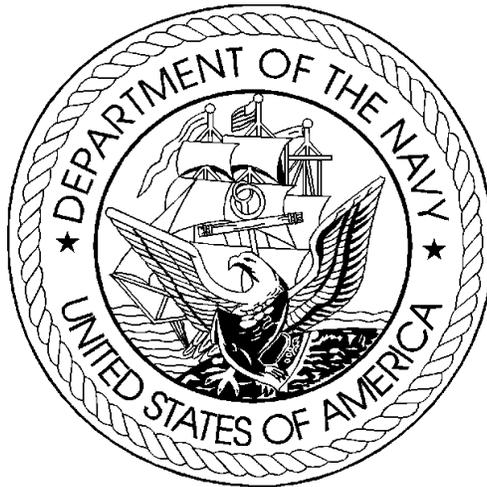


DEPARTMENT OF THE NAVY
FISCAL YEAR (FY) 2005
BUDGET ESTIMATES



JUSTIFICATION OF ESTIMATES
FEBRUARY 2004

NAVY WORKING CAPITAL FUND

**DoN NWCF Summary,
FY 2005
President's Budget**

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND (NWCF)
FISCAL YEAR (FY) 2005 BUDGET ESTIMATES**

Navy Working Capital Fund (NWCF) activities have been key support elements behind the Department's overall warfighting and power projection capabilities and are projected to continue playing these important roles throughout the budget period. In FY 2003, the Depot Maintenance and Supply Management activity groups saw significant increases in demand for their goods and services in support of Operations Enduring Freedom and Iraqi Freedom. Total cost of goods and services was \$25.4 billion in FY 2003 while FY 2004 and FY 2005 figures are projected to be \$24.7 billion and \$24.5 billion, respectively.

NWCF activities perform a wide variety of functions. In addition to Depot Maintenance and Supply Management, the NWCF includes the Research & Development, Transportation, and Base Support activity groups. This makes the NWCF the most functionally diverse of the Department of Defense's working capital funds.

In the area of Supply Management, the Department continues to focus on delivering combat capability through optimum logistics support. Ensuring the right material is provided at the proper place, time, and cost is paramount to sustaining our warfighting units whether at peace or at war. To this end, the Department continues to pursue initiatives that will control costs and improve readiness. While we continue to address our aging weapon systems through modifications and new procurement, our older weapon systems combined with increased utilization rates have increased the cost of our spare parts. This is one of the reasons why the Department's request for material obligations remains high. In this regard, it is important to realize that since spare parts, in the aggregate, are but a single element within a complex and intricately balanced system necessary to keep weapon systems safe and operating at their optimal capability, the Department must also look at other contributing elements that influence cost. To attain data in other integrated logistics support elements, such as training and maintenance, more robust information systems are required. Accordingly, the Department continues to fund initiatives such as Enterprise Resource Planning. This initiative will provide the Department better tools to assess program growth and implement cost reducing procedures where appropriate. We are optimistic that these continuing efforts along with reducing weapon system age will stem the tide of spare part cost growth and allow the Department to provide our warfighters improved logistics support at a lower cost.

One of the Department's readiness initiatives that will improve our ability to respond logistically to impending threats is the capitalization of spare aircraft engines. The NWCF is an account that provides the Department the ability to react quickly to changing (or projected) customer demand patterns. By enabling the NWCF to order spare aircraft engines, while still using procurement funds to buy the asset off the shelf when available, the Department gains efficiencies and improves our readiness posture. Accordingly, this submission includes \$59 million in FY 2005 to order spare aircraft engines using the NWCF.

Lastly, this budget submission reflects a continuation of the Department's inventory augmentation efforts. Inventory augmentation finances the procurement of wholesale system stock necessary to

support new, modified or increasing numbers of weapons systems entering the Department's arsenal. It is this wholesale inventory upon which Fleet customers rely to meet afloat/ashore logistics response times planned in retail allowance models. Ensuring sufficient wholesale material is on hand is an essential element of the readiness equation. Additionally, financing the inventory augmentation via a direct appropriation is considered the most effective funding method since it does not excessively burden the customer rates and it allows the Department to capture total ownership more effectively since the funds are clearly tied to the support of the weapon system rather than being accounted for in the cost of operating the system. As a result of the lead times associated with ordering and delivering inventory augmentation material, the direct appropriation is normally required within two years after ordering; although in some cases the lead times may be slightly longer. Accordingly, a direct appropriation to the NWCF of \$65.4 million is requested in FY 2005 as the last installment for material ordered over the FY 2002-2003 timeframe, as depicted below:

Inventory Augmentation	(dollars in millions)			
	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Obligation Authority	98.5	137.5		
Direct Appropriation to the NWCF		40.2	130.4	65.4

As a continuation of the inventory augmentation initiative, obligation authority of \$114.7 million and \$86.0 million has been requested in FY 2004 and FY2005 respectively and a direct appropriation funding line has been programmed in the outyears to liquidate this expense as the material is delivered.

In the area of Transportation, the MSC rates for FY 2005 incorporate FY 2003 experience and revised projections for FY 2004 and FY 2005, including changes in operational status for MSC ships. Major operational changes include early decommissioning and deactivation of four AOE ships and associated upgrade of the reserve operating status of several Naval Fleet Auxiliary Force ships. In addition, the first T-AKE class ship begins operations in FY 2005.

In the Research and Development activity group, the Department of the Navy effort to consolidate installation management functions under the new Commander, Navy Installations (CNI) claimancy has caused a number of budget realignments across multiple activities. This means that functions like security, fire protection, facilities maintenance, utilities and family housing operations will no longer be provided using "in-house" resources at Naval Air Warfare Center (NAWC), Naval Surface Warfare Center (NSWC) and Naval Research Laboratory (NRL) sites. Through a combination of CNI regional organizations and newly established Public Works Center detachments, installation management functions will be delivered in a more efficient and consistent manner. Those services which the NAWC, NSWC and NRL organizations specifically use to perform their NWCF missions will be performed by CNI and the PWC detachments on a reimbursable basis.

Budget estimates for the Depot Maintenance - Ships area reflect the transition of the Puget Sound Naval Shipyard to mission funding on a two-year test basis beginning in FY 2004.

Department of the Navy NWCF activity groups are:

Supply Operations: Provides inventory management functions for shipboard, ground and aviation repairable and consumable items, management of overseas Fleet Industrial Supply Centers and miscellaneous support functions for ashore and Fleet commanders.

Depot Maintenance:

Shipyards: Consists of three active shipyards which perform functions such as logistics support for assigned ships and service craft, authorized work in connection with construction, overhaul, repair, alteration, drydocking and outfitting of ships and craft as assigned, and a variety of other services. The Department converted the Puget Sound Naval Shipyard from NWCF operation to mission funding in a two year pilot effort aimed at ensuring the success of the consolidation of depot and intermediate ship repair facilities in the Northwest region beginning in FY 2004.

Aviation Depots: Consists of three active Naval Air Depots (NADEPs), while another three have closed. The active NADEPs perform a host of functions including: repair of aircraft, engines and components; manufacture of specific parts and assemblies; maintenance, engineering and logistics support services for the Fleet; and numerous engineering and technical services.

Marine Corps Depots: Consists of one east coast and one west coast depot facility which perform inspection, repair, rebuild and modification of all types of ground combat and combat support equipment used by the Marine Corps and other Services.

Transportation: Military Sealift Command (MSC) operates service-unique Naval Fleet Auxiliary Force (NFAF) vessels, primarily civilian manned, which provide material support to the Fleet, Special Mission Ships (SMS) which provide unique seagoing platforms and Afloat Prepositioning Force (APF) ships which deploy advance material for strategic lifts. MSC manages these vessels from five area and three sub-area commands around the world.

Research and Development: Consists of the Naval Research Laboratory, the Naval Air Warfare Center, the Naval Surface Warfare Center, the Naval Undersea Warfare Center and the Space and Naval Warfare Systems Centers. These activities perform a wide range of research, development, test, evaluation, and engineering support functions.

Base Support: Consists of eight Public Works Centers (PWCs) and the Naval Facilities Engineering Service Center (NFESC). The PWCs provide utilities services, facilities maintenance, transportation support, engineering services and shore facilities planning support required by operating forces and other activities. NFESC, located in Port Hueneme, California, provides the Navy with specialized facilities engineering and technology support.

Revenue:

	(dollars in millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	6,553.4	5,826.1	5,585.1
Supply - Marine Corps	225.0	147.9	141.4
Depot Maintenance - Ships	2,750.6	1,733.6	1,532.3
Depot Maintenance - Aircraft	2,367.8	2,247.6	2,095.3
Depot Maintenance - Marine Corps	228.1	260.6	225.4
R&D - Air Warfare Center	2,229.8	2,261.1	2,154.4
R&D - Surface Warfare Center	3,583.2	3,270.5	3,245.1
R&D - Undersea Warfare Center	1,006.9	891.8	911.9
R&D - SPAWAR Systems Center	2,190.0	2,147.2	2,110.7
R&D - Naval Research Laboratory	576.1	595.2	597.9
Transportation - MSC	1,844.1	1,725.5	1,939.4
Base Support - PWC	1,484.9	1,655.0	1,675.4
Base Support - NFESC	99.8	58.1	59.7
Totals	25,139.7	22,820.2	22,274.0

Cost: (Operating)

Total obligations for Supply functions and cost of goods and services sold for industrial functions are as follows:

	(dollars in millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	7,082.8	7,623.2	7,606.0
Supply - Marine Corps	265.1	188.6	203.5
Depot Maintenance - Ships	2,664.7	1,800.9	1,535.1
Depot Maintenance - Aircraft	2,278.1	2,208.1	2,162.1
Depot Maintenance - Marine Corps	234.1	253.1	230.1
R&D - Air Warfare Center	2,212.2	2,253.6	2,137.5
R&D - Surface Warfare Center	3,569.7	3,268.8	3,266.8
R&D - Undersea Warfare Center	998.4	894.1	916.2
R&D - SPAWAR Systems Center	2,189.1	2,151.1	2,121.3
R&D - Naval Research Laboratory	570.9	594.7	608.0
Transportation - MSC	1,788.2	1,721.3	1,968.1
Base Support - PWC	1,480.8	1,637.4	1,672.8
Base Support - NFESC	98.4	58.2	58.0
Totals	25,432.4	24,653.2	24,485.3

Net Operating Results:

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

	(dollars in millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	(68.9)	(8.4)	(37.3)
Supply - Marine Corps	32.2	(21.6)	(26.6)
Depot Maintenance - Ships	78.8	(67.4)	(2.8)
Depot Maintenance - Aircraft	87.2	38.8	(67.4)
Depot Maintenance - Marine Corps	(5.4)	7.5	(4.7)
Ordnance (residual data)	0.3	-	-
R&D - Air Warfare Center	13.6	7.5	17.0
R&D - Surface Warfare Center	19.4	1.7	(21.7)
R&D - Undersea Warfare Center	8.5	(2.3)	(4.3)
R&D - SPAWAR Systems Center	(0.2)	(4.0)	(10.6)
R&D - Naval Research Laboratory	1.9	(3.8)	(13.9)
Transportation - MSC	55.8	4.2	(28.7)
Base Support - PWC	4.0	17.7	2.6
Base Support - NFESC	1.4	(0.1)	1.7
Totals	228.6	(30.2)	(196.7)

Accumulated Operating Results (recoverable):

	(dollars in millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	45.7	37.3	-
Supply - Marine Corps	48.2	26.6	-
Depot Maintenance - Ships	52.8	(14.5)	-
Depot Maintenance - Aircraft	18.6	67.4	-
Depot Maintenance - Marine Corps	(2.8)	4.7	-
Ordnance (residual data)	12.7	-	-
R&D - Air Warfare Center	(24.5)	(17.0)	-
R&D - Surface Warfare Center	20.0	21.7	-
R&D - Undersea Warfare Center	6.6	4.3	-
R&D - SPAWAR Systems Center	14.5	10.5	-
R&D - Naval Research Laboratory	17.7	13.9	-
Transportation - MSC	24.5	28.7	-
Base Support - PWC	(20.2)	(2.6)	-
Base Support - NFESC	(1.7)	(1.7)	-
Totals	212.1	179.3	-

Workload:

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

	percent change	
	FY 2004	FY 2005
Supply - Navy	-5.7%	-2.1%
Supply - Marine Corps	-35.1%	-5.1%
Depot Maintenance - Ships	-43.0%	0.9%
Depot Maintenance - Aircraft	2.4%	-4.6%
Depot Maintenance - Marine Corps	9.8%	-12.2%
R&D - Air Warfare Center	-6.9%	-0.3%
R&D - Surface Warfare Center	-5.2%	0.0%
R&D - Undersea Warfare Center	-0.2%	1.1%
R&D - SPAWAR Systems Center	-4.1%	0.1%
R&D - Naval Research Laboratory	0.9%	-0.5%
Transportation - MSC	-2.1%	2.6%
Base Support - PWC	6.8%	0.9%
Base Support - NFESC	-8.2%	-0.6%

Customer Rate Changes

Approved composite rate changes from FY 2003 to FY 2004 and proposed composite rate changes from FY 2004 to FY 2005 (designed to achieve an accumulated operating result of zero at the end of FY 2005) are as follows:

	(percent change)	
	<u>FY 2004</u>	<u>FY2005</u>
Supply:		
Navy - Aviation Consumables	7.9%	-3.3%
Navy - Shipboard Consumables	5.4%	-0.2%
Navy - Aviation Repairables	6.0%	3.9%
Navy - Shipboard Repairables	5.4%	-0.2%
Navy - Other	1.5%	2.4%
MARCORPS Repairables	-18.3%	5.9%
Depot Maintenance - Ships	-3.6%	12.7%
Depot Maintenance – Aircraft:	-2.4%	3.1%
Depot Maintenance - Marine Corps	7.4%	-2.5%
R&D - Air Warfare Center	-2.3%	2.4%
R&D - Surface Warfare Center	0.9%	1.1%
R&D - Undersea Warfare Center	0.4%	2.7%
R&D – SPAWAR Systems Center	1.8%	1.4%
R&D - Naval Research Laboratory	1.1%	2.3%
Transportation - MSC		
Fleet Auxiliary	1.7%	5.0%
Special Mission Ships	-6.1%	11.2%
Afloat Prepositioning Ships	-4.2%	10.0%
Base Support – PWC:		
East Coast Utilities	10.5%	-5.0%
East Coast – Other	-1.1%	2.4%
West Coast Utilities	-23.4%	-1.3%
West Coast - Other	1.7%	0.8%
Base Support - NFESC	1.5%	5.2%

Unit Costs:

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

	<u>Unit Cost</u> <u>FY 2004</u>	<u>Unit Cost</u> <u>FY2005</u>
Supply - Navy (cost per unit of sales ¹):		
Wholesale	0.99	1.04
Retail	0.99	1.00
Supply - Marine Corps (cost per unit of sales):		
Wholesale	1.11	1.22
Retail	1.01	1.05
Depot Maintenance-Ships (\$/Direct Labor Hour ²)	72.44	74.26
Depot Maintenance - Aircraft (\$/Direct Labor Hour)	164.90	167.08
Depot Maintenance - Marine Corps (\$/Dir Labor Hr)	127.86	132.54
R&D-Air Warfare Center (\$/Direct Labor Hour ²)	74.73	75.64
R&D-Surface Warfare Center (\$/Direct Labor Hour ²)	80.49	80.56
R&D-Undersea Warfare Center (\$/Direct Labor Hour ²)	83.67	85.75
R&D-SPAWAR SYSCEN (\$/Direct Labor Hour ²)	83.60	86.11
R&D-Naval Research Lab (\$/ Direct Labor Hour ²)	103.65	106.42
Transportation – MSC		
NFAF (\$/day)	37,349	41,107
SMS (\$/day)	22,976	24,433
APF (\$/day)	73,706	82,208
Base Support - PWC Cost of services	various	various
Base Support - NFESC (\$/Direct Labor Hour ²)	82.83	83.35

¹ excludes inventory augmentation obligations

² includes direct labor plus overhead costs

Treasury Cash Balance:

	(\$ millions)	
	FY 2004	FY 2005
Beginning Cash Balance	1,827.7	900.8
Collections	22,944.5	22,380.5
Disbursements	23,357.6	22,449.1
Transfers	518.8	122.9
Ending Cash Balance	900.8	709.3

Staffing: Total civilian and military personnel employed at NWCF activities are as follows:

<u>Civilian End Strength</u>	<u>(strength in whole numbers)</u>		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	5,672	5,477	5,477
Supply - Marine Corps	47	26	24
Depot Maintenance - Ships	19,881	11,434	11,691
Depot Maintenance - Aircraft	11,145	11,042	11,101
Depot Maintenance - Marine Corps	1,486	1,691	1,318
R&D - Air Warfare Center	11,483	9,716	9,721
R&D - Surface Warfare Center	16,998	15,099	15,162
R&D - Undersea Warfare Center	4,339	4,323	4,323
R&D - SPAWAR Systems Center	5,955	5,750	5,705
R&D - Naval Research Laboratory	2,664	2,618	2,618
Transportation - MSC	4,892	5,300	5,472
Base Support - PWC	7,566	8,670	8,372
Base Support - NFESC	361	331	326
Totals	92,489	81,477	81,310

<u>Civilian Workyears</u>	<u>(workyears in whole numbers)</u>		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	6,061	5,756	5,477
Supply - Marine Corps	47	26	24
Depot Maintenance - Ships	19,247	11,474	11,396
Depot Maintenance - Aircraft	10,789	10,989	11,062
Depot Maintenance - Marine Corps	1,470	1,652	1,490
R&D - Air Warfare Center	11,293	9,652	9,664
R&D - Surface Warfare Center	16,607	14,871	14,876
R&D - Undersea Warfare Center	4,260	4,290	4,338
R&D - SPAWAR Systems Center	5,820	5,649	5,629
R&D - Naval Research Laboratory	2,564	2,511	2,511
Transportation - MSC	6,745	6,809	6,874
Base Support - PWC	7,500	8,660	8,373
Base Support - NFESC	355	327	322
Totals	92,758	82,666	82,036

<u>Military End Strength</u>	(strength in whole numbers)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	426	421	383
Supply - Marine Corps	-	-	-
Depot Maintenance - Ships	111	89	89
Depot Maintenance - Aircraft	101	126	124
Depot Maintenance - Marine Corps	15	12	12
R&D - Air Warfare Center	216	240	228
R&D - Surface Warfare Center	289	298	298
R&D - Undersea Warfare Center	32	48	49
R&D - SPAWAR Systems Center	78	101	101
R&D - Naval Research Laboratory	70	82	82
Transportation - MSC	562	623	610
Base Support - PWC	105	105	105
Base Support - NFESC	3	3	3
Totals	2,008	2,148	2,084

<u>Military Workyears</u>	(strength in whole numbers)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	428	423	402
Supply - Marine Corps	-	-	-
Depot Maintenance - Ships	110	80	73
Depot Maintenance - Aircraft	99	126	124
Depot Maintenance - Marine Corps	11	12	12
R&D - Air Warfare Center	169	158	169
R&D - Surface Warfare Center	282	262	261
R&D - Undersea Warfare Center	36	33	34
R&D - SPAWAR Systems Center	80	79	79
R&D - Naval Research Laboratory	73	73	70
Transportation - MSC	697	623	610
Base Support - PWC	105	105	105
Base Support - NFESC	3	3	3
Totals	2,093	1,977	1,942

Performance Indicators:

The NWCF's primary performance indicators are Net Operating Results and Unit Cost. Both are discussed in preceding sections. Non-financial performance indicators are specific to the types of work being performed by the various activity groups. They are discussed in the activity group summary narratives.

Capital Purchase Program:

	(dollars in millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Supply - Navy	71.5	49.8	15.2
Supply - Marine Corps	-	-	-
Depot Maintenance - Ships	41.5	20.5	27.4
Depot Maintenance - Aircraft	50.9	41.8	31.5
Depot Maintenance - Marine Corps	2.8	3.9	4.2
R&D - Air Warfare Center	33.2	40.0	23.6
R&D - Surface Warfare Center	30.5	31.7	32.6
R&D - Undersea Warfare Center	18.7	19.0	19.5
R&D - SPAWAR Systems Center	10.6	8.6	7.1
R&D - Naval Research Laboratory	17.3	17.3	17.3
Transportation - MSC	13.6	13.1	15.2
Base Support - PWC	17.9	19.1	17.2
Base Support - NFESC	0.2	-	-
Totals	308.8	264.9	210.9

The above capital investment program by major category is as follows:

Equipment (Non-ADPE/Telecom)	106.7	91.6	110.5
ADPE and Telecommunications Equip	48.7	46.8	43.0
Software Development	124.3	90.6	26.4
Minor Construction	<u>29.1</u>	<u>35.9</u>	<u>31.0</u>
Totals	308.8	264.9	210.9

Carryover Reconciliation

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

Depot Maintenance - Ships

	\$ Millions		
	<u>FY 2003</u>	<u>FY 2004*</u>	<u>FY 2005*</u>
Net Carry-In	831.8	779.0	415.3
New Orders	3,267.7	1,038.1	1,535.7
Less Exclusions:			
FMS	-0.8	-0.1	-0.7
BRAC	-0.4	0.0	0.0
Other Federal Depts & Agencies	-5.2	-1.8	-1.5
Non-Fed and Others	-16.1	-6.3	-4.3
Orders for Carryover Calculation	<u>4,077.0</u>	<u>1,808.8</u>	<u>1,944.5</u>
Composite Outlay Rate	70.7%	72.7%	69.0%
Carryover Ceiling Rate	29.3%	27.3%	31.0%
Carryover Ceiling	1,195.9	494.7	603.0
Balance of Customer Orders at Year End	1,449.9	470.8	514.6
Less WIP	-26.1	-28.5	-28.6
Less Exclusions:			
FMS	-4.3	-1.3	-1.8
BRAC	-5.6	-8.2	-6.7
Other Federal Depts & Agencies	-7.0	-5.5	-5.2
Non-Fed and Others	-16.3	-12.0	-10.1
Carryover Budget	1,390.6	415.3	462.2

*excludes Puget Sound NSY

Depot Maintenance - Aircraft

	\$ Millions		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
New Orders	2,415.2	1,868.5	1,990.2
Less Exclusions:			
FMS	-28.0	-21.3	-24.1
BRAC	0.0	0.0	0.0
Other Federal Depts & Agencies	-6.6	-5.7	-6.3
Non-Fed and Others	-14.6	-34.6	-45.7
Orders for Carryover Calculation	<u>2,366.0</u>	<u>1,806.9</u>	<u>1,914.2</u>
Composite Outlay Rate	74.5%	72.3%	72.3%
Carryover Ceiling Rate	25.5%	27.7%	27.7%
Carryover Ceiling	603.2	500.0	529.3
Balance of Customer Orders at Year End	1,153.1	774.0	669.0
Less WIP	-291.3	-232.5	-148.4
Less Exclusions:			
FMS	-24.4	-21.1	-27.0
BRAC	-11.1	-11.1	-11.1
Other Federal Depts & Agencies	-13.4	-11.5	-8.5
Non-Fed and Others	-5.0	-18.0	-34.2
Carryover Budget	807.9	479.9	439.9

Depot Maintenance – Marine Corps

	\$ Millions		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
New Orders	313.2	187.8	212.7
Less Exclusions:			
FMS	-4.7	-7.4	-0.5
BRAC	0.0	0.0	0.0
Other Federal Depts & Agencies	0.0	0.0	0.0
Non-Fed and Others	-0.4	-0.2	-0.2
Orders for Carryover Calculation	<u>308.0</u>	<u>180.2</u>	<u>212.0</u>
Composite Outlay Rate	64.3%	69.6%	64.2%
Carryover Ceiling Rate	35.7%	30.4%	35.8%
Carryover Ceiling	109.9	54.7	75.9
Balance of Customer Orders at Year End	133.9	61.1	48.4
Less WIP	-0.7	-0.7	-0.9
Less Exclusions:			
FMS	-3.8	-5.5	-1.7
BRAC	0.0	0.0	0.0
Other Federal Depts & Agencies	0.0	0.0	0.0
Non-Fed and Others	-0.2	-0.1	-0.1
Carryover Budget	129.1	54.7	45.7

Research & Development Activity Group

	\$ Millions		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
New Orders	10,552.5	8,552.9	8,833.6
Less Exclusions:			
Institutional MRTFB	-295.3	-289.9	-274.3
FMS	-297.8	-236.8	-220.9
BRAC	-0.4	-0.2	-0.2
Other Federal Depts & Agencies	-417.9	-226.4	-230.5
Non-Fed and Others	-138.7	-69.8	-60.0
Orders for Carryover Calculation	<u>9,402.4</u>	<u>7,729.7</u>	<u>8,047.7</u>
Composite Outlay Rate	58.7%	56.7%	57.2%
Carryover Ceiling Rate	41.3%	43.3%	42.8%
Carryover Ceiling	3,883.0	3,344.6	3,444.3
Balance of Customer Orders at Year End	4,812.5	4,199.6	4,013.1
Less WIP	-548.4	-552.3	-540.5
Less Exclusions:			
Institutional MRTFB	-66.0	-177.9	-180.2
FMS	-324.0	-327.4	-319.0
BRAC	-13.0	-10.2	-8.6
Other Federal Depts & Agencies	-289.3	-258.2	-220.6
Non-Fed and Others	-124.2	-138.7	-134.9
Carryover Budget	3,447.7	2,734.8	2,609.3

Naval Shipyards

**FY 2005 PRESIDENT'S BUDGET
DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE - NAVAL SHIPYARDS**

ACTIVITY GROUP FUNCTION:

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

ACTIVITY GROUP COMPOSITION:

This budget reflects three naval shipyards operating under the Navy Working Capital Fund (NWCF) in FY 2003. Portsmouth NSY and Norfolk NSY will continue to operate in the NWCF in FY 2004 and FY 2005. On 1 October 2003, Puget Sound NSY transferred to mission funding as a Pacific Fleet activity as a two year pilot. These activities and their locations are:

Portsmouth Naval Shipyard	Kittery, ME
Norfolk Naval Shipyard	Portsmouth, VA
Puget Sound Naval Shipyard	Bremerton, WA

OVERVIEW FOR NAVAL SHIPYARDS:

The Naval Shipyards demonstrate a strong commitment to productivity improvement and cost. Estimated costs and operating results are:

Financial Profile:	(\$ Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Cost of Goods Sold	\$2,664.7	\$1,800.9	\$1,535.1
Net Operating Results	86.0	-67.4	-2.8
Accumulated Operating Results	52.8	-14.5	0

The changes for the costs of goods sold each year are in line with the changes in workload and also reflect efforts to improve work processes to accomplish planned levels of performance and productivity. The FY 2004 and FY 2005 budget estimates include residual NWCF costs of \$325.2M and \$40.5M, respectively, for work that was funded and inducted into Puget Sound NSY prior to FY 2004. The budget estimates and the stabilized rates include AOR recoupment surcharges in all years.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
<u>Workload:</u>			
Direct Labor Hours	26,336,224	15,011,828	14,874,716

Workload changes are consistent with fleet requirements and also reflect shipyard process improvements. FY 2003 actual workload reflects a 2.0% increase above the levels projected in the FY 2004 President's Budget. All of the FY 2003 increase is on the highly complex submarine and carrier workload on CNO scheduled availabilities. The FY 2004 current estimate for workload at Norfolk and Portsmouth NSYs increases 4.5% above the FY 2004 President's Budget. The submarine and carrier availabilities are significant and now represents almost 2/3 of our total workload in each fiscal year. This highly complex work requires skilled resources to be available to accomplish the work efficiently. Shipyards need additional machinists, pipefitters, and electricians for critical work, e.g. Torpedo Tubes, Sail and Shaft Seals. These shortages are across both public and private sectors. In order to have a skilled workforce ready to accomplish that workload, the shipyards are undertaking appropriate personnel initiatives. In addition, shipyards are hiring and training engineers to support this workload.

Workforce Revitalization:

Workforce revitalization is driven by several factors, principally mission and workload requirements, workforce demographics, and labor markets.

The Apprentice Program is the key element of the production trades workforce revitalization effort. The average age of the shipyard workforce is over 45 and the current attrition rate is 4 percent. About 32 percent of the workforce will be eligible to retire in the next five years. Other Navy activities in the ship maintenance business have similar problems with the age of their workforce and the shipyards are a prime source of expertise from which they may hire. Given the demanding nature of ship maintenance and repair work, workforce revitalization also contributes to increased productivity.

Overtime Reduction:

In FY 2002, direct overtime was 25.0%. In FY 2003, direct overtime was 21.1%. The FY 2004 and FY 2005 goal is to significantly reduce overtime to about 12%, approximately 10% for on-yard work and 25%-30% for off-yard.

Performance Indicators

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Unit Costs	\$71.72	\$72.44	\$74.26
Composite Customer Rate Change	-0.3%	-3.6%	12.7%
Number of Major Availabilities	19	18	15
Total Months Early (Late)	(0.13)	0	0

Primary performance indicators are unit cost, composite rate change, total number of major availabilities completed, and total months early or late. Unit costs increase due to inflation changes and fluctuations in direct labor hours. The FY 2005 customer rate increase is substantially the result of a change in Annual Operating Results recovery factors, as well as the increase in unit cost. Schedule adherence is expressed in cumulative months for all CNO availabilities that are complete or expected to complete in the respective FY. Schedule adherence is determined by subtracting the sum of the estimated durations at the start from the sum of the actual durations.

<u>Staffing:</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Civilian End Strength	19,881	11,435	11,691
Civilian Work Years-ST	19,247	11,474	11,396
Military End Strength	111	89	89
Military Work Years	110	80	73

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

Capital Budget Authority (Dollars in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Equipment-Non-ADPE/TELECOM	\$31.246	\$14.275	\$21.451
ADPE/Telecommunications Equip	3.600	2.508	1.462
Software Development	2.100	2.700	3.947
Minor Construction	<u>4.561</u>	<u>1.000</u>	<u>.510</u>
TOTAL	\$41.507	\$20.483	\$27.370

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

Strategic Sourcing Program

The Strategic Sourcing Program continues to review processes and functions to provide cost efficiencies in the Naval Shipyards. The program is divided into three parts: (1) A-76 studies under the Commercial Activities Program; (2) Functional Assessment using business process reengineering (BPR) techniques; and (3) initiatives to reduce contract or other non-labor costs.

Lean Manufacturing Initiatives

Lean manufacturing /repair is a set of process improvement tools and techniques focused on eliminating waste and maximizing value added activity. The Naval Shipyards are actively engaged in lean implementation of ship maintenance, working with the private sector shipyards on the initiative in the National Shipbuilding Research Program.

The Naval Shipyards have initiated several specific corporate Lean Initiatives in the year to improve processes and lower the cost of ship maintenance. These processes include material management, incentive/reward systems, avoiding work stoppages, more efficient management of resources (people), having the correct technical work documents in place, and developing work strategies that allow for better sequenced work evolutions. A production process strategy has also been implemented to evaluate and improve the production used by the mechanics performing the maintenance work.

<u>Cash:</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Disbursements	2,743.2	1,845.6	1,554.4
Collections	2,756.6	1,733.6	1,533.7
Net Outlays	-13.4	112.0	20.7

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

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	2,704.3	1,708.4	1,507.2
Surcharges	7.1	.0	.0
Depreciation excluding Major Construction	39.3	25.1	25.1
Other Income			
Total Income	2,750.6	1,733.6	1,532.3
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	11.4	6.8	6.7
Civilian Personnel	1,505.5	860.2	869.0
Travel and Transportation of Personnel	44.7	27.1	24.8
Material & Supplies (Internal Operations)	250.6	224.9	227.4
Equipment	17.6	13.4	16.4
Other Purchases from NWCF	16.8	22.7	22.8
Transportation of Things	4.5	2.0	1.9
Depreciation - Capital	39.3	25.1	25.1
Printing and Reproduction	1.9	1.4	1.4
Advisory and Assistance Services	.0	.8	.9
Rent, Communication & Utilities	57.9	27.5	27.9
Other Purchased Services	676.4	589.4	311.1
Total Expenses	2,626.6	1,801.3	1,535.4
Work in Process Adjustment	45.6	.0	.0
Comp Work for Activity Reten Adjustment	-7.5	-.4	-.4
Cost of Goods Sold	2,664.7	1,800.9	1,535.1
Operating Result	86.0	-67.4	-2.8
Less Surcharges	-7.1	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	17.3
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	78.8	-67.4	14.5
Other Changes Affecting AOR	-5.0	.0	.0
Accumulated Operating Result	52.8	-14.5	.0

INDUSTRIAL BUDGET INFORMATION SYSTEM
SHIPYARD / TOTAL
SOURCE OF REVENUE
AMOUNT IN MILLIONS

PAGE: 1

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	3,268	1,038	1,528
a. Orders from DoD Components	3,110	909	1,390
Department of the Navy	3,092	894	1,374
O & M, Navy	2,313	648	905
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	1	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	1	1	1
Weapons Procurement, Navy	1	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	497	100	363
Other Procurement, Navy	208	137	93
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	70	9	11
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	1	1	1
Army Operation & Maintenance	0	0	0
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	1	0	1
Department of the Air Force	1	1	1
Air Force Operation & Maintenance	1	1	1
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	15	13	15
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	12	0	0
Res, Dev, Test & Eval Accounts	2	5	5
Procurement Accounts	0	8	9
Defense Emergency Relief Fund	0	0	0
DOD Other	1	0	1
b. Orders from other WCF Activity Groups	136	121	132
c. Total DoD	3,246	1,030	1,522
d. Other Orders	22	8	6
Other Federal Agencies	5	2	1
Foreign Military Sales	1	0	1
Non Federal Agencies	16	6	4
2. Carry-In Orders	938	1,455	
a. Less Puget Sound FY 2003 Carry-Over		614	
b. Net Carry-In Orders		841	471
3. Total Gross Orders	4,206	1,879	2,007
a. Funded Carry-Over before Exclusions	1,455	471	515
b. Total Gross Sales*	2,751	1,408	1,492
4. End of Year Work-In-Process (-)	-26	-29	-29
5. Non-DoD, BRAC, FMS (-)	-33	-27	-14
6. Net Funded Carryover*	1,391	416	462

* Total Gross Sales and Net Funded Carryover are exclusive of Puget Sound residual efforts for FY 2004 and FY 2005
Note: Line 4 (End of Year Work-In-Process is adjusted for Non-DoD, BRAC & FMS)

**FY2005 PRESIDENT'S SUBMISSION
DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE - NAVAL SHIPYARDS
SUMMARY OF CHANGES IN OPERATIONS - FEB 2004
FUND 2
(Dollars in Millions)**

	EXPENSE
1. FY03 ACTUALS	\$ 2,627
2. FY04 PRESIDENT'S BUDGET	\$ 1,415
3. PRICING CHANGES	\$ 23
a. Change in Labor Pricing	\$ 23
4. PROGRAM CHANGES	\$ 366
a. Workload Changes	\$ 364
1. Direct Workyears	\$ 33
2. Direct Non-labor	\$ 335
3. Overhead Non-Labor	\$ (4)
b. Depreciation	\$ 2
5. OTHER CHANGES	\$ (2)
a. Other Overhead	\$ (2)
6. FY04 CURRENT ESTIMATE	\$ 1,802
7. PRICING ADJUSTMENTS	\$ 29
a. Pay Raise	\$ 19
1. FY 04 Pay Raise	\$ 8
2. Annualization	\$ 11
b. Material & Supplies Purchases	\$ 2
c. General Inflation	\$ 8
8. PRODUCTIVITY INITIATIVES	\$ (8)
9. PROGRAM CHANGES	\$ (286)
a. Workload Changes	\$ (286)
1. Direct Workyears	\$ (5)
2. Direct Non-labor	\$ (278)
3. Overhead Workyears	\$ (3)
10. OTHER CHANGES	\$ (2)
b. CNI Transfer	\$ (2)
11. FY05 CURRENT ESTIMATE	\$ 1,535

FY 2005 PRESIDENT'S BYDGET SUBMISSION
Component: NAVAL SHIPYARDS
Business Area: DEPOT MAINTENANCE - SHIPYARDS
Date: FEBRUARY 2004
(\$ in Millions)

<u>Line Num</u>	<u>Description</u>	<u>FY Qty</u>	<u>Total Cost</u>	<u>FY Qty</u>	<u>Total Cost</u>	<u>Qty</u>	<u>FY 2005 Total Cost</u>
Non ADP							
1	151-Ton Capacity Portal Crane					1	16.650
2	60 TON PORTAL CRANE #36	1	8.800				
3	HIGH SPEED PROPELLER PROFILER			1	6.000		
4	NFPC, HIGH SPEED PROPELLER PROFILER	1	6.000				
5	OFF HULL REFUELING ENCLOSURE	1	0.200	1	3.513		
6	PIER RAMPS FOR CVN/LHD/LHA	3	1.710				
7	SHAFT LATHE RETROFIT	1	0.040	1	1.500		
8	UPGRADE ESAB CNC CUTTING CENTER	1	1.145				
9	Miscellaneous (Non ADP < \$1000K; >= \$500K)		6.863		1.200		1.994
10	Miscellaneous (Non ADP < \$500K)		6.488		2.062		2.807
	Non ADP Total:		31.246		14.275		21.451
ADP							
11	NSY SERVER REPLACEMENT	1	3.600				
12	NSY Server Replacement			1	1.968		
13	NSY Server replacement					1	1.462
14	Miscellaneous (ADP < \$1000K; >= \$500K)				0.540		
	ADP Total:		3.600		2.508		1.462
Software							
15	Electronic Waterfront Paperless System (EWPS)					1	3.000
16	NSY Ship Maintenance Corporate SW Development			1	1.080	1	0.947
17	Upgrade AIM			1	1.620		
18	NSY SHIP MAINTENANCE CORPORATE SW	1	1.400				
19	Miscellaneous (Software < \$1000K; >= \$500K)		0.700				
	Software Total:		2.100		2.700		3.947
Minor Construction							
20	Miscellaneous (Minor Construction < \$1000K; >= \$500K)		2.042				
21	Miscellaneous (Minor Construction < \$500K)		2.519		1.000		0.510
	Minor Construction Total:		4.561		1.000		0.510
Grand Total Capital Program			41.507		20.483		27.370
Total Capital Outlays			79.689		52.855		38.777
Total Depreciation Expense			39.256		25.137		25.104

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 1/151-Ton Capacity Portal Crane(Replacement)			D. Site Identification NNSY Portsmouth, VA					
				FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP							1	16100	16650			
Narrative Justification:												
Description												
Provide heavy lift crane capability to the shipyard's Aircraft Carrier Dry-dock, 22 berths, and 6 major industrial buildings where no comparable lifting capacity exists. Sample lift: 140-ton Deck Edge elevator. This crane will improve safety by increasing the cab-height 27 feet enabling the operator to look down on carrier flight deck. Crane design will prevent overload and stop the load in event of machinery failure. This crane is urgently needed by August 2006 to support the planned fleet reconstruction workload. \$1.4M advanced planning request FY-04.												
Justification												
Mission Capability: Norfolk Naval Shipyard (NNSY) requires heavy lift capacity on 40-gage rail circuit to support the simultaneous ship availabilities of 3 aircraft carriers (CVN-class), 2 SSBN-class and 1 SSN-class submarine. This new crane will provide the sole heavy lift capability to the 40 foot rail circuit. It will allow disposal of two 84 ton, 62 year old portal cranes that would otherwise require overhaul projected to cost \$29 Million. Eliminating these overhauls will result in an immediate payback for this project. These two cranes can currently perform heavy lifts in a limited area by making complex tandem lifts which have safety concerns. Additional savings will be realized from reduced maintenance & production delays due to breakdown. Safety will be enhanced by eliminating exposed electrical & rotating components, lead paint, and asbestos.												
Impact												
Failure to procure this crane will leave the shipyard with no heavy lift capability in the 40 foot rail circuit and unable to perform its mission. The August 2006 in-service need date is based on the FY07 planned facility modification in the large dry-dock area. This mod will impact operational capability by severing the rail at the head of the dry-dock early first quarter of FY07. Placing the new 151-ton crane on the North side of the dry-dock in August 2006 allows the 2 existing 84-ton cranes to be placed on the South side of the dry-dock, thus enabling the shipyard to maintain heavy lift capability on all of the 40-foot gage circuit. Delay of this project will preclude use of the existing multi crane procurement contract and delay delivery until at least May 2008 at an increased cost of between \$3M to \$5M.												

