXPENSES.** The FY04 and FY05 material increases are mainly driven by price changes and increased workload requirements. First, the FY04 and FY05 price change factors are 10.73 percent and -2.5 percent, respectively, for General Support Division (GSD)/other non-fuel retail. The Material Support Division (MSD) pricing factor is 18.3 percent in FY04 and 3.8 percent for FY05. Next, the budget allows for increased engine related exchangeable workload, which is very material intensive, and the indirect material to support the exchangeable workload. Other exchangeable workload increases are for the A-1 0 wings, armament (electrical winches), power systems, diesel engine repair, and landing gear. There are also **FY04PB** approved material expenses in the budget for new workloads such as the AN/APG-68 Radar Programmable Signal Processor (PSP), upgraded vertical/horizontal stabilizers, KC-1 35 interim strut repairs, and additional gas turbine engines for the generator workload. The DoD's aging aircraft fleet now requires more repairs for occurrence and replacement factor increases on rotors, valves, fuel controls, compressors, seals, impellers, and shafts. To assist with material expense analyses, the Air Force formed a Depot Maintenance Material integrated product team (IPT) that captured historical data and developed a pilot program, which classifies material variances into three drivers (price, usage, and production). The team is converting the information into a database that will allow the analysis of large volumes of data. The analysis tool is being placed in the DMAG Data Mart, which is available to center and headquarters personnel, and should be fully functional in November 2004. Lastly, material expenses increased in association with projected workload due to receipt of Global War on Terrorism (GWOT) dollars late in FY03 and increased workload due to receipt of GWOT dollars by way of an Emergency Supplemental in FY04.

**2. INCREASES IN BUSINESS OPS.** Investments in facilities, equipment and the workforce can no longer be deferred. In **FY04** and **FY05**, increases are based on Transformation objectives, inflation and costs out of direct DMAG control (e.g., DFAS, DISA, BOS, utilities). The overall goal is to improve accuracy when estimating costs while supporting the mission at the lowest cost to the customer.



### **3. DEPOT MAINTENANCE REORGANIZATION AND TRANSFORMATION (DMRT)**

**INITIATIVES.** The Air Force determined that different business rules between contract and organic DMAG contributed to financial losses within the working capital fund (WCF). These differences undermined the organic program and invalidated comparison of organic to contract DMAG performance. Therefore, AF plans to discontinue financing the contract depot maintenance (CDM) program through the WCF. Although using the WCF allows some flexibility in how contract depot maintenance operations are funded, removal will allow depot maintenance managers to focus on core organic operations. Currently the AFWCF funds contract depot maintenance costs and is subsequently reimbursed by its customers. The new process will cite customer fund accounts directly when obtaining contract depot maintenance services. In FY03 new missile contracts, foreign military sales contracts, and contracts without contractor furnished material were direct cited using customer funds. During FY04, the depots will direct cite additional new contracts, but most contracts with government furnished material attached will remain in Contract DMAG in FY04 with all new workload in FY05 being executed outside the WCF and Contract DMAG.

**Changes in Cost of Operations**  
**Air Force Working Capital Fund**  
**AF Depot Maintenance Activity Group**

FUND2  
(Dollars in Millions)

Fiscal Year (FY) 2005 Budget Estimates  
February 2004

	FY03 TO FY04	FY04 TO FY05
<b>Cost of Operations</b>		
Organic	4,307.477	5,356.542
Contract	2,107.948	1,334.622
<b>TOTAL</b>	<b>6,415.425</b>	<b>6,691.164</b>
<b>ANNUALIZATION</b>		
Annualization of Civilian Pay	14.855	17.142
Annualization of Military Pay	0.117	0.098
<b>TOTAL ANNUALIZATION</b>	<b>14.972</b>	<b>17.240</b>
<b>PRICE CHANGES</b>		
Organic Civilian Pay Raises	35.191	15.323
Organic Military Pay Raises	0.406	0.340
Material Price Growth	425.623	84.902
Contractor Cost Growth	73.025	42.663
Contract Interservice Growth	13.472	0.261
Other Growth	6.668	7.590
<b>TOTAL PRICE CHANGES</b>	<b>554.385</b>	<b>151.079</b>
<b>PRODUCTIVITY SAVINGS</b>		
Organic Labor Savings	0.000	0.000
Material Savings	0.000	0.000
Organic Other Savings	0.000	0.000
Contract Savings	0.000	0.000
<b>TOTAL PRODUCTIVITY SAVINGS</b>	<b>0.000</b>	<b>0.000</b>
<b>PROGRAM CHANGES</b>		
Organic Labor Workload	94.124	(80.710)
Material Workload	30.690	(182.973)
<b>BOS</b>	<b>11.233</b>	<b>3.776</b>
Contractor Changes	(296.208)	(663.560)
<b>TOTAL PROGRAM CHANGES</b>	<b>(160.161)</b>	<b>(923.467)</b>
<b>OTHER CHANGES</b>		
Travel & Transportation	5.198	0.759
Organic Depreciation	35.450	1.971
Organic Facility Maintenance	19.664	(3.047)
Organic Utilities	0.672	0.050
Data Systems Development	9.570	(2.362)
Organic Other ADP	30.773	4.014
Organic Equip/Vehicle Rep & Maintenance	1.629	3.046
Miscellaneous	(226.265)	(18.402)
<b>TOTAL OTHER CHANGES</b>	<b>(123.309)</b>	<b>(13.971)</b>
<b>TOTAL CHANGES</b>	<b>285.887</b>	<b>(769.119)</b>
<b>Cost of Operations</b>		
Organic	5,356.542	5,486.497
Contract	1,334.622	435.624
<b>TOTAL</b>	<b>6,691.164</b>	<b>5,922.121</b>

**Sources of Revenue**  
**Air Force Working Capital Fund**  
**AF Depot Maintenance Activity Group**

Fiscal Year (FY) 2005 Budget Estimates

FUND1 1  
(Dollars in Millions)

February 2004

	2003	2004	2005
<b>1. DOD COMPONENTS</b>			
Aircraft Procurement	168.337	131.335	119.256
Missile Procurement	0.911	15.551	7.420
Other Procurement	0.020	0.000	0.000
MAJCOM O&M	2,169.168	2,049.260	1,610.560
ANG O&M	593.442	504.030	554.769
AFRES O&M	216.719	220.675	251.021
RDTE	37.124	25.940	26.714
AF Supply Mgmt Act Group	2,662.086	2,927.168	2,575.079
Other AF Customers	37.513	52.674	53.207
Other	74.222	29.019	0.000
<b>TOTAL</b>	<b>5,961.542</b>	<b>5,955.652</b>	<b>5,198.046</b>
<b>2. ORDERS FROM OTHER FUND</b>			
Army	1.326	1.166	0.673
Navy	166.535	162.567	165.716
Marine Corps	0.000	0.002	0.003
TRANSCOM	155.119	271.236	253.503
Other DOD Customers	2.431	0.727	0.462
<b>TOTAL</b>	<b>325.413</b>	<b>435.700</b>	<b>420.357</b>
<b>3. TOTAL DOD ORDERS</b>	<b>6,286.955</b>	<b>6,391.352</b>	<b>5,618.403</b>
<b>4. OTHER ORDERS</b>			
Other Federal Funds	10.212	30.654	27.911
Trust Funds (Non-Federal)	0.000	0.000	0.000
FMS (Non-Federal)	63.621	40.776	35.456
Other Non-Federal Funds	1.706	7.066	9.646
<b>TOTAL</b>	<b>75.739</b>	<b>76.696</b>	<b>73.015</b>
<b>5. TOTAL NEW ORDERS</b>	<b>6,362.694</b>	<b>6,470.050</b>	<b>5,691.418</b>
<b>6. CARRY IN ORDERS</b>	<b>3,726.483</b>	<b>2,317.820</b>	<b>1,825.862</b>
<b>7. TOTAL GROSS ORDERS</b>	<b>10,089.177</b>	<b>8,787.870</b>	<b>7,517.260</b>
<b>6. TOTAL GROSS SALES</b>	<b>7,781.143</b>	<b>6,978.374</b>	<b>6,198.446</b>
<b>9. EOY WIP</b>	<b>693.645</b>	<b>460.795</b>	<b>215.437</b>
<b>10. NON-DOD, BRAC, FMS &amp; TWCF ORDERS &amp; CONTRL/</b>	<b>230.656</b>	<b>349.934</b>	<b>326.516</b>

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**Revenues and Expenses**

**Air Force Working Capital Fund**

AF Depot Maintenance Activity Group

Fiscal Year (FY) 2005 Budget Estimates

FUND14

(Dollars in Millions)