Business Area Capital Investment Justification (\$ in Thousands)						A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION							
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 3/HIGH SPEED PROPELLER PROFILER(Productivity)			D. Site Identification NFPC Norfolk Det, Philadelphia, PA						
		FY 2003		FY 2004			FY 2005						
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP					1	5000	6000						
Narrative Justification:													
Description													
The high speed profiler is a 5-axis Computer Numerical Control (CNC) milling machine with a large 24 ft "C" axis table and a set-up station covered by the "X" axis travel of the machine. A 100 HP motor is mounted on a sliding saddle that form the "Y" and "Z" axes. A rotating turret type head contains the spindle that moves in "A" and a redundant "C" axes. The machine is capable of automatic spindle and tool changes and has 600 ipm of translational speeds and 16,000 RPM spindle rotation speed. The set-up station will be equipped with an inspection system that will be used to qualify the casting and in-process inspection.													
Justification													
NFPC requires a high speed profiler in order to reduce the overall cost to the program by reducing the machining time (50-90%) thereby improving delivery of the Virginia class propulsor. Existing profilers are very slow machines capable of, at best 1 in3/mn metal removing rate. The NAVSEA sponsored propulsor affordability Manufacturing Technology (MT) project has one of its main objectives the technology transfer to Navy Foundry and Propeller Center (NFPC) of high speed machining data obtained from NIST and Battelle labs (Oak Ridge). The project has as of this date proven the feasibility of contour milling Nickel Aluminum Bronze alloys at 14,000 RPM and 600 ipm during tests at National Institute of Standards and Technology (NIST). The proposed machine will be able to employ all the parameters that will be developed during the first two phases of the project and will allow NFPC to reduce costs and deliver propulsors in less time.													
Impact													
NFPC's is the only manufacturer of submarine propulsors. The existing machining assets are old and are going through a retrofit program that aims to maintain the existing capability. Without improvements in NFPC's core capability, coupled with stringent tolerances on Virginia blades, our ability to provide propulsors within costs and on time will be seriously degraded. This machine is therefore essential to NFPC's ability to support the submarine fleet.													

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 5/OFF HULL REFUELING ENCLOSURE(New Mission)			D. Site Identification NNSY Portsmouth, VA					
				FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP	1	0	200	1	3313	3513						
Narrative Justification:												
Description												
The Off Hull Refueling Enclosure (OHRE) will be an approximately 31' x 33' x 45' tall steel enclosure equipped with a mechanical roof hatch, a 5 ton bridge crane, ventilation system, fluid system and supporting electrical and communication systems. It will be located over a pile supported concrete foundation equipped with a pit to provide shielding for radioactive materials.												
Justification												
Planning schedules for Norfolk Naval Shipyard (NNSY) currently indicate parallel refueling availabilities for SSN-688 Class and SSBN-726 Class submarines. Refueling availabilities can only be fully supported at the Dry Dock #4 facility, which is currently undergoing renovation to support SSBN-726 Class submarine refueling availabilities. The facilities at the Dry Dock #2/3 Defueling Complex will not support a refueling availability without requiring the use of sections of the Dry Dock #4 facility. Parallel refueling availabilities necessitate the use of the Dry Dock #2/3 facility, which requires the shipyard to share work performance of key operations the work must be performed in series, this creates schedule delays and at the Dry Dock #4 complex. During the increases the cost of the availabilities. The OHRE would provide an enclosure to allow fully supporting a refueling availability at the Dry Dock #2/3 complex.												
Impact												
Inefficiencies in equipment staging, component storage and on-going operations would result in a 14 day increase in critical path time for a refueling conducted at Dry Dock #2/3. Also, staging and storage of equipment at Dry Dock #4 for use at Dry Dock #2/3 would result in additional delay and disruption to ongoing operations at both complexes. Depending upon the level of operations being performed, this delay could be as much as an additional 7 days to either or both availabilities.												

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 7/SHAFT LATHE RETROFIT(Productivity)			D. Site Identification PNSY Portsmouth, NH					
				FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP	1	0	40	1	1500	1500						
Narrative Justification:												
Description												
This project rebuilds a Farrel/Betts lathe, Naval Identification (NID) 165-310693. Rebuild will include carriage drives, taper attachment, headstock, tailstock, bed machining, and a computer numerical control (CNC) retrofit.												
Justification												
Portsmouth Naval Shipyard (NAVSHIPYD PTSMH) is a primary depot for the refurbishment of propulsion shafts for SSN 688 and Trident Class submarines. While a SSN 688 propulsion shaft is one piece a Trident shaft is two pieces each requiring similar repair effort. There are over forty potential operations performed in the clean and inspect cycle as well as the repair and machine cycle. Expected turn around time for a SSN 688 shaft is 18 months and 30 months for a Trident shaft. However, since most of these shafts are being refurbished for the third or fourth time their condition is such that the standard repair is not adequate. Significant welding and machining is required nearly doubling turn around time in some cases. Not all of the backup is a result of the repairs themselves. Many delays are a result of waiting for inspections, results, approvals, service trades, and machine time. Although the customer doesn't pay for delay time it impacts schedules, backlog, and throughput. Since many of the operations require a shaft to be in a lathe a significant amount of delay is caused by a shortage of machine capacity. A third machining asset would enable us to reduce delays due to machine capacity, reduce turn around time, and increase throughput. We estimate that an increase of three shafts per year to our workload is possible while still maintaining an acceptable delivery schedule for our customer. Based on standard fees for refurbing SSN 688 and Trident propulsion shafts an increase of \$775,000 to yearly revenues is possible. Payback would be realized in 3.82 years, with an annual savings of \$435,000.												
Impact												
Execution of this project will increase throughput, reduce customer backlog, and provide the Navy with greater readiness of an essential inventory component.												

Business Area Capital Investment Justification (Dollars in Thousands)		A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION		
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004	C. Line# and Description 9/Miscellaneous (Non ADP < \$1000K; >= \$500K)	D. Site Identification NA		
		FY 2003	FY 2004	FY 2005
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		6863	1200	1994
TANK CLEANING VACUUM SYSTEM (NNSY Portsmouth, VA)			500	490
HP AIR COMPRESSOR, PORTABLE (PSNSY Bremerton, WA)		955		
CNC DRILLING/MILLING MACHINE (8 FT X 9 FT) (PSNSY Bremerton, WA)		899		
TRIDENT MATERIAL HIGHWAY (PSNSY Bremerton, WA)		840		
VERTICAL RECIPROCATING CONVEYOR (DD-1) (PSNSY Bremerton, WA)		725		
CASUALTY CONTROL SYSTEM (PNSY Portsmouth, NH) 151-Ton Capacity Portal Crane, Design Support (NNSY Portsmouth, VA)			700	804
BRIDGE CRANES, 35 TON, B300 (PNSY Portsmouth, NH)				700
LASER CUTTING SYSTEM, CO2 (PNSY Portsmouth, NH)		650		
CRANE UPGRADE, BRIDGE (B-856 #035403) (PSNSY Bremerton, WA)		555		
BLAST BOOTH (B-873) (PSNSY Bremerton, WA)		595		
HORIZ BORING MILL REPLACEMENT (NNSY Portsmouth, VA)		553		
VERTICAL LAUNCH SYSTEM (VLS) PLATFORM (PSNSY Bremerton, WA)		550		
ODT BLAST SYSTEM - Rev. A (NNSY Portsmouth, VA)		541		

Business Area Capital Investment Justification (Dollars in Thousands)		A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION		
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004		C. Line# and Description 10/Miscellaneous (Non ADP < \$500K)		D. Site Identification NA
		FY 2003	FY 2004	FY 2005
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		6488	2062	2807
Total number of projects = 50				

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 12/NSY Server Replacement(Hardware)			D. Site Identification NSY Arlington, VA (MSSD)					
FY 2003				FY 2004			FY 2005					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
ADP				1	1968	1968						
Narrative Justification:												
Description												
This project supports the replacement and technological refreshment of the standard configuration information technology (IT) applications servers supporting the corporate standard information systems in the naval shipyards. There are 27 corporate standard applications that support depot maintenance operations in the shipyards including Baseline Advanced Industrial Management (BAIM), Performance Monitoring, Shipyard Management Information System (SYMIS) Material and Financial Management, Laboratory Analysis, and Hazardous Substance Management and Monitoring, as well as specialty applications for Facilities and Radiological Controls Monitoring. Much of this equipment was installed three or more years ago.												
Justification												
This equipment is required to replace aging and obsolete equipment. This equipment is also required to ensure compatibility with Enterprise Resource Planning (ERP) platforms planned for the regional maintenance consolidation functions. All equipment is acquired centrally for configuration control and management, economy of scale and maximum discount. In addition, equipment will be consolidated, where feasible, for greater economy and resource savings. This equipment is required to replace currently outdated equipment that will remain in the shipyards for the next 4-5 years.												
Impact												
If not replaced, the shipyards will be left with obsolete equipment for which there is no vendor maintenance, thus jeopardizing the shipyard's ability to assure uninterrupted, seamless communications capability for depot maintenance progress reporting. Shipyards will experience high levels of downtime and lost productivity.												

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 13/NSY Server replacement(Hardware)			D. Site Identification NSY Arlington, VA (MSSD)					
				FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
ADP							1	1462	1462			
Narrative Justification:												
Description												
This project supports the replacement and technological refreshment of the standard configuration information technology (IT) applications servers supporting the corporate standard information systems in the naval shipyards. There are 27 corporate standard applications that support depot maintenance operations in the shipyards including Baseline Advanced Industrial Management (BAIM), Performance Monitoring, Shipyard Management Information System (SYMIS) Material and Financial Management, Laboratory Analysis, and Hazardous Substance Management and Monitoring, as well as specialty applications for Facilities and Radiological Controls Monitoring. Much of this equipment was installed three or more years ago.												
Justification												
This equipment is required to replace aging and obsolete equipment. This equipment is also required to ensure compatibility with Enterprise Resource Planning (ERP) platforms planned for the regional maintenance consolidation functions. All equipment is acquired centrally for configuration control and management, economy of scale and maximum discount. In addition, equipment will be consolidated, where feasible, for greater economy and resource savings. This equipment is required to replace currently outdated equipment that will remain in the shipyards for the next 4-5 years.												
Impact												
If not replaced, the shipyards will be left with obsolete equipment for which there is no vendor maintenance, thus jeopardizing the shipyard's ability to assure uninterrupted, seamless communications capability for depot maintenance progress reporting. Shipyards will experience high levels of downtime and lost productivity.												

Business Area Capital Investment Justification (Dollars in Thousands)		A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004	14/Miscellaneous (ADP < \$1000K; >= \$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	0	540	0	
Secure Network Upgrade (PNSY Portsmouth, NH (MSSD))		540		

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 15/Electronic Waterfront Paperless System (EWPS)(Internally Developed)			D. Site Identification PNSY Portsmouth, NH (MSSD)					
FY 2003				FY 2004			FY 2005					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software							1	3000	3000			
Narrative Justification:												
Description												
The objective of the Electronic Waterfront Paperless System (EWPS) pilot is to test a solution for cost reduction to non-nuclear work for submarine overhauls. The pilot will test the use of hand held devices geared towards reducing the cost of direct support services on submarine availabilities by improving the efficiency of Technical Work Document (TWD) handling and administration. The TWD is built by the planning organization and customized to fit each task. It contains the information or references the waterfront worker needs to complete the task. Hand held devices will be used to display and record information in the TWD, making it the central point to access related information or resources which are currently provided by hard copy or are not available. The system will also allow data entered by the waterfront worker to be retrieved, validated and fed back to other information systems.												
Justification												
Significant effort is expended handling paper documents as work is staged, executed, completed and certified. EWPS will eliminate cumbersome manual processes and increase the accuracy of recorded data by providing Technical Work Documents (TWD) in an electronic, interactive format. The TWD becomes the central point from which to access the information held in the Naval Shipyard's information systems. Data captured at the work site can then be fed back to other information systems. Benefits are achieved by reducing the manual effort required to manage ship maintenance. The functions targeted for automation are direct support services involved with TWD packaging, tracking, and certification.												
Impact												
The EWPS will reduce the mandays required for ship maintenance. The pilot is geared towards a reduction in mandays on the SSN 688 class. All the backup information to the technical work document will be contained on the hand held and available to the worker on-site. The target of the pilot is to yield sufficient output and metrics to determine if savings warrant rollout to other activities.												

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 16/NSY Ship Maintenance Corporate SW Development(Internally Developed)			D. Site Identification NSY Arlington, VA (MSSD)					
				FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software				1	1080	1080	1	947	947			
Narrative Justification:												
Description												
The naval shipyards require continued upgrades and enhancements to their standard ship/fleet maintenance core business systems supporting the high visibility 688 submarine/carrier availabilities or other "Lean 7" initiatives. Further, the systems utilized support the continued requirement for business process improvements to achieve higher efficiencies in the workplace. These systems include: Baseline Advanced Industrial Management (BAIM), AIM Express, Performance Measurement, Material Requirements, Financial/Material Management, Workload Forecasting, Radiological Controls and Hazardous Substance Management and Monitoring, among others. The priority software upgrades have been selected based on calculated return on investment of less than one year, direct support of 688 class submarine factory program, assist in the transition to Enterprise Resource Planning (ERP) and/or potential contribution of the initiative to the strategic sourcing wedge. These systems are reported under AIM, SYMIS and DMSS in the IT budget.												
Justification												
These projects will contribute to enhanced business performance, improved business processes, and contribute to strategic sourcing wedge.												
Impact												
If this project is not funded, Navy will lose the opportunity to continue with Business Process Reengineering (BPR) and its contribution to depot/regional maintenance cost reduction initiatives. These applications are not expected to be replaced by the emerging ERP initiative.												

Business Area Capital Investment Justification (\$ in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION					
B. Component/Business Area/Date DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004				C. Line# and Description 17/Upgrade AIM(Internally Developed)			D. Site Identification PNSY Portsmouth, NH (MSSD)					
FY 2003				FY 2004			FY 2005					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software				1	1620	1620						
Narrative Justification:												
Description												
The Advanced Industrial Management (AIM) program is the standard tool for planning. Although ERP will eventual take over, it is expected that the shipyards will continue to use AIM through FY09, to complete the 688 class refuelings and the SGN's inactivations. By FY04, AIM will require upgrades to enable the use of and integration with new technology and new capabilities such as web enabling. DoD direction and drive is to migrate systems towards web enabling when there are benefits to doing so.												
Justification												
Web enabling AIM will facilitate the transition to ERP, customize business rules, and ease the input of Ships Force work as well as ease the access to archived information. Through web enabling the shipyards will increase the visibility and use of shared technical work documents. Web enabling will reduce the requirement for AIM servers to be present in each site and improve system security.												
Impact												
Without the upgrades, the shipyards will not be able to take advantage of the increased visibility. There will be an increased cost of system maintenance and test and certification in light of NMCI.												

Business Area Capital Investment Justification (Dollars in Thousands)		A. Budget Submission FY 2005 PRESIDENT'S BUDGET SUBMISSION		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
DEPOT MAINTENANCE - SHIPYARDS/ FEBRUARY 2004	21/Miscellaneous (Minor Construction < \$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	2519	1000	510	
Total number of projects = 12				

Navy Working Capital Fund Capital Investment Summary

Business Area: DON/Depot Maintenance

Component: NAVAL SHIPYARDS

FY 2005 PRESIDENT'S BUDGET SUBMISSION

FEBRUARY 2004

(\$ in Millions)

FY	PROJECT TITLE	FY 2004 PRESIDENT'S	REPROGS	CURRENT PROJ COST	ASSET / (DEFICIENCY)	EXPLANATION
Non-ADP Equipment						
04	151-TON PORTAL CRANE	1.400	(1.400)	0.000	0.000	Project scope reduced. Reprogramming reduced amount. Project now identified in Miscellaneous >\$500K; < \$1,000K
04	HIGH SPEED PROPELLER PROFILER	6.000	0.000	6.000	0.000	No Change
04	OFF HULL REFUELING ENCLOSURE	0.000	3.513	3.513	0.000	New requirement. Project documentation included in this submission.
04	REPLACEMENT OF A/C UNITS (11 EACH)	1.894	(1.894)	0.000	0.000	Item reduced in scope, now quantified in category Miscellaneous Non-ADP >\$500K, < \$1,000K
04	SHAFT LATHE RETROFIT	1.500	0.000	1.500	0.000	No Change
04	MISCELLANEOUS NON-ADP >\$500K,<\$1,000K	1.389	0.503	1.892	0.000	Below threshold project changes/realignments. Includes Replacement of A/C Units rescoped above.
04	MISCELLANEOUS NON-ADP <\$500K, > \$100K	2.109	(0.739)	1.370	0.017	Below threshold project changes/realignments.
Total Non-ADP Equipment		14.292	(0.017)	14.275	0.017	
ADP & TELECOMMUNICATIONS EQUIPMENT						
04	NSY SERVER REPLACEMENT	1.968	0.000	1.968	0.000	No Change
04	MISCELLANEOUS ADP <\$1000K; >=\$500K	0.540	0.000	0.540	0.000	No Change
Total ADP & Telecommunications Equipment		2.508	0.000	2.508	0.000	

Navy Working Capital Fund Capital Investment Summary

Business Area: DON/Depot Maintenance

Component: NAVAL SHIPYARDS

FY 2005 PRESIDENT'S BUDGET SUBMISSION

FEBRUARY 2004

(\$ in Millions)

FY	PROJECT TITLE	FY 2004 PRESIDENT'S	REPROGS	CURRENT PROJ COST	ASSET / (DEFICIENCY)	EXPLANATION
----	------------------	------------------------	---------	----------------------	-------------------------	-------------

SOFTWARE DEVELOPMENT

04	UPGRADE AIM	1.080	0.000	1.080	0.000	No Change
04	NSY SHIP MAINTENANCE CORPORATE SW	1.620	0.000	1.620	0.000	No Change

Total Software Development		2.700	0.000	2.700	0.000	No Change
-----------------------------------	--	-------	-------	-------	-------	-----------

MINOR CONSTRUCTION

04	MISCELLANEOUS MINOR CONSTRUCTION <\$500K, > \$250K	1.000	0.000	1.000	0.000	No Change
----	---	-------	-------	-------	-------	-----------

Total Minor Construction		1.000	0.000	1.000	0.000	No Change
---------------------------------	--	-------	-------	-------	-------	-----------

FY04 GRAND TOTAL		20.500	-0.017	20.483	0.017	
-------------------------	--	--------	--------	--------	-------	--

**NAVY WORKING CAPITAL FUND
COMPONENT/BUSINESS AREA: NAVAL SHIPYARDS
(Dollars in Millions)**

MATERIAL INVENTORY DATA

FY 2003

	<u>Total</u>	<u>Mobilization</u>	-----Peacetime----- <u>Operating</u>	<u>Other</u>
Material Inventory BOP	147.5		147.5	
 <u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	302.6		302.6	
B. Purchase of long lead items in advance of customer orders (+)				
C. Other Purchases (list) (+)				
D. Total Purchases	302.6		302.6	
 <u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	280.7		280.7	
B. Disposals, theft, losses due to damages (-)				
C. Other reductions (list) (-)				
D. Total Inventory adjustments	280.7		280.7	
Material Inventory EOP	169.4		169.4	

FY 2004

Material Inventory BOP	169.4		169.4	
 <u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	201.4		201.4	
B. Purchase of long lead items in advance of customer orders (+)				
C. Other Purchases (list) (+)				
D. Total Purchases	201.4		201.4	
 <u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	268.2		268.2	
B. Disposals, theft, losses due to damages (-)				
C. Other reductions (list) (-)				
D. Total Inventory adjustments	268.2		268.2	
Material Inventory EOP	102.5		102.5	

FY 2005

Material Inventory BOP	102.5		102.5	
 <u>Purchases</u>				
A. Purchases to Support Customer Orders (+)	198.9		198.9	
B. Purchase of long lead items in advance of customer orders (+)				
C. Other Purchases (list) (+)				
D. Total Purchases	198.9		198.9	
 <u>Material Inventory Adjustments</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	238.2		238.2	
B. Disposals, theft, losses due to damages (-)				
C. Other reductions (list) (-)				
D. Total Inventory adjustments	238.2		238.2	
Material Inventory EOP	63.2		63.2	

Naval Aviation Depots

**FY 2005 President's Budget
Navy Working Capital Fund
Narrative Summary of Operation
Activity Group: Depot Maintenance/NAVAIRDEPOTs
February 2004**

ACTIVITY GROUP FUNCTION

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

ACTIVITY GROUP COMPOSITION

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

BUDGET HIGHLIGHTS

General

The Naval Air Depots (NAVAIRDEPOTS) provided significant support to Operation Iraqi Freedom and the Global War on Terrorism by overhauling and repairing a wide range of equipment and components on accelerated delivery schedules. This workload resulted in increased orders, revenue and costs over the levels projected in the FY 2004 President's Budget for FY 2003 and FY 2004. In FY 2005, workload and financial indicators are projected to return to normal.

FY 2003 includes the partial implementation of the Navy Marine Corps Intranet (NMCI) at the NAVAIRDEPOTS. The full cost of the NMCI demand model is reflected beginning in FY 2004. In addition, the NAVAIRDEPOTS have been budgeted to a zero AOR at the activity level in FY 2005.

<u>Summary of Operations</u>	<u>(\$ in Millions)</u>		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Orders	2,415.2	1,868.5	1,990.2
Revenue	2,367.8	2,247.6	2,095.2
Cost of Goods Sold	2,278.1	2,208.1	2,162.0
Revenue less Costs	89.7	39.5	-66.8
Surcharges	-2.5	-0.7	-0.6
Net Operating Result (NOR)	87.2	38.8	-67.4
Accumulated Operating Result (AOR)	28.6	67.4	0.0

**FY 2005 President's Budget
Navy Working Capital Fund
Narrative Summary of Operation
Activity Group: Depot Maintenance/NAVAIRDEPOTs
February 2004**

Orders. New reimbursable orders for FY 2004 and FY 2005 are \$1.9B and \$2.0B respectively. FY 2004 new orders increased from the FY 2004 President's budget due to increases in the airframes, engines, and modification programs.

Revenue. Revenue is \$2.2B for FY 2004 and \$2.1B for FY 2005. The FY 2004 estimate is \$302M above the President's Budget as a result of increased workload in support of Operation Iraqi Freedom and Operation Enduring Freedom. The FY 2005 revenue estimate has been decreased by \$67.4M to achieve a zero AOR.

Costs. Cost of Operations is \$2.2B in FY 2004 and \$2.2B in FY 2005. The increase in FY 2004 from the FY 2004 President's Budget is attributed to the increased workload in support of Operation Iraqi Freedom and Operation Enduring Freedom.

Revenue less cost. Revenues less cost for FY 2004 and FY 2005 is \$39.5M and \$-66.8M respectively. The FY 2005 revenue less cost is reflective of the rate adjustment necessary to achieve a zero AOR in the rate setting year.

Stabilized Customer Rates

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Composite Hourly Rate	\$164.98	\$161.06	\$165.99
Percent Year to Year Change		-2.37%	3.06%

Performance Indicators

<u>Schedule Conformance</u>		(UNITS)		
	Goal	FY 03	FY 04	FY 05
Aircraft Scheduled		478	575	662
Aircraft Completed on Time		430	518	596
% Scheduled Work Completed on Time	*90%	0.90	0.90	0.90
Components Scheduled		156,518	120,422	128,156
Components Completed on Time		148,692	114,401	121,748
% Scheduled Work Completed on Time	95%	0.95	0.95	0.95
Engines Scheduled		1,218	1,156	1,335
Engines Completed on Time		1,181	1,121	1,295
% Scheduled Work Completed on Time	97%	0.97	0.97	0.97

**FY 2005 President's Budget
Navy Working Capital Fund
Narrative Summary of Operation
Activity Group: Depot Maintenance/NAVAIRDEPOTs
February 2004**

*The percentage of airframes completed on time is dependent on time and number of inductions in a fiscal year			
	FY 03	FY 04	FY 05
Material Costs of Good Sold	1,019	960	897
Average Inventory	274	285	270
Inventory Turnover Ratio	4	3	3
Inventory Turnover Ratio - This is a measure of inventory utilization. The goal is to reduce the investment in inventory while still meeting the depot requirements for readily available material. By taking the quotient in inventory while still meeting the depot requirements for readily available material. By taking the quotient of projected yearly Cost of Goods Sold divided by Inventory, inventory turnover can be determined. The higher the ratio, the more rapidly inventory is being used to meet production requirements.			

Unit Cost Goals

The budget reflects the following FY 2003-2005 unit cost goals:

	(\$ and DLHs in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Total Operating Cost	\$2,173.09	\$2,149.26	\$2,076.84
Direct Labor Hours (DLH)	12.728	13.034	12.430
Unit Cost	\$170.73	\$164.90	\$167.08
% Change Workload/DLHs	-	2.4%	-4.6%
% Change Unit Cost	-	-3.4%	1.3%

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

Net Outlays

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Collections	2,344.2	2,135.9	2,006.7
Disbursements	2,200.4	2,133.4	2,061.4
Net Outlays	(143.8)	(2.4)	54.7

**FY 2005 President's Budget
Navy Working Capital Fund
Narrative Summary of Operation
Activity Group: Depot Maintenance/NAVAIRDEPOTs
February 2004**

SUMMARY OF PERSONNEL RESOURCES.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Civilian Personnel:			
End Strength	11,145	11,042	11,101
FTE Workyears	10,789	10,989	11,062
Military Personnel:			
End Strength	101	126	124
Workyears	99	126	124
Contractor Personnel:			
Workyears	714	1,158	1,157

The increase in civilian personnel in FY 2004 over the FY 2004 President's Budget reflects civilian workforce levels necessary to accommodate firm workload without the use of excessive overtime. Contract personnel are used by the NAVAIRDEPOTS to support perturbations in workload.

Summary Of Capital Purchases Program (CPP):

(\$ in Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Equipment-non ADPE &TELECOM	33.525	23.016	25.269
Minor Construction:	3.170	4.841	6.234
Equipment-ADPE &TELECOM	9.129	3.350	0.000
Software Development	5.072	10.586	0.000
Total	\$50.896	\$41.793	\$31.503

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

(NIFRPT)

PAGE 1

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	2,335.0	2,206.7	2,054.4
Surcharges	2.5	.7	.6
Depreciation excluding Major Constructio	30.3	40.3	40.3
Other Income			
Total Income	2,367.8	2,247.6	2,095.2
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	7.8	8.3	8.3
Civilian Personnel	765.7	821.3	814.5
Travel and Transportation of Personnel	25.3	24.3	23.7
Material & Supplies (Internal Operations	884.5	825.6	771.1
Equipment	134.9	134.1	126.1
Other Purchases from NWCF	34.1	23.9	24.1
Transportation of Things	2.7	2.8	2.8
Depreciation - Capital	30.3	40.3	40.3
Printing and Reproduction	2.5	2.2	2.2
Advisory and Assistance Services	17.1	5.3	5.3
Rent, Communication & Utilities	45.7	40.9	40.7
Other Purchased Services	222.4	220.3	217.6
Total Expenses	2,173.1	2,149.3	2,076.8
Work in Process Adjustment	126.1	58.8	85.2
Comp Work for Activity Reten Adjustment	-21.1	.0	.0
Cost of Goods Sold	2,278.1	2,208.1	2,162.1
Operating Result	89.7	39.5	-66.8
Less Surcharges	-2.5	-.7	-.6
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	87.2	38.8	-67.4
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	28.6	67.4	.0

Exhibit Fund-14

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

(R_FUND11)

PAGE: 1

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	2,415	1,869	1,990
a. Orders from DoD Components	1,376	1,001	998
Department of the Navy	1,317	960	961
O & M, Navy	1,092	705	694
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	49	56	56
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	155	178	189
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	3	3	3
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	18	19	19
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	0	2	3
Army Operation & Maintenance	0	2	3
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	55	37	33
Air Force Operation & Maintenance	55	37	33
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	4	2	2
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	3	2	2
Res, Dev, Test & Eval Accounts	1	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	990	806	916
c. Total DoD	2,366	1,807	1,914
d. Other Orders	49	62	76
Other Federal Agencies	7	6	6
Foreign Military Sales	28	21	24
Non Federal Agencies	15	35	46
2. Carry-In Orders	1,094	1,142	763
3. Total Gross Orders	3,509	3,010	2,753
a. Funded Carry-Over before Exclusions	1,142	763	658
b. Total Gross Sales	2,368	2,248	2,095
4. End of Year Work-In-Process (-)	-290	-232	-148
5. Non-DoD, BRAC, FMS (-)	-43	-51	-70
6. Net Funded Carryover	808	480	440

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

**FY 2005 President's Budget
Navy Working Capital Fund
Changes in the Costs of Operations
Activity Group: Naval Air Depots
February 2004
(\$ in Millions)**

	Total Costs
FY 2003 Actual	2,173.1
FY 2004 President's Budget	1,910.8
Pricing Adjustments:	12.5
Annualization of Pay Raises	4.0
Civilian Personnel	4.0
Military Personnel	0.0
Pay Raise	0.0
Civilian Personnel	10.5
Military Personnel	0.0
Fuel Changes	0.0
Working Capital Fund Materiel Price Changes	0.0
General Purchase Inflation	-2.0
Productivity Initiatives	0.0
Program Changes:	225.4
Airframes work	80.0
Engines work	52.9
Components work	76.5
Other Support work	2.9
Modification work	23.8
Logistics/Engineering work	-10.7
Other Changes (incl Depreciation):	0.5
Depreciation	1.0
Travel	-0.9
Training/Tuition	-0.5
Equipment Maintenance, Other Contracts/Cost and ADP Services/Support	0.9
FY 2004 Estimate:	2,149.3

**FY 2005 President's Budget
Navy Working Capital Fund
Changes in the Costs of Operations
Activity Group: Naval Air Depots
February 2004
(\$ in Millions)**

	Total Costs
FY 2004 Estimate:	2,149.3
Pricing Adjustments:	26.4
Annualization of Pay Raises	11.1
Civilian Personnel	11.0
Military Personnel	0.1
Pay Raise	8.3
Civilian Personnel	8.1
Military Personnel	0.2
Fuel Changes	0.1
Working Capital Fund Materiel Price Changes	3.8
General Purchase Inflation	3.1
Productivity Initiatives	-6.3
Strategic Sourcing	-2.6
Competition	-1.0
Efficiencies	-1.6
Workload Validation & Efficiencies	-3.7
CPP	0.0
Program Changes:	-92.5
Airframes work	-60.9
Engines work	-41.3
Components work	14.9
Other Support work	-7.4
Modification work	4.3
Logistics/Engineering work	-2.1
Other Changes (incl Depreciation):	0.0
Depreciation	0.0
FY 2005 Estimate:	2,076.8

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

ITEM LINE #	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)						
	Replacement						
6 DE 3 EL 0365 P R	6000 TON HYDRO-FORM PRESS	1	5.450				
6 DE 3 EL 0408 P R	FIVE AXIS MILLS (2)	1	3.730				
6 DC 3 EL 0445 P R	DEPOT ATE TPS OFFLOAD TO CASS	1	2.000				
6 DC 3 EL 0485 P R	5-AXIS MACHINING CENTER (OM-3)	1	1.750				
6 DC 5 EL 0527 P R	"C" SCAN	1	1.200				
6 DF 4 EL 0178 P R	T64 & T58 TEST STAND REPLACEMENTS	1	1.390	1	1.390		
6 DF 3 EL 0159 P R	JIG GRINDER REPLACEMENT	1	1.000				
6 DF 4 EL 0212 P R	TEST CELL #2 UPGRADE			1	2.081	1	1.449
6 DE 4 EL 0396 P R	HIGH SPEED BLADE TIP GRINDER			1	1.800		
6 DE 4 EL 0369 P R	CNC HORIZONTAL BORING MILL			1	1.650		
6 DE 4 EL 0281 P R	CNC GRINDER			1	1.500		
6 DF 4 EL 0202 P R	HORIZONTAL BORING MILL REPLACEMENT			1	1.365		
6 DE 5 EL 0364 P R	5-AXIS MACHINING CENTERS (4)					1	5.000
6 DE 5 EL 0381 P R	5-AXIS MACHINING CENTER - TILT HEAD					1	1.650
6 DF 5 EL 0190 P R	JIG BORE REPLACEMENT (Shop 93662)					1	1.190
	Productivity						
6 DF 3 EL 0170 P P	JIG GRINDER	1	1.000				
	New Mission						
6 DF 3 EL 0176 P N	BLADE TIP GRINDER & STATOR EQUIPMENT	1	1.500				
8 DC 4 EL 0522 G N	SECURITY UPGRADE			1	1.850		
	SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)	9	19.020	7	11.636	4	9.289
DN EU 0000	1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)	28	14.505	30	11.380	36	15.980
	2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM	37	33.525	37	23.016	40	25.269
DN MC 0000	3. MINOR CONSTRUCTION	13	3.170	12	4.841	12	6.234
	TOTAL NON-ADP CAPITAL PURCHASES PROGRAM	50	36.695	49	27.857	52	31.503

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

ITEM LINE #	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	1a. ADPE & TELECOMMUNICATIONS (>\$1M)						
	Computer Hardware (Production)						
7 DN 2 KL 0003 G R	DEPOT MAINTENANCE SYSTEMS HARDWARE REPLACEMENT	1	7.279	1	2.480		
6 DF 3 KL 0152 G P	INDUSTRIAL BUSINESS OPERATIONS SYSTEM	3	1.000				
	SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)	4	8.279	1	2.480	0	0.000
DN KU 0000	1b. ADPE & TELECOMMUNICATIONS (<\$1M)	2	0.850	3	0.870	0	0.000
	2. TOTAL ADPE & TELECOMMUNICATIONS	6	9.129	4	3.350	0	0.000
	3a. SOFTWARE DEVELOPMENT (>\$1M)						
	Internally Developed						
7 DN 0 DL 0JT2 G P	NAVAIR DEPOT MAINTENANCE SYSTEM (NDMS)	3	5.072	0	.000	0	.000
7 DN 0 DL 0001 G R	ENTERPRISE RESOURCE PLANNING	0	.000	3	10.351	0	.000
	SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)	3	5.072	3	10.351	0	0.000
DN DU 0000	3b. SOFTWARE DEVELOPMENT (<\$1M)	0	0.000	1	0.235	0	0.000
	3. TOTAL SOFTWARE DEVELOPMENT	3	5.072	4	10.586	0	0.000
	TOTAL ADP CAPITAL PURCHASES PROGRAM	9	14.201	8	13.936	0	0.000
	GRAND TOTAL CAPITAL PURCHASES PROGRAM	59	50.896	57	41.793	52	31.503
	TOTAL CAPITAL OUTLAYS		48.878		47.952		34.896
	TOTAL DEPRECIATION EXPENSE		30.273		40.289		40.258

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)											A.	
B. Department of the Navy/Depot Maintenance/Aviation Depot						C. FIVE AXIS MILLS (2)					Jacksonville	
						6DE3EL0408PR						
				2003			2004			2005		
Element of Cost				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST				1	3,730	3,730						
OPERATIONAL DATE	1-Aug-05											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$103,501	\$300	\$103,801									
AVERAGE ANNUAL SAVINGS (Discounted)	\$63,597	\$184	\$63,781									
PAYBACK PERIOD	NA	NA	NA									
RATE OF RETURN (ROR)	2%	0%	2%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. Procure 2 CNC 5-axis Machining Centers as replacements to the 2 old K & T Mod-U-Lines. Procure with a 10,000 rpm spindle, rapid traversal rates and a state of the art micro processors for precision manufacturing of aircraft components. New machines of this type are capable of machining all angles and contours associated with aircraft components. The computer numerical control can generate these complex shapes and repetitive moves with very simple directions, utilizing Dynamic Graphic representation. Advanced probing capability will allow the machine to verify that the machined surface is indeed, at the exact location. The higher spindle rpm will allow faster cutting speeds, thereby allowing faster production rates.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The existing machines are a 5-axis K & T Mod-U-Line. One was manufactured in 1971 and was re-built in 1985. The other, was manufactured in 1972 and re-built in 1987. Both, are now showing signs of way surface wear, bearing failure and electronic component failure. The CNC Controller and the electronic drive components were replaced 10 years ago. Due to the age of these machines, all of the repair/replacement components that will be required, are no longer available. The existing machines are constantly breaking down and circuit boards have to be sent out for repair, instead of simply pulling out the faulty board and plugging in a new one. The latest failure involved the bearings within the spindle. An 8-week lead time was quoted for the replacement bearings. New machines will have state of the art electronics and should be supportable for 10 years.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Procure replacement machines or contract the workload to a private manufacturer.</p> <p>4. IMPACT IF NOT ACQUIRED. NADEP will not be able to manufacture components for the EA-6B, F-18 and P-3 aircraft. Also, repairs of J-52 engine components will not be able to be performed.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY2005 PRESIDENT'S
BUDGET

B. Department of the Navy/Depot Maintenance/Aviation Depot							C. C-SCAN				D. North Island	
							6DC5EL0527PR					
2003			2004			2005			2006			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST	1	1200	1200									

OPERATIONAL DATE	15-Dec-04		
METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$500,000	\$84,230	\$584,230
AVERAGE ANNUAL SAVINGS (Discounted)	\$307,228	\$51,756	\$358,984
PAYBACK PERIOD	3.1	NA	2.6
RATE OF RETURN (ROR)	24.1%	4.1%	28.2%

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

1. **DESCRIPTION & PURPOSE OF PROJECT:** NADEP requires the use of ultrasonic inspection to repair composite aircraft components. In order to analyze the findings, the readings of the inspection must be in a C-Scan format. NADEP currently has one system that is capable of performing the ultrasonic inspection and providing C-Scan display. Recently, that system has failed repeatedly. These failures cause production delays. Tektrend built this current C-Scan system. Unfortunately, the Tektrend system is one-of-a-kind system and Tektrend is now out of business. R/D Tech bought Tektrend's C-Scan assets but did not keep the personnel required to maintain the NADEP C-Scan system. Recently, NADEP engineering and maintenance people reengineered and rebuilt the gimbals and other parts on the Tektrend system. The Tektrend software is complicated and unique to Tektrend. Outside of the software system, NADEP engineering and maintenance can jury-rig the system to continue to perform. Because of the software uniqueness, complexity and lack of vendor updates for computer industry modernization we expect a C-Scan system failure within two to four years that NADEP will not be able to correct or work around. NADEP maintenance estimates the probability of this failure at greater than 50% in that time frame. Furthermore, NADEP is losing personnel experienced on the Tektrend. This will cause still greater vulnerability. The purpose of this project is to purchase and install a new ultrasonic scanner inspection system that is capable of displaying readings in a C-Scan format to replace the current C-Scan system before it becomes unusable. The new system will not be a one-of-a-kind system.

2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** According to NADEP maintenance personnel, R/D Tech, the current vendor responsible for the C-Scan system maintenance above what NADEP can handle, takes much longer to respond to requests for information than any other vendor NADEP maintenance people have dealt with. R/D Tech may or may not be able to get competent people to sub contract the Tektrend maintenance work. Therefore, even when NADEP acquires a maintenance agreement with RD Tech NADEP will experience uncertain maintenance vendor performance. There is no other source for maintenance agreements for the C-Scan that is any better than RD Tech due to the uniqueness of the system. The vendor for the new system will not likely go out of business. The system will be similar to many other C-Scan systems already in use so there will be more people capable of maintaining and operating the system. Since there are already many such C-Scan systems in use, and the vendor is stable, the vendor will keep the software current as computer industry standards change. Therefore, the proposed new system will provide NADEP with reliable C-Scan ultrasonic inspection capability.

3. **WHAT ALTERNATIVES HAVE WE CONSIDERED?** We have considered four alternatives:
a) Continue to rely on our current C-scan system, without acquiring a maintenance agreement from a vendor.
b) Continue to rely on our current C-scan system, acquiring a maintenance agreement.
c) Acquire a new state of the art C-scan system (This is the chosen alternative)
d) Subcontract C-scan system work.

4. **IMPACT IF NOT ACQUIRED.** If NADEP does not acquire a new C-Scan system, NADEP will experience loss of C-Scan capability. This will happen within two to four years. At that time, NADEP will have to spend over \$500,000 per year to sub contract C-Scan work. NADEP will simultaneously have to acquire a new C-Scan system to stay in the F/A-18 Aircraft repair business. Therefore, NADEP will still have to spend the same \$1.200M, plus over \$500,000 per year for two years. In addition, aircraft programs will have to increase the cost of purchasing material to make up for reduced production of composite components. Subcontracting the C-Scan workload will result in increased TAT (Turn Around Time) and complicate the NADEP repair process so that NADEP's quality control will be compromised or at best more difficult. The increased TAT and material cost will threaten NADEP's ability to remain competitive.

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

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)	A. FY 2005 PRESIDENT'S BUDGET
--	----------------------------------

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. T64&T58 TEST STAND REPLACEMENTS (2)	6DF5EL0178PR Cherry Point
--	---	------------------------------

Element of Cost	2003			2004			2005					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST				1	1390	1390	1	1390	1390			

OPERATIONAL DATE	31-Dec-05		
METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$638,496	\$69,868	\$708,364
AVERAGE ANNUAL SAVINGS (Discounted)	\$392,328	\$42,931	\$435,259
PAYBACK PERIOD	2.6	NA	2.3
RATE OF RETURN (ROR)	28%	3%	31%

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

1. DESCRIPTION & PURPOSE OF PROJECT.
This project proposes to replace one T-58 test stand (Manual 1, EIN: 65923003682), and one T-64 test stand (Manual 2, EIN: 65888017093) with two generic test stands capable of testing T-64, T58 and T-400 components.

2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?
There are two T-58 fuel control test stands located in shop 6.2.96335, which have exceeded their original estimated lives of 20 years. There are two T-64 fuel control test stands in the same shop, which are also antiquated. The four test stands experience downtime frequently due to part replacements. Documented problems range from recurring blown disks to erratic temperature control. Maintenance spends costly hours due to unscheduled maintenance problems. Due to the age of the stands, parts replacements become costly. It is rare to find companies that still provide parts for the test stands, which in turn, raises the price of replacement. Many gauges on the stands are deemed out of tolerance by the calibration laboratory. The solution is to replace the four stands over a 2-year period, beginning with one T-58 and one T-64, as outlined in this document. The benefits include newer, more technologically advanced test stands that will have the capabilities of testing various components. The new test stand will eliminate unscheduled maintenance, and costly parts replacement.

3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?
Maintain Status Quo - The depot's infrastructure is concerned with achieving modernization through building and equipment. The productivity of the stands is hindered by the fact that they all are over 30 years old and technologically out of date.

The stands do not support infrastructure.

4. IMPACT IF NOT ACQUIRED.
The test stands will continue to be costly, unproductive equipment. Eventually one of the test stands will fail; and critical test stand failure will adversely affect the depot.

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

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Depot Maintenance/Aviation Depot							C. TEST CELL #2 UPGRADE				Cherry Point	
							6DF4EL0212PR					
			2003			2004			2005			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	2081	2081	1	1449	1449
OPERATIONAL DATE	1-Dec-05											
METRICS:	VOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$432,675	\$7,820	\$440,495									
AVERAGE ANNUAL SAVINGS (Discounted)	\$265,860	\$4,805	\$270,665									
PAYBACK PERIOD	6.9	NA	6.7									
RATE OF RETURN (ROR)	13%	0%	13%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. The T400 engine is currently the engine used in circulation for the United States Marine Corps' fleet of UH-1N helicopters. This engine has alot of flight hours and could benefit from an engine upgrade giving the aircraft engine greater maintainability and reliability. With the increase in flight hours, it is inevitable that capacity to repair and overhaul the engine will eventually be exceeded with the current resources available. This project will be used to modify the existing engine test cell #2 (00146015084) to obtain newer technology.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Currently, test cell #2 tests T400 engines. For this procurement, hardware and software will be procured and structural revisions will be made to the facility. This modification will improve testing process.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Alternative 1: One solution was to obtain a portable test cell. There was concern with the short term preparation for any environmental issues that would arise. Also, test cell availability was a concern. Alternative 2: Another solution was to send engines to an outside source to test. This method proved to be costly not to mention the security issues that would arise.</p> <p>4. IMPACT IF NOT ACQUIRED. If test cell #2 is not modified, the test cell and equipment will continue to age. It will become more difficult to improve the engine performance. This in turn would increase the risk of not having the ability to control turn around time. While the economic payback exceeds 4.5 years and/or the ROR is less than 20%, due to Warfighter mission criticality and capabilities this project supports (and as cited within this Cost Benefit Analysis), justification is warranted.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)	A. FY 2005 PRESIDENT'S BUDGET
---	----------------------------------

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. HIGH SPEED BLADE TIP GRINDER	6DE4EL0396PR	Jacksonville
--	---------------------------------	--------------	--------------

Element of Cost	2003			2004			2005		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0	1	1800	1800			0

OPERATIONAL DATE	1-Apr-05		
METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$286,444	\$8,413	\$294,857
AVERAGE ANNUAL SAVINGS (Discounted)	\$176,007	\$5,169	\$181,177
PAYBACK PERIOD	10.4	NA	9.9
RATE OF RETURN (ROR)	10%	0%	10%

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

1. DESCRIPTION & PURPOSE OF PROJECT. Purchase a new High Speed Blade Tip Grinder to support the F404 and F414 Engine programs.

2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The new grinder will provide the capability and capacity to high speed grind the engines compressors and turbins. The new grinding machine will perform the operation in 5 hrs. compared to the time standard now of 20.5 hrs. The time of 5 hrs. is based on the high speed grind of the TF34 engine compressor which has twice the number of stages 14 vs 7 than the F414/F404. The new grinder will be of the CNC type and capable of angular grinding, which is required on the F404 and F414 Compressor and turbine assemblies. The grinder also has built in inspection capability that will reduce the indirect labor inspection time from 6hrs./part to 0.5hrs/part. Total number of parts processed per year is 400 parts for the F404 and 56 parts for the F414.

3. PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?
Continue to utilize the two existing lathes/grinders to produce the parts using low speeding grinding instead of the high speed method which gives a better quality part and is a more efficient process. Inspection will continue to be done manually on a separate piece of equipment.

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

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

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)								A. FY 2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Depot Maintenance/Aviation Depot					C. CNC HORIZONTAL BORING MILL			6DE4EL0369PR		Jacksonville
			2003		2004			2005		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
INVESTMENT COST			0	1	1650	1650			0	
OPERATIONAL DATE	1-Jun-05									
METRICS:	AVOIDANCE	SAVINGS	TOTAL							
PROJECTED ANNUAL SAVINGS	\$16,080	\$7,630	\$23,710							
AVERAGE ANNUAL SAVINGS (Discounted)	\$9,880	\$4,688	\$14,569							
PAYBACK PERIOD	NA	NA	NA							
RATE OF RETURN (ROR)	1%	0%	1%							
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)										
<p>1. DESCRIPTION & PURPOSE OF PROJECT. Procure a replacement CNC Horizontal Boring Mill for the CNC Machine Shop. This machine performs precision boring and milling of aircraft landing gear and aircraft wing spars. New machines of this type are capable of boring holes within 0.0002 inch of true position. The computer numerical control can generate complex shapes, angles and repetitive moves with very simple directions, utilizing Dynamic Graphic representation. Advanced probing capability will allow the machine to verify that the bore or machined surface is indeed, at the exact location.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The existing CNC Horizontal Boring Mill, built in 1991 will be 13 years old in FY04. It will be impossible to procure electronic replacement parts for the CNC Controller. This machine is also having problems with the precision spindle overheating and the tool change mechanism is no longer functional. Replacing the machine will allow the NADEP to continue to bore precision holes and mill complex angles in aircraft components.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? There is no alternative to perform precision boring in house.</p> <p>4. IMPACT IF NOT ACQUIRED. NADEP will not be able to process EA-6B, F-14 and F-18 Landing Gear and P-3 Wing Spars.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>										

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)	A. FY 2005 PRESIDENT'S BUDGET
--	--------------------------------------

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. CNC GRINDER	Jacksonville
	6DE4EL0281PR	

Element of Cost	2003			2004			2005		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0	1	1500	1500			0

OPERATIONAL DATE	1-Apr-06		
METRICS:	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$190,472	\$8,525	\$198,997
AVERAGE ANNUAL SAVINGS (Discounted)	\$117,037	\$5,238	\$122,275
PAYBACK PERIOD	16.3	NA	14.7
RATE OF RETURN (ROR)	8%	0%	8%

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

1. DESCRIPTION & PURPOSE OF PROJECT. Replace two vertical grinders that are worn beyond repair. Plant account # 162038 and plant account # 003540 were both manufactured in 1969. Both grinders are used in support of the TF34 Engine program.
2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The grinders are an older design that utilizes a Teflon way surface that is very susceptible to wear. Also, this design requires the grinding operation to be performed at a less than optimum grinding speed. New grinding machines will perform the operation at an estimated 50% decrease in operation time. The new grinder would also be of the CNC type and be capable of angular grinding, which is required on the TF34 Compressor Case. The new machine has built in inspection capability that will reduce the indirect labor inspection time from 6hrs./part to .5hrs/part.
3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?
Utilize the two existing grinders until they become inoperable, at which time the NADEP will have a work stoppage and lose program capability.
4. IMPACT IF NOT ACQUIRED.
Extensive turn around time and missed Engine Program schedule.
5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY 2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Depot Maintenance/Aviation Depot					C. HORIZONTAL BORING MILL REPLACEMENT					6DF4EL0202PR Cherry Point		
			2003			2004			2005			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST							1	1365	1365			
OPERATIONAL DATE	1-Aug-05											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$726,969	\$107,000	\$833,969									
AVERAGE ANNUAL SAVINGS (Discounted)	\$446,691	\$65,747	\$512,438									
PAYBACK PERIOD	2.2	NA	1.9									
RATE OF RETURN (ROR)	33%	5%	38%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
1. DESCRIPTION & PURPOSE OF PROJECT? Replacement of Wotan Horizontal Boring Mill EIN 65889-408203 in the Machine Repair Power Plant Shop 93667. The new machine will be the latest model and of the highest quality possible that can be procured within the budget and within the government acquisition process that will be used. The existing machine is 30 years old and has been heavily utilized during that time. The machine has undergone at least one controls upgrade/replacement during its lifetime. The machine needs to be either rebuilt or replaced due to maintenance costs and downtime; and the mission of the shop is to produce required products with the efficiency and end user requirements that this machine provides. The current and future condition of this equipment will adversely impact if not prevent the shop from performing its mission.												
2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The Machine Repair Power Plant Shop 6.2.93667, is responsible for the machine repair of military aircraft engine parts/components. The subject equipment is used primarily for the repair machining of the H53 transmission main gearbox, swashplate, and rotorhead. As aircraft Programs like the H-46 and H-53 continue on with a longer service life than was even intended by the original aircraft designers, it is essential that we provide reliably maintained aircraft for the warfighter. In order to cost effectively repair the aircraft, it is essential that this Depot support and maintain the machinery and equipment required to support our operations. Without this replacement, Depot capability and in turn, fleet readiness, will be impaired.												
3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? a. Status quo: Keep the machine in operation as is and continue to incur increasingly higher maintenance costs, maintenance downtime, and shop inability to efficiently and cost effectively meet customer demand for products. b. Rebuild: This alternative was explored. However, the cost of a complete rebuild is estimated at least \$700,000.00. With this cost exceeding 60% of the cost of a new machine, and with the advantage afforded by a new machine with all control and programming features "designed in" to the machine versus retrofitted; our economic analysis will show that buying new is the best alternative. c. Replace: Considered to be the most cost effective alternative.												
4. IMPACT IF NOT ACQUIRED. Continue to incur increasingly higher maintenance costs, maintenance downtime, and shop inability to efficiently and cost effectively meet customer demand for products.												
5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. 5-AXIS MACHINING CENTERS (4)			6DE5EL0364PR		Jacksonville
	2003			2004			2005		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	4	1250	5000
OPERATIONAL DATE	1-Jun-06								
METRICS:	AVOIDANCE	SAVINGS	TOTAL						
PROJECTED ANNUAL SAVINGS	(\$10,380)	\$2,568	(\$7,812)						
AVERAGE ANNUAL SAVINGS (Discounted)	(\$6,378)	\$1,578	(\$4,800)						
PAYBACK PERIOD	-40.9	NA	-43.8						
RATE OF RETURN (ROR)	0%	0%	0%						
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)									
<p>1. DESCRIPTION & PURPOSE OF PROJECT. Procure replacement CNC Horizontal Spindle 5-axis Machining Centers for the CNC Machine Shop. Procure with state of the art micro processors for precision manufacturing aircraft components. New machines of this type are capable of boring holes within 0.0002 inch of true position. The computer numerical control can generate complex shapes, angles and repetitive moves with very simple directions, utilizing Dynamic Graphic representation. Advanced probing capability will allow the machine to verify that the bore or machined surface is indeed, at the exact location.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The existing machines are part of a flexible manufacturing cell consisting of four 5-axis machining centers, a robot loader and communicate through a central computer to coordinate the queuing and loading of each machine. The central computer (VAX) is out dated and un-supportable in both software and electronic components. The overall system is too complex for a repair depot. The 5-Axis Machining Centers were built in 1990 and are showing signs of way surface wear. The machines will be 15 years old in FY05. Also, add the time to obtain a contract and manufacture the machines would add another 2 years. It will be impossible to procure electronic replacement parts for the CNC Controller and all of the electronic drive components that position the 5 axes of motion. The new machines, as stand alone will be easier to maintain than as a system. New machines will allow the NADEP to continue to manufacture precision components for aircraft.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Replacing the VAX computer and new software at \$56K per year. Cannibalize the machines to keep one or two operational.</p> <p>4. IMPACT IF NOT ACQUIRED. NADEP will not be able to manufacture EA-6B, F-14 and P-3 aircraft components.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>									

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)	A. FY2005 PRESIDENT'S BUDGET
--	---------------------------------

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. 5-AXIS MACHINING CENTER - TILT HEAD 6DE5EL0381PR	Jacksonville
--	---	--------------

Element of Cost	2003			2004			2005		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	1650	1650

OPERATIONAL DATE	1-Jun-06		
METRICS:	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>
PROJECTED ANNUAL SAVINGS	\$70,000	\$9,970	\$79,970
AVERAGE ANNUAL SAVINGS (Discounted)	\$43,012	\$6,126	\$49,138
PAYBACK PERIOD	NA	NA	NA
RATE OF RETURN (ROR)	3%	0%	3%

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

1. **DESCRIPTION & PURPOSE OF PROJECT.** Procure a replacement 5-Axis Machining Center with a tilt head for the CNC Machine Shop. This type of machining center can generate the complex angles and curves required on many of the aircraft components. All facilities that are involved with producing aircraft components will have a tilt head machining center.

2. **WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The existing 5-Axis Machining Center with a tilt head, built in 1988 will be 16 years old in FY04. Ten weeks of loss machine time would have to be contracted out to be comparable to a new machine that would not suffer from prolonged down time. It will be impossible to procure electronic replacement parts for the CNC Controller and all of the electronic drive components that position the 5 axes of motion. The current machine was transferred from NADEP Pensacola during BRAC 1993 and has been riddled with electronic and mechanical problems since arriving. This is the only Tilt Head machining Center in house and is used to manufacture aircraft components.

3. **WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?**
Procure a new 5-axis Machining Center with Tilt head or contract out all workload that requires this type of machine configuration.

4. **IMPACT IF NOT ACQUIRED.**
The CNC Machine Shop will lose the ability to manufacture certain types of aircraft components that require this type of machine configuration.

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

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)	A. FY 2005 PRESIDENT'S BUDGET
--	----------------------------------

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. JIG BORE REPLACEMENT (Shop 93662) 6DF5EL0190PR	Cherry Point
--	--	--------------

Element of Cost	2003			2004			2005					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST									0	1	1190	1190

OPERATIONAL DATE	1-Aug-06		
METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$631,037	\$27,000	\$658,037
AVERAGE ANNUAL SAVINGS (Discounted)	\$387,745	\$16,590	\$404,335
PAYBACK PERIOD	2.2	NA	2.1
RATE OF RETURN (ROR)	33%	1%	34%

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

1. DESCRIPTION & PURPOSE OF PROJECT?
Replacement of Pratt and Whitney Jig Bore EIN USN 801513 in the Machine Repair Shop 93662. The new machine will be the latest model and of the highest quality possible.

The existing machine is 30 years old and has been heavily utilized during that time. The machine needs to be either rebuilt or replaced due to maintenance costs and downtime; and the mission of the shop is to produce required products with the efficiency and end user requirements that this machine provides.
2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?
The Machine Repair Shop 6.2.93662 is responsible for the machine repair of military aircraft parts/components. As aircraft Programs like the H-46 and H-53 continue on with a longer service life than was even intended by the original aircraft designers, it is essential that we provide reliably maintained aircraft for the warfighter. In order to cost effectively repair the aircraft, it is essential that this Depot support and maintain the machinery and equipment required to support our operations. There has been an increase in H-46 workload in the form of Dynamic Component Upgrade (DCU) of the rotorhead (See workload figures in Methodology for Cost Factors under Director Labor Cost). A few years ago there was an engineering change that replaced the main parts/components of the rotor heads. These new parts/components now have to start coming back in for repair. This workload is adding hours to our equipment due to the shorter flight cycles on the rotorheads each time they are returned to service after repair. With this increased workload we will need another jig bore at maximum capacity to support the workload. This finding is a result of planning and estimated accomplished by the 6.1.534 Industrial Engineering Branch of the Production Mgmt Dept.
3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?
 - a. Status quo: Use the existing machines to support the DCU workload increase. This will result in the Depot not being able to keep up with production requirements, thereby impacting fleet readiness.
 - b. Rebuild/Replace existing machine: This alternative was explored. However, the cost of a rebuild or replacement combined with the fact that we will not be able to meet anticipated production requirements shows that buying a new additional machine is the best alternative.
 - c. Procure additional machine: Considered to be the most cost effective alternative.
4. IMPACT IF NOT ACQUIRED. Continue to put up with high maintenance costs, maintenance downtime, and shop inability to efficiently and cost effectively meet customer demand for products.
5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)	A. FY2005 PRESIDENT'S BUDGET
---	---------------------------------

B. Department of the Navy/Depot Maintenance/Aviation Depot	C. SECURITY UPGRADE 8DC4EL0522GM	D. North Island
--	-------------------------------------	-----------------

Element of Cost	2003			2004			2005			2006		
	Qty	Unit Cost	Total Cost									
INVESTMENT COST				1	1850	1850						

OPERATIONAL DATE 15-Oct-05

METRICS:	AVOIDANCE	SAVINGS	TOTAL
PROJECTED ANNUAL SAVINGS	\$2,000,000	(\$470,000)	\$1,530,000
AVERAGE ANNUAL SAVINGS (Discounted)	\$1,228,913	(\$288,795)	\$940,119
PAYBACK PERIOD	1.0	-3.5	1.4
RATE OF RETURN (ROR)	66.4%	-15.6%	50.8%

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

1. DESCRIPTION & PURPOSE OF PROJECT. This project will provide electronic security upgrades for ten high priority buildings at the NADEP. The upgrades will include intrusion alarms, video monitoring system, and keyless entry systems for each of the following buildings B463, B317, B94, B378, B472, B334, B90, B460, B379, and B250.
2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Our current security system is inadequate, and our electronic security is almost non-existent. This has left us vulnerable to terrorist threats and loss of assets. A successful terrorist attack would cause a great deal of damage to our assets, our mission and the lives of our workers. This project will make it far more difficult for a terrorist, or any unauthorized person or vehicle to access our Command.
3. WHAT ALTERNATIVES HAVE BEEN CONSIDERED?
 - a. Do Nothing - Remaining vulnerable is not an option.
 - b. Protect the four highest priority buildings now and the rest of the buildings at a later date - This has the advantage using lessons learned in the implementation of the first four buildings in the follow on projects, but will leave six important buildings exposed, would be just as expensive in the long run, and may introduce compatibility problems if a different equipment manufacturer wins the follow on bid.
 - c. Use more security guards - A very expensive option in the long run. This option could be as high as \$2,000,000 per year for 24 hour security guards and their supervisors.
 - d. Buy New electronic security system – This is the most cost effective alternative.
4. IMPACT IF NOT ACQUIRED. We will be vulnerable to terrorists and loss of assets. A successful terrorist attack would cause a great deal of damage to our assets, our mission and the lives of our workers.
5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. EQUIPMENT, OTHER THAN ADPE & TELECOM (<1M) DNEU0000			D. NADEP		
Element of Cost	2003			2004			2005		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	28	VAR	14,505	30	VAR	11,380	36	VAR	15,980
ITEM LINE #	ITEM DESCRIPTION		FY 2003		FY 2004		FY 2005		
6 DF 3 EM 0175 P R	F402 Test Cell Computer Sys Replacement	1	750						
6 DF 3 EM 0220 P N	Universal HMU Test Stand	2	625						
6 DF 3 EM 0129 P R	Plating Line Control System Upgrade	3	620						
6 DF 4 EM 0179 P R	Fuel Control Test Stand Replacement			1	600				
6 DF 4 EM 0120 P R	Small Vacuum Furnance Replacement			2	515				
6 DF 5 EM 0208 P R	RCA Test Stand Uprade					1	940		
6 DF 5 EM 0057 P R	Wire Marking System Replacement					2	725		
6 DF 5 EM 0147 P R	AEP Coating System					3	590		
6 DE 4 EM 0399 P R	Coordinate Measuring Machine			1	600				
6 DE 4 EM 0397 P R	TR2 Vertical Grinder Replacement			2	600				
6 DE 4 EM 0385 P R	Flight Control Actuator T/S			3	550				
6 DE 5 EM 0366 P R	CASS AT FLIR Upgrade					1	600		
6 DE 5 EM 0377 P R	Pratt & Whitney CNC Cylindrical Grinder					2	600		
6 DE 5 EM 0368 P R	Deep Bore Grinder Rebuild					3	591		
6 DC 3 EM 0464 P R	Horizontal Boring Mill (2)	1	1,425						
6 DC 3 EM 0530 P R	CNC Vertical Grinder, 48"	2	863						
6 DC 3 EM 0529 P R	Core Carver	3	817						
6 DC 3 EM 0467 P R	4-Axis Horizontal Boring Mill	4	800						
6 DC 3 EM 0468 P R	5-Axis Vertical Machining Center	5	710						
6 DC 3 EM 0509 P R	Generator Drive Stand Replacement	6	600						
6 DC 3 EM 0512 P R	Scanning Electron Microscope	7	500						
6 DC 5 EM 0532 P R	Robotic Plasma Spray System					1	700		
6 DC 5 EM 0524 P R	CSD Drive Stand Replacement					2	571		
DN ES 0000	Equip-other than ADPE & TELECOM (<\$.5M)	18	6,795	25	8,515	28	10,663		
TOTAL NADEP EQUIPMENT, OTHER THAN ADPE & TELECOM (<1M)									
		28	14,505	30	11,380	36	15,980		

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. MINOR CONSTRUCTION DNMC0000			D. NADEP		
	2003			2004			2005		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	13	VAR	3,170	12	VAR	4,841	12	VAR	6,234
ITEM LINE #	ITEM DESCRIPTION		FY 2003		FY 2004		FY 2005		FY 2005
6DF3MCC02-02C	Construct Production Shop Addition, B133	1	750						
6DF4MCC04-02C	Construct Engineering Support Addition			1	750				
6DF4MCC02-04C	Construct Foundry Addition B137			2	750				
6DF4MCC27-97C	Construct Reclamation Facility			3	716				
6DF5MCC24-01C	Construct Rotor Shop Addition, B4032						1		750
6DF5MCC52-96C	Modify X-Ray Facility B188						2		750
6DF5MCCR25-01C	Alts/Repair HVAC System Prop Shop B137						3		700
6DE3MC0409C	Parking Lot, Building 6G	1	600						
6DE4MC0384C	Engine Support Equipment Warehouse			1	740				
6DE5MC0345C	Rehab Component Strip Shop						1		750
6DC5MC0538C	Electrical Service for Hydraulic Test						1		749
6DC5MC0539C	Chemical Handler Support Facility						2		715
	Minor Construction (<\$.5M)	11	1,820	8	1,885		6		1,820
TOTAL NADEP MINOR CONSTRUCTION		13	3,170	12	4,841		12		6,234

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY2005 President's Budget		
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. DM SYSTEMS HARDWARE REPLACEMENT			North Island		
				7DC3KL0484GR					
Element of Cost	2003			2004			2005		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST	1	7279	7279	1	2480	2480			0
OPERATIONAL DATE	29-Sep-00								
METRICS:	AVOIDANCE	SAVINGS	TOTAL						
PROJECTED ANNUAL SAVINGS	\$1,935,681	\$1,788,583	\$3,724,264						
AVERAGE ANNUAL SAVINGS (Discounted)	\$1,467,551	\$1,356,027	\$2,823,578						
PAYBACK PERIOD	7.4	8.3	3.2						
RATE OF RETURN (ROR)	15%	14%	29%						
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)									
<p>1. DESCRIPTION & PURPOSE OF PROJECT The Naval Aviation Depot, North Island is implementing Defense Maintenance (DM) system applications, which are crucial to the efficient operation of our Depot-Level maintenance mission. The Depot's requirements for readiness and to produce quality products in a timely manner dictates a great dependency upon our computer systems. This requires our computer systems to be highly available, functional, fast, and redundant. Many of the DM applications have been implemented and are growing or need modifications. Some DM applications are still being implemented. The computer system requirements for the DM applications are growing daily, well beyond the planned bounds that were estimated 5 years ago. Because of this, our current HP Unix-based servers are insufficient and do not meet the requirements of the DM applications. The purpose of this project is to phase the replacement of aging servers systems with modern, high capacity server systems to meet our current and future application requirements.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVES THE DEFICIENCY/ PROBLEM. The deficiency is based on three issues: the current and near future computer system requirements of the DM system applications; the lack of expandability of the current equipment to meet the DM system application requirements; and the age of the current computer systems. Four HP computer systems currently house the following applications: a) Manufacturing Resource Planning (MRPII) (production scheduling tool which chooses work based upon resources available – orders parts as required) which primarily supports these personnel: Procurement, Production Control, Production Support, Production Supervisors, Master Scheduler, b) Open Plan- (Interfaces with MRPII) (manages aircraft deck storage based upon engineering requirements for aircraft repair or remanufacture) - 660 (Industrial Engineers), Production Supervisors, Master Scheduler, c) Dekker Tracker- (Interfaces with MRPII) Master Scheduler, Department Heads, Production Division Directors, Production Supervisors, Front Office personnel, d) Facilities and Equipment Maintenance (FEM) - Primarily used by 610, 650, Master Scheduler, Production Control, Productions Supervisors (Interfaces with MRPII), e) Time and Attendance (TAA)- Depot Wide (Interfaces with MRPII), f) Data Warehouse (houses information concurrently from WCS/MRPII/TAA applications; reports from all DM systems and archive of data) - Production Supervisors, Planning and Estimating, Master Scheduler, Production Control, Production. MRPII is the primary application that will be used to schedule and control production activities. In six months, MRPII will have 1500 users with 600 concurrent users. Each concurrent user will use, according to the standards set by the vendor of our MRPII application, 2 MB of Random Access Memory (RAM). According to the application's database managers (DBAs), the Oracle database has to reserve a minimum of 750MB of RAM for minimally acceptable performance for this type of application. However, to operate efficiently for this type of application, Oracle needs to reserve 1.5GB RAM. The computer server system has overhead of about 500MB of RAM. The total RAM minimally required is 2.45GB RAM, while the efficient total is 3.2GB RAM. Because of the mission criticality of MRPII and the other DM applications, these computer server systems need to be replaced because even at their highest capacity, there will not be enough computer resources to run the DM applications with redundancy (HA). A solution to this computer system capacity problem must be found for the depot to efficiently meet it's mission of quality and timely aircraft repair. Another problem with the current hardware is its age. These systems were bought in 1996. HP declared these systems to be at their "end of life" in 1999. This means that no new components are being made for this system. All parts particular to this system can no longer be bought or replaced (when the parts fail) as new parts. Only refurbished and used parts are available for replacement for failed components or for upgrades. This introduces more chance for failure for the system. With greater system demand, the refurbished parts will fail more often. Also, the cost of HP system maintenance contracts will rise significantly over the next few years. According to the industry standard, a typical outage of a business critical system is estimated to cost \$10,000 or more per hour. Additionally, we can anticipate that the current cost for support and maintenance will only increase. Production and production support use this data for all phases of aircraft and engine repair, procurement, delivery of parts, scheduling, as well as for information requests and information reporting. System failure results in the loss of critical data. This data cannot readily be corrected. The data will require handwritten records of all transaction that took place from the first minute of downtime. Additionally, all data must then be manually keyed into the system database in order to correct the data as this system has no "return to paper system".</p>									

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands) CONTINUATION							A. FY2005 President's Budget				
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. DM SYSTEMS HARDWARE REPLACEMENT				North Island			
				7DC3KL0484GR							
			2003			2004			2005		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
INVESTMENT COST											
OPERATIONAL DATE											
METRICS:											
PROJECTED ANNUAL SAVINGS											
AVERAGE ANNUAL SAVINGS (Discounted)											
PAYBACK PERIOD											
RATE OF RETURN (ROR)											
PROJECT INFORMATION NARRATIVE: (CONTINUATION)											
<p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?</p> <p>Status Quo. Modify the systems as deficiencies dictate. Add as much memory as allowed by the system until the system eventually quits. As stated in 2, memory will be bought for these systems to bring them to 3.75GB. The problem is that even 3.75GB won't be enough and will be refurbished equipment.</p> <p>Alternative 1: Another alternative is to upgrade the already obsolete T520 systems and T600 systems which are also obsolete, but they are 64 bit, 180MHz. With that upgrade, the RAM can be upgraded to 7 GB addressable. The alternative system will run slightly faster; however, it is estimated that we will outgrow it, especially with redundancy issues, within 2 years. This system does not have access to newly manufactured components either; all components obtained for this system are remanufactured. The cost estimate for this alternative is over one million dollars for used and refurbished equipment that may be difficult to support. This alternative is therefore not recommended.</p> <p>Recommended is the phased replacement of our overburdened systems with a newer, more expandable system that would provide expansion capability, a lesser possibility of failure, increased reliability, decreased support cost, and stable, fast DM system applications for the successful achievement of the mission of the Depot.</p> <p>4. IMPACT IF NOT ACQUIRED. Downtime will increase due to higher failure rates of the increasingly overburdened equipment, thus impacting production negatively. Eventually, the overloaded systems will reach critical capacity that will render them unable to handle the volume of data from the MRPII and other DM applications. System crashes will become more likely. Support cost will increase. With the conversion of our business rules to match the MRPII way of doing business, a significant MRPII system crash would significantly damage the timely repair of aircraft as there will be no paper or other methods of doing business while MRPII is down. Expansion of the current system to support ever-evolving requirements will not be possible.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>											

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2005 PRESIDENT'S BUDGET					
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. ADPE & TELECOMMUNICATIONS (<1M)			DNKU0000	D. NADEP				
				2003			2004			2005		
Element of Cost				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST				2	VAR	850	3	VAR	870	0	VAR	0
				FY 2003			FY 2004			FY 2005		
ITEM	ITEM											
LINE #												
6 DF 3 KS 0059 G N	Electronic Storage/Retreival System			1		500						
DN KS 0000	Equip - ADPE & TELECOM (<\$5M)			1		350	3		870			
TOTAL NADEP ADPE & TELECOMMUNICATIONS (<1M)				2		850	3		870			

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)	A. FY2005 PRESIDENT'S BUDGET
---	---------------------------------

B. Department of the Navy/Depot Maintenance/Aviation Depot							C. ENTERPRISE RESOURCE PLANNING (ERP) 7DNDL0001GR				D. NADEP	
			2003			2004			2005			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
CHERRY POINT							1	VAR	3,359			
JACKSONVILLE							1	VAR	3,530			
NORTH ISLAND							1	VAR	3,462			
TOTAL NADEP							3	VAR	10,351			

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

Budgeted funds for Depot CPP are required to deliver the completed pilot (SIGMA) documentation. These funds will be used to document and identify defects associated with Depot requirements in SIGMA's financial and HR modules, not the MRO functionality.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY 2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Depot Maintenance/Aviation Depot				C. SOFTWARE DEVELOPMENT (<\$1M) DNDU0000			D. NADEP		
	2003			2004			2005		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	0	VAR	0	1	VAR	235	0	VAR	0
ITEM LINE #	ITEM		FY 2003		FY 2004		FY 2005		
DN DS 0000	Equip - ADPE & TELECOM (<\$.5M)			1	235				
TOTAL NADEP Software Development (<1M)				1	235				

FY 2005 PRESIDENT'S BUDGET
 DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
 DEPOT MAINTENANCE - AVIATION DEPOTS
 CAPITAL BUDGET EXECUTION
 (DOLLARS IN MILLIONS)
 FY 2004

ITEM LINE #	ITEM DESCRIPTION	Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)						
6 DE 4 EL 0281 P R	CNC GRINDER	1.500	0.000	1.500		
6 DE 4 EL 0369 P R	CNC HORIZONTAL BORING MILL	1.450	0.200	1.650	Price Increase	Project increased since original estimate due to the required tooling needed for the completion of this project. (.200 from 6DE4ES0321)
6 DF 4 EL 0202 P R	HORIZONTAL BORING MILL REPLACEMENT	1.250	0.115	1.365	Price Increase	Price increase as a result of market research showing increased cost. (.115 from 6DF4ES0187)
6 DF 4 EL 0178 P R	T64 & T58 TEST STAND REPLACEMENTS (2)	1.000	0.390	1.390	Price Increase	Price increase as a result of market research showing increased cost. (.225 from 6DF4ES0201, .165 from 6DF4ES0207).
6 DC 4 EL 0522 G N	SECURITY UPGRADE	1.850	0.000	1.850		
6 DF 4 EL 0212 P P	TEST CELL #2 UPGRADE	0.000	2.081	2.081	New	Management decision to include in this FY because of rapidly degrading test cells. (.750 from 6DF4ES0208, 1.050 from 6DF4ES0143, .111 from 6DF4ES0207, .070 from 6DF4ES0000, .100 from 6DF4ES0127).
6 DE 4 EL 0396 P R	HIGH SPEED BLADE TIP GRINDER	0.000	1.800	1.800	New	Management decision to include a new project to refurbish F404 engine program this FY. (.750 from 6DE4ES0338, .715 from 6DE4ES0367, .235 from 6DE4ES0380, .100 from 6DE4ES0000)
SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)		7.050	4.586	11.636		
DN EU 0000	1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)	11.902	(0.522)	11.380		\$2.050M reprogrammed from ERP.
2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM		18.952	4.064	23.016		
DN MC 0000	3. MINOR CONSTRUCTION	4.176	0.665	4.841		\$.150M reprogrammed from ERP.
TOTAL NON-ADP CAPITAL PURCHASES PROGRAM		23.128	4.729	27.857		

FY 2005 PRESIDENT'S BUDGET
 DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
 DEPOT MAINTENANCE - AVIATION DEPOTS
 CAPITAL BUDGET EXECUTION
 (DOLLARS IN MILLIONS)
 FY 2004

ITEM LINE #	ITEM DESCRIPTION	Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
1a. ADPE & TELECOMMUNICATIONS (>\$1M)						
7 DN 4 KL 0003 G R	DEPOT MAINTENANCE SYSTEMS HARDWARE REPLACEMENT	2.500	(0.020)	2.480	Price Decrease	Price decrease as project nears implementation and cost estimate is more refined. (.010 to 7DC4KS0515, .010 to 7DC4KS0516)
6 DF 4 KL 0152 G P	INDUSTRIAL BUSINESS OPERATION SYSTEMS	0.000	0.000	0.000		
SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)		2.500	(0.020)	2.480		
1b. ADPE & TELECOMMUNICATIONS (<\$1M)						
DN KU 0000		0.750	0.120	0.870		\$.100M reprogrammed from ERP.
2. TOTAL ADPE & TELECOMMUNICATIONS		3.250	0.100	3.350		
7 DN 4 DL 0JT2 G P	NAVAIR DEPOT MAINTENANCE SYSTEM (NDMS)	.000	0.000	.000		Due to restructuring, requirements have changed. Budgeted funds for Depot CPP are required to deliver the completed pilot (SIGMA) documentation. This is in line with the OSD ERP Convergence Team.
7 DN 4 DL 0001 G R	ENTERPRISE RESOURCE PLANNING (ERP)	12.651	(2.300)	10.351		
3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)		12.651	(2.300)	10.351		
DN DU 0000	3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)	0.235	0.000	0.235		
3. TOTAL SOFTWARE DEVELOPMENT		12.886	(2.300)	10.586		
TOTAL ADP CAPITAL PURCHASES PROGRAM		16.136	(2.200)	13.936		
GRAND TOTAL CAPITAL PURCHASES PROGRAM		39.264	2.529	41.793		

**FY 2005 President's Budget
Navy Working Capital Fund
Material Inventory Data
Activity Group: Naval Aviation Depots
February 2004**

(\$ in Millions)

FY 2003

		<u>Total</u>		<u>Mobilization</u>		----- Peacetime -----		<u>Operating</u>		<u>Other</u>
Material Inventory BOP	\$	274.9	\$	-	\$	274.9	\$	-		
<u>Purchases</u>										
A. Purchases to Support Customer Orders	\$	1,088.5	\$	-	\$	1,088.5	\$	-		
B. Purchase of long lead items in advance of customer orders		-		-		-		-		
C. Other Purchases		-		-		-		-		
D. Total Purchases	\$	1,088.5	\$	-	\$	1,088.5	\$	-		
<u>Material Inventory Adjustments</u>										
A. Material Used in Maintenance	\$	1,019.5	\$	-	\$	1,019.5	\$	-		
B. Disposals, theft, losses due to damages		-		-		-		-		
C. Other reductions		-		-		-		-		
D. Total inventory adjustments	\$	1,019.5	\$	-	\$	1,019.5	\$	-		
Material Inventory EOP	\$	343.9	\$	-	\$	343.9	\$	-		

**FY 2005 President's Budget
Navy Working Capital Fund
Material Inventory Data
Activity Group: Naval Aviation Depots
February 2004**

(\$ in Millions)

FY 2004

		<u>Total</u>		<u>Mobilization</u>		----- Peacetime -----		<u>Operating</u>		<u>Other</u>
Material Inventory BOP	\$	343.9	\$	-	\$	343.9	\$	-		
<u>Purchases</u>										
A. Purchases to Support Customer Orders	\$	904.4	\$	-	\$	904.4	\$	-		
B. Purchase of long lead items in advance of customer orders		-		-		-		-		
C. Other Purchases		-		-		-		-		
D. Total Purchases	\$	904.4	\$	-	\$	904.4	\$	-		
<u>Material Inventory Adjustments</u>										
A. Material Used in Maintenance	\$	959.7	\$	-	\$	959.7	\$	-		
B. Disposals, theft, losses due to damages		-		-		-		-		
C. Other reductions		-		-		-		-		
D. Total inventory adjustments	\$	959.7	\$	-	\$	959.7	\$	-		
Material Inventory EOP	\$	288.6	\$	-	\$	288.6	\$	-		

**FY 2005 President's Budget
Navy Working Capital Fund
Material Inventory Data
Activity Group: Naval Aviation Depots
February 2004**

(\$ in Millions)

FY 2005

		<u>Total</u>		<u>Mobilization</u>		----- Peacetime -----		<u>Operating</u>		<u>Other</u>
Material Inventory BOP	\$	288.6	\$	-	\$	288.6	\$	-		
<u>Purchases</u>										
A. Purchases to Support Customer Orders	\$	904.2	\$	-	\$	904.2	\$	-		
B. Purchase of long lead items in advance of customer orders		-		-		-		-		
C. Other Purchases		-		-		-		-		
D. Total Purchases	\$	904.2	\$	-	\$	904.2	\$	-		
<u>Material Inventory Adjustments</u>										
A. Material Used in Maintenance	\$	897.2	\$	-	\$	897.2	\$	-		
B. Disposals, theft, losses due to damages		-		-		-		-		
C. Other reductions		-		-		-		-		
D. Total inventory adjustments	\$	897.2	\$	-	\$	897.2	\$	-		
Material Inventory EOP	\$	295.6	\$	-	\$	295.6	\$	-		

Marine Corps Depots

DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
DEPOT MAINTENANCE ACTIVITY GROUP– MARINE CORPS DEPOTS
Fiscal Year (FY) 2005 BUDGET Estimate
February 2004

Activity Group Functions:

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

Activity Group Composition:

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

Significant Changes in Activity Group:

The DMAG Fiscal Year (FY) 2005 President's Budget submission reflects major changes from the FY 2004 President's Budget based on significant fluctuation in workload and management initiatives aimed at increasing and improving productivity yield. As a result of Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF), Marine Corps equipment requires timely repair in order to reconstitute the Marine Corps' Maritime Prepositioning Forces (MPF) Program and Operating Forces. Currently, this effort consists of over 4,800 expedite items resulting in millions of dollars in customer orders to support unplanned workload. The FY 2003 Master Work Schedule (MWS) was adjusted to accommodate these expedites and over \$70 million of known reconstitution requirements in FY 2003 and FY 2004. As a result of combat-ravaged equipment and weapons systems returning from current warfare, additional workload is reflected in this budget submission.