February 2004

	2003	2004	2005
<b>Revenue:</b>			
Gross Sales	7,761.143	6,978.374	6,198.446
Operations	7,662.219	6,892.008	6,180.387
Capital Surcharge	0.000	0.000	0.000
Depreciation excl Maj Const	0.000	0.000	0.000
Major Construction Dep	9.766	16.366	16.059
Cash Surcharge	25.096	70.000	0.000
Other Income	64.136	0.000	0.000
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	7,781.143	6,978.374	6,198.446
<b>Expenses:</b>			
Cost of Materiel Sold from Inv	0.000	0.000	0.000
Salaries and Wages:			
Military Personnel Compensation & Benefits	12.399	12.069	12.517
Civilian Personnel Compensation & Benefits	1,443.102	1,584.754	1,536.403
Voluntary Separation Prog. Incentive	0.100	2.769	2.700
Reduction in Force	0.000	0.000	0.000
Retirement Fund Offset - 15%	0.000	0.771	0.667
Retirement Fund Offset - \$60	0.000	0.000	0.000
Travel & Transportation of Personnel	17.235	22.447	23.226
Materials & Supplies (For Internal Operations)	3,044.450	3,500.763	3,402.693
Equipment	0.000	0.000	0.000
Other Purchases from Revolving Funds	302.546	96.277	64.230
Transportation of Things	0.000	0.000	0.000
Depreciation - Capital	94.661	140.416	143.422
Printing and Reproduction	2.537	2.362	2.357
Advisory and Assistance Services	0.000	0.000	0.000
Rent, Communication, Utilities, & Misc Charges	45.164	49.545	53.367
Other Purchased Services	1,453.211	1,279.038	660.317
Total Expenses	6,415.425	6,691.164	5,922.121
Work in Process, Beginning of Year	2,089.521	693.645	460.795
Work in Process, End of Year	693.645	460.795	215.437
Work in Process, Change	(1,395.876)	(212.650)	(265.356)
<b>Operating Result</b>	<b>(30.156)</b>	<b>74.360</b>	<b>10.967</b>
Less Capital Surchg Reservation	0.000	(37.690)	0.000
Plus Passthroughs or Other Approps (NOR)	0.000	37.699	0.000
Other Adjustments (NOR)	(2.465)	(1.964)	(1.999)
<b>Net Operating Result (Calculation)</b>	<b>(32.623)</b>	<b>72.376</b>	<b>6.977</b>
<b>Net Operating Result (1307 Report)</b>	<b>(32.623)</b>	<b>72.376</b>	<b>6.977</b>
Prior Year Adjustments	(57.766)	25.000	0.000
Other Changes (AOR)	0.000	0.000	0.000
Prior Year AOR	9.056	(106.353)	(6.977)
<b>Accumulated Operating Result</b>	<b>(61.353)</b>	<b>(6.977)</b>	<b>0.000</b>
Non-Recoverable Adjustment (AOR)	25.000	0.000	0.000
<b>Accumulated Operating Result for Bdgt Purposes</b>	<b>(106.353)</b>	<b>(6.977)</b>	<b>0.000</b>

**Materiel inventory Data**

Air Force Working Capital Fund  
AF Depot Maintenance Activity Group

Fiscal Year (FY) 2005 Budget Estimates

FUND16  
(Dollars in Millions)

February 2004

	2003	2004	2005
<b>1. Materiel Inventory BOP</b>	656.400	451.667	166.862
<b>2. A. BOP Reclassification Changes</b>	0.000	0.000	0.000
B. Adjust To Standard Price	0.000	0.000	0.000
<b>3. A. Price Changes</b>	0.000	0.000	0.000
B. Inventory Reclass & Repriced	656.400	451.667	166.662
<b>4. Receipts From Commercial Sources</b>	543.046	226.302	56.342
<b>5. Negotiated Purchases From Customers</b>	0.000	0.000	0.000
<b>6. Gross Sales</b>	747.579	430.693	162.630
<b>7. Inventory Adjustments</b>			
A. Capitalizations (Net)(+/-)	0.000	0.000	0.000
B. Returns To suppliers (-)	0.000	(62.394)	(62.394)
C. Transfer To Prop Disposal (-)	0.000	0.000	0.000
D. Issues/Receipts W/O Reimbrsmnt (+/-)	0.000	0.000	0.000
E. Customer Returns W/O Credit(+)	0.000	0.000	0.000
F. DLR Retrograde (+)	0.000	0.000	0.000
G. Other Inventory Adjustments			
1. Other-Destructions (-)	0.000	0.000	0.000
2. Other-Discounts on Returns	0.000	0.000	0.000
3. Other-Trade Ins (-)	0.000	0.000	0.000
4. Other-Loss From Disaster (-)	0.000	0.000	0.000
5. Other-Assembly/Disassembly (+/-)	0.000	0.000	0.000
6. Other-Physical Inventory Adj (+/-)	0.000	0.000	0.000
7. Other-Accounting Adjustments (+/-)	0.000	0.000	0.000
6. Other-Shipment Discrepancies(+/-)	0.000	0.000	0.000
9. Other-Other Gains/Losses (+/-)	0.000	0.000	0.000
10. Other-Strata Transfers (+/-)	0.000	0.000	0.000
11. Other-Strata Transfers in Transit	0.000	0.000	0.000
12. Other-Total	0.000	0.000	0.000
H. Adjustments to Revised Valuation	0.000	0.000	0.000
I. Total Adjustments	0.000	(62.394)	(62.394)
<b>6. Inventory-End of Period</b>	451.667	166.662	0.000
A. Economic Retention (Memo)	0.000	0.000	0.000
B. Policy Retention (Memo)	0.000	0.000	0.000
C. Potential Excess (Memo)	0.000	0.000	0.000
D. Other (Memo)	0.000	0.000	0.000
<b>9. Inventory On Order (EOP)</b>	0.000	0.000	0.000

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**Air Force Working Capital Fund  
Information Services Activity Group (ISAG)  
Fiscal Year (FY) 2005 Budget Estimates**

The Information Services Activity Group was established, effective 1 October 1995 (FY96), under the authority of Section 2208 of Title 10, United States Code. Operations of the group are conducted in accordance with applicable Department of Defense (DoD) policies and regulations.

**Functional Description**

There are two Air Force activities acting as one Central Design Activity (CDA) under the command of the HQ Air Force Materiel Command, Wright-Patterson Air Force Base (AFB), OH through Electronic Systems Center (ESC) at Hanscom AFB MA. The two activities are the Materiel Systems Group (MSG) located at Wright-Patterson AFB OH and the Standard Systems Group (SSG) located at Maxwell AFB – Gunter Annex, AL.

The **ISAG** is authorized and provides, through the **CDAs**, the following information services activities: (1) Development and operational sustainment of automated information and communications systems on existing hardware and software platforms for Air Force Materiel Command level logistics support systems and Air Force base level standard support systems. This includes a 24-hour by 7-day field user help desk for field users to call for hardware and software systems support; (2) Automated information and communications systems requirements analysis, system design, development, testing, integration, implementation support, and documentation services on mainframe, mid-tier and personal computer hardware/software **platforms** for Air Force and **DoD** customers using the Software Engineering Institute Capability Maturity Model processes; (3) and other authorized information system services or products through the acquisition and operation of the Commercial Information Technology Product Area Directorate (CIT-PAD) commodity contracts for the Department of the Air Force and other agencies of the **DoD**. The CIT-PAD portion of the **ISAG** is operated through the collection of a surcharge on orders submitted by users of the contracts or blanket purchase authority. This service provides customers with the opportunity to stay abreast of the latest information technology for personal computers and network hardware and services. While our primary mission of providing CDA services is based on service level agreements (**SLAs**) with known customers and on the sale of direct billable hours, the CIT-PAD business area provides goods and services (e.g., personal computers, local area network hardware and services including installations worldwide) to many thousands of individual customers across the Air Force and DOD. The nature of this business cannot be supported by **SLAs** and the recovery of costs through the sale of direct billable hours. Instead, the surcharge rate is established by dividing total CIT-PAD program office expenses (the cost of managing the programs and administering the contracts) by anticipated sales off the contracts. Prior year profits and

losses are also incorporated as adjustments to the surcharge rate to obtain the ISAG goal of zero Accumulated Operating Results (AOR).

ISAG may furnish these products or services to agencies of other departments or instrumentalities of the U.S. Government and to private parties and other agencies, as authorized by law. The services are authorized to be provided by organic or contract sources.

## HQ Management

HQ management costs in FY03 and out provides for employees who directly support the ISAG management and their associated travel and supplies. It also includes the Air Force Materiel Command Enterprise Intranet, Oracle software licenses and Automated Budget Analysis/Centralized User System (ABACUS) database expenses.

## Performance Indicators

The ISAG manages to both financial and non-financial performance indicators. ISAG uses the Defense Working Capital Fund Accounting System (DWAS) as the source of data points for monthly performance metrics. The actual data is compared to the annual operating budget plan. The financial performance indicators including explanations of variances (plus/minus) and a get-well plan are reported to SAF/FM and the ISAG chief operating officer (HQ AFMC/DR) on a quarterly basis. Refer to the "Financial Highlights" section of this narrative for the financial performance indicators.

Non-financial Indicators:

	<b>FY03 Goal</b>	<b>FYo3 Actual</b>	<b>FY04 * Goal</b>	<b>FY05 * Goal</b>
Software Releases	95%	99%	95%	95%
Priority 1 Deficiency Reports **	<b>66%</b>	<b>92%</b>	<b>66%</b>	<b>66%</b>
Priority 2 Deficiency Reports ***	75%	96%	<b>75%</b>	<b>75%</b>

\* Due to ongoing transformation efforts, a joint SSG/MSG team is in the process of designing new metrics for FY04 and FY05 that better support a net centric philosophy and is in line with the ISAG balanced scorecard approach. Once developed, these metrics will be incorporated into future President's Budget submissions.

\*\* Percent of reported priority 1 software deficiencies resolved within 48 hours. If not resolved, these deficiencies will prevent the accomplishment of an essential mission capability.

\*\*\* Percent of reported priority 2 software deficiencies resolved within 45 days. If not resolved and no workaround is known, these deficiencies will affect technical, cost, or schedule risk to the project or to the life cycle support of the system.



## Productivity

ISAG is experiencing a reduction in customer orders as customers reevaluate requirements to comply with the Department of Defense (DoD) Appropriations Act (Registering Financial Management Information Technology Systems with DoD Chief Information Officer (Section 8104 in FY02, Section 8088 in FY03, and Section 8084 in FY04)). As a result total direct labor hours have been reduced significantly. The reduction in billable Direct Labor Hours (DLHs), is reflected below:

	<b>FY03</b>	<b>FYo4</b>	<b>FY05</b>
FY04 PB	2.320	2.430	2.438
FY05 PB	<u>2.040</u>	<u>2.077</u>	<u>1.996</u>
<b>Loss in DLHs</b>	<b>.280</b>	<b>.353</b>	<b>.442</b>

The cumulative affect of reduced requirements, associated funding, and an unbalanced military and civilian workforce skill mix workforce resulted in fixed expenses being spread over a smaller DLH base that has increased the composite rate to the customer.

ISAG transformation initiatives are addressing these congressional mandates (Sections 8104, 8088, and 8084 of the DoD Appropriations Act) by aggressively transforming itself into the net-centric information technology organization required by the AF. Ongoing efforts to reskill the current workforce will result in an increase in productivity per work year. In future years, transformation, reskilling and rightsizing efforts will help offset the net reduction in hours that is driven by an imbalance in workforce skills mix.

The goal of transformation efforts is to have a workforce of core organic personnel that will be complemented by teaming with industry to accomplish our mission. The ISAG transformation efforts are already beginning to show results; e.g., the AF Directory Services and Deliberate Crisis Action Planning and Execution Segments (DCAPES) contract/organic mix shift resulted in additional organic labor hours.

## Financial:

This budget is structured to separate rate-based expenses from the contract reimbursable and CIT-PAD expenses so that an accurate rate is developed per direct labor hour. Cost reimbursable expenses include direct contract costs and mission unique expenses (e.g., travel, supplies, equipment) that are charged dollar for dollar to the customer. The CITPAD expenses are recovered based on a percent of the sale price.

**Financial Highlights:**

**Customer Orders: (\$M)**

	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Organic	151.1	153.8	196.7
Contract	<u>589.7</u>	487.8	<u>475.9</u>
Total	740.8	641.6	672.6

**Revenue and Expenses:(\$M)**

	<b>FY03</b>			
	<b>Goal</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Revenue	608.0	658.5	658.8	686.1
Cost of Goods Sold	613.2	675.1	675.6	661.2
Net Operating Results (NOR) *	(5.2)	(16.7)	(16.9)	24.9
Total Other Adjust	N/A	(2.6)	(19.3)	(36.1)
Accumulated Operating Result **	N/A	(19.3)	(36.1)	(11.2)

\* Due to a reduction in customer orders and the loss of projected revenues, the FY03 NOR goal was not achieved.

\*\* To remain competitive, customer rates recover prior year losses over a two year period. ISAG's Accumulated Operating Result (AOR) is being recovered in FY05 and FY06 as provided in DoD financial management guidelines.

**Stabilized Sales Rates and Prices**

	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Organic Composite Sales Rate	\$70.94	\$77.10	\$98.55
Rate Change	9.5%	8.7%	27.8%
CITPAD Surcharge	1.54%	1.3%	1.0%

The following list depicts the changes from the FY04 organic composite rate to the FY05 composite rate.

<b>FY04 Composite Sales Rate</b>	<b>\$77.10</b>
Prior Year Loss	14.40
Standard Inflation	1.93
Decreased Orders/Civilian Pay	4.72
Depreciation	-0.35
Military <b>Workyear</b> Increase	0.19
Other Cost	.74
PIH/PIW & IDE Cost in WCF	.45
<u>PIH/PIW &amp; IDE Hours WCF</u>	<u>-.63</u>

**FY05 Composite Sales Rate**                      **\$98.55**

**Other Highlights**

	<b>FY03</b>	FYo4	<b>FY05</b>
Direct Labor Hours (Hours in Millions)	2.040	2.077	1.996
Unit Cost	82.71	85.18	86.08
Manpower Resources			
Civilian Endstrength	1,056	<b>1,089</b>	1,101
Civilian Workyears (w/o OT)	1,138	1,108	1,111
Military Endstrength	850	1,139	1,140
Military Workyears	868	809	1,140
Capital Budget	<b>\$ 8.2M</b>	<b>\$10.6M</b>	\$8.1 M
<b>Cash (\$M)</b>	<b>FY03</b>	FYo4	FY05
Collections	659.0	660.1	679.2
Disbursements	656 0	<u>671.6</u>	<u>656.0</u>
Net Outlay	(3.0)	11.5	(23.2)

**Changes from Previous Submission**

**1. ACCUMULATED OPERATING RESULT (AOR).** As a result of customer requirement and funding changes associated with compliance to the DoD Appropriations Act (Sections 8104, 8088, and **8084**), the Accumulated Operating Result (AOR) reflects a two year recovery plan in FY05 and FY06.

**2. RATE CHANGES.** A FY05 composite rate increase, driven by changing customer requirements and an imbalance in the skill mix of personnel, resulted in fixed expenses being spread over a smaller DLH base.

**3. TRANSFORMATION.** The ISAG is aggressively transforming itself into the net-centric information technology organization required by the AF. This transformation includes a minimum core organic workforce that optimizes the ISAG military, civilian and contractor mix (providing flexibility to surge or retrench based on customer demand). ISAG transformation efforts are already beginning to show results. Recent decisions such as the movement of AF Directory Services and Deliberate Crisis Action Planning and Execution Segments (DCAPES) resulted in an additional seven thousand hours of business in FY03 and twenty-six thousand hours in FY04 and FY05. The ISAG is working hard at developing new business opportunities and strengthening current customer relationships.

**4. EXPENSE REDUCTION INITIATIVES.** The ISAG rate build plan includes aggressive and prudent cost reductions. Effective October 02, the ISAG instituted an across the board position review of civilian vacancies. Positions were filled on a case-by-case basis. Factors included in the decision process were revenue impact, alignment with reskilling efforts, and the impact on transformation. VERA/VSIP funding was budgeted in FY04 and FY05 to continue the re-skilling and the civilian grade roll-back initiative. In addition, capital investments and operating budget expenses have been cut or reduced to minimum mission essential purchases. These actions are reflected in FY03 rate based expense decrease from the FY04 PB. A reduction in civilian labor is the primary driver. Additionally, the operating budget for travel, supplies, and equipment was reduced and depreciation expense was trimmed due to scaling back of the capital budget.

#### **FY03-FY04**

Collectively, decreased purchases of material, equipment and supplies, transportation of things, and equipment maintenance by contract were the results of reduced customer requirements. Increases to travel and other purchases from revolving funds are attributed to support of various programs (Defense Message Systems, Integrated Maintenance Data System, Integrated Deployment System, and supply Modernization). Depreciation increased due to actual FY03 capital equipment purchases and reevaluation of Capital Purchase Program assets useful life.

#### **FY04-05**

Material, Equipment and supplies (from non-Fund) increased due to additional requirements from a variety of programs. Total equipment purchases from the fund increased due to increases in unique purchases for several programs. Conversely, equipment maintenance by contract requirements decreased due to lower than planned customer funded purchases for various programs.

**Changes in Cost of Operations**  
**Air Force Working Capital Fund**  
**AF Information Services Activity Group**

Fiscal Year (FY) 2005 Budget Estimates  
February 2004

FUND2  
(Dollars in Millions)

	FY03 TO FY04	FY04 TO FY05
<b>COST OF OPERATIONS</b>	<b>675.109</b>	<b>675.610</b>
<b>PRICE CHANGES</b>		
Military Pay	0.988	1.138
Civilian Pay	4.006	2.214
Supply Price Growth	0.985	0.879
Contractor Cost	5.689	5.631
Other	0.352	0.437
<b>TOTAL PRICE CHANGES</b>	<b>12.020</b>	<b>10.299</b>
<b>PRODUCTIVITY CHANGES</b>		
Civilian Labor	0.000	0.000
Military Labor	0.000	0.000
Supply Savings	0.000	0.000
Travel Cost Savings	0.000	0.000
Contract Cost Savings	0.000	0.000
Other	0.000	0.000
<b>TOTAL PRODUCTIVITY CHANGES</b>	<b>0.000</b>	<b>0.000</b>
<b>PROGRAM CHANGES</b>		
BOS	0.304	0.452
Other	(11.823)	(25.144)
<b>TOTAL PROGRAM CHANGES</b>	<b>(11.519)</b>	<b>(24.692)</b>
<b>OTHER CHANGES</b>	<b>0.000</b>	<b>0.000</b>
<b>COST OF OPERATIONS</b>	<b>675.610</b>	<b>861.217</b>

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## Sources of Revenue

## Air Force Working Capital Fund

## AF Information Services Activity Group

Fiscal Year (FY) 2005 Budget Estimates

FUND1 1

(Dollars in Millions)