Financial Profile:

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>
Revenue	\$228.1	\$260.6	\$225.4
Cost of Goods Sold	\$234.1	\$253.1	\$230.1
Operating Results (Net Revenue)	(\$ 6.0)	\$7.5	(\$4.7)
Extraordinary Expense	\$ 0.6	\$0.0	\$0.0
Net Operating Results	(\$ 5.4)	\$7.5	(\$4.7)
Prior Year Adjustment	\$0.5	\$0.0	\$0.0
Current Change to Accumulated Operating Results	(\$4.9)	\$7.5	(\$4.7)
Beginning Accumulated Operating Results	\$2.2	(\$2.8)	\$4.7
Accumulated Operating Results	(\$2.8)	\$4.7	\$0.0
Net Outlays	\$27.5	(\$26.4)	(\$0.2)
Collections	\$215.4	\$265.3	\$228.1
Disbursements	\$242.9	\$238.9	\$227.9

As depicted on the Revenue and Cost Statement Exhibit, the financial indicators above reflect major changes from the FY 2004 President's Budget based on the fluctuation in workload as a result of OEF/OIF, as well as increased efficiency initiatives.

Revenue

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>
Revenue	\$228.1	\$260.6	\$225.4

FY 2003 revenue decreased slightly from the FY 2004 President's Budget as a result of a mid-year workload change centered on a reduction of the M1A1 Main Battle Tank line and unplanned equipment expedite requirements and reconstitution work due to OEF/OIF. FY 2004 revenue is projected to increase as a result of reconstitution workload influx addressed above. FY 2005 revenue will decrease due to the decline in workload and the rate adjustment to achieve zero Accumulated Operating Results.

Cost of Goods Sold:

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>
Cost of Goods Sold	\$234.1	\$253.1	\$230.1

FY 2003 actual Cost of Goods Sold (COGS) was \$6.1 million higher than the FY 2004 President's Budget primarily due to changes to the Master Work Schedule, additional work from reconstitution efforts and unbudgeted workload from other customers.

From FY 2003 to FY 2004, Cost of Goods Sold increased as a result of reconstitution workload influx as previously mentioned as well as increased costs for an unplanned pay raise and production equipment repairs and major maintenance costs reintroduced in this budget submission.

Cost of Goods Sold decreases from FY 2004 to FY 2005 as the reconstitution workload carried in from FY 2003 and FY 2004 is completed. This decline in workload will force a 22% reduction in personnel through release of temporary employees and Voluntary Separation Incentive Pay (VSIP).

Cash Collections, Disbursements and Net Outlays

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>
Net Outlays	\$27.5	(\$26.4)	(\$0.2)
Collections	\$215.4	\$265.3	\$228.1
Disbursements	\$242.9	\$238.9	\$227.9

New Orders:

	(Dollars in Millions)		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>
New Orders	\$313.2	\$187.8	\$212.7

Although additional workload is reflected in this budget submission, New Orders projected for the Marine Corps activities fluctuate vastly between the budget years. The increase in total new orders in FY 2003 from the FY 2004 President's Budget, a decline in FY 2004, and an increase in FY 2005 demonstrates the influence of OEF/OIF. This budget also identifies new customer orders, based on receipt of letters of intent, resulting from ongoing Command efforts to maintain core competency skills in the Maintenance Centers.

Workload:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Actuals</u>	<u>Budget</u>	<u>Budget</u>
Direct Labor Hours (000s)	1,803	1,980	1,738
Direct Labor Hours Overtime Usage	17.3%	7.1%	5.0%

Staffing:

	<u>FY 2003</u> <u>Actuals</u>	<u>FY 2004</u> <u>Budget</u>	<u>FY 2005</u> <u>Budget</u>
Civilian End Strength	1,486	1,691	1,318
Civilian Work Years – regular time	1,470	1,652	1,490
Military End Strength	15	12	12
Military Work Years	11	12	12

Performance Indicators:

	<u>FY 2003</u> <u>Actuals</u>	<u>FY 2004</u> <u>Budget</u>	<u>FY 2005</u> <u>Budget</u>
Schedule Conformance	96.2%	99.5%	99.3%
Quality Deficiency Reports	0.2%	0.2%	0.2%

To support Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF), Marine Corps equipment requires timely repair in order to reconstitute the Marine Corps' Maritime Prepositioning Forces (MPF) and Operating Forces. Over 4,800 expedite items were worked in the Depots in FY 2003 resulting in millions of dollars in customer orders to support unplanned workload. The FY 2003 Master Work Schedule (MWS) was adjusted to accommodate these expedites and thereby impacted the Schedule Conformance Performance Indicator.

Quality Deficiency Reports remain relatively constant in FY 2003, FY 2004 and FY 2005.

Customer Rate Changes:

	<u>FY 2003</u> <u>Actuals</u>	<u>FY 2004</u> <u>Budget</u>	<u>FY 2005</u> <u>Budget</u>
Stabilized Customer Rate	\$117.62	\$131.09	\$127.88
Year to Year Percent Change	11.17%	11.45%	-2.45%

The slight decrease in FY 2005 stabilized rate from FY 2004 is the result of several factors. Total direct labor hours for new orders accepted and programmed for execution increased from FY 2004 rate calculation as a result of reconstitution workload influx. Associated Cost of Goods Sold increased as a net result of the increased workload, reintroduction of equipment and major maintenance costs and elimination of personnel costs associated with the RIF reflected in the FY 2004 rate. The FY 2005 rate reflects the impact of these factors as well as incorporating a negative \$4.8 million Accumulated Operating Result (AOR) recoument factor to achieve the required zero AOR in FY 2005.

Unit Costs:

	<u>FY 2003</u> <u>Actuals</u>	<u>FY 2004</u> <u>Budget</u>	<u>FY 2005</u> <u>Budget</u>
Cost per Direct Labor Hour	\$129.84	\$127.86	\$132.54

The reduction of the material intensive M1A1 Main Battle Tank production line in FY 2003 removed significant direct material costs from the FY 2003 unit price, leading to the reduction from the FY 2004 President's Budget. Unit cost decreased in FY 2004 as a result of increased DLH execution outpacing the additional costs of production equipment repairs and increase from reinstating major maintenance. FY 2005 increased as decline in workload and direct labor hours coupled with VERA/VSIP/RIF cost to release personnel combines to yield the increase in budgeted unit cost.

Capital Budget Authority:

	<u>FY 2003</u> <u>Actuals</u>	<u>FY 2004</u> <u>Budget</u>	<u>FY 2005</u> <u>Budget</u>
Equipment/Non-ADPE/TELE	\$0.6	\$1.4	\$3.7
ADPE/TELECOM Equipment	\$0.4	\$0.0	\$0.0
Software Development	\$0.0	\$0.0	\$0.0
Minor Construction	<u>\$1.8</u>	<u>\$2.5</u>	<u>\$0.5</u>
Total	\$2.8	\$3.9	\$4.2

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

(NIFRPT)

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	224.6	256.0	220.9
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	3.6	4.6	4.4
Other Income			
Total Income	228.1	260.6	225.4
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	.8	.8	.8
Civilian Personnel	98.8	114.0	105.9
Travel and Transportation of Personnel	1.8	1.9	1.7
Material & Supplies (Internal Operations	83.9	91.5	83.0
Equipment	3.2	3.4	2.4
Other Purchases from NWCF	2.8	2.5	2.5
Transportation of Things	.0	.0	.0
Depreciation - Capital	3.6	4.6	4.4
Printing and Reproduction	.1	.1	.1
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	5.8	5.8	5.2
Other Purchased Services	33.3	28.5	24.2
Total Expenses	234.0	253.1	230.3
Work in Process Adjustment	.1	.0	-.2
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	234.1	253.1	230.1
Operating Result	-6.0	7.5	-4.8
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.6	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	-5.4	7.5	-4.8
Other Changes Affecting AOR	.5	.0	.0
Accumulated Operating Result	-2.8	4.7	.0

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

(R_FUND11)

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	313	188	213
a. Orders from DoD Components	277	139	180
Department of the Navy	253	120	174
O & M, Navy	6	3	3
O & M, Marine Corps	199	100	128
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	12	10	13
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	0	0	0
Procurement, Marine Corps	37	4	29
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	1	0	0
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	4	2
Department of the Army	17	14	3
Army Operation & Maintenance	5	12	1
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	1	0	0
Army Other	12	2	2
Department of the Air Force	4	5	4
Air Force Operation & Maintenance	4	5	4
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	3	0	0
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	0	0	0
Res, Dev, Test & Eval Accounts	0	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	3	0	0
b. Orders from other WCF Activity Groups	31	41	32
c. Total DoD	308	180	212
d. Other Orders	5	8	1
Other Federal Agencies	0	0	0
Foreign Military Sales	5	7	1
Non Federal Agencies	0	0	0
2. Carry-In Orders	49	134	61
3. Total Gross Orders	362	322	274
a. Funded Carry-Over before Exclusions	134	61	48
b. Total Gross Sales	228	261	225
4. End of Year Work-In-Process (-)	-1	-1	-1
5. Non-DoD, BRAC, FMS (-)	-4	-6	-2
6. Net Funded Carryover	129	55	46

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

**CHANGES IN THE COSTS OF OPERATION
DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
Fiscal Year (FY) 2005 Budget Estimate
February 2004
(Dollars in Millions)**

		Total Cost
1.	FY 2003 Actuals	234.1
2.	FY 2004 President's Budget:	197.9
3.	Pricing Adjustments:	
	a. FY 2004 Payraise	
	(1) Civilian Personnel	1.9
	(2) Military Personnel	0.0
	b. Annualization of Prior Year Pay Raise	
	(1) Civilian Personnel	0.9
	(2) Military Personnel	0.0
	c. General Inflation	0.0
4.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	20.1
	(2) Direct Materiel & Supplies	11.0
	(3) Contract/Other Purchases	2.9
5.	Other Changes	
	a. Indirect Labor	8.2
	b. VERA/VSIP/RIF	-5.2
	c. Indirect Materiel	3.2
	d. Depreciation	0.5
	e. Contract Services	11.7
	f. Other	0.0
6.	FY 2004 Current Estimate:	253.1
7.	Pricing Adjustments:	
	a. FY 2005 Payraise	
	(1) Civilian Personnel	1.2
	(2) Military Personnel	0.0
	b. Annualization of Prior Year Pay Raise	
	(1) Civilian Personnel	1.1
	(2) Military Personnel	0.0
	c. General Inflation	1.8
8.	Program Changes:	
	a. Workload Changes	
	(1) Direct Labor	-13.0
	(2) Direct Material & Supplies	-8.0
	(3) Contract Services	-0.3
	(4) Other Purchases	-0.4

**CHANGES IN THE COSTS OF OPERATION
DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
Fiscal Year (FY) 2005 Budget Estimate**

9.	Other Changes	
	a. Indirect Labor	1.8
	b. VERA/VSIP/RIF	0.8
	c. Indirect Material	-2.7
	d. Depreciation	-0.1
	e. Contract Services	-2.3
	f. Other	-2.7
10.	FY 2005 Current Estimate	230.3

WORKING CAPITAL FUND INVESTMENT SUMMARY
Marine Corps Depot Maintenance
Fiscal Year (FY) 2005 Budget Estimate
February 2004
(Dollars in Millions)

		Dollars in Millions					
Line	Item	FY 2003 Actual		FY 2004 Estimate		FY 2005 Estimate	
Number	Description	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	Total Projects (=> \$1M)	0	0.000	0	0.000	1	1.405
	Equipment						
1	Robotic Painting System (MCB)	0	0.000	0	0.000	1	1.405
2	Total Projects (=> \$0.500M and < \$1M)	1	0.501	0	0.000	2	1.900
	Equipment						
	Waterjet Cutting Machine	1	0.501	0	0.000	0	0.000
	Dynamometer Transmission (MCA)	0	0.000	0	0.000	1	0.950
	Dynamometer Engine (MCA)	0	0.000	0	0.000	1	0.950
3	Equipment (=>\$0.100 and <\$0.500)	1	0.104	5	1.426	1	0.400
	<i>Replacement</i>	<i>1</i>	<i>0.104</i>	<i>2</i>	<i>0.600</i>	<i>1</i>	<i>0.400</i>
	<i>Productivity</i>	<i>0</i>	<i>0.000</i>	<i>2</i>	<i>0.676</i>	<i>0</i>	<i>0.000</i>
	<i>New Mission</i>	<i>0</i>	<i>0.000</i>	<i>1</i>	<i>0.150</i>	<i>0</i>	<i>0.000</i>
	<i>Environmental Compliance</i>	<i>0</i>	<i>0.000</i>	<i>0</i>	<i>0.000</i>	<i>0</i>	<i>0.000</i>
4	ADPE & Telecom (=>\$0.100)	1	0.399	0	0.000	0	0.000
5	Minor Construction (=>\$0.100M and =< \$0.750M)	4	1.817	4	2.514	1	0.450
	<i>Replacement</i>	<i>1</i>	<i>0.685</i>	<i>2</i>	<i>1.498</i>	<i>0</i>	<i>0.000</i>
	<i>Productivity</i>	<i>3</i>	<i>1.132</i>	<i>2</i>	<i>1.016</i>	<i>1</i>	<i>0.450</i>
	<i>New Mission</i>	<i>0</i>	<i>0.000</i>	<i>0</i>	<i>0.000</i>	<i>0</i>	<i>0.000</i>
	<i>Environmental Compliance</i>	<i>0</i>	<i>0.000</i>	<i>0</i>	<i>0.000</i>	<i>0</i>	<i>0.000</i>
6	Software Development	0	0.000	0	0.000	0	0.000
	FISCAL YEAR PROGRAM TOTAL	7	2.821	9	3.940	5	4.155
	Total Capital Outlays		4.011		2.711		3.670
	Total Depreciation Expense		3.564		4.583		4.436

Fiscal Year (FY) 2005 Budget Estimate (Dollars in Thousands)						A. Budget Submission Fiscal Year (FY) 2005 Budget Estimate - February 2004			
B. Component/Business Area/Date Marine Corps Depot Maintenance/ Febuary 2004				C. Line# and Description 1/ Robotic Painting System (productivity)			D. Site Identification MC Depots Albany, GA and Barstow, CA		
	FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP							1		1.405
Narrative Justification:									
<p>FY 2005 Navy Budget Robotics Painting System (Productivity, Barstow) - \$1.405M. Originally programmed for FY 2004 but the project has slipped pending the outcome from a Business Case Analysis to validate technology, risk, and workload. Procurement specifications are being developed for procurement in FY2005. Workload consists of 11,200 hrs/yr for 7 workers to paint over 2500 vehicles per year. Benefits derive from the relieving 6 workers from painting and reducing the maintenance parts and labor costs to paint. Thus, the workload hrs to paint are reduced to 1,600 hrs/yr. The productivity enhancement project's BIR is 3.69 and investment cost is \$1.405M.</p>									

Fiscal Year (FY) 2005 Budget Estimate (Dollars in Thousands)						A. Budget Submission Fiscal Year (FY) 2005 Budget Estimate - February 2004			
B. Component/Business Area/Date Marine Corps Depot Maintenance/ Febuary 2004				C. Line# and Description 2/ Equipment (=> \$0.500M and < \$1M)			D. Site Identification MC Depots Albany, GA and Barstow, CA		
	FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP	1		0.501	-		0.000	2		1.900

Narrative Justification:

FY 2003

Water Jet Cutting Machine (Productivity, Albany) - \$.0501M.

FY 2004 No Projects

FY 2005

Dynamometer Transmission (Productivity, Albany) - \$0.950M. Procurement specifications are currently being developed to acquire the asset in FY2005. Workload includes 80 transmissions per year over 10 years for AAV, M88, and EFV end items. Benefits are derived from avoiding a \$0.300M annual contract cost for transmission testing. The productivity enhancement project's BIR is 1.89 and the investment cost is \$0.950M.

Dynamometer Engine (Replacement, Albany) - \$0.950M. Procurement specifications are currently being developed to acquire the asset in FY2005. Workload includes 206 engines per year over 10 years for AAV, M88, and other end items. Benefits are derived from avoiding a \$0.300M annual contract cost for engine testing. The productivity enhancement project's BIR is 2.44 and the investment cost is \$0.950M.

Fiscal Year (FY) 2005 Budget Estimate (Dollars in Thousands)						A. Budget Submission Fiscal Year (FY) 2005 Budget Estimate - February 2004			
B. Component/Business Area/Date Marine Corps Depot Maintenance/ February 2004				C. Line# and Description 3/ Equipment (=>\$0.100 and <\$0.500)			D. Site Identification MC Depots Albany, GA and Barstow, CA		
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP	1		0.104	5		1.426	1		0.400

Narrative Justification:

FY 2003

Vertical Bandsaw (Replacement, Barstow) - \$0.104M.

FY 2004

Water Jet Machining Center (Productivity, Barstow) - \$0.400M. The status quo Waterjet Cutting Machine does not have enough capacity to satisfy current workload requirements. The Waterjet Machine Center (WMC) will cut raw materials to modify and repair primary end items such as MK trucks and trailers, M1A1 tanks, Light Armored Vehicles, and M198 Howitzer Cannons. It will also fabricate tools, fixtures, stands and other items that directly supports the work performed throughout the depot. The WMC machines intricate parts from material up to 10" thick without heat-affected zones and delivers quality that eliminates the need of secondary finishing. There is minimal tooling and setup required and allows simultaneous multiple cutting heads to reduce cycle times of each cutting operation. Benefits are derived from saving 1,200 hours to setup machinery and produce panels. The benefit-to-investment (BIR) for purchasing the asset over remaining only with the status quo operation is 1.55 with a payback in 3.88 years. This project is intended to enhance productivity.

Rotoblast Machine (Replacement, Albany) - \$0.350M. Procurement specifications are currently being developed to acquire the asset in FY2004. Workload includes 2000 hrs/yr to blast status quo items. Benefits are derived from an estimated 15% improvement in production. The asset replaces an old rotoblast machine and several tumble blast machines that require rebuilding to remain in service. The replacement project's BIR = 1.52 and has a investment cost of \$0.350M.

Floor Recovery System (Productivity, Barstow) - \$0.276M. Procurement specifications are currently being developed to acquire the asset in FY2004. Workload includes 2400 hrs/yr to recover blast material under the status quo. Benefits are derived from an estimated 50% reduction in time to recover material. The productivity enhancement project's BIR is 3.08 and the investment cost is \$0.276M.

750 HP Dynamometer (New Mission, Albany) - \$0.150M. Procurement specifications are currently being developed to acquire the asset in FY2004. Workload includes new testing requirements for Cummins VT-400, NHC250, VTA903-T525, Caterpillar 3406, Detroit Diesel 6V-53T, and Detroit Diesel 8V-92TA engines. Benefits are derived from eliminating status quo contracting of testing service. The productivity enhancement project's BIR = 1.63 and has a investment cost of \$0.150M.

Nondestructive Testing Upgrade (NTD) (Replacement, Albany) - \$0.250M. Non-Destructive Testing (NDT) is the inspection of various welds on military vehicles and components such as the light armored vehicle. The current NDT process uses multiple panels of lead to block x-rays from escaping during the test. It is proven that these panels allow stray x-rays to emit from the testing area. Prevention of these emissions is mandated by the Code of Federal Regulations (CFR Title 10 (10CFR), CFR Title 29 (29CFR), CFR Title 40 (40CFR), CFR Title 49 (49CFR) and The US Navy Safety Radiation Program. Visits to Warner Robins and to United Defense reveal that they use modular radiation shielded enclosures that eliminate stray x-rays and complies with US Code and Federal Regulations. This enclosure has also increased their productivity by not having their operators move the heavy individual lead panels in position. The NDT project will be a 44' x 26' x 12' enclosure with a 20' x 10' motorized door and a personnel door. The enclosure includes all electrical outlets, lighting, and a complete radiation safety interlock package. Lead shielding will be 0.5" inch. Project estimated cost is \$0.250M.

FY 2005

Rotoblast Machine (Replacement, Albany) - \$0.400M. Procurement specifications are currently being developed to acquire the asset in FY2005. The cost to rebuild the status quo machine is 100% the cost of a replacement machine over 10 years. Workload includes all small arms parts that require blasting to clean and remove oil/grease. Benefits are derived from increased efficiency of the replacement machine reduced down time due to the age of the status quo. The replacement project's BIR is 1.20 and the investment cost is \$0.400M.

Fiscal Year (FY) 2005 Budget Estimate (Dollars in Thousands)				A. Budget Submission Fiscal Year (FY) 2005 Budget Estimate - February 2004					
B. Component/Business Area/Date Marine Corps Depot Maintenance/ February 2004				C. Line# and Description 4/ ADPE & Telecom (=>\$0.100)			D. Site Identification MC Depots Albany, GA and Barstow, CA		
FY 2003				FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
ADPE	1		0.399						

Narrative Justification:

FY 2003

8 Way Server (Replacement, Barstow) - \$0.399M.

FY 2004 No Projects

FY 2005 No Projects

Fiscal Year (FY) 2005 Budget Estimate (Dollars in Thousands)						A. Budget Submission Fiscal Year (FY) 2005 Budget Estimate - February 2004			
B. Component/Business Area/Date Marine Corps Depot Maintenance/ February 2004				C. Line# and Description 5/ Minor Construction (=>\$0.100M and =< \$0.750M)			D. Site Identification MC Depots Albany, GA and Barstow, CA		
FY 2003				FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Non ADP	3		1.817	4		2.514	1		0.450

Narrative Justification:

FY2003

Paint Stripping Facility (Productivity, Albany) - \$0.605M.

Conversion Coating Facility (Replacement, Albany) - \$0.685M.

Clear Span Roof (Bldg 2222&2236) (Productivity, Albany) - \$0.527M.

(Cancelled by Barstow) Blast Room Enclosure (Productivity, Barstow) - \$0.291M.

FY 2004

Facility Engine/Transmission Test (Productivity, Albany) - \$0.600M. Procurement specifications are currently being developed to acquire the asset in FY2004. Workload includes a status quo of 7000 hrs/yr that require labor support for testing. Benefits are derived from saving 2000 hrs/yr of support labor to expedite and inspect items tested on dynamometers. The productivity enhancement project's BIR = 1.59 and has a investment cost of \$0.600M.

Fiberglass Repair Facility (Productivity, Barstow) - \$0.416M. Procurement specifications are currently being developed to acquire the asset in FY2004. Workload includes all items currently worked by multiple and scattered status quo fiberglass repair operations. Benefits derive from consolidating the fiberglass repair process into one area. The facility includes safety and environmental systems required for fiberglass repair work. The productivity enhancement project's BIR = 2.18 and has a investment cost of \$0.416M.

Drying Booths for Paint (Replacement, Albany) - \$0.749M. Procurement specifications are currently being developed to acquire the asset in FY2004. Workload includes 12000 hr/yr for various principle end items that require a facility to dry paint coatings. The status quo facility does not provide enough heated drying area to accommodate production requirements. Items that air dry due to the lack of proper drying oven area bottlenecks production. Benefits are derived from removing the drying bottleneck and eliminating loss of production associated with air drying items. The productivity enhancement project's BIR = 1.33 and has a investment cost of \$0.749M.

Prep & Paint Building (Replacement, Albany) - \$0.749M. Procurement specifications are currently being developed to acquire the asset in FY2004. Workload includes 1379 hr/yr for various principle end items that require a facility to prep workload and paint coatings. The status quo process shares area with other processes to accommodate production. The Prep & Paint Building will provide better use of existing space for other processes and better accommodate the prep and painting of workload. Benefits are derived from saving 999 hr/yr over current processes. The productivity enhancement project's BIR = 1.17 and has a investment cost of \$0.749M.

Head/Breakroom for Paint Booth Employees (Productivity, Albany) - \$0.150M. Cancelled in its entirety.

Facility Prep/Storage w/Dehumidification (Productivity, Albany) - \$0.500M. Cancelled in its entirety.

FY2005 Estimate

Body Shop Upgrades (Productivity, Albany) - \$0.450M. Procurement specifications are currently being developed to acquire the asset in FY2005. Workload includes 20000 hr/yr for various principle end items that require body and frame repairs as well as structure repairs to bridges and fuel and water modules. The status quo shop is outdated and frequently is not in service waiting repair. Benefits are derived from reduced down time of the shop and associated maintenance costs to restore service. The productivity enhancement project's BIR = 2.40 and has a investment cost of \$0.450M.

Fiscal Year (FY) 2005 Budget Estimate (Dollars in Thousands)						A. Budget Submission Fiscal Year (FY) 2005 Budget Estimate - February 2004					
B. Component/Business Area/Date Marine Corps Depot Maintenance/ Febuary 2004				C. Line# and Description 6/ Software Development			D. Site Identification MC Depots Albany, GA and Barstow, CA				
			FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
		-	-		-	-	-		-		

Narrative Justification:

No Projects

**Navy Working Capital Fund
Marine Corps Depot Maintenance
Fiscal Year (FY) 2005 Budget Estimate
February 2004
(Dollars in Millions)**

FY 2003 BUDGET ACTUAL

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Project Cost</u>	<u>Current Project Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
Equipment except ADPE and TELECOM						
2003	Hydraulic Rough Terrain Crane (MCB)	(0.314)	0.314	0.000	0.314	Cancelled
2003	Hyster Forklift (MCB)	(0.121)	0.121	0.000	0.121	Cancelled
2003	Rotoblast Machine (MCA)	(0.350)	0.350	0.000	0.350	Moved to FY 2004; Replacement
2003	750HP Dynamometer (MCA)	(0.150)	0.150	0.000	0.150	Moved to FY 2004; New Mission
2003	Vertical Band Saw (MCB)	0.105	0.000	0.104	(0.104)	Moved from FY 2005; Replacement
2003	Water Jet Cutting Machine (MCA)	0.503	0.000	0.501	(0.501)	Productivity
2003	DON Cost Authority Letter 12 Mar 2003		(0.327)	0.000	(0.327)	NAVCOMP
2003	DON Cost Authority Letter 6 Jan 2004		(0.003)	0.000	(0.003)	NAVCOMP
	Subtotal Equipment	(0.327)	0.605	0.605	(0.000)	
Equipment - ADPE and TELECOM						
2003	8 Way Server (MCB)	0.399	0.000	0.399	(0.399)	Moved from FY 2005; Replacement
2003	DON Cost Authority Letter 12 Mar 2003		0.399	0.000	0.399	NAVCOMP
	Subtotal Equipment - ADPE	0.399	0.399	0.399	0.000	
Software Development						
	Subtotal Software Development	0.000	0.000	0.000	0.000	
Minor Construction						
2003	Paint Stripping Facility (MCA)	0.000	0.499	0.605	(0.106)	Productivity
2003	Conversion Coating Facility (MCA)	0.000	0.499	0.685	(0.186)	Productivity
2003	Clear Span Roof (Bldg 2222&2236) (MCA)	0.100	0.427	0.527	(0.100)	Productivity
2003	Fiberglass Repair Facility (MCB)	(0.416)	0.416	0.000	0.416	Moved to FY 2004; Productivity
2003	Bathroom Adjacent to 100M Test Range (MCA)	(0.100)	0.100	0.000	0.100	Cancelled
2003	Blast Room Enclosure (MCB)	0.291	0.000	0.000	0.000	Moved from FY 2004; Productivity
2003	DON Cost Authority Letter 12 Mar 2003		(0.125)	0.000	(0.125)	NAVCOMP
2003	DON Cost Authority Letter 6 Jan 2004		0.001	0.000	0.001	NAVCOMP
	Sub-total Minor Construction	(0.125)	1.817	1.817	(0.000)	
FY 2003 Estimate		(0.053)	2.821	2.821	(0.000)	

**Navy Working Capital Fund
Marine Corps Depot Maintenance
Fiscal Year (FY) 2005 Budget Estimate
February 2004**

FY 2004 BUDGET ESTIMATE

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Project Cost</u>	<u>Current Project Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
Equipment except ADPE and TELECOM						
2004	Floor Reclaim System (MCB)		0.276	0.276	0.000	Productivity
2004	Rotoblast Machine (MCA)		0.350	0.350	0.000	Replacement
2004	NDT Upgrade (MCA)		0.250	0.250	0.000	Replacement
2004	750HP Dynamometer (MCA)		0.150	0.150	0.000	New Mission
2004	Robotic Painting System (MCB)		1.405	0.000	1.405	Moved to FY 2005
2004	Waterjet Machining Center (MCB)		0.000	0.400	(0.400)	Productivity
	Subtotal Equipment	0.000	2.431	1.426	1.005	
Equipment - ADPE and TELECOM						
			No Projects			
	Subtotal Equip - ADPE and TELECOM		0.000	0.000	0.000	
Software Development						
			No Projects			
	Subtotal Software		0.000	0.000	0.000	
Minor Construction						
2004	Blast Room Enclosure (MCB)		0.291	0.000	0.291	Moved to FY 2003
2004	Fiberglass Repair Facility (MCB)		0.000	0.416	(0.416)	Moved from FY 2004; Productivity
2004	Facility Trans/Engine Dyno (MCA)		0.600	0.600	0.000	Productivity
2004	Drying Booths for Paint (MCA)		0.000	0.749	(0.749)	Moved from FY 2005; Replacement
2004	Head/Emp Breakroom Paint Booth (MCA)		0.150	0.000	0.150	Cancelled
2004	Facility Prep/Storage w/Dehumidi (MCA)		0.500	0.000	0.500	Cancelled
2004	Paint Building (MCA)		0.000	0.749	(0.749)	Productivity
	Sub-total Minor Construction	0.000	1.541	2.514	(0.973)	
	FY 2004 Estimate	0.000	3.972	3.940	0.032	

**Navy Working Capital Fund
Marine Corps Depot Maintenance
Fiscal Year (FY) 2005 Budget Estimate
February 2004**

FY 2005 BUDGET ESTIMATE

<u>FY</u>	<u>Approved Project</u>	<u>Repros</u>	<u>Approved Project Cost</u>	<u>Current Project Cost</u>	<u>Asset/Deficiency</u>	<u>Explanation</u>
Equipment except ADPE and TELECOM						
2005	Vertical Band Saw (MCB)		0.105	0.000	0.105	Moved to FY 2003
2005	Rotoblast Machine (MCA)		0.400	0.400	0.000	Replacement
2005	Robotic Painting System (MCB)		0.000	1.405	(1.405)	Moved from FY 2004; Replacement
2005	CNC Milling Machine (MCA)		0.175	0.000	0.175	Cancelled
2005	Dyno Transmission (MCA)		0.950	0.950	0.000	Productivity
2005	Dynamometer Engine (MCA)		0.950	0.950	0.000	Productivity
	Subtotal Equipment	0.000	2.580	3.705	(1.125)	
Equipment - ADPE and TELECOM						
2005	8 Way Server (MCB)		0.399	0.000	0.399	Moved to FY 2003
	Subtotal Equip - ADPE and TELECOM	0.000	0.399	0.000	0.399	
Software Development						
			No Projects			
	Subtotal Software	0.000	0.000	0.000	0.000	
Minor Construction						
2005	Drying Booths for Paint (MCA)		0.749	0.000	0.749	Moved to FY 2004
2005	Body ShopUpgrades (MCA)		0.450	0.450	0.000	Productivity
	Sub-total Minor Construction	0.000	1.199	0.450	0.749	
FY 2005 Estimate		0.000	4.178	4.155	0.023	

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)
Fiscal Year 2003

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP	40.4	0.0	40.4	0.0
<u>Purchases</u>				
A. Purchases to Support Customer Orders	93.0	0.0	93.0	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+)				
Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	93.0	0.0	93.0	0.0
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	78.0	0.0	78.0	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	78.0	0.0	78.0	0.0
Material Inventory EOP*	55.4	0.0	55.4	0.0

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

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)
Fiscal Year 2004

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP*	55.4	0.0	55.4	0.0
<hr/>				
<u>Purchases</u>				
A. Purchases to Support Customer Orders	66.6	0.0	66.6	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+)				
Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	66.6	0.0	66.6	0.0
<hr/>				
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	85.7	0.0	85.7	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	85.7	0.0	85.7	0.0
<hr/>				
Material Inventory EOP*	36.3	0.0	36.3	0.0

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

DEPARTMENT OF THE NAVY
Marine Corps Depot Maintenance
MATERIAL INVENTORY DATA
Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)
Fiscal Year 2005

	Total	Mobilization	Peacetime	
			Operating	Other
Material Inventory BOP*	36.3	0.0	36.3	0.0
<hr/>				
<u>Purchases</u>				
A. Purchases to Support Customer Orders	76.8	0.0	76.8	0.0
B. Purchases of long lead times in advance of customer orders (+)	0.0	0.0	0.0	0.0
C. Other Purchases (list) (+)				
Materials & Supplies	0.0	0.0	0.0	0.0
D. Total Purchases	76.8	0.0	76.8	0.0
<hr/>				
<u>Material Inventory Adjustment</u>				
A. Material Used in Maintenance (and billed/charged to customer orders) (-)	78.9	0.0	78.9	0.0
B. Disposals, theft, losses due to damage (-)*	0.0	0.0	0.0	0.0
C. Other reductions (list) (-)	0.0	0.0	0.0	0.0
D. Total inventory adjustment	78.9	0.0	78.9	0.0
<hr/>				
Material Inventory EOP*	34.2	0.0	34.2	0.0

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

Naval Air Warfare Center

FY 2005 President's Budget Submission
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
NAVAL AIR WARFARE CENTER (NAWC)
Date: February 2004

Mission Statement

This Naval Air Warfare Center (NAWC) budget submission includes the Aircraft Division (NAWCAD) and the Weapons Division (NAWCWD). The NAWCAD mission is to remain the Navy's principal RDT&E, engineering, and Fleet support activity for naval aircraft engines, avionics, and aircraft support systems and ship/shore/air operations. The scope of their mission includes the acquisition and in-service support of manned and unmanned air vehicles (UAVs) and air operations ashore and afloat. The mission of the NAWCWD is to be the Navy's full spectrum RDT&E in-service engineering center for air warfare weapons systems (except antisubmarine warfare systems) missiles and missile subsystems, aircraft weapons integration, and assigned airborne electronic warfare systems. The scope of the mission includes maintenance and operation of the air, land, and sea Naval Western Test Range complex. NAWC receives Major Range Test Facilities Base funding (RDT&E,N appropriation) to maintain and support designated range facilities.

Financial Highlights/Assumptions:

This budget reflects a transfer of Shore Station Management functions from NAWC to Commander, Naval Installations (CNI) as well as a transfer of facilities maintenance, utilities and base support functions to Public Work Centers (PWC) detachments beginning in FY 2004. This action is part of the Installation Claimant Consolidation II effort. NAWC will provide reimbursement for all NWCF related (non-common support) services.

Budget Highlights
(\$ and Hours in Millions)

1. Workload Profile:

	FY 2003	FY 2004	FY 2005
Orders Received	3,125.2	1,940.2	2,148.3
Direct Labor Hours (DLHs)	15,481.3	14,420.8	14,372.8

Order changes from FY 2003 to FY 2004 levels reflect the transfer of Shore Station Management to CNI and NAVFAC. In addition, FY 2003 actuals represent emergent work that was not budgeted. NAWC AD received workload tied to a number of new programs including the Advanced Hawkeye, Joint Precision Approach Landing System, Multi-Mission Maritime Aircraft, and the VHXX Executive Helo Development. FY 2004 and FY 2005 orders represent known workload and are in agreement with customer budgets.

FY 2005 President's Budget Submission
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
NAVAL AIR WARFARE CENTER (NAWC)
Date: February 2004

2. Financial Profile:

	FY 2003	FY 2004	FY 2005
Revenue	\$2,229.8	\$2,261.0	\$2,154.5
Cost Of Goods Sold	2,212.2	2,253.6	2,137.5
Revenue Less Expense	17.6	7.5	17.0
Surcharge	-4.0	0	0
Net Operating Results (NOR)	13.6	7.5	17.0
Other Adjustments	1.9	0	0
AOR	-24.5	-17.0	0.0

Revenue and cost remain stable through the budget period.

3. Stabilized Rates:

	FY 2003	FY 2004	FY 2005
Stabilized Rates	\$93.97	\$86.27	\$89.53
Rate Change		-8.2%	3.8%
Composite Rate Change		-2.3%	2.4%

Rate reductions in FY 2004 are the result of realignment of shore station functions. The FY 2005 rate reflects the impact of pay raises, general inflation and an AOR recoupment factor.