February 2094

	2003	2004	2005
<b>1. DOD COMPONENTS</b>			
Aircraft Procurement	0.000	0.000	0.000
Missile Procurement	0.000	0.000	0.000
Other Procurement	61.106	39.607	33.308
MAJCOM O&M	299.517	245.188	232.524
ANG O&M	3.352	0.000	0.000
AFRES O&M	0.000	0.000	0.000
RDTE	92.459	96.813	96.811
AMC	0.000	0.000	0.000
Other AF Customers	80.838	42.464	73.628
<b>TOTAL</b>	<b>537.272</b>	<b>424.072</b>	<b>436.271</b>
<b>2. ORDERS FROM OTHER FUND</b>			
AF Supply Mgmt Act Group	117.251	150.334	187.206
AF Depot Maint Act Group	30.518	48.260	44.766
<b>Army</b>	<b>3.377</b>	<b>0.000</b>	<b>0.044</b>
<b>Navy</b>	<b>0.141</b>	<b>0.000</b>	<b>0.000</b>
Marine Corps	0.296	2.162	2.174
TRANSCOM	0.000	0.000	0.000
Other DOD Customers	51.916	16.788	22.178
<b>TOTAL</b>	<b>203.499</b>	<b>217.542</b>	<b>236.368</b>
<b>3. TOTAL DOD ORDERS</b>	<b>740.771</b>	<b>641.614</b>	<b>672.639</b>
<b>4. OTHER ORDERS</b>			
Other Federal Funds	0.000	0.000	0.000
Trust Funds (Non-Federal)	0.000	0.000	0.000
FMS (Non-Federal)	0.000	0.000	0.000
Other Non-Federal Funds	0.000	0.000	0.000
<b>TOTAL</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>5. TOTAL NEW ORDERS</b>	<b>740.771</b>	<b>841.614</b>	<b>672.639</b>
<b>6. CARRY IN ORDERS</b>	<b>199.666</b>	<b>272.983</b>	<b>255.837</b>
<b>7. TOTAL GROSS ORDERS</b>	<b>931.437</b>	<b>914.597</b>	<b>928.476</b>
<b>8. FUNDED CARRYOVER</b>	<b>272.983</b>	<b>255.837</b>	<b>242.359</b>
<b>9. TOTAL GROSS SALES</b>	<b>658.454</b>	<b>658.760</b>	<b>686.117</b>

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**Revenues and Expenses**  
**Air Force Working Capital Fund**  
**AF Information Services Activity Group**

FUND14

Fiscal Year (FY) 2005 Budget Estimates

(Dollars in Millions)

February 2004

TOTAL	2003	2004	2005
<b>Revenue:</b>			
Gross Sales	658.454	658.780	686.117
Operations	658.454	658.760	686.117
Capital Surcharge	0.000	0.000	0.000
Depreciation exc Maj Const	0.000	0.000	0.000
Major Construction Dep	0.000	0.000	0.000
Other Income	0.000	0.000	0.000
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	658.454	658.760	686.117
<b>Expenses:</b>			
Cost of Materiel Sold from Inv	0.000	0.000	0.000
Salaries and Wages:			
Military Personnel Compensation & Benefits	36.937	36.402	36.642
Civilian Personnel Compensation & Benefits	97.797	104.679	97.594
Travel & Transportation of Personnel	4.878	6.602	8.206
Materials & Supplies (For internal Operations)	3.852	3.802	4.715
Equipment	71.885	63.831	70.070
Other Purchases from Revolving Funds	2.078	2.336	2.359
Transportation of Things	0.031	0.027	0.027
Depreciation - Capital	5.905	7.396	8.023
Printing and Reproduction	0.000	0.010	0.010
Advisory and Assistance Services	55.423	56.360	57.334
Rent, Communication, Utilities, & Misc. Charges	0.008	0.484	0.496
Other Purchased Services	396.315	393.681	377.741
Total Expenses	675.109	675.610	661.217
Work in Process, Beginning of Year	0.000	0.000	0.000
Work in Process, End of Year	0.000	0.000	0.000
Work in Process, Change	0.000	0.000	0.000
Operating Result	(16.655)	(18.850)	24.900
Less Capital Surcharge Reservation	0.000	0.000	0.000
Plus Passthroughs or Other Approps (NOR)	0.000	0.000	0.000
Other Adjustments (NOR)	0.000	0.000	0.000
Net Operating Result (Calculation)	(16.655)	(16.850)	24.900
Net Operating Result (1307 Report)	(16.655)	(16.850)	24.900
Prior Year Adjustments	0.000	0.000	0.000
Other Changes (AOR)	0.000	0.000	0.000
Prior Year AOR	(2.637)	(19.292)	(36.142)
Accumulated Operating Result	(19.292)	(36.142)	(11.242)
Non-Recoverable Adjustment (AOR)	0.000	0.000	0.000
Accumulated Operating Result for Bdgt Purposes	(19.292)	(36.142)	(11.242)

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**UNITED STATES TRANSPORTATION COMMAND**  
**TRANSPORTATION WORKING CAPITAL FUND**  
**BUDGET NARRATIVE ANALYSIS**

**BACKGROUND**

This President's Budget Submission provides justification for the United States Transportation Command Transportation Working Capital Fund (TWCF) budget. The Secretary of Defense designated the Commander, United States Transportation Command as the single Department of Defense (DOD) manager for the Defense Transportation System (DTS). As such, all common-user transportation assets are under the command authority of CDR USTRANSCOM, except for Service-unique or theater-assigned assets. USTRANSCOM submits the TWCF budget as a discrete subset of the Air Force Working Capital Fund budget submission. It reflects the cost authority needed to meet peacetime operations and the surge/readiness requirements to support the National Military Strategy. Requested capital funding supports the Department's In-Transit Visibility and Command and Control requirements, facilitating continuous process improvement and modernization.

**COMPOSITION OF COMPONENT BUSINESS AREAS**

USTRANSCOM's mission is to provide air, land, and sea transportation for the DOD, both in times of peace and war. The command's primary focus is wartime readiness. USTRANSCOM accomplishes a joint mission through three component **commands**—Air Mobility Command (AMC), Military Sealift Command (MSC), and Military Surface Deployment and Distribution Command (SDDC). This joint team of transportation components provides mobility forces and assets for a seamless transition from peace to war. In addition, USTRANSCOM forces operate worldwide in direct support of U.S. humanitarian and military operations, demonstrating DTS capabilities daily. A brief description of the role of each component follows:

Air Mobility Command serves as the single DOD manager for the nation's airlift services and maintains the worldwide airlift system in a constant state of readiness. Airlift capacity generated by the military airlift readiness training program and augmented by commercial Civil Reserve Air Fleet carriers is used to satisfy sustainment requirements. AMC also manages service-unique airlift assets for the Department of the Air Force.

Military Sealift Command (MSC) provides sealift support for the Department for both emergent and peacetime requirements. MSC supports four of the Command's major programs-Chartered Cargo for exercises and contingencies, Petroleum Tankerships, Strategic Surge (Large Medium Speed Roll-on/Roll-off vessels and Fast Sealift Ships), and the Non-Navy Afloat Prepositioning Force. MSC also manages Service-unique sealift assets for the Department of the Navy.

Military Surface Deployment and Distribution Command (SDDC) is the single defense manager for traffic management, land transportation, common-user ocean terminals, and common-user intermodal container management during peace and war. SDDC also has responsibility for intermodal surface transportation and peacetime Chartered Cargo. In addition, SDDC manages Service-unique assets for the Department of the Army.

USTRANSCOM's centralized headquarters and three component commands provide the ability to support war-fighting commanders. The components also provide the critical link to the Services' core competencies in organizing, training, and equipping forces. USTRANSCOM plays an integral part in Service training, operations and personnel tempo, maintenance, acquisition, logistics, and support policies and procedures-all key enablers in providing ready forces and capabilities.

USTRANSCOM's objective is to effectively and efficiently direct the mix of all transportation functions to provide a Defense Transportation System (DTS) ready to meet the nation's strategic mobility requirements. The USTRANSCOM Joint Mobility Control Group (JMCG) allows centralized visibility of all transportation requirements within the DTS. The JMCG exercises command and control over the entire DTS, ensuring efficient use of all assets and optimizing use of training opportunities, while meeting customer requirements.

### **BUDGET HIGHLIGHTS**

One of DOD's highest priority goals is to maintain a robust and responsive Defense Transportation System (DTS) as a critical element of America's national security strategy for rapid power projection. USTRANSCOM's ability to move U.S. and coalition forces, equipment and supplies, enables the defense of vital national interests anywhere in the world, at a moment's notice. A strong defense transportation capability gives credence to alliance commitments by delivering economic and security assistance, and when needed, military force. The DTS-a partnership of military and commercial assets-is key in accomplishing these actions. USTRANSCOM support of the Global War on Terrorism (GWOT) dominated cost changes from FY04 to FY05. FY03 reflects actual results based from contingency operations. While FY04 has an Operation ENDURING FREEDOM assumption as directed by budget policy, FY05 does not. This budget includes no assumption for the most significant contingency, Operation IRAQI FREEDOM. However, both FY04 and FY05 reflect airlift rate decreases to prevent the accumulation of excess cash and operating result balances.

The following budget highlights discuss USTRANSCOM's various initiatives and budget changes.

### **ECONOMIES AND EFFICIENCIES**

Since the inception of the Transportation Working Capital Fund in 1994, USTRANSCOM productivity, cost avoidance initiatives and organizational streamlining efforts, have resulted in savings of over \$1.3 billion. In cooperation with the Services, USTRANSCOM has made significant progress in streamlining the components. As a Unified Command, USTRANSCOM does not have the authority to direct organizational change within the components. That is a Service authority granted under Title 10. However, over the past decade, USTRANSCOM has worked with the Services to rightsize Transportation Component Commands commensurate with overall DOD plans. Streamlining efforts are an important step toward achieving a leaner, more efficient DTS, while preserving war-fighting capability. Following is an outline of FY94 - FY05 productivity, cost avoidance initiatives and organizational streamlining savings.

**PRODUCTIVITY AND COST AVOIDANCE INITIATIVES:** Since its inception as a revolving fund activity in FY94, USTRANSCOM has produced over \$1 .0 billion in savings due to productivity and cost avoidance initiatives. These include:

- Initiating cost reduction initiatives at Surface Deployment and Distribution Command
- Renegotiating ship contracts
  - Reducing ship testing periods
  - Devising fuel savings techniques for ship charters
- Operating aircraft channels (predetermined routes) and utilizing aircraft more efficiently
  - Validating asset maintenance requirements to minimize required expenditures
  - Implementing Strategic Distribution Management Initiative
- Revising flying hour models
- Replacing commercial passenger capacity with seat-pallet equipped C-1 7s
- Phasing-out commercial cargo fixed-buy (guaranteed business)
- Patriot Express (scheduled passenger service) restructure

USTRANSCOM continues to significantly reduce costs, while maintaining required Defense Transportation System wartime readiness levels.

**STREAMLINING-SAVINGS INITIATIVES:** From FY97 to FY05, USTRANSCOM's budget has reflected over \$231 million in savings as a result of streamlining initiatives. These initiatives were designed to improve customer service, reduce costs, and increase operational efficiency. As the single manager for defense transportation, USTRANSCOM has aggressively pursued numerous reengineering initiatives. These actions have resulted in a more efficient organization to support peacetime responsibilities, while preserving go-to-war readiness capability and effectiveness. Initiatives include:

- Reengineering strategic airlift
- Eliminating redundancies between components
- Implementing Base Realignment and Closure actions
- Reducing port infrastructure
- Consolidating command headquarters
- Streamlining organizational structures
- Renegotiating contracts
- Implementing cost savings initiatives

**(NOTE: Narratives for all following tables reflect changes from FY04 – FY05)**

**COST**

<b>COST (\$ IN MILLIONS)</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Air Mobility Command	\$5,569	\$5,667	\$3,178
Military Sealift Command	\$1,490	\$925	\$629
Surface Deployment and Distribution Command	\$1,162	\$1,086	\$799
Defense Courier Service	\$23	\$11	\$11
<b>Total</b>	<b>\$8,244</b>	<b>\$7,689</b>	<b>\$4,617</b>

**Air Mobility Command:** Cost decreased in FY05 by \$2,489 million

**Maior cost changes**

- +\$91 million - Inflation
- +\$12 million - Other workload adjustments
- (\$2,517) million - Global War on Terrorism (GWOT) workload reflected in FY03 and FY04 but not in FY05
- (\$39) million - Patriot Express restructure
- (\$36) million - Phase-out of DC-8 *combi* charters and commercial fixed buy

**Military Sealift Command:** Cost decreased in FY05 by \$296 million

Maior cost changes

- +\$19 million - Increased Surge vessel maintenance and operating costs
- +\$8 million - Increased Afloat Prepo contract, fuel, and vessel maintenance
- +\$8 million - Increased Petroleum Tankership overhauls
- (\$327) million - GWOT workload reflected in FY03 and FY04 but not in FY05
- (\$3) million - Reduced Chartered Cargo contract costs

**Military Surface Deployment and Distribution Command:** Cost decreased in FY05 by \$287 million

Maior cost changes

- +\$14 million - Inflation (Liner, Global Privately Owned Vehicle, and stevedore contract price changes) and pay raise
- (\$301) million - GWOT workload reflected in FY03 and FY04 but not in FY05

**REVENUE**

<b>REVENUE (\$ IN MILLIONS)</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Air Mobility Command	\$6,471	<b>\$5,355</b>	\$2,204
<b>Military Sealift Command</b>	\$1,699	<b>\$877</b>	\$579
Surface Deployment and Distribution Command	\$985	\$1,185	\$799
Defense Courier Service	\$18	\$11	\$11
<b>Total</b>	\$9,173	<b>\$7,428</b>	<b>\$3,593</b>

REVENUE: Billing rates are adjusted each year for Military Surface Deployment and Distribution Command, Military **Sealift** Command, Defense Courier Service and part of Air Mobility Command to generate enough revenue to cover business costs. Revenue is a function of cost changes plus Accumulated Operating Result (**AOR**) factors required from last year's budget and this submission. The following section discusses **AOR**. Narrative following the table discusses financial results.

**NET OPERATING RESULT/ACCUMULATED OPERATING RESULT (NOR/AOR)**

<b>NOR/AOR (\$ IN MILLIONS)</b>	<b>FY03</b>	<b>FYo4</b>	<b>FY05</b>
Beginning AOR	<b>\$732</b>	\$1,611	\$1,024
Operating Result	\$929	(\$261)	(\$1,024)
Other Adjustments	<b>(\$50)</b>	<b>(\$326)</b>	\$0
NOR	\$879	<b>(\$587)</b>	(\$1,024)
Ending AOR	\$1,611	\$1,024	\$0

**FY04 OPERATING RESULT:** FY04 operating result was estimated at a negative \$529 million in the FY04 President's Budget. The current FY04 estimate is a negative \$261 million, an increase of \$268 million.

**Air Mobility Command:** FY04 operating result was estimated at a negative \$468 million in the FY04 President's Budget. The current FY04 estimate is a negative \$311 million, an increase of \$157 million.

**Maior Operating Result changes**

- +\$523 million - Global War on Terrorism (GWOT) workload not included in the FY04 President's Budget
- (\$276) million - Implementation of reduced contingency charter rates
- +\$79 million - Reduced fuel/Depot Level Repairables (DLR)/supply consumption rates (cost per hour)
- +\$67 million - Increased peacetime channel workload
  
- (\$134) million - Reduced Airlift Readiness Account funding to offset Global War on Terrorism workload
- (\$86) million - Increased aircraft depot maintenance requirements and rates
- (\$8) million - Increased C-17 contract logistics support (CLS) rates
- (\$8) million - Other

**Military Sealift Command:** FY04 operating result was estimated at a negative \$50 million in the FY04 President's Budget. The current FY04 estimate is a negative \$48 million, an increase of \$2 million.

**Major Operating Result changes**

- +\$14 million - Chartered Cargo ship mix
- +\$10 million - Increased Operation Iraqi Freedom (OIF) workload
- (\$18) million - Increased Petroleum Tankership overhauls, capital hire workload
- (\$4) million - Increased Afloat Prepo fuel and vessel maintenance

**Surface Deployment and Distribution Command:** FY04 operating result was estimated at a negative \$9 million in the FY04 President's Budget. The current FY04 estimate is a positive \$100 million, an increase of \$109 million.

Maior Operating Result Changes

- +\$102 million - Global War on Terrorism workload
- +\$8 million - Chartered Cargo transfer
- (\$1) million - Miscellaneous

**FY05 OPERATING RESULT:** FY05 operating result brings USTRANSCOM to zero Accumulated Operating Result by FY05 in accordance with Working Capital Fund policy.

**DISBURSEMENTS, COLLECTIONS, AND NET OUTLAYS**

<b>(\$ IN MILLIONS)</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Disbursements	\$7,897	\$8,778	\$3,970
Collections	\$8,779	\$7,428	\$3,828
Net Outlays	(\$882)	\$1,350	\$142

**Net Outlay Changes: FY05**

- Decrease in Net Outlays of \$1,208 million
- Revenue and Costs are significantly lower in FY05 due to a contingency workload plan incorporated into FY04 figures
  - Due to the lower revenue and costs, outlays decreased in FY05

## UNIT COST

<b>AIR MOBILITY COMMAND UNIT COST</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Channel Passenger (million passenger miles)	\$239,825	\$269,238	\$321,737
Channel Cargo (million ton miles)	\$1,200,479	\$1,406,299	\$1,900,842
SAAM/JCS (million ton miles)	\$567,202	\$760,133	\$856,213
Training (cost per flying hour)			
--C-5	\$22,684	\$18,718	\$23,855
--C-17	\$11,651	\$7,975	\$9,034
--C-141	\$5,942	\$11,565	\$15,462

### Channel Passenger

Significant Patriot Express workload reduction coupled with relatively small near-term infrastructure changes