4. Staffing Profile:

	FY 2003	FY 2004	FY 2005
Civilian E/S	11,483	9,716	9,721
Civilian W/Ys	11,293	9,652	9,664
Military E/S	216	240	228
Officers	70	94	95
Enlisted	146	146	133
Military W/Ys	169	158	169

Decreases from FY 2003 to FY 2004 reflect the transfer of Shore Station Management functions to CNI and NAVFAC.

Military changes from FY 2004 to FY 2005 are due to workload adjustments.

5. Indirect Ratio:

	FY 2003	FY 2004	FY 2005
Total Indirect Costs (a)	\$ 378.3	\$ 297.6	\$ 294.8
Total Direct Costs (b)	\$2,150.8	\$1,955.9	\$1,842.8
Indirect Ratio (a)/(b)	18%	15%	16%

The improvement in the indirect ratio between FY 2003 and FY 2004 is the result of the transfer of shore station management functions.

FY 2005 President's Budget Submission
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
NAVAL AIR WARFARE CENTER (NAWC)
Date: February 2004

6. Capital Purchases Program:

	FY 2003	FY 2004	FY 2005
Equipment	\$8.5	\$10.0	\$10.0
Minor Construction	\$1.5	\$3.6	\$1.9
ADP/Telecommunications	\$4.7	\$11.4	\$11.7
Software	\$18.5	\$15.0	\$0.0
TOTAL	\$33.2	\$40.0	\$23.6

Changes in the CPP Program are consistent with budgeted depreciation expense based on items beginning and/or ending depreciation. However, the reduction in total CPP authority in FY 2005 is the result of the Navy's decision to converge current Navy Enterprise Resource Planning (ERP) pilots into a standardized Navy-wide ERP solution. The ERP convergence effort has resulted in a new schedule and NAWC capital funding is not needed in FY 2005.

7. Net Outlays:

	FY 2003	FY 2004	FY 2005
Disbursements	\$2,606.4	\$2,221.9	\$2,108.5
Collections	\$2,357.2	\$2,234.2	\$2,130.2
Net Outlays	\$249.3	\$(12.3)	\$(21.7)

Changes in Net Outlays are consistent with budgeted Revenue and Expense fluctuations.

8. Performance Indicators:

Unit Cost and Direct Labor Hours

	FY 2003	FY 2004	FY 2005
Cost Per Direct Labor Hour	\$1,168.0	\$1,077.7	\$1,087.1
Direct Labor Hours (DLH)	15.481	14.421	14.373
Unit Cost	\$75.45	\$74.73	\$75.64
% Change Workload/DLHs		-6.4%	-0.3%
% Change Unit Cost		-0.5%	1.2%

The reduction in unit cost from FY 2003 to FY 2004 is due to the transfer of shore station management functions, which are indirect in nature. The increase in unit cost in FY 2005 is due to pay raises and general inflation.

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

(NIFRPT)

PAGE 1

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	2,195.5	2,221.0	2,117.3
Surcharges	4.0	.0	.0
Depreciation excluding Major Constructio	30.3	40.0	37.1
Other Income			
Total Income	2,229.8	2,261.0	2,154.5
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	9.7	8.9	9.5
Civilian Personnel	1,038.7	952.9	968.0
Travel and Transportation of Personnel	59.7	38.2	39.0
Material & Supplies (Internal Operations	269.0	213.6	219.4
Equipment	10.1	42.3	42.8
Other Purchases from NWCF	38.2	57.1	58.8
Transportation of Things	2.7	1.7	1.7
Depreciation - Capital	30.3	40.0	37.1
Printing and Reproduction	1.3	1.2	1.2
Advisory and Assistance Services	17.3	3.1	3.1
Rent, Communication & Utilities	46.5	31.2	30.3
Other Purchased Services	1,005.6	863.2	726.4
Total Expenses	2,529.2	2,253.6	2,137.5
Work in Process Adjustment	-317.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	2,212.2	2,253.6	2,137.5
Operating Result	17.6	7.5	17.0
Less Surcharges	-4.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	13.6	7.5	17.0
Other Changes Affecting AOR	-1.9	.0	.0
Accumulated Operating Result	-24.5	-17.0	.0

Exhibit Fund-14

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

(R_FUND11)

PAGE: 1

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	3,125	1,940	2,148
a. Orders from DoD Components	2,836	1,823	2,026
Department of the Navy	2,404	1,705	1,880
O & M, Navy	680	365	404
O & M, Marine Corps	4	4	1
O & M, Navy Reserve	4	0	2
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	462	322	318
Weapons Procurement, Navy	57	63	62
Ammunition Procurement, Navy/MC	12	12	13
Shipbuilding & Conversion, Navy	141	43	40
Other Procurement, Navy	79	65	76
Procurement, Marine Corps	7	6	2
Family Housing, Navy/MC	5	1	0
Research, Dev., Test, & Eval., Navy	952	822	960
Military Construction, Navy	0	0	0
Other Navy Appropriations	1	1	1
Other Marine Corps Appropriations	0	0	0
Department of the Army	80	10	17
Army Operation & Maintenance	23	2	3
Army Res, Dev, Test, Eval	10	3	4
Army Procurement	39	5	9
Army Other	9	1	2
Department of the Air Force	101	35	36
Air Force Operation & Maintenance	38	7	8
Air Force Res, Dev, Test, Eval	31	16	16
Air Force Procurement	29	10	10
Air Force Other	3	1	2
DOD Appropriation Accounts	251	74	92
Base Closure & Realignment	1	0	0
Operation & Maintenance Accounts	74	7	20
Res, Dev, Test & Eval Accounts	65	45	42
Procurement Accounts	72	15	24
Defense Emergency Relief Fund	21	0	0
DOD Other	18	6	6
b. Orders from other WCF Activity Groups	126	31	48
c. Total DoD	2,962	1,854	2,074
d. Other Orders	163	87	75
Other Federal Agencies	47	7	7
Foreign Military Sales	101	59	52
Non Federal Agencies	15	20	16
2. Carry-In Orders	789	1,685	1,364
3. Total Gross Orders	3,915	3,625	3,512
a. Funded Carry-Over before Exclusions	1,685	1,364	1,358
b. Total Gross Sales	2,230	2,261	2,154
4. End of Year Work-In-Process (-)	-309	-311	-291
5. Non-DoD, BRAC, FMS, and MRTFB	-233	-362	-369
6. Net Funded Carryover	1,143	691	698

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

FY 2005 PRESIDENTS Review
Navy Working Capital Fund
Changes in Cost of Operations
Activity: Naval Air Warfare Center
Date: February 2004

		<u>(\$ in M)</u>
1.	FY 2003 Actuals	2,529.2
2.	FY 2004 Estimate in FY 2004 President's Budget	2,180.0
3.	Pricing Adjustments	19.3
	a. Annualization of Prior Year Pay Raises	8.0
	1. Civilian Personnel	8.0
	2. Military Personnel	0.0
	b. FY 2004 Pay Raise	13.3
	1. Civilian Personnel	13.3
	2. Military Personnel	0.0
	c. Stock Fund - Fuel	0.0
	d. Stock Fund - Nonfuel	0.0
	e. Industrial Fund Purchases	0.0
	f. General Purchases Inflation	(2.0)
4.	Program Changes	54.3
	a. Workload Changes	111.1
	1. Increased/Decreased Direct Labor Hours	5.0
	2. Non-Stabilized Reimbursable Workload	73.0
	3. MRTFB	(1.0)
	4. Non-DoD Customers	(14.0)
	5. Other	48.1
	b. Other Changes	(56.8)
	1. Trailer Lease/SIPRNET/Phone	3.0
	2. Depreciation and Other	(0.3)
	3. Functional Transfer of Shore Station Management and Base Support to CNI and PWC Detachments	(59.5)
5.	FY 2004 Current Estimate	2,253.6

FY 2005 PRESIDENTS Review
Navy Working Capital Fund
Changes in Cost of Operations
Activity: Naval Air Warfare Center
Date: February 2004

		<u>(\$ in M)</u>
6.	FY 2004 Current Estimate	2,253.6
7.	Pricing Adjustments	39.8
	a. Annualization of Prior Year Pay Raises	10.6
	1. Civilian Personnel	10.6
	2. Military Personnel	0.0
	b. FY 2005 Pay Raise	11.2
	1. Civilian Personnel	11.0
	2. Military Personnel	0.2
	c. Stock Fund - Fuel	0.0
	d. Stock Fund - Nonfuel	2.0
	e. Industrial Fund Purchases	1.0
	f. General Purchases Inflation	15.0
8.	Program Changes	(155.9)
	a. Productivity Initiatives & Other Efficiencies	(7.0)
	1. A-76 Net Savings	(1.0)
	2. BPR - Net Savings	(1.0)
	3. Savings associated with ERP	(5.0)
	b. Workload Changes	(142.9)
	1. Increased/Decreased Direct Labor Hours	(3.0)
	2. Non-Stabilized Reimbursable Workload	(111.9)
	3. MRTFB	(15.0)
	4. Non-DoD Customers	(1.0)
	5. Other	(12.0)
	c. Other Changes	(6.0)
	1. FY04 Additional Workday	(3.0)
	2. Depreciation Decrease	(3.0)
9.	FY 2005 Current Estimate	2,137.5

FY 2005 PRESIDENT'S BUDGET
CAPITAL INVESTMENT SUMMARY
DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT - AIR WARFARE CENTER
 (\$ in Millions)

ITEM LINE #	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005	
		QTY	TOTAL COST	QTY	TOTAL COST	QTY	TOTAL COST
	1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)						
	Replacement						
4 WD 4 EL 4444 P R	COLLATERAL EQUIPMENT FOR MILCON P-453			1	1.000	1	.650
	Productivity						
4 WD 8 EL 0108 P P	MISSION PLANNING II	1	.898				
	New Mission						
8 AA 2 EL 8410 G N	P-420 SECURITY EQUIPMENT	1	1.513				
	SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)	2	2.411	1	1.000	1	.650
NN EU 0000	1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)	24	6.074	34	9.013	37	9.330
	2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM	26	8.485	35	10.013	38	9.980
NN MC 0000	3. MINOR CONSTRUCTION	2	1.496	9	3.632	3	1.920
	TOTAL NON-ADP CAPITAL PURCHASES PROGRAM	28	9.981	44	13.645	41	11.900
	1a. ADP & TELECOMMUNICATIONS EQUIPMENT (>\$1M)						
	Computer Hardware (Production)						
	Telecommunications						
7 WD 3 TL 0084 G R	COMMUNICATION SYSTEM UPGRADE	1	1.340				
4 WD 1 TL 9106 P R	INTEGRATED BATTLESPACE ARENA IMPROVEMENTS (IBAR) PHASE 1 AND 2	1	1.045	1	.250		
8 WD 2 TL 6152 G R	RADIO COMMUNICATIONS NETWORK UPGRADE			1	1.220	1	1.000
7 WD 4 TL 4448 G R	RDT&E NETWORK			1	1.970	1	1.860
4 AA 4 KL 4K6A P N	H-60 FORCENET/NCS SUPPORT			1	.843	1	1.132
4 AA 4 KL 40XA P N	NCW CE			1	.732	1	1.117
7 AA 5 KL 723C G P	CORPORATE LEGACY SUN/NT CONSOLIDATION					1	1.250
4 AA 5 KL 413C P N	UCAV HFE SUPPORT					1	1.112
7 AA 5 TL 723A G R	ENGINEERING LAN TECHNOLOGY REFRESH					1	.843
	SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)	2	2.385	5	5.015	7	8.314

FY 2005 PRESIDENT'S BUDGET
CAPITAL INVESTMENT SUMMARY
DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT - AIR WARFARE CENTER
 (\$ in Millions)

ITEM LINE #	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005	
		QTY	TOTAL COST	QTY	TOTAL COST	QTY	TOTAL COST
NN KU 0000	1b. ADPE & TELECOMMUNICATIONS (<\$1M)	7	2.354	32	6.356	13	3.417
	2. TOTAL ADPE & TELECOMMUNICATIONS	9	4.739	37	11.371	20	11.731
A DL 0002	3a. SOFTWARE DEVELOPMENT (>\$1M) Internally Developed NETWORK CENTRIC WARFARE IMPLEMENTATION (BPR)	2	2.409				
A SL 0001	Externally Developed ENTERPRISE RESOURCE PLANNING (ERP)	2	15.809	2	14.995		
	SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)	4	18.218	2	14.995	0	.000
NN DU 0000	3b. SOFTWARE DEVELOPMENT (<\$1M)	1	.300	0	.000	0	.000
	3. TOTAL SOFTWARE DEVELOPMENT	5	18.518	2	14.995	0	.000
	TOTAL ADP CAPITAL PURCHASES PROGRAM	14	23.257	39	26.366	20	11.731
	TOTAL CAPITAL PURCHASES PROGRAM	42	33.238	83	40.011	61	23.631
	TOTAL CAPITAL OUTLAYS		32.592		36.153		31.759
	TOTAL DEPRECIATION EXPENSE		30.300		40.011		37.122

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Research & Development					C. COLLATERAL EQUIPMENT FOR MILCON P-453 4WD4EL4444PR					CHINA LAKE		
Element of Cost	Qty	Unit Cost	Total Cost	2003			2004			2005		
				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST			0			0	1	1,000	1,000	1	650	650
OPERATIONAL DATE	1-Sep-06											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$412,000	\$0	\$412,000									
AVERAGE ANNUAL SAVINGS (Discounted)	\$253,156	\$0	\$253,156									
PAYBACK PERIOD	4.7	#DIV/0!	4.7									
RATE OF RETURN (ROR)	17%	0%	17%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. The acquisition and installation of collateral technical equipment is in support of the MILCON P-453 Combined Research Laboratory. Design of the laboratory is expected to start in FY02 and construction to start after receipt of authority. This technical and non-technical equipment includes such items as hoods, laboratory benches, eyewashes, distiller, tensile tester, surface analyzer, Fourier Transform Infrared (FTIR) analyzer, Differential Thermal Analyzer (DTA), chemical lockers, etc.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The equipment on hand in the various buildings does not completely support the increased operating efficiency expected from the MILCON. The new equipment will enable the modernization/replacement of 40+ year-old equipment that currently resides in 35 buildings. Removal and reinstallation of old equipment is not cost effective.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? The only other alternative is to populate the new facility with aged operating and auxiliary equipment that is, or soon will be, obsolete. This purchase will minimize future costs. The building, together with new and upgraded equipment, will make it a state-of-the-art facility.</p> <p>4. IMPACT IF NOT ACQUIRED. Over time, maintenance costs for installation of near-obsolete equipment could increase by a factor of two or more. It would be counterproductive to have obsolete equipment in a new state-of-the-art facility.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Research & Development/Air Warfare Center				C. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)			D. NAWC NNEU0000		
Element of Cost	2003			2004			2005		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST	24	VAR	6,074	34	VAR	9,013	37	VAR	9,330
ITEM	ITEM								
LINE #	DESCRIPTION		FY 2003		FY 2004			FY 2005	
8AA1EM8360GR	Firefighting Equipment		1	816					
4AA3EM4550PN	Airlab #2 Upgrade		2	600					
4AB3EM48LTPR	Site Based Signal Conditioning		3	500					
4AB4EM48L2PR	Catapult Deadload Braking System				1	767			
4AA4EM444JPR	High Power Electrical Generator Test Systems				2	610			
4AA4EM456APN	Hairy Buffalo CDL/Link 16 Ground Station				3	600			
4AB4EM4813PR	CNC Lathe/Mill				4	600			
4AB4EM482FPN	Advanced Photonic Measurement and Analysis System				5	577			
4AA5EM434GPN	Biaxial Test System						1	800	
4AB5EM48LHPR	RALS Upgrade to Air and Fluid Transfer Systems						2	716	
4AA5EM456FPR	Hairy Buffalo Wide Band Satellite Communications Upgrade						3	600	
4AA5EM434GPR	Scanning Transmission Electron Microscope						4	571	
4AB5EM4000PR	Catapult Site Type 1 Test Vehicle						5	517	
4WD5EM5565PR	Energetics Plant Equipment Modernization				1	641			
4WD4EM4445PR	Coating Capability Upgrade				2	550			
4WD4EM5556PR	Nano-Materials Development				3	280	1	640	
4WD5EM5567PR	Detonation Chemistry Initiative						2	990	
4WD5EM4002PR	AMES II Upgrade						3	600	
4WD5EM5559PR	Threat Hardware and Field Test Activities						4	500	
NNES0000	Subtotal Equip-other than ADPE & TELECOM (<\$.5M)		18	4,158	13	4,388	12	3,396	
TOTAL NAWC EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)			24	6,074	34	9,013	37	9,330	

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)							A. FY2005 PRESIDENT'S BUDGET					
B. Department of the Navy/Research & Development/Air Warfare Center				C. MINOR CONSTRUCTION			D. NAWC					
				NNMC0000								
				2003			2004			2005		
Element of Cost				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST				2	VAR	1,496	9	VAR	3,632	3	VAR	1,920
ITEM LINE #	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005						
8AA3MC8000GC	Parking Lot	1	746									
4AA4MC4000PC	Building 2187 Expansion			1	750							
4AA4MC4340PC	Addition to Building 2188			2	750							
4AA4MC4400PC	Addition to Building 106			3	736							
4AA5MC4400PC	Addition to Bldg 1461							1			750	
8WD3MC0043GC	Construct Inert Weapons Storage Fac. Bldg 20279	1	750									
8WD3MC2008GC	Fire Sciences Lab			1	750							
8WD5MC5013GC	Multi-Level Casting Facility							1			750	
	Subtotal MINOR CONSTRUCTION (<\$.5M)					2	646	1			420	
TOTAL NAWC MINOR CONSTRUCTION				2	1,496	9	3,632	3			1,920	

CAPITAL PURCHASES JUSTIFICATION
(Dollars in Thousands)

A. FY2005 PRESIDENT'S BUDGET

B. Department of the Navy/Research & Development

C. INTEGRATED BATTLESPACE ARENA
IMPROVEMENTS (IBAR) PHASE 2

4WD1TL9106PR

D. China Lake

Element of Cost	2003			2004			2005					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST				1	1,045	1,045	1	250	250	0	0	0
OPERATIONAL DATE	1-Sep-04											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$2,402,375	\$0	\$2,402,375									
AVERAGE ANNUAL SAVINGS (Discounted)	\$1,821,378	\$0	\$1,821,378									
PAYBACK PERIOD	1.0	#DIV/0!	1.0									
RATE OF RETURN (ROR)	85%	0%	85%									

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

- DESCRIPTION & PURPOSE OF PROJECT.** The Integrated Battlespace Arena (IBAR) is a collection of nine (9) laboratories and facilities at the China Lake site dedicated to battlespace engineering at all levels. RDT&E from the sub-component level all the way up to the integrated "system of systems" level is routinely supported. Phase 2 will upgrade, or replace several components in the various integrated laboratories and facilities. The areas targeted for this phase are the, Global Positioning System/Inertial Systems (GPS/INS) Laboratory, Infrared (IR) Target Presentation, Data Link, Signal Processing Development Laboratory, Virtual Prototype Facility and the upgrade of several infrastructure elements in the IBAR, the general laboratory's high pressure gas system, network. In addition to the facilities mentioned above, this Phase will begin the upgrade for the Cockpit Dome Simulator and will continue the upgrade of the IBAR network. The FY 2004 Project will be to upgrade the video projectors for the out-the-window displays of the Virtual Prototyping Facility (VPF).
- WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?** The current simulation requirements from the broad IBAR customer base are beginning to tax the capability of the various IBAR components. As the need to reduce the number of in-flight and live-fire tests increases, reliance on the IBAR is increased.

In the GPS/INS Laboratory, the two Contraves rate tables originally procured in the early-mid 80's are damaged. In the Data Link facility, a gateway is needed to allow data to be shared and distributed by the IBAR components. With a gateway, the IBAR would be able to fuse a number of external (radio) data sources and provide the data for use by any of the simulation and/or hardware in the loop laboratories. In the Virtual Prototype Facility (VPF), the original video projectors, 9 X 12 foot screens and ancillary equipment were purchased in 1996. The screens display high-resolution computer-generated views of terrain and targets during cockpit simulations. Since that time, technology has advanced to provide digital video equipment that offers improved brightness, and resolution that will enable the sharpness and resolution required during cockpit simulations for key target detection and recognition. The current Cockpit Dome Simulator lacks a field of view and prohibits many air-to-air scenarios that require a larger field-of-view, particularly above the aircraft. The addition of a 12-foot diameter hemispherical dome, with projection system and re-configurable cockpit would provide for multi-ship scenarios when linked with the VPF. A key thrust in the IBAR involves operation and evaluation of infrared missile guidance systems, as well as the simulated target presentation systems for them, which require cooling with high-pressure gas. The gas system for the IBAR currently utilizes a bank of very heavy pressurized gas cylinders, which is both costly and dangerous because of the weight of the cylinders and the change out frequency. An integrated high-pressure gas system utilizing nitrogen is needed to run throughout the IBAR, to the GPS/INS navigation Laboratory and to the Geodesic Dome providing high-pressure gas in the 3000 psi to 6000 psi range. The development, fabrication, hardware characterization, and test and evaluation processes for Advanced Digital Signal Processing and IR sensor development is becoming more difficult due to outdated development and test equipment. The upgrades are vital to replace older analog devices and slower test equipment to sustain in-house development capability. The IR Scene Presentation Laboratory provides infrared scene generation and projection assets to support indoor weapon test efforts. The current fastest array operates at 200 Hz and is still too slow for some sensors currently in development for delivery to the fleet. Our compute and projection requirements need to be upgraded to meet the emerging need of our customers.
- WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?** The alternative is to maintain the status quo and not meet the requirements for real-time simulations for missile and weapons system designers. As a result, the weapons programs may require more in-flight testing that would increase the overall cost of the weapon system.
- IMPACT IF NOT ACQUIRED.** The impact will be additional in-flight tests, captive carry and live-fire testing required by the programs. This will significantly increase the cost of weapon system development and life-cycle costs of the weapons.
- IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT.** Not Applicable.

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Research & Development					C. RADIO COMMUNICATIONS NETWORK UPGRADE 8WD2TL6152GR						D. China Lake	
	2003			2004			2005					
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST						0	1	1,220	1,220	1	1,000	1,000
OPERATIONAL DATE	1-Oct-06											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$200,000	\$0	\$200,000									
AVERAGE ANNUAL SAVINGS (Discounted)	\$151,631	\$0	\$151,631									
PAYBACK PERIOD	7.3	#DIV/0!	7.3									
RATE OF RETURN (ROR)	15%	0%	15%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT.</p> <p>This is a base-wide replacement to upgrade our many existing radio communication systems into a single consolidated network. The National Telecommunications and Information Administration (NTIA) is currently implementing the digital and narrowband standard. This standard doubles the number of available frequencies. Digital signal processing requires only half of the bandwidth formerly allocated per radio frequency channel. All federal agencies are required to comply with this standard by 01 January 2008. This system will provide clear digital two-way radio communications for public safety, base operations, range operations, airfield operations, public works operations and base activities at China Lake, Point Mugu and San Nicolas Island (SNI). Digital encryption will accommodate the communications security needs of these radio users. It will provide levels of communications interoperability never before possible at these sites. Radio capabilities will be greatly enhanced to meet mutual aid and disaster preparedness. Improvements to two-way radio coverage includes allowing all networks to access all transceiver sites. Radio systems, administered by the U.S. Army at Fort Monmouth, will be providing a Site Survey and Plan of Action for the installation of the new radio system. It will be phased in over a 5-year period. Each year is to be considered a module; therefore, each module can go operational each fiscal year.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM?</p> <p>The existing equipment will not meet the Federal Government requirement for 12.5 kHz narrow-band operation and will have to be replaced in the next few years to meet that mandate. The existing infrastructure is old and the equipment is no longer in production, which makes repairs and maintenance unreliable, and upgrades impossible to meet new standards. Putting this new system in place will immediately solve the equipment problems. The software will be upgradeable so that future requirements can be met without replacing the Radio equipment. With this new system, NAWCWD will be compliant with current and imminent regulations for narrow-band frequency usage and the Project-25 Digital Standards for Common Air Interface of two-way radio systems used by the Federal Government.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?</p> <p>The existing equipment cannot be upgraded to meet the new standards. This is a mandated project from NTIA and the Naval Electromagnetic Spectrum center (NAVEMSCEN).</p> <p>4. IMPACT IF NOT ACQUIRED.</p> <p>If the radios are not replaced by the year 2005, the existing Radio Communications will no longer be approved by the FCC. The frequencies will be lost and radio communications will cease.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Research & Development						C. RDT&E NETWORK						CHINA LAKE/POINT MUGU
						7WD4TL4448GR						
			2003			2004			2005			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST						0	1	1,970	1,970	1	1,860	1,860
OPERATIONAL DATE	1-Jun-05											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$9,020,000	\$0	\$9,020,000									
AVERAGE ANNUAL SAVINGS (Discounted)	\$5,542,400	\$0	\$5,542,400									
PAYBACK PERIOD	0.2	#DIV/0!	0.2									
RATE OF RETURN (ROR)	281%	0%	281%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. This project encompasses the other-than-Navy Marine Corps Intranet (NMCI) backbone communications infrastructure for NAWCWD RDT&E at the China Lake and Point Mugu sites. Most activities that support the RDT&E mission at NAWCWD have communications requirements that cannot be met via the current implementation of the NMCI contract. The majority of WD's RDT&E laboratories, Western Ranges, Weapons Software Support Activities (WSSA)'s, secure facilities and tenant activities will only be interconnected through NMCI which will NOT support the bulk of the RDT&E community's communications requirements. The goal of this project and the defacto consensus of these customers is that it is critical to the over-all success of the RDT&E mission at WD for a site-wide Non-NMCI (RDT&E) communications infrastructure to be established. In turn, the Non-NMCI interconnectivity requirements can be met by linking the various RDT&E activities including laboratories, ranges, WSSA's, secure facilities above General Services (GENSER) secret and tenants. The RDT&E activities would continue to maintain control over their own unique RDT&E infrastructures within their respective activities.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Since January '01, when the Integrated Strike Force (ISF) assumed control of the existing infrastructure, the communications infrastructure has been operating in an "as-is" mode; meaning, the ISF will not upgrade or expand the existing communications infrastructure. It is also unknown at this time what portions of the communications infrastructure may be retained by the ISF and what will be returned to Navy control. At that time the Navy will have to evaluate what it will take to meet the RDT&E community's Non-NMCI requirements. This will include the following:</p> <ul style="list-style-type: none"> a) Replace necessary sections/components of the infrastructure retained by the ISF. b) Decommission systems and sections of the infrastructure no longer required. c) Upgrade necessary systems which were not kept current by the ISF. d) Expand the infrastructure based on a collaboratively established priority scheme that continues to meet and incorporate emerging Non-NMCI requirements of the RDT&E community. <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Two alternatives are:</p> <p>1) Do nothing and the RDT&E community will have to live with the "as-is" capabilities of the existing infrastructure under ISF control. Once transition of all identified NMCI users and systems has been made to the new NMCI Base Area Network (BAN), the existing communications infrastructure will be retired by the ISF. Site-wide support of the RDT&E Community's Non-NMCI communication requirements that relied on the existing infrastructure for interconnectivity will terminate. This alternative is not feasible, since the primary reason for the existence of NAWCWD is to support the RDT&E mission and its associated customers.</p> <p>2) Do nothing and allow those RDT&E activities with the ability & resources to implement their own Non-NMCI communication infrastructure solution(s). This alternative also is not feasible due to the significant increase of inefficiencies (multiple RDT&E activities developing their own parallel project-specific solutions), decrease of over-all performance, and a significant increase cumulative life-cycle costs across NAWCWD.</p> <p>4. IMPACT IF NOT ACQUIRED. Without a Non-NMCI (RDT&E) communications infrastructure, NAWCWD will not have the strategic asset necessary to successfully compete in the DoD RDT&E arena; specifically, NAWCWD will be unable to fully support NAVY/DoD initiatives that involve Non-NMCI requirements.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET			
B. Department of the Navy/Research & Development					C. H-60 FORCENET/NCW SUPPORT					D. Patuxent River			
					2003			2004			2005		
					4AA4KL4K6APN								
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
INVESTMENT COST						0	1	843	843		1132	1132	
OPERATIONAL DATE	30-Sep-05												
METRICS:	AVOIDANCE	SAVINGS	TOTAL										
PROJECTED ANNUAL SAVINGS	\$810,000	\$0	\$810,000										
AVERAGE ANNUAL SAVINGS (Discounted)	\$614,107	\$0	\$614,107										
PAYBACK PERIOD	2.9	#DIV/0!	2.9										
RATE OF RETURN (ROR)	31%	0%	31%										
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)													
<p>1. DESCRIPTION & PURPOSE OF PROJECT. This funding request is for the completion and subsequent integration of H-60 avionics suites into the FORCENet C4ISR architecture and its resultant virtual laboratory. H-60s provide a critical element to the overall FORCENet Architecture as the role of multi-mission helicopters becomes increasingly important to the Navy's changing needs and missions. This effort will identify and/or develop the simulation/stimulation hardware and software required to completely integrate H-60 avionics into FORCENet's multi-domain, tiered network architecture of weapons, sensors, platforms, vehicles, and communications nodes to support a global interoperable network that creates a shared, integrated battle space picture for use in testing C4ISR architectures. The current H-60 avionics suites are presently located at the NAWCAD Patuxent River Ship Ground Station (SGS), building 1670, and will be transitioned to MILCON P-562.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Contemporary operations are transitioning to a littoral environment while emphasizing Joint interoperability based on information superiority permitted by networking force assets. Because of that, new mission areas are evolving and ship/air mission systems interface requirements are being redefined. In order to accommodate RDT&E of new C4ISR, network centric based ship/air mission systems and their associated interfaces, integration into a comprehensive virtual laboratory consisting of a multi-domain, tiered network architecture of weapons, sensors, platforms, vehicles, and communications nodes with other tactical systems will be required.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? (a.) Use of live assets. Availability, ground and/or flight operating costs, scheduling and connectivity are major detractors. The common battle picture (simulation) will have to be provided all participating live air assets (ground or flight) during any test event. Simulation/stimulation will still be required to drive aircraft systems.</p> <p>(b.) H-60 Avionics Simulators - Requires software development and host hardware. To fully simulate the H-60 aircraft series of avionics suites multiple major software systems development efforts would be required along with their accompanying requirements, documentation, coding and maintenance actions.</p> <p>4. IMPACT IF NOT ACQUIRED. No H-60 mission systems will be available to the FORCENet. There will be a major detrimental impact to NAWCAD's ability to continue marketing technical services to customers desiring access to a modern ship combat system collocated with modern air assets for integrated ship/air mission systems support.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>													

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET			
B. Department of the Navy/Research & Development					C. NETWORK CENTRIC WARFARE (NCW) COLLABORATIVE ENVIRONMENT (CE)					D. Patuxent River			
					2003			2004			2005		
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
INVESTMENT COST						0	1	732	732	1	1117	1117	
OPERATIONAL DATE 1-Dec-05													
METRICS:													
	<u>AVOIDANCE</u>	<u>SAVINGS</u>	<u>TOTAL</u>										
PROJECTED ANNUAL SAVINGS	\$828,061	\$0	\$828,061										
AVERAGE ANNUAL SAVINGS (Discounted)	\$627,801	\$0	\$627,801										
PAYBACK PERIOD	2.7	#DIV/0!	2.7										
RATE OF RETURN (ROR)	34%	0%	34%										
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)													
<p>1. DESCRIPTION & PURPOSE OF PROJECT. The Network Centric Warfare (NCW) Collaborative Environment (CE) consists of a complementary suite of system and software engineering tools. The purpose of this project is to establish a CE for modeling and analysis of system architectures at the Naval Air Warfare Center Aircraft Division (NAWCAD) in support of the Naval Air Systems Command (NAVAIRSYSCOM) NCW project office. This NCW Research, Development, Test, and Evaluation (RDT&E) infrastructure investment will also complement the ongoing work by the Department of the Navy (DoN) Chief Engineer (CHENG), by articulating the air-based system view of candidate operational architectures in engineering detail sufficient to support robust definition of the associated engineering and system acquisition requirements. The effort will be focused on characterizing the detailed attributes and functionality of Naval Aviation systems. This effort will provide more robust system-specific components for higher level operational requirements analysis to define the Mission Capability Packages (MCPs). At the same time, this effort will enable correct interpretation of the operational view and robust definition of the roles and responsibilities of air-based systems. The ability to treat both legacy and new systems in a unified manner that enables acquisition of the intended capability is essential to achieving NCW. This CE will be the core of a System/Software Engineering Environment (S/SEE) that will provide research, engineering, and acquisition processes that can be tailored in response to changes driven by NCW and industry best practices. It will also be able to perform within the constraints of legacy and current systems' program management. Stand-up of this NCW CE capability is planned to occur in three phases. Phase I is the basic laboratory with three workstations, associated "turnkey" software, and training. Phase II will involve integration with the Warfare Analysis Department, NAWCAD-4.10, and engineering integration with the Air Combat Environment Test and Evaluation Facility (ACETEF). Phase III will involve integration into the overarching CHENG Architecture Model Set, including Space and Naval Warfare Center (SPAWAR) and the Naval Sea Systems Command (NAVSEA) connectivity. This phase will include the additional software and initial training to achieve the full NCW CE capability required.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The goal is to establish a mature and coherent/comprehensive method for implementing NCW for Naval Aviation. The proposed approach builds on existing capabilities and resources so that we can utilize the best practices in architecture, systems, and software engineering from industry. In addition, the project will align legacy and new systems within a unified framework that can evolve incrementally and to ensure flexibility and responsiveness to the fleet.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? The only practicable project alternative is a complete contractor operated system that relies on leased equipment.</p> <p>4. IMPACT IF NOT ACQUIRED. The impacts if this project is not acquired are the inability for NAWCAD to effectively support the transformation of NCW for Naval Aviation and defining requirements related to Naval Aviation system MCPs, the inability to uniformly characterize individual system behaviors and functionality as components or nodes in a larger naval and joint forces networked architecture, and the inability to effectively translate this NCW analysis into Naval Aviation systems' acquisition, deployment, and sustainment.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>													

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Research & Development					C. CORPORATE LEGACY SUN/NT CONSOLIDATION 7AA5KL723CGR					D. Patuxent River		
Element of Cost	2003			2004			2005					
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
INVESTMENT COST						0			0	1	1,250	1,250
OPERATIONAL DATE	30-Mar-05											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$730,379	\$0	\$730,379									
AVERAGE ANNUAL SAVINGS (Discounted)	\$553,742	\$0	\$553,742									
PAYBACK PERIOD	2.0	#DIV/0!	2.0									
RATE OF RETURN (ROR)	44%	0%	44%									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. The purpose of this project is to upgrade and consolidate selected Naval Air Warfare Center Aircraft Division (NAWCAD) servers. The servers offer dynamic system domains and system partitioning that creates self-contained servers within a single physical server. Processors, memory, and input/output (I/O) can be expanded seamlessly and transparently, with linear increases in overall system, user, and application performance. Mainframe like partition capabilities permit extremely flexible processor and memory configurations that improve resource management and availability.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? The goal of this project is to manage resources at an optimal service level for the lowest possible cost to the organization. In addition, the distributed systems cause many users to perform double duties as System Administrators. When systems are consolidated, an experienced System Administrator can do a much better job of bringing together multiple, disparate platforms and run them as a single, seamless environment.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? The only alternative would be to purchase a new server for every new application required for NAWCAD. This is not a cost effective solution to the issue.</p> <p>4. IMPACT IF NOT ACQUIRED. The impact if not required is that the network traffic will increase, leading to slower data processing. In addition, if another application is created more servers would have to be bought to house them and would thereby increase material, maintenance, and System Administration costs. Last, the current floor space is limited.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Research & Development					C. UCAV HFE SUPPORT					D. Patuxent River		
										4AA5EL4640PP		
			2003			2004			2005			
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
INVESTMENT COST						0			0	1	1,112	1,112
OPERATIONAL DATE	30-Sep-05											
METRICS:	AVOIDANCE	SAVINGS	TOTAL									
PROJECTED ANNUAL SAVINGS	\$1,457,532	\$0	\$1,457,532									
PROJECT INFORMATION NARRATIVE: (If more space required, continue on separate sheet.)												
<p>1. DESCRIPTION & PURPOSE OF PROJECT. This project is a new initiative within Crewstation Technology Lab (CTL) to establish a comprehensive support resource for human factors engineering of autonomous military vehicle systems including Unmanned Air Vehicle (UAV) and Unmanned Combat Air Vehicle (UCAV) products. The CTL will establish a center equipped to support advanced system engineering for all crew relevant issues concerning autonomous vehicles. For UAV and UCAV systems, new capabilities will include comprehensive accurate integrated system modeling including workstation rapid prototyping, operator task and workload modeling and assessment, and training system requirements assessment. The new capabilities will support transitional development of ground crewstations to extend them to airborne applications. The capability will permit visualization of mission operations, mission planning, and mission performance assessment for modeled systems both real and conceptual. The capability will allow NAWC engineers to address information, networking and C4 issues, and to address interfaces to intelligence operations at theater and tactical levels.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? Present capabilities offer only limited or rudimentary degrees of capability to model these systems for developmental engineering support work. Crewstation modeling, task and workload modeling with fidelity sufficient to engineering needs and rapid prototyping with dynamic and interactive features for conceptual systems cannot be achieved with present resources. Capability to assess man machine issues at more than a preliminary level does not exist. The concepts now considered or in development for these products critically incorporate advanced information technology and computerized network connected operations. Our capability to organize and model such systems, especially in the network aspects is nonexistent.</p> <p>The crew centered UAV/UCAV human engineering support capabilities developed in this project will comprehensively fill the gap in NAWCAD resources in this area. It will enable timely development of rapid prototyping facilities for complete UAV/UCAV system modeling. The capability will include the ability to address crew system interface design assessment, information technology issues, networking and interoperability issues and to provide man machine integration RDT&E capability of all types for UAV/UCAV applications.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED?</p> <p>Trade off studies, in the sense of comparisons between existing and proposed facilities are not applicable because this initiative covers new resources for new requirements. Detailed plans and hardware-software choices for specific features of the facility will be made downstream when alternative available elements are known and in the context of UAV/UCAV specific system needs. The overall plan outlined here is to extend the methods, techniques, procedures and technical approaches that are proven effective in Human Factors Engineering-Man-Machine Interface (HFE-MMI) work to the UAV/UCAV arena.</p> <p>4. IMPACT IF NOT ACQUIRED.</p> <p>If these capabilities are not acquired, we will not be able to keep pace with technical needs for HFE-MMI work on UAV/UCAV crewstations, user teams and system effectiveness.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT This initiative does not have regulatory relevant environmental project impact or concerns.</p>												

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET				
B. Department of the Navy/Research & Development						C. ENGINEERING LAN TECHNOLOGY REFRESH						D. Patuxent River		
						7AA5TL723AGR								
			2003			2004			2005					
Element of Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
INVESTMENT COST						0			0		843	843		
OPERATIONAL DATE	30-Sep-06													
METRICS:	AVOIDANCE	SAVINGS	TOTAL											
PROJECTED ANNUAL SAVINGS	\$833,000	\$0	\$833,000											
AVERAGE ANNUAL SAVINGS (Discounted)	\$631,545	\$0	\$631,545											
PAYBACK PERIOD	3.5	#DIV/0!	3.5											
RATE OF RETURN (ROR)	27%	0%	27%											
PROJECT INFORMATION NARRATIVE: (if more space required, continue on separate sheet.)														
<p>1. DESCRIPTION & PURPOSE OF PROJECT. This submission is for a multi-year project to provide a Engineering Local Area Network (LAN) throughout the Naval Air Warfare Center Aircraft Division (NAWCAD) Webster Field Annex. The current data, video, and voice cable plants are at the end of their life cycle and there is no room for expansion. It is essential to replace those existing plants with an integrated, state-of-the-art, Fiber Optic System. This submission is for transmission equipment for 30 buildings.</p> <p>2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM? NAWCAD Webster Field Annex has a requirement to support the real-time availability of scientific and laboratory simulation data such as acoustics, flight, weapon systems, and sensor testing. In order to effectively share this volume of information, as well as other general engineering (generated by the 50+ LAN's spread throughout the Annex), a modern, high speed, and expandable communications infrastructure is required. The current capability at Webster Field will not allow the labs and engineering community to collaboratively perform tasks with the labs at the Pax River main campus. The current system is unable to meet the Protected Distribution System (PDS) requirements for unencrypted classified data between labs. With the installation of the new fiber optic technology refreshment a fiber system meeting the PDS requirements will be installed.</p> <p>3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED? Several alternatives have been examined that would attempt to satisfy mission requirements. These include (1) maintaining the existing voice and data cable plants; (2) replacing the existing data cable plants; or (3) installing a high-speed outside Fiber Optic Cable Distribution System.</p> <p>4. IMPACT IF NOT ACQUIRED. NAWCAD will not be able to fully support fleet testing requirements.</p> <p>5. IDENTIFY LOCAL, STATE, FEDERAL REGULATION IF ENVIRONMENTAL PROJECT. Not Applicable.</p>														

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)								A. FY2005 PRESIDENT'S BUDGET		
B. Department of the Navy/Research & Development/Air Warfare Center					C. ADPE & TELECOMMUNICATIONS (<\$1M) NNKU0000			D. NAWC		
		2003			2004			2005		
Element of Cost		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST		7	VAR	2,354	32	VAR	6,356	13	VAR	3,417
ITEM	ITEM									
LINE #	DESCRIPTION			FY 2003			FY 2004			FY 2005
4AA2KM4551PN	Wave Division Multiplexing Network Components			1	350					
7AA4TM723EGN	Video Distribution Technologies					1	750			
7AA4KM722BGR	Document Management Technology Refreshment					2	750			
7AA4KM722EGR	Web Services Foundation					3	720			
7AA4KM723DGN	Secure Corporate Network Access					4	715			
4AB4KM483KPN	System & Technology Hardware/Software Integration Simulator (SYNTHSIS)					5	625		1	640
7AA4KM7220GN	E Business Portfolio Management					6	600			
4AB4KM48J4PR	Data Acquisition, Analysis and Plotting System					7	500			
7AA5KM722AGR	Data Warehouse Hardware Upgrade								2	732
4AA5TM457APN	High Performance Intra-Platform Networks for NCW								3	675
4AA5KM4584PN	Digital Video Lab								4	504
NNKS0001	GFE Hardware for ERP					1	400			
NNKS0000	Subtotal ADPE & TELECOMMUNICATIONS (<\$.5M)			6	2,004	4	1,296		3	866
TOTAL NAWC ADPE & TELECOMMUNICATIONS (<\$1M)		7		2,354	32		6,356	13		3,417

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. FY2005 PRESIDENT'S BUDGET				
B. Department of the Navy/Research & Development						C. ENTERPRISE RESOURCE PLANNING (ERP)					D. NAWC			
						2003			2004			2005		
Element of Cost				Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
NAWC-AD				1	9,848	9,848	1	9,590	9,590					
NAWC-WD				1	5,961	5,961	1	5,405	5,405					
TOTAL NAWC				2	15,809	15,809	2	14,995	14,995	0	0	0		

Project Information Narrative: (If more space required, continue on separate sheet.)

1. DESCRIPTION & PURPOSE OF PROJECT: As the Navy embarks on the Revolution in Business Affairs initiatives, Enterprise Resource Planning (ERP) is the strategic initiative chosen by the Department of Navy's Working Group (WG) on Commercial Business Practices (CBP). As a result of the decisions of the CBP WG the Naval Aviation Systems TEAM (TEAM) will reengineer and standardize processes, integrate operations and data to increase productivity, and optimize supply chain management. The TEAM intends to manage ERP as a corporate project with constituent parts. Proposed allocations are based on an evolving program plan. Multiple ERP pilots are planned throughout the Navy with functionality determined by the scope of each pilot. Per the CBP WG each ERP pilot will be funded by that WG member's organization. This submission is for a multi-year, Externally Developed Software (EDS) project that will integrate business processes and tools in the areas of financial accounting, materials management, project systems, controlling and human resources. Functionality will encompass the following:

- Financial accounting: general ledger, accounts receivable/payable, financial reports, and special purpose ledger;
- Materials management: procurement and invoices verification;
- Project systems project tracking, work breakdown structure, budget management, cost and revenue planning;
- Controlling cost center accounting and internal orders; and
- Human resources personnel administration, payroll, time management, planning and development, and organization management.

FY04 budgeted funds are required to correct operational deficiencies and provide pilot documentation. They will also be used for software to increase storage capability of systems for efficient execution and for disaster recovery systems. The necessary hardware upgrade is budgeted separately in the ADPE category.

2. WHAT IS THE CURRENT DEFICIENCY/PROBLEM AND HOW WILL THE PROJECT SOLVE THE DEFICIENCY/PROBLEM: Throughout the TEAM there are numerous, independent, stand-alone information systems supporting multiple, inconsistent processes. Data is not timely and is difficult to consolidate. Many systems track similar data without a common data format. No single system does it all (i.e., planning, procurement, etc.). System interfaces are inconsistent non-standard, and rely upon manual intervention. At the core of an ERP system is a central database that draws data from and feeds data into a series of applications supporting diverse functions. ERP will automate manual processes, drastically reduce data reconciliation, and improve the quality of information available to decision-makers. ERP will assist in providing end-to-end capability, in enabling consistent and reliable information on cost and performance, and in integrating business processes to optimize results across the TEAM.

3. WHAT PROJECT ALTERNATIVES HAVE BEEN CONSIDERED: The CBP WG under the auspices of Department of Navy's (DON's) Revolution in Business Affairs was tasked to focus on Commercial Financial Practices and best of breed business solutions. The CBP WG received in-depth briefings from industry, fleet representatives, defense agencies and other government agencies. Of all the alternatives briefed and considering all the data provided, the members were unanimous in concluding that the best solution to business practices would be realized through ERP solution. As a result of the recommendation of the CBP WG, NAVAIR issued a request for proposal. Several companies bid, integrator and COTS solutions were evaluated through the source selection process and a contract was awarded for the NAVAIR ERP program management (PM) pilot.

4. IMPACT IF NOT ACQUIRED: The TEAM would have to continue business as usual and could not achieve gains in productivity through reengineering processes and an integrated information system. Non-standard, costly maintenance, and duplicative legacy systems would persevere. The TEAM would be unable to manage costs for maximum reallocation of savings for the recapitalization and modernization of naval aviation. As the business case analysis demonstrates current anticipated quantitative and qualitative benefits would not be realized. If ERP is funded, the ERP will assist other systems in becoming compliant with statutory requirements, the Government Management Reform Act (GMRA), the Government Performance and Results Act (GPRA), and the Chief Financial Officer (CFO) Act.

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

CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)								A. FY2005 PRESIDENT'S BUDGET			
B. Department of the Navy/Research & Development/Air Warfare Center						C. SOFTWARE DEVELOPMENT (<\$1M) NNDU0000			D. NAWC		
			2003			2004			2005		
Element of Cost			Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
TOTAL INVESTMENT COST			1	VAR	300	0	VAR	0	0	VAR	0
ITEM LINE #	ITEM DESCRIPTION		FY 2003			FY 2004			FY 2005		
NNDS0000	Subtotal Software Development (<\$.5M)		1		300	0		0	0		0
TOTAL NAWC SOFTWARE DEVELOPMENT (<\$1M)			1		300	0		0	0		0

FY 2005 PRESIDENT'S BUDGET
DEPARTMENT OF THE NAVY - NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT - AIR WARFARE CENTER
CAPITAL BUDGET EXECUTION
(DOLLARS IN MILLIONS)
 FY 2004

ITEM LINE #	ITEM DESCRIPTION						Original Request	Change	Revised Request	Classification of Change	Explanation/Reason for Change
4	WD	4	EL	4444	P R	1a. EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M) COLLATERAL EQUIPMENT FOR MILCON P-453	1.000	.000	1.000		
SUBTOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM (>\$1M)							1.000	.000	1.000		
	NN		EU	0000		1b. EQUIPMENT, OTHER THAN ADPE & TELECOM (<\$1M)	5.552	3.461	9.013	New/Moved	Projects inserted due to reprogramming projects, Regionalization and to uphold the capital program authority to the budgeted depreciation.
2. TOTAL EQUIPMENT, OTHER THAN ADPE & TELECOM							6.552	3.461	10.013		
	NN		MC	0000		3. MINOR CONSTRUCTION	1.687	1.945	3.632	New/Moved	Projects inserted due to reprogramming projects, Regionalization and to uphold capital program authority to the budgeted depreciation.
TOTAL NON-ADP CAPITAL PURCHASES PROGRAM							8.239	5.406	13.645		
1a. ADPE & TELECOMMUNICATIONS (>\$1M) Computer Hardware (Production)											
4	WD	1	TL	9106	P R	INTEGRATED BATTLESPACE ARENA IMPROVEMENTS (IBAR) PHASE 1 AND 2	.250	.000	.250		
8	WD	2	TL	6152	G R	RADIO COMMUNICATIONS NETWORK UPGRADE	1.000	.220	1.220	Moved	Deferred \$220K from FY 03 due to reprogramming and moved into FY 04.
7	AA	4	TL	7231	G R	5ESS TELEPHONE SWITCH SOFTWARE UPGRADE	1.500	(1.500)	.000	Transfer	Project was moved out of the capital program due to Regionalization; however, authority reprogrammed to uphold the capital program authority to the budgeted depreciation.
7	WD	4	TL	4448	G R	RDT&E NETWORK UPGRADE	1.970	.000	1.970		
4	AA	4	KL	4K6A	P N	H-60 FORCENET/NCS SUPPORT	.000	.843	.843	New	Originally programmed for FY 2005.
4	AA	4	KL	40XA	P N	NCW CE	.000	.732	.732		
SUBTOTAL ADPE & TELECOMMUNICATIONS (>\$1M)							4.720	.295	5.015		
1b. ADPE & TELECOMMUNICATIONS (<\$1M)							2.430	3.926	6.356	New/Moved	Projects inserted due to reprogramming of projects, Regionalization and to uphold capital program authority to the budgeted depreciation.
2. TOTAL ADPE & TELECOMMUNICATIONS							7.150	4.221	11.371		
	NN		DL	0001		3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M) ENTERPRISE RESOURCE PLANNING (ERP)	15.395	(.400)	14.995	Moved	\$400K of ERP related hardware, reprogrammed from Software into ADPE.
3a. SUBTOTAL SOFTWARE DEVELOPMENT (>\$1M)							15.395	(.400)	14.995		
	NN		DU	0000		3b. SUBTOTAL SOFTWARE DEVELOPMENT (<\$1M)	.000	.000	.000		
3. TOTAL SOFTWARE DEVELOPMENT							15.395	(.400)	14.995		
TOTAL ADP CAPITAL PURCHASES PROGRAM							22.545	3.821	26.366		
GRAND TOTAL CAPITAL PURCHASES PROGRAM							30.784	9.227	40.011		

Naval Surface Warfare Center

**FY 2005 PRESIDENT'S BUDGET
NAVY WORKING CAPITAL FUND
RESEARCH AND DEVELOPMENT
NAVAL SURFACE WARFARE CENTER
FEBRUARY 2004**

INTRODUCTION

The Naval Surface Warfare Center (NSWC) was established on 2 January 1992 with the following mission: "To operate the Navy's full spectrum research, development, test and evaluation, engineering and fleet support center for ship hull, mechanical, and electrical systems, surface combat systems, coastal warfare systems, and other offensive and defensive systems associated with surface warfare."

CENTER OVERVIEW

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

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

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

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

DAHLGREN DIVISION. The mission of this division is to provide research, development, test and evaluation, engineering and fleet support for surface warfare systems, surface ship combat systems, ordnance, mines and mine counter measures, amphibious warfare systems, special warfare systems,

strategic warfare systems, and diving. The division has three primary operating sites, Dahlgren, VA, Panama City, FL and Dam Neck, VA.

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

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

BUDGET OVERVIEW

This budget represents NSWC's financial operating plan for FY 2003 – FY 2005. Central to our strategy is the sustainment and nurturing of critical core capabilities that support legacy and emerging systems in the Fleet.

The FY 2005 budget reflects both direct and overhead efficiencies that have been and will continue to be realized from A-76 competitions, Business Process Reengineering (BPR) studies, and the Department of the Navy's Workload Assessment and Validation efforts. The Center is committed to achieving targeted savings in these areas and to containing work-year rates.

This submission reflects the transfer of 1,541 civilian employees to the Commander, Naval Installations (CNI) and Public Works Center Detachments (PWD's) effective 1 October 2003 as part of the Installation Claimant Consolidation. However, certain common support financial responsibilities will not transfer until FY 2005. NSWC will provide reimbursement for all NWCF-specific services.

BUDGET HIGHLIGHTS

Revenue, Expense, and Operating Results

Current Estimate (\$ in Millions)	FY 2003	FY 2004	FY 2005
Revenue	\$3,583	\$3,271	\$3,245
Cost of Goods/Services	\$3,570	\$3,269	\$3,267
Operating Results	+\$13	+\$2	-\$22
Accumulated Operating Results	+\$20	+\$22	\$0

The trend in revenue and expense from year-to-year noted above reflects the Center's efforts to size itself to meet customer demand. NSWC's current estimates reflect projected cumulative operating gains of approximately \$22 million through FY 2004. Execution of additional direct labor hours is the primary reason for the variance.

As a result, the current FY 2005 estimate reflects a negative recoupment factor of \$22 million to return projected cumulative gains to a zero Accumulated Operating Result balance in FY 2005.

Cost of Operations

Unit Cost

(Cost Per DLH)	FY 2003	FY 2004	FY 2005
Unit Cost	\$76.16	\$80.49	\$80.56

The Center's unit cost shows a gradual increase over the budget period, primarily due to increased employee compensation costs, inflation, maintenance cost and workforce revitalization and development initiatives.

Billing Rates

	FY 2003	FY 2004	FY 2005
Stabilized Rate (Average)	\$78.78	\$79.19	\$79.99
Billing Rate Change		+0.5%	+1.0%
Composite Rate Changes		+0.9%	+1.1%

The FY 2005 average stabilized rate, like unit cost, is impacted by employee compensation costs, inflation, and critical infrastructure and workforce investments.

Capital Purchases Program (CPP)

\$ in Millions	FY 2003	FY 2004	FY 2005
Non-ADPE	\$14.2	\$12.9	\$14.2
ADPE	\$9.7	\$8.1	\$5.6
Software	\$1.3	\$3.7	\$4.7
Minor Construction	\$5.3	\$7.0	\$8.1
Total	\$30.5	\$31.7	\$32.6

The NSWC CPP program procures mission essential equipment to support a wide customer base. Budget year estimates are consistent with depreciation.

Workload and Manpower Trends

Civilian Manpower

Civilian Manpower	FY 2003	FY 2004	FY 2005
End Strength	16,998	15,099	15,162
Straight Time FTE	16,607	14,871	14,876

Projected end strength and FTE estimates have been sized to meet funded workload. End strength changes in FY 2004 and out are primarily due to 1,541 work-years transferring to CNI and PWD's on 1 October 2003.

Productive Ratio

Productive Ratio	FY 2003	FY 2004	FY 2005
Current Estimate	78.1%	82.6%	82.6%

The productive ratio, a measure of direct work-years to total work-years (less Service Cost Centers), continues to increase throughout the budget period, indicating the priority placed on direct workload and the impact of transferring the Shore Installation Management function to CNI.

Military Manpower

	FY 2003	FY 2004	FY 2005
End Strength	289	298	298
Workyears	282	262	261

Projections are consistent with guidance to base estimates on the average fill rate, with FY 04/05 reflecting adjustments for the CNI transfer.

Workload - Direct Labor Hours (DLH)

	FY 2003	FY 2004	FY 2005
DLHs (000)	23,391	22,165	22,175

CASH

Net Outlays (\$ in Millions)	FY 2003	FY 2004	FY 2005
Collections	\$3,584.8	\$3,273.2	\$3,245.8
Disbursements	\$3,474.7	\$3,293.8	\$3,267.5
Net Outlays	(\$110.1)	\$20.6	\$21.7

Net Outlays

Disbursements and Collections remain fairly constant over the budget years. There are no events that NSWC is aware of that may have a significant impact on the cash position during the budget years.

PERFORMANCE INDICATORS

The primary performance indicator is unit cost discussed in the Unit Cost Rate paragraph above. Unit cost represents the cost of delivering goods and services to our customers. Increased employee compensation costs and inflation combined with critical maintenance and workforce investments result in an increase in unit cost from FY 2003 to FY 2005. Other performance indicators are Direct Labor Hours, Net and Accumulated Operating Results, which are found in various tables throughout the narrative.

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

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	3,548.5	3,238.8	3,212.4
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	34.7	31.7	32.6
Other Income			
Total Income	3,583.2	3,270.5	3,245.0
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	17.6	14.5	14.9
Civilian Personnel	1,486.3	1,435.6	1,467.9
Travel and Transportation of Personnel	78.1	83.0	82.8
Material & Supplies (Internal Operations	340.6	257.6	242.1
Equipment	95.3	74.5	79.2
Other Purchases from NWCF	143.4	118.4	119.4
Transportation of Things	6.9	7.7	7.8
Depreciation - Capital	34.7	31.7	32.6
Printing and Reproduction	7.5	7.1	7.2
Advisory and Assistance Services	3.0	3.1	2.3
Rent, Communication & Utilities	48.3	36.1	35.6
Other Purchased Services	1,355.9	1,197.3	1,174.7
Total Expenses	3,617.7	3,266.8	3,266.8
Work in Process Adjustment	-47.9	2.0	.0
Comp Work for Activity Reten Adjustment	-.1	.0	.0
Cost of Goods Sold	3,569.7	3,268.8	3,266.8
Operating Result	13.5	1.7	-21.7
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	5.9	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	19.4	1.7	-21.7
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	20.0	21.7	.0

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

PAGE: 1

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	3,409	3,090	3,165
a. Orders from DoD Components	2,940	2,697	2,789
Department of the Navy	2,534	2,379	2,454
O & M, Navy	849	704	738
O & M, Marine Corps	30	20	19
O & M, Navy Reserve	9	2	2
O & M, Marine Corp Reserve	1	0	0
Aircraft Procurement, Navy	43	25	30
Weapons Procurement, Navy	75	70	81
Ammunition Procurement, Navy/MC	70	89	83
Shipbuilding & Conversion, Navy	315	367	345
Other Procurement, Navy	284	287	297
Procurement, Marine Corps	19	4	4
Family Housing, Navy/MC	5	5	5
Research, Dev., Test, & Eval., Navy	824	788	834
Military Construction, Navy	0	0	0
Other Navy Appropriations	10	17	15
Other Marine Corps Appropriations	0	0	0
Department of the Army	55	54	43
Army Operation & Maintenance	6	7	6
Army Res, Dev, Test, Eval	6	16	11
Army Procurement	31	17	18
Army Other	12	13	8
Department of the Air Force	44	22	22
Air Force Operation & Maintenance	28	3	2
Air Force Res, Dev, Test, Eval	5	7	7
Air Force Procurement	10	6	7
Air Force Other	1	6	6
DOD Appropriation Accounts	307	243	270
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	43	30	23
Res, Dev, Test & Eval Accounts	157	109	92
Procurement Accounts	52	64	41
Defense Emergency Relief Fund	43	22	48
DOD Other	12	19	67
b. Orders from other WCF Activity Groups	231	178	177
c. Total DoD	3,171	2,875	2,965
d. Other Orders	238	215	199
Other Federal Agencies	44	64	62
Foreign Military Sales	125	122	113
Non Federal Agencies	69	29	24
2. Carry-In Orders	1,657	1,484	1,303
3. Total Gross Orders	5,066	4,573	4,467
a. Funded Carry-Over before Exclusions	1,484	1,303	1,222
b. Total Gross Sales	3,583	3,271	3,245
4. End of Year Work-In-Process (-)	-162	-159	-156
5. Non-DoD, BRAC, FMS (-)	-256	-277	-280
6. Net Funded Carryover	1,065	866	785

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

Changes in Cost of Operations
Component: Department of the Navy
Activity Group: Research and Development
Sub-Activity Group: Naval Surface Warfare Center
FY 2005 President's Budget

		\$M
		<u>Total Cost</u>
1.	FY 2003 Actual	\$3,617.7
2.	FY 2004 Estimate (FY 2004 President's Budget)	\$2,875.3
3.	Pricing Adjustments	
	Annualization of FY 2003 Pay Raise Change	13.9
	Impact of FY 2004 Pay Raise Change	22.8
	General Inflation Change	-2.5
4.	Program Changes	
	Additional Direct Reimbursable	356.4
	Additional Direct Labor Hours	93.8
	Functional Transfer to Commander, Naval Installations and Public Works Center Detachments	-92.9
5.	FY 2004 Current Estimate	\$3,266.8
6.	Pricing Adjustments	
	Impact of FY 2005 Pay Raise	16.0
	Annualization of FY 2004 Pay Raise	15.6
	Military Personnel	0.5
	General Purchase Inflation	23.2
7.	Productivity Initiatives	
	Strategic Sourcing and Functional Assessments	-22.8
	Savings from CPP	-9.2
8.	Program Changes	
	Additional Direct Reimbursable	38.4
	Functional Transfer to Commander, Naval Installations and Public Works Center Detachments	-59.9
	Other Changes	-1.8
9.	FY 2005 Current Estimate	\$3,266.8

FY 2005 President's Budget
Component: Department of the Navy
Business Area: Research and Development/Naval Surface Warfare Center
Date: February 2004
(\$ in Millions)

<u>Line Num</u>	<u>Description</u>	<u>Qty</u>	<u>FY 2003 Total Cost</u>	<u>Qty</u>	<u>FY 2004 Total Cost</u>	<u>Qty</u>	<u>FY 2005 Total Cost</u>
Non ADP							
1	Agile Chemical Facility Equipment	1	1.540	1	1.500	1	2.000
2	Nitramine Intermediates System	1	2.550	1	1.699		
3	Anti-Terrorism/Force Protection System	1	1.293				
4	Underwater Tracking System			1	0.650	1	0.350
5	Miscellaneous (Non ADP < \$1000K; >= \$500K)		1.291		1.110		3.672
6	Miscellaneous (Non ADP < \$500K)		7.476		7.941		8.181
	Non ADP Total:		14.150		12.900		14.203
ADP							
7	Theater Warfare Systems	1	1.050	1	0.850	1	0.925
8	CSACT (Combat Systems Adv Concepts and Tech) Lab	1	0.595	1	0.710	1	0.585
9	STANDARD SYSTEMS HARDWARE			1	1.341		
10	Advanced Computing Systems	1	0.242	1	0.405	1	0.490
11	Miscellaneous (ADP < \$1000K; >= \$500K)		4.752		2.702		1.550
12	Miscellaneous (ADP < \$500K)		3.079		2.095		2.035
	ADP Total:		9.718		8.103		5.585
Software							
13	STANDARD SYSTEMS SOFTWARE	1	0.351	1	1.300	1	2.322
14	Advanced Collaboration Integration			1	1.950	1	1.450
15	Miscellaneous (Software < \$1000K; >= \$500K)		0.747		0.400		0.900
16	Miscellaneous (Software < \$500K)		0.246				
	Software Total:		1.344		3.650		4.672
Minor Construction							
17	Miscellaneous (Minor Construction < \$1000K; >= \$500K)		2.711		4.890		4.400
18	Miscellaneous (Minor Construction < \$500K)		2.592		2.137		3.756
	Minor Construction Total:		5.303		7.027		8.156
Grand Total Capital Program			30.515		31.680		32.616
Total Capital Outlays			32.579		32.259		30.598
Total Depreciation Expense			34.690		31.680		32.615

Naval Surface Warfare Center (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget						
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 1/Agile Chemical Facility Equipment(Replacement)			D. Site Identification NSWC Indian Head, MD					
			FY 2003			FY 2004			FY 2005			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP	1		1540	1		1500	1		2000			

Narrative Justification:

Description

This project supports consolidation of two separate chemical plants into a single consolidated agile chemical plant to be constructed by MILCON P-161. This particular portion of CPP funding will be used for the following:
 Acid storage tanks and controls
 Waste water system
 Fume scrubber system for tank farm

Justification

This equipment is in support of MILCON P-161, Agile Chemical Facility, which consolidates two separate chemical plants into one chemical plant. Neither chemical plant is configured to run all required product. The consolidation will reduce chemical process waste and personnel hazards associated with man-attendant chemical manufacturing process. This project supports the following multiple customers/program sponsors: MK46/48/54 Torpedoes, PGDN, TMETN, TEGDN, Hellfire and Brimstone.

Impact

This process will provide remote control of the process, minimizing safety risks compared to the current performance with man-attendant production of explosive chemicals.

Naval Surface Warfare Center (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget						
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 2/Nitramine Intermediates System(Environmental)			D. Site Identification NSWC Indian Head, MD					
			FY 2003			FY 2004			FY 2005			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP	1		2550	1		1699						
Narrative Justification:												
Description												
Install equipment which supports the scale-up of continuous processing technology. The nitramine intermediates process creates blended energetic feedstock for use by continuous processing equipment.												
Justification												
Currently a dry grinding process coupled with a solvent/water mixing process prepares nitramine feedstocks for the continuous process. This manufacturing method produces large quantities of waste, requires handling very sensitive dry high explosive nitramines and is labor intensive. The proposed closed loop process produces a free-flowing feedstock for continuous processing. The process reduces solvent emissions by 95% and also eliminates the safety risk in the current process of grinding and mixing dry nitramines.												
Impact												
This project will enable continued development and qualification of the continuous process for gun propellant. Continuous processing is the only technology on the horizon that has the potential to improve the reproducibility of the products while reducing the safety risk, reducing waste generation and lowering the cost to operate and maintain the manufacturing capability. Next generation materials currently in R&D need this process technology. Batch processes cannot handle the demands of the new materials. Development of advanced lower cost, safer manufacturing processes for energetics such as continuous processing is core to the mission of NAVSEA Indian Head. Development of this technology to reduce the cost of next generation gun propellants for Extended Range Guided Munition (ERGM) and other Navy gun system requirements are the initial beneficiaries of this technology. Critical to the development of this advanced processing technology are innovative, environmentally clean, safe, and low cost methods of preparing raw materials for the continuous process.												

Naval Surface Warfare Center (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget						
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 4/Underwater Tracking System(Productivity)			D. Site Identification Coastal Systems Station, Panama City, FL					
			FY 2003			FY 2004			FY 2005			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Non ADP				1		650	1		350			

Narrative Justification:

Description

This proposal is for equipment that will be used at the Coastal Systems Station's (CSS) Coastal Test Range (CTR). The CTR is an essential element in the mission of CSS, and supports the test and evaluation efforts associated with systems developed at CSS and elsewhere. The CTR is also an integral part of the Joint Gulf Range Complex currently being developed by the Navy, Air Force, and Army to support joint testing, training, evaluation, and experimentation in the littoral regions. The requested equipment will include cabling and baseline stations, and will expand the portable tracking range to include an area of cable connected, bottom mounted sensors. This area will be used to track objects that cannot operate in buoyed areas. It will also increase the area of the tracking range.

Justification

Increased requirements for test and evaluation of new systems being developed at CSS and the establishment of the Joint Gulf Range Complex require that the CTR be able to track underwater vehicles in real time with overlays of surface and airborne objects. Currently CSS projects requiring underwater tracking conduct testing at other tracking ranges. Transportation of personnel and equipment is expensive, and increasingly CSS projects require special infrastructure or a littoral environment not available at existing tracking ranges. Underwater tracking is required in Fleet Battle Group activities, shallow water torpedo testing, the Long Range Mine Reconnaissance project, and other CSS projects.

Impact

Without this equipment limited testing will be conducted at other test ranges. Transportation and travel costs will continue to be high, and some projects will not be able to test because of unsuitable littoral environments. Exercises in the Joint Gulf Range Complex will be unable to conduct underwater tracking.

Naval Surface Warfare Center (Dollars in Thousands)		A. Budget Submission FY 2005 President's Budget		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of the Navy/R&D/February 2004	5/Miscellaneous (Non ADP < \$1000K; >= \$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	1291	1110	3672	
Teradyne Spectrum (NSWC Crane Div, Crane, IN)			802	
Littoral Warfare C4I/Decision Support System (Coastal Systems Station, Panama City, FL)	690			
Electrodynamics Vibration Shaker (NSWC Dahlgren Div, Dahlgren, VA)			650	
Logistics System Simulation and Modeling Facility (NSWC Carderock Div, Bethesda, MD)		305	300	
DYNAMIC INFRARED SCENE PROJECT (DISP) (NSWC Crane Div, Crane, IN)	601			
Remote Systems Demonstration Equipment (Coastal Systems Station, Panama City, FL)		280	290	
T&E: High Speed Digital Imaging Equipment (NSWC Dahlgren Div, Dahlgren, VA)			570	
CNC Water Jet (NSWC Carderock Div, Bethesda, MD)			530	
Next Generation FLIRS (NSWC Carderock Div, Bethesda, MD)			530	
H-mate/D-mate Test Bed Upgrade (NSWC Crane Div, Crane, IN)		525		

Naval Surface Warfare Center (Dollars in Thousands)		A. Budget Submission FY 2005 President's Budget		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of the Navy/R&D/February 2004	6/Miscellaneous (Non ADP < \$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	7476	7941	8181	
Total number of projects = 78				

Naval Surface Warfare Center (\$ in Thousands)							A. Budget Submission FY 2005 President's Budget					
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 7/Theater Warfare Systems(Hardware)			D. Site Identification NSWC Dahlgren Div, Dahlgren, VA					
		FY 2003			FY 2004			FY 2005				
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
ADP		1		1050	1		850	1		925		
Narrative Justification:												
Description												
Theater Warfare Systems (TWS) implements new ways to provide meaningful information to decision-makers for engineering, management, and warrior requirements, using innovative, commercially feasible solutions. TWS visually depicts dynamic engineering concepts in battleforce interoperability, warfare analysis, total ship, and combat systems development. Modeling, visualizations, and demonstrations are accomplished through the Joint Warrior Interoperability Demonstrations (JWID), Fleet Battle Experiments (FBE) and other exercises, experiments and demonstrations. TWS enables decision-makers to explore various system/procurement options to evaluate relative benefits and affordability in a unit/force/theater context. TWS consists of display engines networked by video switching to panel display arrays, high-power computing engines, sophisticated graphical and animation capabilities as well as interactive decision-support hardware and software. Additional visualization displays, processors, consoles, and switching capabilities will be acquired in FY04 and FY05.												
Justification												
TWS provides a cohesive environment to visualize, model, and analyze the performance of warfare systems and cost effectiveness in a unit/force/theater context. This investment significantly decreases time required to determine and document complex engineering decisions compared to traditional methods. TWS supports multiple users, especially those associated with warfare analysis, system engineering, new ship and system designs. Acquisition decision-makers can explore procurement alternatives and quickly visualize respective decision impacts through real-time, interactive simulations of various weapons systems.												
Impact												
TWS supports NAVSEA, PEO TSC, PEO SC21, PEO EXW, Land Attack, NFCS, Marine Corps, SPAWAR, and Combatant Command exercises by enhancing opportunities for joint government, industry, and coalition partnerships to demonstrate new technologies in a simulated war fighting environment. TWS provides a common operational picture encompassing live and simulated warfare operations.												

Naval Surface Warfare Center (\$ in Thousands)							A. Budget Submission FY 2005 President's Budget					
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 8/CSACT (Combat Systems Adv Concepts and Tech) Lab(Hardware)			D. Site Identification NSWC Dahlgren Div, Dahlgren, VA					
		FY 2003		FY 2004			FY 2005					
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
ADP	1		595	1		710	1		585			
Narrative Justification:												
Description												
The Combat Systems Advanced Concepts and Technology (CSACT) Laboratory combines several related yet independent thrusts into one cohesive whole, providing an integrated software development and evaluation environment. This investment consists of workstations networked to servers with specialized peripherals to provide a unique capability to evaluate Human System Integration and various combat system architectures and configurations.												
Justification												
The requirement to explore concepts, technologies, and configurations requires high resolution graphics and computational capability to further develop and demonstrate concepts on information and man-machine interaction as an active participant in Simulation Based Design (SBD). Workstations, high-performance processors, and high-resolution and large-screen displays will be integrated to provide a network enabling the evaluation of new architecture concepts, algorithms, and implementation strategies. Specialized peripherals will support the evaluation of Human System Integration, an increasingly important area as operational decision-makers are faced with more options for smarter weapons based on improved sensors in a crowded battlespace. The CSACT Lab is used to prototype new and existing combat control systems to ensure functionality and interoperability before deployment on Fleet ships. This capability supports sponsors such as PMS400, PMS411, PMS422, PMS500, PMS529, PMA 282, and Office of Naval Research (ONR).												
Impact												
This investment provides the necessary tools to evaluate evolving and future combat system capabilities and architectures prior to deployment to the Fleet. Advanced feasibility demonstration through analysis and prototyping are critical in the pursuit of suitable technologies. Without this equipment, the core technical competency will not be developed and maintained for surface ship combat systems technology.												

Naval Surface Warfare Center (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget						
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 9/STANDARD SYSTEMS HARDWARE(Other Support Equip.)			D. Site Identification NSWC Arlington, VA					
			FY 2003			FY 2004			FY 2005			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
ADP				1		1341						

Narrative Justification:

Description

Over the last several years, NSWC has emphasized standardization of business systems and consolidating computer operations for these systems to reduce costly, specialized information technology (IT) management and labor and to improve fixed asset tracking and travel. NSWC continues to standardize within the command as part of Business Process Reengineering.

Justification

Currently, we are involved with the implementation of designated DoD functional applications for financial (DIFMS), contracting (standard procurement system SPS), fixed assets (DPS) and travel (DTS). This funding allows NSWC to continue implementation of these standard systems in a common, integrated fashion.

Impact

The impact of reducing this CPP authority would be the inability to continue implementation of DoD standard systems in a common, integrated fashion.

Naval Surface Warfare Center (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget						
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 10/Advanced Computing Systems(Hardware)			D. Site Identification NSWC Dahlgren Div, Dahlgren, VA					
			FY 2003			FY 2004			FY 2005			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
ADP	1		242	1		405	1		490			

Narrative Justification:

Description

The Advanced Computing Systems (ACS) investments acquire technology needed for the development of advanced real-time operating systems and networks - the next generation of shipboard computing systems critical to future combat systems. These future systems will be able to process and analyze the large amounts of data required for 3D graphics, high-quality video in graphics, and speech recognition as well as provide the security needed for shipboard networks.

Justification

This investment acquires a high-speed network evaluator and an advanced network analyzer, distributed workstations networked to servers and peripheral devices, as well as network equipment. It enables the development and evaluation of advanced algorithms in a timely fashion and with a high level of fidelity and expertise. With improved man-machine interfaces through graphics and high-quality video (e.g., real-time animation), the shipboard operator will be able to significantly shorten the decision cycle. Security features of evolving technologies, key factors in the deployment of Navy communication networks, will be analyzed. New shipboard networking architectures such as shipboard wireless applications and critical network security issues will be analyzed. Areas supported include joint agency applications analysis, knowledge superiority and assurance experimentation and analysis, autonomous vehicle control technology, simulation and modeling, force protection analysis, littoral and land-attack warfare analysis for numerous sponsors including Office of Naval Research, DARPA, AEGIS, DDX, and NAVSEA.

Impact

Improved man-machine interfaces will enable manpower reduction in future combat systems. Robust security mechanisms in future combat systems are required of emerging network technologies. It is more cost effective to continue work on the development of these technologies in-house as opposed to outsourcing these efforts due to the level of expertise currently present. Maintaining older equipment with greater maintenance costs, limited availability of replacement parts, and less capability is not cost efficient.

Naval Surface Warfare Center (Dollars in Thousands)		A. Budget Submission FY 2005 President's Budget		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of the Navy/R&D/February 2004	11/Miscellaneous (ADP < \$1000K; >= \$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	4752	2702	1550	
Modeling and Simulation/Visualization Technology (Coastal Systems Station, Panama City, FL)	964			
State-of-the-Art Audio/Visual Centers (NSWC Carderock Div, Bethesda, MD)	410	441		
Collaborative Engineering Environment (NSWC Port Hueneme, CA)	850			
Regional Switching Center (NSWC Crane Div, Crane, IN)			800	
Remote ISEA Support Capability (NSWC Port Hueneme, CA)	800			
Science & Technology (S&T) Network (NSWC Crane Div, Crane, IN)		800		
Central Computer Facility Storage Area Network (NSWC Crane Div, Crane, IN)		703		
LINK 16 Equipment (NSWC Dahlgren Div, Dahlgren, VA)	650			
Joint Force Real-Time Analysis Center (NSWC Dahlgren Div, Dahlgren, VA)	578			
Integrated Programming Environment (NSWC Dahlgren Div, Dahlgren, VA)		208	300	
Amphibious Warfare C4I Testing Equipment (Coastal Systems Station, Panama City, FL)		250	250	
LETHALITY & WEAPONS EFFECTIVENESS COMP PHYSICS CAP (NSWC Dahlgren Div, Dahlgren, VA)	500			
Land Attack Systems Integration Laboratory (LASIL) (NSWC Dahlgren Div, Dahlgren, VA)		300	200	

Naval Surface Warfare Center (Dollars in Thousands)		A. Budget Submission FY 2005 President's Budget		
B. Component/Business Area/Date Department of the Navy/R&D/February 2004		C. Line# and Description 12/Miscellaneous (ADP < \$500K)		D. Site Identification NA
		FY 2003	FY 2004	FY 2005
ELEMENTS OF COST		Total Cost	Total Cost	Total Cost
TOTAL COST		3079	2095	2035
Total number of projects = 27				

Naval Surface Warfare Center (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget						
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 13/STANDARD SYSTEMS SOFTWARE(Internally Developed)			D. Site Identification NSWC Arlington, VA					
			FY 2003			FY 2004			FY 2005			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software	1		351	1		1300	1		2322			

Narrative Justification:

Description

Over the last several years, NSWC has emphasized standardization of business systems and consolidating computer operations for these systems to reduce costly, specialized information technology (IT) management and labor and to improve fixed asset tracking and travel. NSWC continues to standardize within the command as part of Business Process Reengineering.

Justification

Currently, we are involved with the implementation of designated DoD functional applications for financial (DIFMS), contracting (standard procurement system SPS), fixed assets (DPS) and travel (DTS). This funding allows NSWC to continue implementation of these standard systems in a common, integrated fashion.

Impact

The impact of reducing this CPP authority would be the inability to continue implementation of DoD standard systems in a common, integrated fashion.