### Channel Cargo and Special Assignment Airlift Mission (SAAM)/Joint Chiefs of Staff (JCS)

Global War on Terrorism costs reflected in FY03 and FY04 but not in FY05

### C-5 Training

Increased depot maintenance costs

### C-17 Training

Increased Contractor Logistics Support costs

### C-141 Training

Increased depot maintenance costs



<b>MILITARY SEALIFT COMMAND UNIT COST</b>	<b>FY 03</b>	<b>FY 04</b>	<b>FY 05</b>
Chartered Cargo (Million Measurement Ton Miles)	\$80,469	N/A	N/A
Petroleum Tankership (Per Diem Days)	\$45,818	\$45,974	\$48,201
Surge ROS (Per Diem Days)	\$17,253	\$20,104	\$22,884
Surge FOS (Per Diem Days)	\$53,714	\$66,888	\$64,889
Army Afloat Prepo (Per Diem Days)	\$49,793	\$63,686	\$49,260
Air Force Afloat Prepo (Per Diem Days)	\$33,356	\$37,179	\$37,329
DLA Afloat Prepo (Per Diem Days)	\$30,137	\$37,158	\$35,342
Chartered Cargo (Per Diem Days)	\$45,121	\$62,787	\$62,634

Petroleum Tankership

Increased ship overhauls

Surge Reduced Operating Status (ROS)

Increased vessel maintenance and fuel

Surge Full Operatins Status (FOS)

Global War on Terrorism (GWOT) costs reflected in FY03 and FY04 but not in FY05

Army Afloat Prepo

GWOT costs (prepo used as common-user lift) reflected in FY04 but not in FY05

Defense Logistics Agency (DLA) Afloat Prepo

Decreased fuel and vessel maintenance

<b>SURFACE DEPLOYMENT AND DISTRIBUTION COMMAND UNIT COST</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Cargo Operations (Measurement Ton)	\$23.24	\$17.95	\$37.89
Global POV (Vehicle)	\$2,525.00	\$3,104.00	\$3,155.00
Liner Ocean Transportation (Measurement Ton)	\$47.99	\$49.18	\$49.51
Chartered Cargo (Per Diem Days)	N / A	\$24,479.17	\$25,159.42

Cargo Operations

GWOT costs reflected in FY03 and FY04 but not in FY05

<b>DEFENSE COURIER SERVICE UNIT COST</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Cost per 1,000 pounds delivered	\$7,451	\$5,550	\$5,550

## WORKLOAD ASSUMPTIONS

Workload at USTRANSCOM means three things:

- (1) Readiness - training of airlift crews and maintaining the Nation's mobilization infrastructure for the purpose of adequate wartime surge capacity
- (2) Contingency Operations - emergent humanitarian, peacekeeping, and other operations ordered by the President of the United States or Secretary of Defense that require transportation services
- (3) Recurring peacetime workload - the routine movement via air, land, and sea of our DOD and non-DOD customers' cargo and passengers

**Readiness:** The Global War on Terrorism will continue for the foreseeable future. USTRANSCOM must meet the threat with a reduced number of aircraft due to 180 C-17s replacing 270 C-141s. A key strategy for ensuring adequate future airlift capability is the C-5 Reliability Enhancement and Re-engining Program. Surge **sealift** investment programs have proven to be sufficient and are at full capacity with the completion of the Large Medium-Speed Roll-on/Roll-off Ships program. USTRANSCOM must maintain Fast **Sealift** Ships and Ready Reserve Force to ensure they remain at their required readiness levels. USTRANSCOM continues to be innovative in maintaining established relationships with commercial partners for both air and **sealift** to assure access to capability when and where needed. USTRANSCOM also ensures there is sufficient capability in the Guard and Reserve to augment mobility forces for contingency and wartime, as well as a robust infrastructure that ensures adequate throughput capability from an end-to-end perspective to support deployment and global distribution and sustainment.

**Contingency Operations:** Military Strategy requires DOD to be actively engaged throughout the world to minimize security risks to the United States. Specifically, the strategy cites peacekeeping operations, counter proliferation of weapons, humanitarian missions, and drug trafficking interdiction as the means to mitigate recurring security risks. Contingency operations in support of the Global War on Terrorism (GWOT) will continue to drive USTRANSCOM operations tempo high. In some cases, contingency workload substitutes for normal workload. Transported units are not conducting normal training but are engaged in real world operations. However, current efforts to combat terrorism far exceed normal training requirements. Based on current guidance, there is a limited assumption for workload, cost and revenue for GWOT in FY04, but none for FY05. However, this budget reflects workload for ongoing planned operations such as operations in Bosnia and Kosovo (SFOWKFOR).

**Recurring Peacetime Workload:** Peacetime workload estimates are established based on current customer transportation projections. Customers provide the projections to USTRANSCOM via workload conferences, other correspondence, and historical trends, combined with analysis of future force structure. Major FY05 workload changes are outlined below.

<b>AIR MOBILITY COMMAND WORKLOAD</b>	FY03	FY04	FY05
Channel Passenger (Passenger Miles)	1,528.3	1,380.7	1,072.8
Channel Cargo (Million Ton Miles)	1,492.5	1,169.5	630.4
<b>SAAM/JCS (Million Ton Miles)</b>	5.214.8	4.297.1	1.176.4
Training-Flying Hours			
--c-5	4,630	7,023	8,796
--C-17	18,109	29,668	45,268
--C-141	1.553	706	551

Channel Passenger workload

Decreases due to phase-out of Patriot Express routes to Germany

Channel cargo and Special Assignment Airlift Mission (SAAM)/Joint Chiefs of Staff (JCS) Exercises workload

Global War on Terrorism (GWOT) workload reflected in FY03 and FY04 but not in FY05

C-5 and C-17 training workload

GWOT workload reflected in FY03 and FY04 but not in FY05

C-141 training workload

Decreases due to airframe reduction from ten in FY04 to five in FY05

<b>MILITARY SEALIFT COMMAND WORKLOAD</b>	FY03	FY04	NO5
Chartered Cargo (Million Measurement Ton Miles)	128	N/A	N/A
Petroleum Tankership (Per Diem Days)	3,898	2,869	2,863
Surge Reduced Operating Status (ROS) (Per Diem Days)	6.590	6.954	6.935
Surge Full Operating Status (FOS) (Per Diem Days)	3,433	3,008	225
Army Afloat Prepo (Per Diem Days)	4.589	4.921	3.650
Air Force Afloat Preo (Per Diem Days)	1,460	1,404	1,460
DLA Afloat Prepo (Per Diem Days)	730	732	730
Chartered Cargo (Per Diem Days)	10,350	653	653

Surge FOS days

Global War on Terrorism (GWOT) workload in FY03 and FY04 but not in FY05

Army Afloat Prepo days

GWOT workload in FY03 and FY04 but not in FY05

<b>SURFACE DEPLOYMENT AND DISTRIBUTION COMMAND WORKLOAD</b>	<b>FY03</b>	<b>FY04</b>	<b>NO5</b>
Cargo Operations (MTONS)	16,700,000	20,134,000	3,700,000
Global POV (Vehicles)	73,851	74,000	74,000
Liner Ocean Transportation (MTONS)	8,631,000	6,362,000	4,900,000
Chartered Cargo (Per Diem Days)	N/A	1,728	1,725

Cargo Operations/Liner Ocean Transportation

GWOT workload reflected in FY03 and FY04 but not in FY05

<b>DEFENSE COURIER SERVICE WORKLOAD</b>	<b>FY03</b>	<b>NO4</b>	<b>NO5</b>
Pounds Delivered (thousands)	3,078	2,000	2,000

**CUSTOMER RATE CHANGES**

<b>AIR MOBILITY COMMAND RATE CHANGES</b>	<b>NO3</b>	<b>NO4</b>	<b>NO5</b>
Channel Passengers	10.7%	1.7%	1.8%*
Channel Cargo	11.0%	1.7%	1.8%*
SAAM/JCS	0.4%	-13.3%	-62.4%
Training	-1.9%	2.7%	-8.0%

\* Channel passenger and cargo rates benchmarked against commercial sector. They are not set to fully recover USTRANSCOM costs.

- Special Assignment Airlift Mission (SAAM) and Joint Chief of Staff (JCS) rates decrease 62.4% and training rates decrease 8.0% to achieve zero Transportation Working Capital Fund Accumulated Operating Result

<b>MILITARY SEALIFT COMMAND RATE CHANGES</b>	<b>NO3</b>	<b>FY04</b>	<b>NO5</b>
Petroleum Tankerships	13.4%	<b>-50.8%</b>	<b>35.3%</b>
Surge ROS	<b>-8.7%</b>	<b>-9.6%</b>	<b>-2.5%</b>
Surge FOS	<b>-8.7%</b>	<b>-5.4%</b>	<b>-2.0%</b>
Army Afloat Prepositioning	11.7%	<b>8.2%</b>	<b>5.7%</b>
Air Force Afloat Prepositioning	11.7%	-2.9%	<b>-2.6%</b>
DLA Afloat Prepositioning	11.7%	<b>-28.4%</b>	<b>23.0%</b>
Chartered Cargo	<b>37.4%</b>	<b>-42.7%</b>	<b>-3.9%</b>

- Petroleum Tankership rates increase 35.3% to break even after the return of \$26M gains in FY04
- Surge Reduced Operating Status (ROS) rates decrease 2.5% due to return of FY03 Global War on Terrorism gains
- Surge Full Operating Status (FOS) rates decrease 2.0% due to decreased workload
- Army Afloat Prepositioning rates increase 5.7% due to increase in fuel and port costs
- Air Force Afloat Prepositioning rates decrease 2.6% due to increased workload
- Defense Logistics Agency Afloat Prepositioning rates increase 23.0% due to recovery of FY03 loss from early turn in of the SS KAISER
- Chartered Cargo rates decrease 3.9% due to transfer of peacetime workload to Surface Deployment and Distribution Command

<b>SURFACE DEPLOYMENT AND DISTRIBUTION COMMAND RATE CHANGES</b>	<b>NO3</b>	<b>FY04</b>	<b>FY05</b>
Cargo Operations	<b>-38.3%</b>	<b>20.0%</b>	<b>33.3%</b>
Global POV	-14.7%	15.6%	17.1%
Liner Ocean Transportation	<b>-8.4%</b>	<b>-2.6%</b>	<b>-10.4%</b>
Chartered Cargo	N/A	N/A	<b>7.3%</b>

- Cargo Operations rate increases 33.3% to break even after the recovery of FY03 losses. The cost recovery for the prior year loss occurs over FY04 and FY05. Fifty percent of the FY04 Cargo Operations recoverable amount is budgeted for FY04 and fifty percent is budgeted for FY05.
- Global Privately Owned Vehicle (POV) shipping rate increases 17.1% to break even after the recovery of FY03 losses. The cost recovery for the prior year loss occurs over FY04 and FY05. Fifty percent of the FY04 Global POV recoverable amount is budgeted for FY04 and fifty percent is budgeted for FY05.

- Liner Ocean Transportation rate decreases 10.4% to break even after the return of FY03 gains. The prior year gains for the Liner business area are spread over FY04 and FY05. Fifty percent of the FY04 Liner gain is budgeted for FY04 and fifty percent is budgeted for FY05.

<b>DEFENSE COURIER SERVICE RATE CHANGES</b>	<b>FY03</b>	<b>FY04</b>	<b>NO5</b>
Pounds Delivered	24%	36%	0%

### **CAPITAL PURCHASE PROGRAM**

Management of deployment and distribution information is nearly as important as our strategic mobility assets themselves. Significant Information Technology (IT) Programs such as Global Transportation Network 21 (GTN21), Global Decision Support System (GDSS), Worldwide Port System (WPS), In-Transit Visibility (ITV) Equipment and the backbone to run a worldwide IT Network, are vital to USTRANSCOM success. Virtually every passenger and piece of cargo moved by the Defense Transportation System (DTS) is tracked on USTRANSCOM's IT architecture. The Defense Enterprise Accounting and Management System (DEAMS) effort causes the variance between FY04 and FY05. DEAMS's goal is to provide a joint accounting and working capital fund billing solution for both the Transportation Working Capital Fund (TWCF) and Air Force general fund needs. It will be designed to also meet the general fund accounting needs of the other services.

<b>CAPITAL (\$ IN MILLIONS)</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Equipment	\$5.1	\$10.8	\$3.7
ADPE and Telecom Equip	\$45.8	\$44.8	\$49.5
Software Development	\$135.5	\$169.2	\$133.7
Minor Construction	\$12.0	\$11.4	\$12.2
Total CPP	\$ 1 9 8 . 4	\$ 2 3 6 . 2	\$ 1 9 9 . 1

### **MANPOWER TRENDS**

USTRANSCOM's staffing is approximately 77 percent military and 23 percent civilian. Maintaining a ready airlift capability consumes 84 percent of the workforce. Military Sealift Command meets the majority of its requirements through commercial charter and port contracts; therefore, it is not manpower intensive. The efficient use of manpower in the components is integral to the national mobilization and strategic lift capability.

### MILITARY END STRENGTH AND WORKYEARS

	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
Army	231	239	238
Navy	197	199	197
Marine Corps	21	16	16
Air Force	13,195	14,485	14,061
Total Military End Strength	13,644	14,939	14,512
Total Military Workyears	13,287	14,573	14,129

#### Military End Strength Changes:

- Decrease in Air Force end strength due to Air Force-driven programmatic actions associated with Air Mobility Command's C-141 and C-5 drawdown.
- Slight Decrease in Navy end strength at Military Sealift Command due to a Navy-driven A-76 logistics study.

Military Workyears: Workyear levels are computed using a three-year rolling average in accordance with budget guidance.

### CIVILIAN END STRENGTH

	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>
U.S. Direct Hire	3,488	3,467	3,676
Foreign National Direct Hire	290	202	198
Foreign National Indirect Hire	404	434	433
Total Civilian	4.182	4.103	4.307

## CIVILIAN FULL-TIME EQUIVALENTS

	NO3	NO4	NO5
U.S. Direct Hire	3,488	3,479	3,653
Foreign National Direct Hire	295	198	196
Foreign National Indirect Hire	438	431	429
Total Civilian	4,221	4,108	4,278

### Civilian End Strength/Full-Time Equivalents Changes:

- Increases due to an Air Force-driven adjustment to give relief to the most stressed career fields. Air Force identified and added civilians to those areas to provide relief. Air transportation is in the top 10 of the Air Force stressed career field list. Air Force added 118 civilians to Air Mobility Command Transportation Working Capital Fund (TWCF) and placed them in stressed career fields where military are filling positions that are "not military essential." This increase is offset somewhat by the C-141 and C-5 drawdown.
- Increases at Military Surface Deployment and Distribution Command due to increased OPTEMPO requirements offset slightly by the transfer of the Automated Air Load Planning System (AALPS) from TWCF to Army.

## PERFORMANCE MEASURES

### Air Mobility Command:

- Number of Pallets - Percentage of pallet positions offered versus used on CONUS outbound channel cargo missions  
GOAL: 92%      FY03 Actual: 90%      FY04/05 Estimate: 92%
- On-Time Commercial Mission - Percentage of time channel commercial missions are within 20 minutes of scheduled departure  
GOAL: 94%      FY03 Actual: 90%      FY04 Estimate: 88%  
FY05 Estimate: 89%
- Flight Crew Readiness - Percentage of assigned crews qualified to fly primary missions  
GOAL: 90%      FY03 Actual: 96%      FY04/05 Estimate: 94%



Military Sealift Command:

- On-Time Pickup or Delivery - Percentage of shipments that meet required lift dates or delivery dates based on predetermined lift and delivery requirements as established by the customer.  
GOAL: 95%            FY03 Actual: 95%            FY04/05 Estimate: 95%
- Ship Availability - Days against plan that ships are actually available to perform their intended function.  
GOAL: 95%            FY03 Actual: 95%            FY04/05 Estimate: 95%

Military Surface Deployment and Distribution Command (SDDC):

- Percent of Assured Access Agreements to Commercial Intermodal and Rail Services Secured (**CONUS**) - Gain “**CONUS** assured access” to sufficient rail capability; intermodal capacity, equipment, lift and terminal services; and commercial **sealift**. SDDC is establishing assured access agreements with intermodal and rail providers.  
GOAL: 70%            FY03 Actual: 40%            FY04/05 Estimate: 70%
- Percent of Eligible Carriers Participating in Voluntary Intermodal **Sealift** Agreement program - Gain “**CONUS** assured access” to sufficient rail capability; intermodal capacity, equipment, lift and terminal services; and commercial **sealift**. SDDC is increasing the number of eligible carriers participating in Voluntary Intermodal **Sealift** Agreement  
GOAL: 100%            FY03 Actual: 95%            FY04/05 Estimate: 100%
- Percent of Time Definite Deliveries Met - Forward-looking traffic management that integrates end-to-end systems and provides In-Transit Visibility capability allowing SDDC to consistently anticipate, analyze, and act to facilitate global transportation services.  
GOAL: 99%            FY03 Actual: 92%            FY04/05 Estimate: 99%
- Percent of Cargo Moving with In-Transit Visibility (ITV) - Forward-looking traffic management that integrates end-to-end systems and provides ITV capability allowing SDDC to consistently anticipate, analyze, and act to facilitate global transportation services.  
GOAL: 100%            FY03 Actual: 53%            FY04/05 Estimate: 100%
- Percent of Time Systems are Accessible to Internal and External Customers - Provide reliable communications to include all communications media, e.g., Information Technology networks, phone, radio.  
GOAL: 99%            FY03 Actual: 99%            FY04/05 Estimate: 99%

Changes in the Costs of Operation  
Component: United States Transportation Command/Activity Group: Transportation  
Date: February 2004  
(Dollars in Millions)

	Expenses
FY 2003 Actual:	<b>\$8,244.4</b>
FY 2004 Estimate in Presidents Budget:	<b>\$4,541.7</b>
Estimated Impact in FY 2004 of Actual FY 2003 Experience:	\$1.2
Pricing Adjustments:	\$21.4
a. FY 2004 Pay Raise	\$4.6
(1) Civilian Personnel	<b>\$4.6</b>
(2) Military Personnel	\$0.0
b. Annualization of Prior Year Pay Raises	\$0.7
(1) Civilian Personnel	\$0.7
(2) Military Personnel	\$0.0
c. Commercial/Military Augmentation Pricing Adjustment	\$29.1
d. Depot Maintenance Pricing Adjustment	(\$8.9)
e. General Purchase Inflation	<b>(\$4.1)</b>
Productivity Initiatives & Other Efficiencies:	<b>(\$4.6)</b>
a. Pay Raise - FY04 Efficiencies	<b>(\$4.6)</b>
Program Changes:	<b>\$3,128.8</b>
a. Airlift Workload and Other Changes	(\$33.9)
b. Flying Hour Cost Changes	<b>(\$50.2)</b>
c. Increased Depot Maintenance Costs	\$58.6
d. Information Technology (Capital to Operating)	\$6.8
e. Global War on Terrorism Workload	<b>\$3,144.7</b>
f. Other	\$2.8
<b>FY2004 Current Estimate:</b>	<b>\$7,688.5</b>