Naval Surface Warfare Center (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget						
B. Component/Business Area/Date Department of the Navy/R&D/February 2004				C. Line# and Description 14/Advanced Collaboration Integration(Internally Developed)			D. Site Identification NSWC Port Hueneme, CA					
			FY 2003			FY 2004			FY 2005			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Software				1		1950	1		1450			

Narrative Justification:

Description

This project integrates additional data resources and adds user functionality modules to the Collaborative Engineering Environment project. EDCIS/PHD Portal integration will allow desktop access to all EDCIS (Engineering Data Collaborative Information System) data and tools. The SIPRNET (Secure Internet Protocol Routed NETwork) version of the PHD Portal will be developed for all PHD (Port Hueneme Division) personnel with appropriate access. NIPRNET (Non-secure Internet Protocol Routed NETwork) and SIPRNET versions of ACI/PHD Portal will be integrated with Navy-wide initiatives: TaskForce Web, Navy Marine Corps Intanet, and ERP (Enterprise Resource Planning). The Condition and Environment Sensing and Reporting (CAESAR) tool will also be integrated with EDCIS. In FY 05, this project will be installed in all Departments; servers and COTS applications will be upgraded, and telephone and computer infrastructures will be integrated enabling improvements to Customer Relationship Manager systems.

Justification

Fleet Readiness and Distance Support Grand Challenges, as well as Fleet support in general, require availability and access to critical technical and logistical facets of higher level In-Service Engineering Agent (ISEA) data and tools. This project ensures the data is secure and accurate. It enhances collaboration, optimizes use of critical expertise and reduces maintenance and costs. It thereby supports our business plan of growth to higher level efforts without transferring cost to the fleet. To sum it up, this project facilitates effective distance support.

Impact

By exploiting emerging data integration technologies, improvements can be made in fleet support as well as product development decisions, thereby improving fleet readiness. Access to integrated data sources provides the best valued solution. It will provide the collaborative structure which will contribute to achieving planned wedge savings.

Naval Surface Warfare Center (Dollars in Thousands)		A. Budget Submission FY 2005 President's Budget		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of the Navy/R&D/February 2004	15/Miscellaneous (Software < \$1000K; >=\$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	747	400	900	
STANDARD SYSTEMS SOFTWARE Crane Div (NSWC Crane Div, Crane, IN)	597			
Facilities Automated Support Technologies (FAST) (NSWC Carderock Div, Bethesda, MD)	150		600	
System Supportability Modeling & Sim. Environment (NSWC Port Hueneme, CA)		400	300	

Naval Surface Warfare Center (Dollars in Thousands)		A. Budget Submission FY 2005 President's Budget		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of the Navy/R&D/February 2004	17/Miscellaneous (Minor Construction < \$1000K; >= \$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	2711	4890	4400	
LCC Support Building (NSWC Carderock Div Det, Memphis, TN)	959			
Building 41 Egress/Stairways (NSWC Crane Div, Crane, IN)	925			
TEAMS CX Engineering Center (NSWC Dahlgren Div, Dahlgren, VA)	827			
Administrative and Light Lab Space (NSWC Carderock Div, Bethesda, MD)			750	
Enhance Smart Weapons Facility (NSWC Crane Div, Crane, IN)		745		
Topside Integrated E3 Laboratory (NSWC Dahlgren Div, Dahlgren, VA)			744	
Photo Lab Conversion - B121 (NSWC Dahlgren Div, Dahlgren, VA)		742		
Prototype Assembly Facility (Coastal Systems Station, Panama City, FL)		740		
Warfare Analysis Building (NSWC Dahlgren Div, Dahlgren, VA)			739	
Information Technology Space Conversion (NSWC Dahlgren Div, Dahlgren, VA)			730	
Electric Gun Pulsed Power Facility (NSWC Dahlgren Div, Dahlgren, VA)		727		
RDT&E Support Center (NSWC Carderock Div, Bethesda, MD)		725		
Ship Systems Support Facility (NSWC Carderock Div, Bethesda, MD)			725	
Reconfigure Intersection (NSWC Crane Div, Crane, IN)			712	
Magnetic Treatment Facility Modifications (NSWC Carderock Div, Bethesda, MD)		675		
Relocate Chemistry Lab (NSWC Crane Div, Crane, IN)		536		

Naval Surface Warfare Center (Dollars in Thousands)		A. Budget Submission FY 2005 President's Budget		
B. Component/Business Area/Date	C. Line# and Description	D. Site Identification		
Department of the Navy/R&D/February 2004	18/Miscellaneous (Minor Construction < \$500K)	NA		
	FY 2003	FY 2004	FY 2005	
ELEMENTS OF COST	Total Cost	Total Cost	Total Cost	
TOTAL COST	2592	2137	3756	
Total number of projects = 55				

Department of the Navy
 Activity Group: Research and Development
 Sub-Activity Group: NSWC
 FY 2005 President's Budget Submission

Line Item Pres	Line Item Current	FY 2004 Project Title	FY 2004 President's Budget	+/-	FY 2005 President's Budget	Explanation Changes Since the FY 2004 President's Budget
-------------------	----------------------	-----------------------	----------------------------------	-----	----------------------------------	---

NON ADP

1	1	Agile Chemical Facility	1.500	0.000	1.500	
2	2	Nitramine Intermediates System	1.699	0.000	1.699	
4	4	Underwater Tracking System	0.650	0.000	0.650	
5	5	Miscellaneous (Non ADP<\$1M >\$500K)	2.113	-1.003	1.110	Reflects reprioritization of projects and realignment of funds to highest priority requirements.
6	6A / 6B	Miscellaneous (Non ADP<\$500K > \$100K)	8.627	-0.686	7.941	Reflects reprioritization of projects and realignment of funds to highest priority requirements.

Non ADP Total	14.589	-1.689	12.900
----------------------	---------------	---------------	---------------

ADP

7	7	Theatre Warfare System	0.850	0.000	0.850	
8	8	CSACT (Combat Systems Advanced Concepts and Tech) Lab	0.710	0.000	0.710	
10	10	Advanced Computing Systems	0.405	0.000	0.405	
12	na	Integrated Programming Environment	0.208	-0.208	0.000	Realigned to ADP < \$1M > \$500K)
15	11	Miscellaneous (ADP<\$1M >\$500K)	2.933	-0.231	2.702	Reflects reprioritization of projects and realignment of funds to highest priority requirements.
16	12A / 12B	Miscellaneous (ADP<\$500K > \$100)	2.173	-0.078	2.095	Reflects reprioritization of projects and realignment of funds to highest priority requirements.
na	9	Standard Systems Hardware	0.000	1.341	1.341	Reflects reprioritization of projects and realignment of funds to highest priority requirements.

ADP Total	7.279	0.824	8.103
------------------	--------------	--------------	--------------

Department of the Navy
Activity Group: Research and Development
Sub-Activity Group: NSWC
FY 2005 President's Budget Submission

Line Item Pres	Line Item Current	FY 2004 Project Title	FY 2004 President's Budget	+/-	FY 2005 President's Budget	Explanation Changes Since the FY 2004 President's Budget
-------------------	----------------------	-----------------------	----------------------------------	-----	----------------------------------	---

Software

18	14	Advanced Collaboration Integration	1.800	0.150	1.950	Reflects improved cost estimates
21	15	Miscellaneous (Software < \$1M > \$500K)	0.400	-0.400	0.000	Realigned to Software < \$1M > \$500K
22	16A / 16B	Miscellaneous (Software<\$500K > \$100K)	0.440	-0.040	0.400	Reflects reprioritization of projects and realignment of funds to highest priority requirements.
17	13	Standard Systems Software	0.000	1.300	1.300	Reflects reprioritization of projects and realignment of funds to highest priority requirements.

Software Total	2.640	1.010	3.650
-----------------------	--------------	--------------	--------------

Minor Construction

24	na	Command Control Center	1.439	-1.439	0.000	Deleted; to be funded from other resources
25	17	Miscellaneous (Minor Construction<\$1M >\$500K)	4.532	0.358	4.890	Reflects reprioritization of projects and realignment of funds to highest priority requirements.
26	18A / 18B	Miscellaneous (Minor Construction<\$500K > \$100K)	2.233	-0.096	2.137	Reflects reprioritization of projects and realignment of funds to highest priority requirements.

Minor Construction Total:	8.204	-1.177	7.027
----------------------------------	--------------	---------------	--------------

Grand Total	32.712	-1.032	31.680
--------------------	---------------	---------------	---------------

Naval Undersea Warfare Center

**Department of the Navy
Navy Working Capital Fund
FY 2005 President's Budget
Research and Development
Naval Undersea Warfare Center**

A. MISSION STATEMENT

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

B. ACTIVITY GROUP COMPOSITION

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

C. BUDGET HIGHLIGHTS

(\$ In millions)

Summary	FY 2003	FY 2004	FY 2005
New Orders	\$1,085.2	\$854.5	\$866.2
Revenue	\$1,006.9	\$891.8	\$911.9
Cost of Goods/ Services	\$998.4	\$894.1	\$916.2
Operating Results	\$8.5	(\$2.3)	(\$4.3)
Accumulated Operating Results	\$6.6	\$4.3	-0-
Civilian End Strength	4,339	4,323	4,323
Civilian Workyears (Straight time)	4,260	4,290	4,338
Military End Strength	32	48	49
Military Workyears	36	33	34
Capital Program	\$18.8	\$19.0	\$19.6

**Naval Undersea Warfare Center
FY 2005 President's Budget**

1. Management Statement

The Center's FY 2003 reimbursable funding levels were higher than those reflected in the FY 2004 President's budget. NUWC exceeded its FY 2003 budgeted Net Operating Results (NOR) (actual NOR was \$8.5 million versus President's budget goal of \$3.9 million). We currently project that we will meet our FY 2004 NOR estimate of \$-2.3 million.

The NAVSEA Warfare Centers are aligning to focus on Product Areas. This is being done to provide a broader view of all the capabilities and solutions available to quickly respond to fleet needs. NUWC and the Naval Surface Warfare Center (NSWC) will operate in-place with our respective Commanders and Technical Directors, under this new alignment.

NUWC met its budgeted Strategic Sourcing savings goal in FY 2003. We have not changed our savings estimates from the FY 2004 President's Budget. NUWC is implementing additional initiatives to achieve \$26.9 million in FY 2004.

NUWC expects to convert to the Navy/Marine Corps Intranet (N/MCI) no earlier than the third quarter of FY 2004.

During the first Installation Claimant Consolidation (ICC I in 1999), NUWC was relieved of most of its host support responsibilities. For ICC II, NUWC Divisions negotiated the transfer of remaining host support responsibilities to the Commander, Naval Installations (CNI). NUWC will be required to provide reimbursement for all NWCF related (non-common support) services. These transfers became effective on 1 October 2003 and are reflected in the budget.

2. Workload

(\$ In millions)

Workload	FY 2003	FY 2004	FY 2005
New Orders	\$1,085.2	\$854.5	\$866.2

The Center's budget has been balanced to customer workload estimates.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

3. Financial Profile

(\$ In millions)

	FY 2003	FY 2004	FY 2005
Revenue	\$1,006.9	\$891.8	\$911.9
Cost of Goods/Services	\$998.4	\$894.1	\$916.2
Operating Results	\$8.5	(\$2.3)	(\$4.3)
Accumulated Operating Results	\$6.6	\$4.3	-0-

Revenue and Cost of Goods/Services

Our Revenue and Cost estimates for FY 2004 and FY 2005 have increased slightly over the previous President's budget estimates to reflect updated customer workload information.

Operating Results

As noted above, NUWC did exceed its FY 2003 NOR goal, which was set in the FY 2004 President's Budget. The current estimate for FY 2004 operating results is \$-2.3 million.

4. Overhead

(\$ In millions)

Overhead	FY 2003	FY 2004	FY 2005
Current Estimate	\$161.2	\$159.8	\$162.8

NUWC overhead expenditures will remain fairly constant over the budget period.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

5. Manpower

Manpower	FY 2003	FY 2004	FY 2005
Civilian End Strength	4,339	4,323	4,323
Civilian Workyears (Straight time)	4,260	4,290	4,338
Military End Strength	32	48	49
Military Workyears	36	33	34

Civilian End Strength/Workyears

The civilian end strength and workyear numbers remain constant over the budget period. Effective October 1, 2003, NUWC transferred 18 civilian End Strength and Workyears to local Installation Commands as part of ICC II. Our budget includes a small number of SIPs each year of the budget period to facilitate efforts to balance workforce to workload. NUWC overtime for FY 2003 was approximately 2.9% of the total workyear effort (130 overtime workyears and 4,262 straight time workyears). We estimate that our overtime effort for the budget years will be approximately 2.2% of the total workyear effort.

Military End Strength/Workyears

Military workyears will remain stable over the budget period.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

6. Capital Purchase Program (CPP)

(\$ In millions)

CPP	FY 2003	FY 2004	FY 2005
Equipment	\$ 7.8	\$ 7.6	\$7.5
ADP	\$ 9.4	\$ 9.4	\$9.6
Minor Construction	\$ 1.4	\$ 2.0	\$ 2.0
Software Dev	\$.22	-0-	\$0.5
Total CPP	\$18.8	\$19.0	\$19.6

CPP

NUWC's Capital Purchase Program for FY 2004 is unchanged from the FY 2004 President's Budget submission.

7. Stabilized Rates

	FY 2003	FY 2004	FY 2005
Stabilized Rate	\$83.21	\$82.64	\$85.98
Billing Rate Change %		(0.7%)	+4.0%
Composite Customer Rate Change		+0.4%	+2.7%

Stabilized Rate

The Center's FY 2005 stabilized billing rate will increase by 4.0% over the FY 2004 rate and includes the impact of pay raise and inflation. This follows the reduced FY 2004 rate that was established to return excess AOR to customers.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

8. Unit Cost

Unit Cost	FY 2003	FY 2004	FY 2005
Stabilized Cost (\$M)	\$450.6	\$466.6	\$483.5
Direct Labor Hours (000)	5,589	5,575	5,639
Unit Cost	\$80.63	\$83.68	\$85.75

Unit Cost

Direct labor hours will increase over the budget period. The increase in direct labor cost and fixed overhead cost, impact the Center's unit cost trend over the budget period.

9. Cash

(\$ In millions)

Net Outlays	FY 2003	FY 2004	FY 2005
Collections	\$988.7	\$897.7	\$911.1
Disbursements	\$968.8	\$898.8	\$913.5
Net Outlays	(\$19.9)	\$1.1	\$2.4

Net Outlays

Disbursements and Collections will remain fairly even over the budget years. We are not aware of any events that may have a significant impact on the Center's Cash position during the budget years.

10. Performance Indicators

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

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

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	987.1	870.3	891.0
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	19.7	21.5	20.9
Other Income			
Total Income	1,006.9	891.8	911.9
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	1.6	1.8	2.2
Civilian Personnel	396.5	421.7	434.4
Travel and Transportation of Personnel	25.5	20.4	20.7
Material & Supplies (Internal Operations)	79.3	58.8	61.5
Equipment	13.1	13.8	14.2
Other Purchases from NWCF	54.6	51.9	53.2
Transportation of Things	1.4	1.2	1.2
Depreciation - Capital	19.7	21.5	20.9
Printing and Reproduction	1.8	1.4	1.4
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	16.1	18.4	18.6
Other Purchased Services	392.2	283.1	287.9
Total Expenses	1,001.8	894.0	916.1
Work in Process Adjustment	-2.4	.1	.1
Comp Work for Activity Reten Adjustment	-1.0	.0	.0
Cost of Goods Sold	998.4	894.1	916.2
Operating Result	8.5	-2.3	-4.3
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	8.5	-2.3	-4.3
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	6.6	4.3	.0

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

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	1,085	854	866
a. Orders from DoD Components	868	740	746
Department of the Navy	847	725	731
O & M, Navy	226	155	158
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	3	2	2
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	10	10	10
Weapons Procurement, Navy	69	66	67
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	76	75	75
Other Procurement, Navy	159	134	135
Procurement, Marine Corps	1	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	302	282	283
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	1	1
Other Marine Corps Appropriations	0	0	0
Department of the Army	6	1	1
Army Operation & Maintenance	0	0	0
Army Res, Dev, Test, Eval	6	1	1
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	1	0	0
Air Force Operation & Maintenance	1	0	0
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	15	14	14
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	2	2	2
Res, Dev, Test & Eval Accounts	8	7	8
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	5	5	5
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	139	77	83
c. Total DoD	1,007	817	829
d. Other Orders	78	37	37
Other Federal Agencies	1	1	1
Foreign Military Sales	41	27	27
Non Federal Agencies	36	9	9
2. Carry-In Orders	321	399	362
3. Total Gross Orders	1,406	1,254	1,228
a. Funded Carry-Over before Exclusions	399	362	316
b. Total Gross Sales	1,007	892	912
4. End of Year Work-In-Process (-)	-25	-23	-23
5. Non-DoD, BRAC, FMS, and MRTFB (-)	-71	-61	-48
6. Net Funded Carryover	303	278	245

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

FY 2005 PRESIDENT'S BUDGET
 NAVY WORKING CAPITAL FUND
 R&D: NAVAL UNDERSEA WARFARE CENTER
 FEBRUARY 2004
 CHANGES IN THE COSTS OF OPERATION
 (DOLLARS IN MILLIONS)

	<u>TOTAL EXPENSES</u>
FY 2003 Actual	1,001.8
FY 2004 President's Budget	838.8
Price Adjustments	
FY 2004 Pay Raise	
Civilian Personnel	6.5
Military Personnel	0.0
Annualization of FY 2003 pay raise	
Civilian Personnel	1.3
Military Personnel	0.0
Supply Management - fuel	0.0
Supply Management - non-fuel	-0.1
NWCF price changes	0.2
General purchase inflation	1.2
Productivity Initiatives	
Strategic Sourcing	0.0
Savings from CPP	0.0
Workload Validation Savings	0.0
Program Changes	
Workload	49.7
Other (specify)	0.0
Other Changes	
SIP/VERA/RIF	0.0
SIP Incentive/Retirement Offset	0.0
FECA	0.2
Change in Paid Days	0.0
Military	0.0
Depreciation	-0.4
Contracts	0.0
Materials	-2.4
Other	-0.9
FY 2004 Current Estimate	894.0

FY 2005 PRESIDENT'S BUDGET
 NAVY WORKING CAPITAL FUND
 R&D: NAVAL UNDERSEA WARFARE CENTER
 FEBRUARY 2004
 CHANGES IN THE COSTS OF OPERATION
 (DOLLARS IN MILLIONS)

	<u>TOTAL EXPENSES</u>
FY 2004 Current Estimate	894.0
Price Adjustments	
FY 2005 Pay Raise	
Civilian Personnel	4.2
Military Personnel	0.0
Annualization of FY 2004 pay raise	
Civilian Personnel	3.6
Military Personnel	0.0
Supply Management - fuel	0.1
Supply Management - non-fuel	0.1
NWCF price changes	1.2
General purchase inflation	4.8
Productivity Initiatives	
Strategic Sourcing	-0.9
Savings from CPP	0.0
Workload Validation Savings	-0.4
Program Changes	
Workload	11.0
Other (specify)	0.0
Other Changes	
SIP/VERA/RIF	0.0
SIP Incentive/Retirement Offset	0.0
FECA	0.0
Change in Paid Days	-1.3
Military	0.3
Depreciation	-0.6
Contracts	0.0
Materials	0.0
Other	0.0
FY 2005 Current Estimate	916.1

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
FY 2005 President's Budget
February 2004
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005	
		QUANT	TOTAL COST	QUANT	TOTAL COST	QUANT	TOTAL COST
	1. Non ADP Equipment						
	a. Productivity Non-ADP Equip (Major)						
	Productivity Non-ADP Equip (Major) (\$500K - \$999K)	6	3.330	2	1.240	4	2.730
	Productivity Non-ADP Equipment (Minor)	7	1.226	10	2.670	13	4.795
	b. Replacement Equip (Major)						
	Replacement Non-ADP Equip (Major) (\$500K - \$999K)						
	Replacement Non ADP Equipment (Minor)	4	.490	6	1.710		
	c. Environmental Equip (Major)						
	Environmental Non-ADP Equip (Major) (\$500K - \$999K)						
	Environmental Non ADP Equipment (Minor)	1	.240	2	.470		
	d. New Mission Equip (Major)						
	New Mission Non-ADP Equip (Major) (\$500K - \$999K)	2	1.775	1	.925		
	New Mission Non ADP Equipment (Minor)	2	.745	4	.550		
	Total Non ADP Equipment	22	7.806	25	7.565	17	7.525

EXHIBIT 9A

Working Capital Fund Capital Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
FY 2005 President's Budget
February 2004
(\$ in Millions)

LINE #	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005	
		QUANT	TOTAL COST	QUANT	TOTAL COST	QUANT	TOTAL COST
	2. ADP & Telecommunications Equipment						
	a. ADP Computer & Telecom Support Equip (Major)						
L231	Virtual Systems Design (New Mission)	1	1.126				
L264	USW Testbed for Decision Support (New Mission)	1	1.248				
L269	Common Product Development (Productivity)	1	1.179	1	1.200		
L270	Scientific Computational Resources Upgrade (Productivity)					1	1.300
	ADP Computer & Telecom Support Equip (Major) (\$500K	9	3.494	3	1.875	3	2.375
	ADP Computer & Telecomm Support Equipment (Minor)	11	2.310	26	6.330	16	5.920
	Total ADP & Telecommunication Equipment	23	9.357	30	9.405	20	9.595
	3. Software						
	a. Software (Major)						
	b. Software (Minor)		.216				.450
	Total Software		.216				.450
	Minor Construction		1.370		2.030		1.970
	Total Minor Construction		1.370		2.030		1.970
	Grand Total Capital Purchase Program		18.749		19.000		19.540
	Total Capital Outlays		19.646		18.695		19.728
	Total Capital Depreciation		19.720		21.524		20.912

EXHIBIT 9A

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A Productivity Non ADP Equip (Major) Projects (\$500K - \$999K)				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Productivity Non ADP Major (500K – 999K)	6		3,330	2		1,240	4		2,730
Narrative Justification:									
		<u>Location</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>				
System Suitability Validation		Keyport	397						
Fleet Readiness Support		Keyport	400						
Undersea Weapons Consolidation		Keyport	546						
Environmental Test & Evaluation		Keyport	599						
UUV Testing		Keyport	894						
COTS Systems Testing		Keyport	494						
B/G ARG Sys Dev & Integration Lab		Keyport		740					
MILCON Collateral Equipment		Keyport		500					
Integrated Test, Training & Life Cycle Support Lab		Keyport				500			
Hawaii Detachment Relocation to Pearl Harbor		Keyport				550			
Littoral USW Testbed		Newport				875			
Testing Facility Upgrades		Newport				805			

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A Productivity Non ADP Equipment (Minor)				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Productivity Non ADP Minor	7		1,226	10		2,670	13		4,795
Narrative Justification:									
Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A Replacement Non ADP Equipment (Minor) Projects				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Replacement Non ADP Minor	4		490	6		1,710			
Narrative Justification: Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A Environmental Non ADP Equipment (Minor)				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Environmental Non ADP Minor	1		240	2		470			
Narrative Justification:									
Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A New Mission Non ADP Equip (Major) Projects (\$500K - \$999K)				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
New Mission Non ADP Major (\$500K – \$999K)	2		1,775	1		925			
Narrative Justification:									
		<u>Location</u>	<u>FY03</u>	<u>FY04</u>					
Littoral USW Facility		Newport	855						
USW Testing and Support Facility		Newport	920	925					

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A New Mission Non ADP Equipment (Minor)				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
New Mission Non ADP Minor	2		745	4		550			
Narrative Justification:									
Projects Between \$0K - \$499K									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description <u>L269</u> Common Product Development				D. Activity Identification NUWC Division, Newport			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Common Product Development	1		1,179	1		1,200			
Narrative Justification:									
<p>The emphasis of this initiative will be directed toward the development of cost effective processes and methods that facilitate the utilization of state-of-the-art tools that are essential for a credible and validated approach for application of Simulation Based Design / Simulation Based Acquisition to Undersea Warfare Systems. This project is focused on the provision of "high-end" tools that permit the design and analysis of undersea warfare systems as virtual products containing all the attributes of actual systems such as performance, vulnerability, reliability, maintainability, and total ownership cost. The affordability of these tools and processes is addressed by common utilization across all product lines. These tools will be applied to undersea system problems, including the development of models that predict sonar performance metrics, mechanical performance (shock, thermal, hydrodynamic, etc.), geometries of systems, structural characteristics and how these properties relate to each other in producing the loads and stresses experienced by the combined system. These tools also address affordability in terms of total ownership costs. This investment is needed to enhance NUWC's capabilities and efficiency in integrated design, modeling, and simulation as it pertains to SBD/SBA. This investment is also leveraged to encourage teamwork across the division and to assure the maximum sharing of resources.</p>									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description <u>L270</u> Scientific Computational Resources Upgrade				D. Activity Identification NUWC Division, Newport			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	Scientific Computational Resources Upgrade							1	
Narrative Justification:									
<p>In order to provide the necessary scientific computer resources at the Naval Undersea Warfare Center, Division Newport, adequate systems must be acquired to meet the Research, Development, Test and Evaluation (RDT&E) needs. The Scientific Computational Resources Upgrade project enhances existing scientific computational engines or replaces systems that are no longer cost effective to operate. This project provides the visualization engines and repositories of DoD high performance computer systems for engineers and scientists to develop innovative undersea warfare solutions. These computational engines are a key component and requirement for many of the existing and proposed projects to be fully functional. Replacement of the obsolete computer equipment and the addition of these visualization engines will provide Division Newport with more reliable and more cost effective resources which will ensure that the technical areas have the capabilities they need to meet their requirements. Increased reliability will reduce maintenance costs, increase overall efficiency, and enhance compatibility internally and externally to the Division.</p>									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A ADP & Telecommunications Equip (Major) Projects (\$500K - \$999K)				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	ADP Projects Major (\$500K - \$999K)	9		3,494	3		1,875	3	
Narrative Justification:									
			<u>Location</u>	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>			
Strategic Management Information Center			Newport	109					
Undersea Warfare Modeling & Simulation Support			Newport	163		600			
Vehicle Emulation Initiative			Newport	249					
Integrated Display Center Upgrade			Newport	130					
Scientific Comp Resources Upgrade			Newport	993	875				
Fleet Test Data Analysis & Feedback			Keyport	200					
Fleet Obsolescence Management Integration			Keyport	430					
Next Generation RIDC			Keyport	798					
CASS Platforms			Keyport	422					
USW Testbed for Decision Support			Newport		500	900			
P-381 RIDC Capital Equipment			Keyport		500				
Common Product Development			Newport			875			

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
---	--	--	--	--	--	--	--	--	--

B. Component/Business Area/Date DON/R&D/NUWC/February 2004			C. Line No. & Item Description N/A ADP & Telecommunications Equip (Minor)			D. Activity Identification NUWC Division, NPT/KPT			
---	--	--	--	--	--	--	--	--	--

ELEMENTS OF COST	FY 2003			FY 2004			FY 2005		
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
ADP & Telecommunications Equip (Minor)	11		2,310	26		6,330	16		5,920

Narrative Justification:

Projects Between \$0K - \$499K

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A Software (Minor)				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
	Software (Minor)			216					
<p>Narrative Justification:</p> <p>Projects less than \$500K</p>									

RESEARCH & DEVELOPMENT CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)						A. Budget Submission FY 2005 President's Budget			
B. Component/Business Area/Date DON/R&D/NUWC/February 2004		C. Line No. & Item Description N/A Minor Construction				D. Activity Identification NUWC Division, NPT/KPT			
		FY 2003		FY 2004			FY 2005		
ELEMENTS OF COST	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Minor Construction			1,370			2,030			1,970
Narrative Justification:									
<u>FY04</u> Building 15 (South) Renovation (Productivity) Renovate/Consolidate Code 90 Facilities (Productivity) Alterations for Network Upgrade (Productivity) Americans for Disabilities Act (Replacement) AT/FP Parking/Gate Modifications (Productivity) Restoration & Modernization of NUWC DIV NPT Waterfront (Productivity)									
<u>FY05</u> Reconfigure Conduits / Trenches (Productivity) Upgrade DRMO Facility (Environmental) Fleet Engineering & Support Facility (Productivity) Quality of Life Infrastructure Improvements (Productivity) B1190 Addition (Productivity) Otto Fuel Storage facility (New Mission)									

Working Capital Fund Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
FY 2005 President's Budget
FY 2004
(\$ in Millions)

<u>Item #</u>	<u>Approved Project</u>	<u>Original Request</u>	<u>Change</u>	<u>Revised Request</u>	<u>Explanation</u>
ADP and TELCOM					
L263	Scientific Computational Resources Upgrade	.875	-.875	.000	Realigned to ADP (\$500K - \$999K)
L264	USW Testbed for Decision Support	.500	-.500	.000	Realigned to ADP (\$500K - \$999K)
L269	Common Product Development	1.200	.000	1.200	
	ADP and TELCOM Major (\$500K - \$999K)	3.560	-1.685	1.875	Realigned to Minor ADP/Telecom categories
	ADP and TELCOM Minor	3.270	3.060	6.330	Realigned from Major ADP/Telecom categories
	ADP and TELCOM Subtotal	9.405	0.000	9.405	

Working Capital Fund Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
FY 2005 President's Budget
FY 2004
(\$ in Millions)

<u>Approved Project</u>	<u>Original Request</u>	<u>Change</u>	<u>Revised Request</u>	<u>Explanation</u>
Item # Non-ADP Equipment				
L259 Fac for Analysis & Characterization of Transducers & I	.250	-.250	.000	Realigned Minor Non ADP
L262 USW Testing and Support Facility	.925	-.925	.000	Realigned to \$500K - \$999K Category
Non-ADP Equipment Major (\$500K - \$999K)	3.120	-.955	2.165	Realigned to Minor Non ADP
Misc Non-ADP Equipment Minor	3.270	2.130	5.400	Realigned from Non ADP Major category
Non-ADP Equipment Subtotal	7.565	0.000	7.565	

Working Capital Fund Investment Summary
Department of the Navy
Research & Development
Naval Undersea Warfare Center
FY 2005 President's Budget
FY 2004
(\$ in Millions)

<u>Approved Project</u>	<u>Original Request</u>	<u>Change</u>	<u>Revised Request</u>	<u>Explanation</u>
Software		0.000		
Software Subtotal	.000	0.000	.000	
Item # Minor Construction				
Misc Minor Construction	2.030	.000	2.030	
Minor Construction Subtotal	2.030	.000	2.030	
Total NUWC FY04	19.000	0.000	19.000	

Spawar Systems Center

DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
FY 2005 PRESIDENT'S BUDGET
ACTIVITY GROUP: RESEARCH AND DEVELOPMENT
SUB-ACTIVITY GROUP: SPAWAR SYSTEMS CENTERS

Activity Group Function:

The Space and Naval Warfare Systems Centers (SSC's) are the Navy's full spectrum research, development, test and evaluation, engineering, and fleet support centers for command, control, and communication systems and ocean surveillance and the integration of those systems, which overarch multiplatforms. The SSC's support the Fleet by enabling knowledge superiority to the warfighter. The SSC's innovative scientific and technical expertise, facilities, and understanding of defense requirements ensure that the Navy can develop, acquire, and maintain the warfare systems needed to meet requirements at an acceptable price. The SSC's also provide engineering and fleet support for assigned systems to maintain the Fleet's warfighting capability. The SSC's:

1. Provide warfare systems analysis.
2. Plan and conduct effective technology programs.
3. Provide cost conscious systems engineering and technical support to program managers in all phases of systems development and acquisition.
4. Provide test and evaluation support including RDT&E and measurement facilities.
5. Provide technical input to the development of operational tactics.
6. Provide electronics material support (technical and management) for systems and equipment under SPAWAR's cognizance.
7. Provide specialized technical support to the Fleet for quick-reaction requirements.

Activity Group Composition:

The SSC's are Echelon III activities under the Space and Naval Warfare Systems Command (SPAWAR). This organizational structure facilitates the entire cycle of systems engineering from research and development through waterfront support. SSC San Diego has its headquarters in San Diego, CA with detachments in Philadelphia, PA; Pearl Harbor, HI; Guam; and Japan. SSC Charleston has its headquarters in Charleston, SC with detachments in Norfolk, VA; Washington, DC; Pensacola, FL; and Jacksonville, FL.

Workload:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Reimbursable Orders (\$M)	2,325.1	2,078.7	2,065.0
Direct Labor Hours	7,195,710	6,899,395	6,909,106

Orders Received

Approximately 75% of the products and services provided by the SSC's are to Department of the Navy customers, with the balance provided almost totally to other DoD and Federal customers. By far the largest of the SSC's customers is SPAWAR. Other significant Navy customers include the Naval Sea Systems Command, Naval Air Systems Command, Office of the Chief of Naval Research, Commander – Pacific Fleet, and Commander – Atlantic Fleet. Significant other DoD customers include Defense Advance Research Projects Agency and Air Force and Army C4I organizations. The projected funding levels in FY 2004-2005 are based on SSC's program managers' discussions and planning efforts with major customers. FY 2004 and FY 2005 reductions are consistent with reductions in customer budgets, particularly in OPN and RDT&E,N. FY 2003 included a slight increase in funding associated with Operation Iraqi Freedom.

Direct Labor Hours

Direct Labor Hours remain stable from FY 2003 through FY 2005. This stability is the result of increases in direct labor workload in core business areas offsetting Navy/Marine Corps Intranet-like work being lost at the former Naval Computer and Telecommunications Command working capital fund activities.

Financial Profile:

	<i>\$ Millions</i>		
	Actual		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	2,190.0	2,147.1	2,110.7
Cost of Goods Sold	-2,189.1	-2,151.1	-2,121.3
Operating Results	0.9	-4.0	-10.5
Extraordinary Expense	-1.1	0.0	0.0
Net Operating Results	-0.2	-4.0	-10.5
Beginning AOR	14.7	14.5	10.5
Accumulated Operating Results	14.5	10.5	0.0

Revenue

FY 2003 and FY 2004 include a slight increase in revenue and cost of goods sold for Operation Iraqi Freedom. There are no other significant programmatic or operational changes included in the current estimates. The changes from year to year follow from the changes in new orders and pricing changes.

Cost of Goods Sold

Cost of Goods Sold estimates incorporate the impact of the factors effecting revenue.

Operating Results

The over-execution of direct labor hours in FY 2003 produced higher revenue and a more favorable estimate of Operating Results than was included in the FY 2004 President's budget.

Performance Indicators:

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

Customer Rate Changes:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Stabilized Rate	\$79.94	\$82.02	\$83.26
Change from Prior Year			+1.51%
Composite Rate Change			+1.36%

Unit Costs:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Total Stabilized Cost (\$M)	584.2	576.8	594.9
Workload (DLHRS)	7,195,710	6,899,395	6,909,106
Unit Cost (per DLHR)	\$81.19	\$83.60	\$86.11

Stabilized cost changes from year to year are primarily pricing changes and the impact of increase direct labor hours, net of reductions related to efficiency initiatives.

Staffing:

	Actual <u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Civilian End Strength	5,955	5,750	5,705
Civilian Work Years	5,820	5,649	5,629
Military End Strength	78	101	101
Military Work Years	80	79	79

Civilian Personnel

Civilian workyear levels are fairly consistent across FY's, and reflect changes in workload as well as efficiencies from Strategic Sourcing initiatives and savings from capital investments.

Military Personnel

Military End Strength is projected to be seven below the President's Budget for FY 2003 because necessary personnel were still unavailable at year-end. The increase in FY 2004 reflects a return to normal staffing levels. Military workyears are estimated at projected availability levels.

Capital Budget Authority:

	<i>\$Millions</i>		
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Equipment, Non-ADP/Telecommunications	0.000	0.350	1.498
Equipment, ADPE/Telecommunications	1.755	1.916	2.499
Enterprise Resource Planning	5.157	2.540	0.000
Other Software Development	0.000	0.000	0.000
Minor Construction	3.715	3.832	3.148
Total	10.627	8.638	7.145

The SSC's modest investment in capital assets will maintain affordable and technically efficient capabilities to support Navy and Defense customer requirements. The only capital investment in software development is for the Enterprise Resource Planning (ERP) software system, which is intended to reduce the number of software applications and systems currently in use thus reducing the overall cost of operation and ownership. SPAWAR CPP authority for FY 2004 is focused on implementation of system interfaces to mandated common systems such as Wide Area Work Flow, Defense Travel System, and the Purchase Card Interface, CFO issue resolution capabilities, and SAP Software Enterprise functionality updates to implement further SAP web-based business.

Economies and Efficiencies:

Cost estimates include savings from Commercial Activities (CA) studies, Business Process re-engineering (BPR) effort, productivity improvements from CPP projects, and Workload Validation savings.