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Changes in the Costs of Operation  
 Component: United States Transportation Command/Activity Group: Transportation  
 Date: February 2004  
 (Dollars in Millions)

	Expenses
<b>FY2004 Current Estimate:</b>	<b>\$7,688.5</b>
Pricing Adjustments:	\$122.9
a. FY 2005 Pay Raise	\$6.2
(1) Civilian Personnel	\$5.1
(2) Military Personnel	\$1.1
b. Annualization of Prior Year Pay Raises	\$3.0
(1) Civilian Personnel	\$2.7
(2) Military Personnel	\$0.3
c. Contractor Logistics Support (CLS) Price Change	\$6.7
d. Fuel	\$25.4
e. <b>Commercial/Military</b> Augmentation Rate Increase	\$12.2
f. Depot Maintenance	\$23.8
g. Depot Level Repairables ( <b>DLRs</b> )	\$11.1
h. Global POV Contract Price Change	\$2.5
i. <b>Sealift</b> Contract Price Change	\$5.8
j. Stevedore Contract Price Change	\$3.7
k. General Purchase Inflation	\$20.2
l. Other	\$2.3
 Productivity Initiatives & Other Efficiencies:	 <b>(\$72.2)</b>
a. Organizational Streamlining	64.3
b. Flying Hour Model Revisions (Organic)	<b>(\$2.2)</b>
c. Commercial Aug - Fixed Buys	(\$14.0)
d. Patriot Express Restructure	(\$38.7)
e. Commercial Aug - DC8 <b>Combis</b>	<b>(\$21.6)</b>
 Program Changes:	 <b>(\$3,121.9)</b>
a. Global War on Terrorism Workload	<b>(\$3,144.7)</b>
b. Airlift Workload and Other Changes	\$13.2
c. <b>Sealift</b> Workload Changes	\$18.9
d. Information Technology (Capital to Operating)	\$14.6
e. Joint Deployment Training Center (JDTC)	<b>(\$5.2)</b>
f. Other	<b>(\$18.7)</b>
 FY 2005 Estimate:	 <b>\$4,617.3</b>

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Activity Group Analysis  
Component/Activity Group: Military Sealift Command  
SOURCE OF NEW ORDERS AND REVENUE  
(Dollars in Millions)  
Program: Army Prepo

	FY 2003	FY 2004	FY 2005
1. New Orders			
a. Orders from DOD Components	226.7	314.4	183.9
Air Force	0.0	0.0	0.0
Army:	226.7	314.4	183.9
Operations and Maintenance	226.7	314.4	183.9
Navy:	0.0	0.0	0.0
Marines:	0.0	0.0	0.0
OSD:	0.0	0.0	0.0
Operations & Maintenance:	0.0	0.0	0.0
b. Orders from other Fund Activity groups	0.0	0.0	0.0
c. Total DoD	226.7	314.4	183.9
d. Other Orders:	0.0	0.0	0.0
Total New Orders	226.7	314.4	183.9
2. Carry-In Orders			
3. Total Gross Orders	226.7	314.4	183.9
4. Funded Carry-over			
5. Total Gross Sales	226.7	314.4	183.9

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Activity Group Analysis  
Component/Activity Group: United States Transportation Command  
SOURCE OF NEW ORDERS AND REVENUE  
(Dollars in Millions)  
Program: Total

	FY 2003	FY 2004	FY 2005
1. New Orders			
a. Orders from DOD Components	7,566.9	6,386.5	2,954.7
Air Force	2,100.3	1,941.8	1,171.9
Military Personnel	142.5	117.0	83.7
Other Procurement	17.5	14.3	5.2
Operations and Maintenance	1,707.6	1,575.1	845.3
ANG, O&M	20.9	17.2	9.9
AFRES, O&M	95.4	110.6	143.5
RDT&E	34.7	47.2	51.2
Other	81.7	60.4	33.1
Army:	3,139.3	2,449.2	914.7
Military Personnel	164.1	167.8	159.7
Other Procurement	(6.3)	(5.1)	(9.4)
AAFES	43.0	41.8	19.7
Operations and Maintenance	2,866.6	2,203.2	717.2
NG, O&M	9.5	7.9	1.4
RDT&E	7.7	6.7	3.2
Other	54.7	26.9	13.9
Navy:	1532.3	1,407.6	534.5
Military Personnel	91.2	93.2	84.9
Operations and Maintenance	1,100.9	955.0	303.0
NG, O&M	18.9	18.0	8.8
NDSF	144.0	135.8	132.2
Other	177.3	205.6	5.6
Marines:	115.8	101.9	55.4
Military Personnel	36.1	31.6	20.4
Operations and Maintenance	71.5	62.2	30.9
Other	8.2	8.1	4.1
OSD:	679.2	486.0	278.2
Operations & Maintenance:	349.7	241.5	214.4
JCS	339.8	230.0	204.0
NSA	4.3	4.6	4.6
DIA	0.3	0.3	0.3
DMA	0.0	0.1	0.1
Other	5.3	6.5	5.4
Other	329.5	244.5	63.8
b. Orders from other Fund Activity groups	1,515.0	965.6	614.1
DECA	20.7	16.1	9.1
DLA	1,033.8	810.0	455.1
Other	460.5	139.5	149.9
c. Total DoD	9,081.9	7,352.1	3,568.8
d. Other Orders:	91.3	75.7	24.0
Other Federal Agencies	18.3	11.6	4.4
Trust Fund	17.3	13.8	3.8
Non Federal Agencies	24.5	24.1	9.9
Foreign Military Sales	31.2	26.2	5.9
Total New Orders	9,173.2	7,427.8	3,592.8
2. Carry-In Orders	0.0	0.0	0.0
3. Total Gross Orders	9,173.2	7,427.8	3,592.8
4. Funded Carry-over	0.0	0.0	0.0
5. Total Gross Sales	9,173.2	7,427.8	3,592.8

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Transportation Working Capital Fund  
Component: United States Transportation Command/Activity Group: Transportation  
Revenue and Expenses  
(Dollars in Millions)

	FY 2003	FY 2004	FY 2005
Revenue			
Gross Sales	\$9,173.2	\$7,427.8	\$3,592.8
Operations	\$8,922.8	\$7,232.8	\$3,390.9
Capital Surcharge	\$0.0	\$0.0	\$0.0
Cash Surcharge	\$50.0	\$0.0	\$0.0
Depreciation excluding Maj Const	\$200.4	\$195.0	\$201.9
Major Construction Depreciation	\$0.0	\$0.0	\$0.0
Other Income	\$0.0	\$0.0	\$0.0
Refunds/Discounts(-)	\$0.0	\$0.0	\$0.0
Total Income:	\$9,173.2	\$7,427.8	\$3,592.8
Expenses:			
Salaries and Wages:			
Military Personnel Compensation & Benefits	\$46.8	\$37.1	\$36.9
Civilian Personnel Compensation & Benefits	\$272.1	\$263.7	\$281.4
Travel and Transportation of Personnel	\$277.2	\$202.8	\$85.7
Materials and Supplies (For internal operations)	\$1,334.3	\$1,189.2	\$816.2
Equipment	\$7.2	\$28.8	\$22.7
Other Purchases from Revolving Funds	\$428.0	\$580.0	\$612.9
Transportation of Things	\$25.0	\$18.2	\$19.2
Depreciation - Capital	\$200.4	\$195.0	\$201.9
Printing and Reproduction	\$0.5	\$0.6	\$0.6
Advisory and Assistance Services	\$16.5	\$17.1	\$17.4
Rent, Communications, Utilities, and Misc Charges	\$41.9	\$45.9	\$46.6
Other Purchased Services	\$5,594.5	\$5,110.1	\$2,475.8
Total Expenses	\$8,244.4	\$7,688.5	\$4,617.3
Operating Result	\$928.8	(\$260.7)	(\$1,024.5)
Less Capital Surcharge Reservation	\$50.0	\$0.0	\$0.0
Plus Passthroughs of Other Appropriations affecting NOR/AOR	\$0.0	\$0.0	\$0.0
Other Changes Affecting NOR	\$0.0	\$0.0	\$0.0
Net Operating Result	\$878.8	(\$260.7)	(\$1,024.5)
Beginning AOR	\$732.5	\$1,611.3	\$1,024.6
Prior Year Adjustments	\$0.0	\$0.0	\$0.0
Other Changes Affecting AOR (Specify)	\$0.0	\$0.0	\$0.0
	\$0.0	(\$119.1)	\$0.0
	\$0.0	\$0.0	\$0.0
Accumulated Operating Result	\$1,611.3	\$1,231.5	\$0.1
Non-Recoverable Adjustment Impacting AOR (Specify)	\$0.0	(\$206.9)	(\$0.1)
Accumulated Operating Results for Budget Purposes	\$1,611.3	\$1,024.6	\$0.0

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