Cash

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Net Outlays			
Disbursements	2,285.3	2,127.6	2,120.4
Collections	2,346.3	2,129.1	2,118.8
Net Outlays	-61.0	-1.5	1.6

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

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	2,181.1	2,137.4	2,100.7
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	8.9	9.7	10.1
Other Income			
Total Income	2,190.0	2,147.1	2,110.7
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	7.0	5.5	6.1
Civilian Personnel	544.5	558.0	569.9
Travel and Transportation of Personnel	41.2	35.1	35.5
Material & Supplies (Internal Operations)	275.4	224.5	223.5
Equipment	95.5	74.5	74.6
Other Purchases from NWCF	89.4	80.0	84.8
Transportation of Things	5.6	3.9	3.9
Depreciation - Capital	8.9	9.7	10.1
Printing and Reproduction	2.4	2.2	2.2
Advisory and Assistance Services	1.1	1.2	1.2
Rent, Communication & Utilities	28.2	28.4	28.8
Other Purchased Services	1,113.4	1,138.2	1,091.0
Total Expenses	2,212.8	2,161.1	2,131.6
Work in Process Adjustment	-23.6	-9.9	-10.2
Comp Work for Activity Reten Adjustment	-.1	-.1	-.1
Cost of Goods Sold	2,189.1	2,151.1	2,121.3
Operating Result	.9	-4.0	-10.5
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	-1.1	.0	.0
Net Operating Result	-.2	-4.0	-10.5
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	14.5	10.5	.0

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

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	2,325	2,079	2,065
a. Orders from DoD Components	1,923	1,849	1,833
Department of the Navy	1,253	1,281	1,261
O & M, Navy	439	358	355
O & M, Marine Corps	11	7	8
O & M, Navy Reserve	6	4	4
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	6	3	3
Weapons Procurement, Navy	2	4	4
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	55	67	70
Other Procurement, Navy	441	560	554
Procurement, Marine Corps	23	9	9
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	264	265	251
Military Construction, Navy	0	0	0
Other Navy Appropriations	6	2	2
Other Marine Corps Appropriations	0	0	0
Department of the Army	57	46	43
Army Operation & Maintenance	35	21	19
Army Res, Dev, Test, Eval	16	11	10
Army Procurement	5	13	12
Army Other	0	1	1
Department of the Air Force	83	69	65
Air Force Operation & Maintenance	25	20	18
Air Force Res, Dev, Test, Eval	31	38	37
Air Force Procurement	28	10	10
Air Force Other	0	0	0
DOD Appropriation Accounts	530	454	464
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	47	50	54
Res, Dev, Test & Eval Accounts	358	323	323
Procurement Accounts	69	71	77
Defense Emergency Relief Fund	10	0	0
DOD Other	46	11	11
b. Orders from other WCF Activity Groups	124	119	117
c. Total DoD	2,048	1,969	1,950
d. Other Orders	278	110	115
Other Federal Agencies	237	77	82
Foreign Military Sales	30	27	27
Non Federal Agencies	11	6	6
2. Carry-In Orders	927	1,062	994
3. Total Gross Orders	3,252	3,141	3,059
a. Funded Carry-Over before Exclusions	1,062	994	948
b. Total Gross Sales	2,190	2,147	2,111
4. End of Year Work-In-Process (-)	-51	-58	-68
5. Non-DoD, BRAC, FMS (-)	-214	-172	-128
6. Net Funded Carryover	796	764	752

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

CHANGES IN THE COST OF OPERATIONS
 SUB-ACTIVITY GROUP: SPAWAR/SPAWAR SYSTEMS CENTERS (SSC'S)
 FY2005 BUDGET ESTIMATES
 February 2004
 (Dollars in Millions)

	<u>EXPENSES</u>
FY 2003	2,212.8
FY 2004 Estimate in the FY 2004 President's Budget:	1,884.2
<u>Pricing Adjustments:</u>	
Civilian Personnel	14.8
General Purchase Inflation	-2.9
<u>Productivity Initiatives and Other Efficiencies:</u>	
Reduced Strategic Sourcing savings will result from delaying transition costs from FY 2003 to FY 2004	1.3
Capital Purchases Program (CPP) savings reduced as a result of reprogramming	0.2
<u>Program Changes:</u>	
Additional Workload from Increased Direct Labor Hours	24.5
Reimbursable (non-stabilized) workload	240.1
<u>Other Changes:</u>	
Depreciation decrease	-1.1
FY 2004 Current Estimate	2,161.1

CHANGES IN THE COST OF OPERATIONS
SUB-ACTIVITY GROUP: SPAWAR/SPAWAR SYSTEMS CENTERS (SSC'S)
FY2005 BUDGET ESTIMATES
February 2004
(Dollars in Millions)

	<u>EXPENSES</u>
FY 2004 Current Estimate	2,161.1
<u>Price Changes:</u>	
Annualization of Prior Year Pay Raises	6.1
FY 2005 Pay Raise	
Civilian Personnel	4.0
Military Personnel	0.2
Fund Price Changes	2.6
General Purchase Inflation	15.0
Other Price Changes	4.3
<u>Productivity Initiatives and Other Efficiencies:</u>	
Strategic Sourcing and Other Initiatives	-1.5
Capital Purchases Program savings increase (excluding ERP)	-1.3
ERP Savings increase	-0.3
<u>Program Changes:</u>	
Additional Workload from Increased Direct Labor Hours	2.4
Reimbursable (non-stabilized) workload decrease	-63.6
Other	2.2
<u>Other Changes:</u>	
Depreciation increase	0.4
FY 2005 Current Estimate	2,131.6

Activity Group Capital Budget Summary

Department of the Navy

SPAWAR System Centers

FY2005 President's Budget

February 2004

Line #	Item Description	FY 2003		FY 2004		FY 2005	
		Quant	Total Cost	Quant	Total Cost	Quant	Total Cost
L0001	1. Non-ADP Equipment		0.000		0.350		1.498
	(a) \$500K to \$999K						1.498
L0002	(b) \$100K to \$499K			0.350			
	2. ADPE and telecommunications resources		1.755		1.916		2.499
L0003	(a) \$500K to \$999K		0.535	1.066			2.049
L0004	(b) \$100K to \$499K		1.220	0.850			0.450
	3. Software Development (>=\$.100M and < \$.750M)		5.157		2.540		0.000
	(a) Miscellaneous		0.000	0.000			0.000
L0005	(b) Enterprise Resource Planning (ERP) San Diego		5.157	2.540			0.000
	4. Minor Construction (>= \$.100M and < \$.750M)		3.715		3.832		3.148
L0006	(a) \$500K to \$750K		1.998	3.832			2.498
L0007	(b) \$100K to \$499K		1.717	0.000			0.650
	Grand Total		10.627		8.638		7.145
	Total Capital Outlays		7.867	8.851			9.491
	Total Depecciation Expense		8.904	9.684			10.077

Exhibit Fund-9A Capital Investment Summary

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FY2005 President's Budget Submission February 2004											
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)		C. L0001 - Miscellaneous Non-ADP Equipment >\$500 and <\$1,000		D. SSC's											
Element of Cost	FY 2003		FY 2004		FY 2005		Total Cost								
	Quant	Unit Cost	Quant	Unit Cost	Quant	Unit Cost									
Equipment					2	749	1,498								
TOTAL					2	749	1,498								
Justification:															
<p>Justification:</p> <p>The items scheduled for purchase are necessary to meet daily R&D mission operating requirements, effectively manage R&D resources, and meet customer's requirements.</p> <p>Equipment items are used at the SSC's to:</p> <ul style="list-style-type: none"> - improve existing security measures and provide increased security through new initiatives - provide a class 100-cleanroom laboratory environment for integrated circuit fabrication <p>Non-ADP Equipment items include the following:</p> <table border="0"> <tr> <td>Security System</td> <td>FY2005</td> <td>San Diego</td> <td>\$749K</td> </tr> <tr> <td>Clean Room Equipment</td> <td>FY2005</td> <td>San Diego</td> <td>\$749K</td> </tr> </table>								Security System	FY2005	San Diego	\$749K	Clean Room Equipment	FY2005	San Diego	\$749K
Security System	FY2005	San Diego	\$749K												
Clean Room Equipment	FY2005	San Diego	\$749K												

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)					A. FY2005 President's Budget Submission February 2004														
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)			C. L0002 - Miscellaneous Non-ADP Equipment >\$100 and <\$500			D. SSC's													
Element of Cost	FY 2003			FY 2004			FY 2005												
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost										
Equipment				1	350	350													
TOTAL				1	350	350													
Justification:																			
<p>Justification:</p> <p>The items scheduled for purchase are necessary to meet daily R&D mission operating requirements, effectively manage R&D resources, and meet customer's requirements.</p> <p>Equipment item is used at the SSC's to:</p> <ul style="list-style-type: none"> - expand mobile facilities to meet current and projected growth in the USN Tactical Mobile programs <p>Non-ADP Equipment item:</p> <table border="0"> <tr> <td>Rubb Building</td> <td>FY2004</td> <td>Charleston</td> <td>\$350K</td> <td colspan="6"></td> </tr> </table>										Rubb Building	FY2004	Charleston	\$350K						
Rubb Building	FY2004	Charleston	\$350K																

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FY2005 President's Budget Submission February 2004					
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)			C. L0003 - Miscellaneous ADP Equipment >\$500 and <\$1,000			D. SSC's			
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Equipment	1	535	535	2	533	1,066	4	512	2,049
TOTAL	1	535	535	2	533	1,066	4	512	2,049
<p>Justification:</p> <p>Justification:</p> <p>The SSC's make use of a wide variety of computer equipment to accomplish the objectives of their R&D projects and ensure the security of those projects. In some cases, upgrades are required because manufacturers will not support obsolete operating systems/equipment. The items scheduled for purchase are necessary to meet daily R&D mission operating requirements, effectively manage R&D resources, and meet customer's requirements.</p> <p>ADP Equipment items include the following: Corporate File Server, Video Conferencing Upgrade, Security System Upgrade, Submarine Operating Testing, Test Lab for S&T Network Upgrade, SANS Storage System, System Analyzer Test Station Upgrade</p>									

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FY2005 President's Budget Submission February 2004					
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)			C. L0004 - Miscellaneous ADP Equipment >\$100 and <\$500			D. SSC's			
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Equipment	5	244	1,220	2	425	850	1	450	450
TOTAL	5	244	1,220	2	425	850	1	450	450
Justification:									
<p>Justification:</p> <p>The SSC's make use of a wide variety of computer equipment to accomplish the objectives of their R&D projects and ensure the security of those projects. In some cases, upgrades are required because manufacturers will not support obsolete operating systems/equipment. The items scheduled for purchase are necessary to meet daily R&D mission operating requirements, effectively manage R&D resources, and meet customer's requirements.</p> <p>ADP Equipment items include the following: 500KV UPS Upgrade, Corporate File Server, Database License for Cluster, Database Engine Upgrades, SM-10 Surveillance System, Upgrade Security System</p>									

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FY2005 President's Budget Submission February 2004							
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)				C. L0005 - ERP Systems Software Development				D. SSC's			
Element of Cost	FY 2003			FY 2004			FY 2005			Total	
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost		
Equipment	1	500	500	1	250	250					
Installation	1	500	500	1	400	400					
Testing	1	1,000	1,000	1	800	800					
Design	1	3,157	3,157	1	1,090	1,090					
TOTAL	4	1,289	5,157	4	635	2,540					
Justification:											
<p>Justification:</p> <p>An Enterprise Resource Planning (ERP) software system is required to reduce the number of software applications and systems currently in use thus reducing the overall cost of operation and ownership. SPAWAR Systems Center, San Diego (SSC-SD) has been tasked by the Revolution in Business Affairs Commercial Business Practices Executive Steering Group to perform the Warfare Center Management Business Case Study for feasibility of implementing best business practices for Navy Working Capital Fund (NWCF) activities. The intent is to implement the program at SSC-SD and eventually in all NWCF activities as implementation cost/savings warrant. The effort will address the full set of NWCF business processes and result in the elimination of a significant number of legacy business applications. Completion of these capabilities will be critical to completion of the overall ERP capability for NWCF.</p> <p>FY 2004: Cost in FY2004 Cabrillo addresses completing planned system capability in the purchasing business processes, including Contract Structure, Goods Receipts & Acceptance, and Invoice Management capability for Enterprise Buyer Professional (EBP). Deficiencies will be documented and corrected to complete the system as defined in the Business Case Analysis. The FY04 CPP authority is solely for the purpose of completing and documenting the system as originally planned, exclusive of new capability.</p>											

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FY2005 President's Budget Submission February 2004					
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)				C. L0006 - Miscellaneous Minor Construction >\$500 and <\$750				D. SSC's	
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Design	3	666	1,998	6	639	3,832	4	625	2,498
Construction									
Site Preparation									
TOTAL	3	666	1,998	6	639	3,832	4	625	2,498
Justification:									
<p>Justification:</p> <p>Minor Construction is used by the SPAWAR System Centers (SSC's) to replace obsolete facilities and increase productivity. The centers are located in sites throughout the nation with millions of square feet of laboratory and office space.</p> <p>Minor construction is used at the SSC's to:</p> <ul style="list-style-type: none"> - modify existing spaces to provide suitable space to test and design new equipment (often in a protected environment) for the forces afloat - construct new facilities to provide suitable space to test and design new equipment, frequently in physically secure areas - improve existing security measures and provide increased security through new initiatives - reduce operating expense by building or improving government owned space so that leased space and high maintenance spaces may be vacated and energy conservation can be achieved - replace aging structures for which repairs are no longer feasible or cost effective - modify existing spaces to bring facilities up to current building, safety and environmental code 									

ACTIVITY GROUP CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)				A. FY2005 President's Budget Submission February 2004					
B. Navy / Research and Development / Space and Naval Warfare Systems Centers (SSC's)			C. L0007 - Miscellaneous Minor Construction >\$100 and <\$500			D. SSC's			
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost	Quant	Unit Cost	Total Cost
Design	6	286	1,717				2	325	650
Construction									
Site Preparation									
TOTAL	6	286	1,717				2	325	650
Justification:									
<p>Justification:</p> <p>Minor Construction is used by the SPAWAR System Centers (SSC's) to replace obsolete facilities and increase productivity. The centers are located in sites throughout the nation with millions of square feet of laboratory and office space.</p> <p>Minor construction is used at the SSC's to:</p> <ul style="list-style-type: none"> - modify existing spaces to provide suitable space to test and design new equipment (often in a protected environment) for the forces afloat - construct new facilities to provide suitable space to test and design new equipment, frequently in physically secure areas - reduce operating expense by building or improving government owned space so that leased space and high maintenance spaces may be vacated and energy conservation can be achieved - replace aging structures for which repairs are no longer feasible or cost effective - modify existing spaces to bring facilities up to current building, safety and environmental code 									

**CAPITAL BUDGET EXECUTION
BSO: SPAWAR
ACTIVITY GROUP: SPAWAR SYSTEMS CENTER
FY2005 PRESIDENT'S BUDGET
PROJECTS IN THE FY 2004 PRESIDENT'S BUDGET**

	Project	Reprogs	Proj Cost	Proj Cost	Deficiency	Explanation
Equip. (Non-ADPE)	0.350	0.000	0.350	0.350	0.000	
Equip. (ADPE)	2.016	(0.100)	1.916	1.916	0.000	
Software Development	2.540	0.000	2.540	2.540	0.000	
Minor Construction	3.747	0.085	3.832	3.832	0.000	
Total FY04	8.653	(0.015)	8.638	8.638	0.000	
Non-ADP Equipment	0.350	0.000	0.350	0.350	0.000	
ADPE and telecommunications resources	2.016	(0.100)	1.916	1.916	0.000	
Miscellaneous ADPE	2.016	(0.100)	1.916	1.916	0.000	Price reduction
Software Development >= \$.100M	2.540	0.000	2.540	2.540	0.000	
Enterprise Resource Planning	2.540	0.000	2.540	2.540	0.000	
Miscellaneous Software Development	0.000	0.000	0.000	0.000	0.000	
Minor Construction (>= \$.100M and < \$.750M)	3.747	0.085	3.832	3.832	0.000	
Miscellaneous Minor Conststuction	3.747	0.085	3.832	3.832	0.000	Price increase

Naval Research Laboratory

**NAVY WORKING CAPITAL FUND NARRATIVE
DEPARTMENT OF THE NAVY
RESEARCH AND DEVELOPMENT/NAVAL RESEARCH LABORATORY
FY 2005 PRESIDENT'S BUDGET SUBMISSION**

Activity Group Function

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

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

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

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

- d. Space and space systems technology development and support.

Activity Group Composition

In addition to its Washington, D.C. campus of about 131 acres and 100 main buildings, NRL maintains 14 other research sites, including a vessel for fire research and a Flight Support Detachment. The many diverse scientific and technological research and support facilities include the large facility located at the Stennis Space Center in Bay St. Louis, Mississippi; a facility at the Naval Support Activity, Monterey Bay Monterey, California; the Chesapeake Bay Detachment in Maryland; and additional sites located in Maryland, Virginia, Alabama, and Florida.

The Flight Support Detachment, located aboard the Patuxent River Naval Air Station in Lexington Park, Maryland, operates and maintains five uniquely configured P-3 Orion turboprop aircraft as airborne research platforms for worldwide scientific research operations.

The Chesapeake Bay Detachment occupies a 157-acre site near Chesapeake Beach, Maryland, and provides facilities and support services for research in radar, electronic warfare, optical devices, materials, communications, and fire research. Because of its location high above the Chesapeake Bay on the western shore, unique experiments can be performed in conjunction with the Tilghman Island site 16 km across the bay.

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

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

	(Dollars in Millions)		
Accumulated Operating Results	FY 2003	FY 2004	FY 2005
Revenue	576.1	595.2	597.9
Cost of Goods Sold	<u>570.9</u>	<u>594.7</u>	<u>608.0</u>
Net Operating Results	5.2	.5	-10.1
CPP Surcharges	-4.4	-4.3	-3.8
Extraordinary Expense	1.1	0.0	0.0
Previous Year AOR Balance	<u>15.8</u>	<u>17.7</u>	<u>13.9</u>
Accumulated Operating Results	<u>17.7</u>	<u>13.9</u>	<u>0</u>

The favorable Accumulated Operating Results (AOR) reflect additional economies and efficiencies effected throughout NRL. The FY 2005 rate is established to achieve an end-of-year AOR of zero in FY 2005.

	(Dollars in Millions)		
Funding	FY 2003	FY 2004	FY 2005
Reimbursable Orders	607.7	589.8	589.4

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

	(Dollars in Millions)		
Cost	FY 2003	FY 2004	FY 2005
Direct Costs	443.7	459.7	469.4
Indirect Costs	<u>127.3</u>	<u>135.1</u>	<u>138.6</u>
Total Costs	<u>571.0</u>	<u>594.7</u>	<u>608.0</u>

Direct and indirect costs are relatively steady throughout the budget years.

	(Dollars in Millions)		
Capital Purchase Program (CPP)	FY 2003	FY 2004	FY 2005
Equipment-Non ADPE/TELECOM	12.2	13.2	13.1
ADPE/Telecommunications/Equipment/ Software	3.1	2.2	2.4
Software Development	0.0	0.0	0.0
Minor Construction	<u>2.0</u>	<u>1.9</u>	<u>1.8</u>
TOTAL	<u>17.3</u>	<u>17.3</u>	<u>17.3</u>

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

Civilian Personnel

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
FTE	2,564	2,511	2,511
End-Strength	2,664	2,618	2,618

Civilian strength levels, measured by both end strength and full-time equivalents, reflect a steady workforce. Effective FY 2004, G&A end strength and FTE decline, the impact of the transfer of responsibility for facility support to the Commander, Naval Installation (CNI) (45 ES/FTE) and other various initiatives.

Military Personnel

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

Workload, Direct Labor Hours

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Current Submission	3,066,058	3,094,701	3,080,693

A conservative and steady workforce profile is projected for FY 2003, FY 2004 and FY 2005 given the relatively consistent customer funding plans. CNI will assume responsibility for Force Protection Services to NRL tenants effective FY2004, reducing direct labor hours by 18,300.

Customer Rate Changes

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Stabilized Customer Rate	\$101.43	\$102.08	\$105.41
Stabilized Rate Change		+0.64%	+3.26%
Composite Customer Rate Change		+1.06%	+2.29%

The Stabilized Customer Billing Rate consists of direct labor and applied overhead. Unique direct non-labor costs are billed on a reimbursable basis to the benefiting/requiring customer. The Composite Customer Rate Change incorporates both the stabilized costs and the reimbursable costs. The FY 2005 rate change reflects an increase from the previous year mostly due to inflation, net of overhead savings.

Performance Indicators**Unit Cost**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Current Submission	\$100.09	\$103.65	\$106.42

The primary performance indicator is unit cost. The Unit Cost is a measurement of total direct labor and overhead costs per direct labor hour. The change in unit cost for FY 2003, FY 2004, and FY 2005 primarily reflects increases for annual inflation/price changes from year to year offset by overhead savings. Other performance indicators are direct labor hours and NOR performance, discussed above.

Cash**Net Outlays**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Disbursements	586.5	600.1	613.2
Collections	577.1	585.3	594.0
Net Outlays	9.4	14.8	19.2

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

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	558.8	577.9	580.6
Surcharges	4.4	4.3	3.8
Depreciation excluding Major Construction	12.9	13.0	13.5
Other Income			
Total Income	576.1	595.2	597.9
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	3.6	3.4	3.4
Civilian Personnel	250.3	255.8	260.6
Travel and Transportation of Personnel	8.9	8.6	8.7
Material & Supplies (Internal Operations	30.4	38.1	38.6
Equipment	20.0	22.2	22.5
Other Purchases from NWCF	10.2	14.0	14.7
Transportation of Things	1.1	1.3	1.3
Depreciation - Capital	12.9	13.0	13.5
Printing and Reproduction	.3	.4	.4
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	16.9	18.3	18.5
Other Purchased Services	216.4	219.6	225.7
Total Expenses	571.0	594.7	608.0
Work in Process Adjustment	-.1	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	570.9	594.7	608.0
Operating Result	5.2	.5	-10.1
Less Surcharges	-4.4	-4.3	-3.8
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	1.1	.0	.0
Net Operating Result	1.9	-3.8	-13.9
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	17.7	13.9	.0

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

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	608	590	589
a. Orders from DoD Components	500	491	490
Department of the Navy	348	340	338
O & M, Navy	23	8	8
O & M, Marine Corps	0	0	0
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	1	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	1	1	1
Other Procurement, Navy	2	1	1
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	321	329	328
Military Construction, Navy	0	0	0
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	4	4	4
Army Operation & Maintenance	1	1	1
Army Res, Dev, Test, Eval	3	3	3
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	66	63	64
Air Force Operation & Maintenance	1	1	1
Air Force Res, Dev, Test, Eval	38	37	37
Air Force Procurement	24	25	25
Air Force Other	2	0	0
DOD Appropriation Accounts	83	84	84
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	1	0	0
Res, Dev, Test & Eval Accounts	73	79	79
Procurement Accounts	9	5	5
Defense Emergency Relief Fund	0	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	10	14	14
c. Total DoD	510	505	504
d. Other Orders	97	85	85
Other Federal Agencies	89	78	78
Foreign Military Sales	1	1	1
Non Federal Agencies	7	6	6
2. Carry-In Orders	152	183	178
3. Total Gross Orders	759	773	767
a. Funded Carry-Over before Exclusions	183	178	169
b. Total Gross Sales	576	595	598
4. End of Year Work-In-Process (-)	-1	-1	-1
5. Non-DoD, BRAC, FMS (-)	-41	-39	-38
6. Net Funded Carryover	141	137	130

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

Changes in the Cost of Operation
Activity Group: Research & Development
Sub-Activity Group: Naval Research Laboratory
FY 2005 President's Budget Submission
Date: February 2004
(Dollars in Millions)

	Expenses -----
FY 2003 Actual:	571.0
FY 2004 Estimate in FY 2004 President's Budget:	592.4
Pricing Adjustments:	
Civilian Personnel	6.6
General Purchase Inflation	-0.6
Program Changes:	
Reduced Direct Reimbursable Workload and Cost	-2.6
Other Changes	-1.1
FY 2004 Current Estimate:	594.7
Pricing Adjustments:	
FY 2005 Pay Raise	
Civilian Personnel	3.1
Annualization of Prior Year Pay Raise	2.8
One Less Paid Day	-1.0
General Purchase Inflation	4.3
Program Changes:	
Additional Direct Reimbursable Workload and Cost	3.2
Revised Military Work Years	-0.1
Additional Depreciation Cost	0.5
DFAS Rate Increase	0.1
Other	0.4
FY 2005 Current Estimate:	608.0

Activity Group: Research & Development
Sub Activity Group: Naval Research Laboratory
Date: February 2004
(Dollars in Millions)

Line No.	Item Description	FY 2003		FY 2004		FY 2005	
		Quant	Total Cost	Quant	Total Cost	Quant	Total Cost
1001	Total Non-ADP Equipment (>\$1M)	0	0.000	1	1.350	1	1.900
2001	Total Non-ADP Equipment (\$500K-\$999K)	3	2.292	7	5.321	5	3.485
3001	Total Non-ADP Equipment (<\$500K)	44	9.881	24	6.536	30	7.695
4001	Total ADP Equipment (>\$1M)	0	0.000	0	0.000	0	0.000
5001	Total ADP Equipment (\$500K-\$999K)	1	0.600	0	0.000	0	0.000
6001	Total ADP Equipment (<\$500K)	12	2.472	8	2.243	9	2.370
7001	Total Software Development	0	0.000	0	0.000	0	0.000
8001	Total Minor Construction (\$500K <\$1M)	2	1.354	2	1.250	3	1.850
9001	Total Minor Construction (<\$500K)	2	0.691	2	0.600	0	0.000
	TOTAL CAPITAL PURCHASE PROGRAM	64	17.290	44	17.300	48	17.300
	Total Capital Outlays		16.114		17.299		17.464
	Total Depreciation Expense		12.935		13.000		13.500

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET							
B. Component/Activity Group/Date			C. Line No. & Item Description				D. Activity Identification							
Department of the Navy Research and Development February 2004			1001. Focused Ion Beam Workstation				Naval Research Laboratory Washington, DC 20375							
			FY 2003		FY 2004		FY 2005							
Element of Cost			Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Non-ADP Equipment (≥\$1M)						1	1,350	1,350						
<p>Narrative Justification: This capital equipment purchase is to be located in the new Nanoscience Institute Building scheduled for completion in FY 2003. The Institute was established to enable NRL to address the scientific opportunities at the nanometer (10⁻⁹ meter) scale. This is an essential new tool for the Institute since it will provide the ability to carryout nanomachining processes at a resolution of 7nm. The nanomachining process is essential for the following tasks:</p> <ol style="list-style-type: none"> 1) Fabrication of planar electronic circuit elements. One of the central tasks of the new Institute is to fabricate prototype electronic devices with features <10 nm dimension. Since these are research devices, common mass production lithographic techniques and processing techniques are not suitable. This instrument permits one-of-a-kind prototype fabrication entirely under the control of the research scientist at very low cost. 2) Preparation of cross-sectional samples for high-resolution transmission electron microscopy. In FY 2001, the Institute purchased the highest resolution transmission electron microscope (TEM) currently available, to study nanoscale features in new materials. All samples for the new \$1.35M microscope will require this new ion beam workstation for cross-sectioning preparation in order to be sufficiently thin for electron transmission. There is no other equipment that can perform this task successfully in a cost-effective manner. 3) Nanomachining of etchant resistant materials (e.g. diamond) for nanomechanical electromechanical systems (NEMS). Nanomechanical electromechanical systems technology is a major theme of the new Institute. Its goal is to develop electrically driven machines at the atomic level. This machine must be fabricated from extremely strong, extremely hard materials, such as diamond. There is no other technique available to carry out this fabrication on these materials. <p>This tool cannot be replaced by any other and will be available for use 24 hours per day, 7 days per week to all authorized NRL personnel. The only alternatives are to abandon the mission's objectives, since the workstation will be employed as an integral component of the research and cannot be contracted out to commercial providers. Travel by NRL to another site would be cost prohibitive and would unacceptably impede the Institute's research programs, since its use is expected to be near capacity.</p>														

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET							
B. Component/Activity Group/Date			C. Line No. & Item Description				D. Activity Identification							
Department of the Navy Research and Development February 2004			1001. Near Field Antenna Test Facility				Naval Research Laboratory Washington, DC 20375							
			FY 2003		FY 2004			FY 2005						
Element of Cost			Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Non-ADP Equipment (≥\$1M)									1	1,900	1,900			
<p>Narrative Justification: To procure and install a test system consisting of a 23' by 22' vertical planar scanner used for testing medium and high gain antennas (>15 dBi) with apertures less than 22 feet, making it suitable for testing larger arrays or reflector antennas in the frequency range of 2 to 100 GHz. Antenna patterns are measured in the near field of the antenna and converted mathematically to the far field for analysis and use. This system makes side lobe measurements that are 50 dB below the main beam peak with sub-milliradian pointing accuracies possible while increasing throughput, providing improved antenna diagnostics, and lowering cost. This system is inherently more accurate for high-gain antennas and makes indoor testing of a WindSat-type antenna possible. More advanced test systems are required as the performance requirements of modern antenna systems, such as WindSat, increase. Today, it is possible to test WindSat-type antenna systems indoors using an innovative test system called the Near Field Test Range. With the Antenna Test Facility described above, NRL will be able to test the advanced, high performance antenna systems that will be required to meet the system requirements of both near-term and long-term program developments for DOD and other government and commercial applications. Other existing NRL facilities such as anechoic chambers, compact ranges and smaller scanners will not meet these test requirements. The need for sophisticated, high-performance antennas is increasing as spacecraft, aircraft, ship, and ground vehicle mission requirements become more sophisticated. Utilizing the Near Field Range, NRL will have the in-house capability to accommodate numerous multi-use classified and non-classified projects supported by ONR, NRO, NSA, NPOESS IPO, Navy SYSCOMS and the Marine Corps. Future utilization of this facility will be continuous as there are multiple divisions at NRL that develop or utilize antennas as primary elements of their systems. Providing NRL with this capability will have substantial future benefits, both technical and monetary. An in-house capability will provide a controlled environment to accommodate on-going and future programs throughout NRL with appropriate security, availability, and without the risk and huge cost associated with off-site testing. This capability would also eliminate the need to create a special test site at even greater expense.</p>														

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET							
B. Component/Activity Group/Date			C. Line No. & Item Description				D. Activity Identification							
Department of the Navy Research and Development February 2004			2001. Total Non-ADP (≥\$500K<\$1M)				Naval Research Laboratory Washington, DC 20375							
			FY 2003			FY 2004			FY 2005					
Element of Cost		Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	
Total Non-ADP (≥\$500K<\$1M)		3		2,292	7		5,321	5		3,485				
Narrative Justification:														
<u>FY 2003</u> Lithographic Fabrication Clean Room Zones \$941,454 Vibration Shaker & Amplifier Replacement \$820,850 Real Time Ocean Environmental Measurement System \$529,800 <u>FY 2004</u> UAV Payload Test Bed \$975,000 Long-Range Current Measurement System \$571,000 X-Band Reflector and Dual S/X Band Feed \$500,000 Spacecraft Subsystem Design & Test Instrumentation Upgrade \$750,000 Enhanced Surface Characterization Nanoscience Facility \$800,000 43 Gigabit/Sec Transmission Analyzer \$850,000 SiC CVD Reactor \$875,000 <u>FY 2005</u> Directed Energy Effects Test Facility \$600,000 X-Band Satellite Receiving System \$510,000 Composite Fabrication & Rapid Prototyping \$750,000 Littoral Environment Acoustic Data & Echo-Repeater System \$775,000 Mobil Atmospheric Aerosol & Radiation Characterization Observatory \$850,000														

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET						
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification						
Department of the Navy Research and Development February 2004		3001. Total Non-ADP (<\$500K)					Naval Research Laboratory Washington, DC 20375						
		FY 2003			FY 2004			FY 2005					
Element of Cost		Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Total Non-ADP (<\$500K)		44		9,881	24		6,536	30		7,695			
Narrative Justification: No narrative required.													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET						
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification						
Department of the Navy Research and Development February 2004		6001. Total ADP (<\$500K)					Naval Research Laboratory Washington, DC 20375						
		FY 2003			FY 2004			FY 2005					
Element of Cost		Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Total ADP (<\$500K)		12		2,472	8		2,243	9		2,370			
Narrative Justification: No narrative required.													

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET					
B. Component/Activity Group/Date			C. Line No. & Item Description				D. Activity Identification					
Department of the Navy Research and Development February 2004			8001. Total Minor Construction (≥\$500K<\$1M)				Naval Research Laboratory Washington, DC 20375					
			FY 2003		FY 2004			FY 2005				
Element of Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost
Total Minor Construction (≥\$500K<\$1M)	2		1,354	2		1,250	3		1,850			
Narrative Justification:												
<u>FY 2003</u> Renovate Light Tunnel, Bldg A59 \$644,089 Addition Building 209 \$709,700 <u>FY 2004</u> Communications Distribution Modernization \$500,000 Optical Physics Facility Modification \$750,000 <u>FY 2005</u> C41 Facility \$550,000 Midway Research Center Perimeter Fence \$600,000 Chemistry Facility Modernization \$700,000												

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET						
B. Component/Activity Group/Date		C. Line No. & Item Description					D. Activity Identification						
Department of the Navy Research and Development February 2004		9001. Total Minor Construction (<\$500K)					Naval Research Laboratory Washington, DC 20375						
		FY 2003			FY 2004			FY 2005					
Element of Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	Quan	Unit Cost	Total Cost	
Total Minor Construction (<\$500K)	2		691	2		600							
Narrative Justification: No narrative required.													

CAPITAL BUDGET EXECUTION
Department of the Navy - Navy Working Capital Fund
Activity Group: RESEARCH AND DEVELOPMENT/Sub Activity Group: NAVAL RESEARCH LABORATORY
FY 2004

FY 2005 President's Budget
February 2004

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>(Dollars in Millions)</u>		<u>Asset/ Explanation/</u>	
			<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Deficiency</u>	<u>Reason for Change</u>
	Equipment except ADPE and TELECOM					
2004	Equipment except ADPE and TELECOM (= \$500K <\$1M)	3.346	1.975	5.321	-3.346	1/
2004	Equipment except ADPE and TELECOM (<\$500K)	-2.629	9.165	6.536	2.629	1/
2004	Focused Ion Beam Work Station (≥ \$1M)	0.000	1.350	1.350	0.000	
	Total Equipment except ADPE and TELECOM	0.717	12.490	13.207	-0.717	
	Equipment - ADPE and TELECOM					
2004	Equipment - ADPE (= \$500K <\$1M)		0.000	0.000		
2004	Equipment - ADPE (<\$500K)	-0.717	2.960	2.243	0.717	1/
	Total Equipment - ADPE and TELECOM	-0.717	2.960	2.243	0.717	
	Software Development					
2004	Software Development (<\$500K)		0.000	0.000		
	Total - Software Development		0.000	0.000		
	Minor Construction					
2004	Minor Construction (= \$500K <\$1M)	-0.075	1.325	1.250	0.075	2/
2004	Minor Construction (<\$500K)	0.075	0.525	0.600	-0.075	2/
	Total - Minor Construction	0.000	1.850	1.850	0.000	
	Total FY 2004 Capital Purchase Program	0.000	17.300	17.300	0.000	

1/ Cancelled multiple projects to fund higher priorities.
2/ Pricing changes.

Military Sealift Command

FY 2005 PRESIDENT'S BUDGET
 Navy Working Capital Fund
 Military Sealift Command

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

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

1. **Naval Fleet Auxiliary Force (NFAF):** Provides support utilizing civilian mariner (CIVMARS) manned non-combatant ships for material support and contracted Harbor Tugs.
2. **Special Mission Ships (SMS):** Provides unique seagoing platforms.
3. **Afloat Positioning Force - Navy (APF-N):** Deploys advance materiel for strategic lifts.

ANALYSIS OF COST OF OPERATIONS (statistical):

FY 2004 reflects decrease of \$66.9 million. This is primarily due to deactivations of various T-AGOS ships.

FY 2005 increase of \$246.8 million is due mainly to changes in Maritime Prepositioning Ships (MPS) Capital Hire, delivery of the T-AKE 1, annualization of USNS Bridge costs, and wage parity for CIVMARS. Costs also are impacted by the reactivation of the USNS Humphreys, and change in operating status for the USNS Kaiser, USNS Kilauea, and USNS Santa Barbara.

Table One: COST (\$ in millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
DIRECT COST	1,634.1	1,547.9	1,777.3
COST OF G&A	154.1	173.4	190.8
TOTAL COST	1,788.2	1,721.3	1,968.1

FY 2005 PRESIDENT'S BUDGET
Navy Working Capital Fund
Military Sealift Command

REVENUE ANALYSIS: FY 2004 revenue reflects changes in the operating status for the USNS Kilauea, decreases for the Medical Treatment Facility, and adjustments to afloat force protection reimbursables. FY 2005 revenue increase required to cover cost increases described above and attain a zero AOR.

Table Two: REVENUE (\$ in millions)

	FY 2003	FY 2004	FY 2005
REVENUE	1,844.1	1,725.5	1,939.4

ANALYSIS OF AOR/NOR: The FY 2003 estimate contained in the FY 2004 President's Budget reflected a gain of \$9.3 million vice actual gain of \$55.8 million. The FY 2004 estimate contained in the FY 2004 President's Budget reflected a gain of \$22.1 million vice the current estimate gain of \$4.2 million. The FY 2005 rates were computed to result in a zero AOR.

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

	FY 2003	FY 2004	FY 2005
BEGINNING AOR	-31.3	24.5	28.7
REFUND	0.0	0.0	0.0
NET OP RESULTS	55.8	4.2	-28.7
PASSTHROUGH	0.0	0.0	0.0
ENDING AOR	24.5	28.7	0.0

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

Table Four: UNIT COST

	FY 2003	FY 2004	FY 2005
NFAF	33,686	37,349	41,107
SMS	21,648	22,976	24,433
APF-N	73,445	73,706	82,208

WORKLOAD INDICATORS: The NFAF program decreases are due mainly to a reduction in tug support requirements; FY 2005 increases reflect delivery of the T-AKE 1, the reactivation of the USNS Humphreys, and the change in operating status for the USNS Kaiser, USNS Kilauea, and USNS Santa Barbara. Decrease in SMS program between FY 2003 and FY 2004 is due to deactivations within the T-AGOS program. APF-N

FY 2005 PRESIDENT'S BUDGET
Navy Working Capital Fund
Military Sealift Command

workload is stable for FY 2004 and FY 2005. Increase in FY 2003 is the result of Operation Iraqi Freedom (OIF) requirements.

Table Five - WORKLOAD (Per Diem Ship Days)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
NFAF	24,179	23,912	24,957
SMS	8,957	8,052	8,030
APF-N	7,396	6,222	6,205

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

CUSTOMER RATE PERCENTAGE CHANGES: FY 2004 to FY 2005 rate changes reflect increases in ship maintenance and repair (e.g., number of overhauls) and increased operational requirements (e.g., associated fuel and CIVMARS costs).

Table Six - CUSTOMER RATE CHANGES

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
NFAF	12.8%	1.7%	5.0%
SMS	6.0%	-6.1%	11.2%
APF-N	2.9%	-4.2%	10.0%

MANPOWER TRENDS: *Afloat:* Major change reflects addition of T-AOE 6 class vessels and T-AKE 1 and the turnover of various SMS ships to contractor operations. *Ashore:* Growth is attributable to force protection efforts; engineering support; contracting and CIVMAR support personnel.

Table Seven: Manpower by Major Program

End strength	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
NFAF	3,962	4,265	4,416
SMS	66	66	72
APF-N	4	4	4
Overhead	860	965	980
Total	4,892	5,300	5,472

FY 2005 PRESIDENT'S BUDGET
Navy Working Capital Fund
Military Sealift Command

ANALYSIS OF FINANCIAL CONDITIONS: FY 2004 to FY 2005 changes in Revenue and Expense reflect increased reimbursable workload (e.g., force protection) and operating requirements. The latter reflects delivery of the T-AKE 1 (USNS Lewis & Clark); the USNS Bridge operating for a full year; the reactivation of USNS Humphreys; and changes in operating status for the USNS Sirius, USNS Kaiser, USNS Kilauea, and USNS Santa Barbara. Also, increased overhauls due to higher OPTEMPO and, increased CIVMAR costs due to wage parity (merger of east and west coast unions representing unlicensed civilian mariners).

Table Eight: Financial Condition (\$000)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
REVENUE	1,844.1	1,725.5	1,939.4
EXPENSE	1,788.3	1,721.3	1,968.1
NOR	55.8	4.2	-28.7
REFUNDS	0.0	0.0	0.0
PASSTHROUGH	0.0	0.0	0.0
AOR	24.5	28.7	0.0

OVERHEAD TRENDS/ANALYSIS: These costs relate to MSC ashore personnel. Changes from FY 2004 to FY 2005 reflect the delay in moving COMSCLANT personnel in Norfolk (reducing FY 2004 and increasing FY 2005 costs).

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

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<u>End strength</u>			
Civilians	860	965	980
Military	197	198	192
Ashore Costs	154.1	173.4	190.8

Capital Purchase Program (CPP): Information Technology (IT/ADP) efforts represent the predominant share of CPP costs. These efforts include migration to a paperless environment; secure storage of engineering materials, ADPE for Shipboard local area networks (LANs) and systems development efforts.

Table Ten: CPP Costs (\$ in millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
<u>Capital Investment</u>			
ADPE Hardware	4.5	5.3	7.6
ADPE Software/Development	9.1	7.4	7.4
Minor Construction	0.0	0.4	0.2
Total	13.6	13.1	15.2

FY 2005 PRESIDENT'S BUDGET
Navy Working Capital Fund
Military Sealift Command

Cash - Collections and Disbursements:

Table Eleven: Cash - Collections & Disbursements (\$ in millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Disbursements	1,727.2	1,615.3	1,840.9
Collections	1,850.4	1,803.1	1,933.0
Net Outlays	-123.2	-187.8	-92.1

Performance Measures (Ship Availability): Measures actual days against planned days ships are available to perform the intended function. Ensures ships are available for the mission to which assigned. Ensures compensation is granted only for days that ships meet contractual requirements and ship availability does not adversely impact mission.

Table Twelve: Performance Measures (Ship Availability)

	<u>Goal</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Ship Availability	95%	100.0%	100.0%	100.0%

INDUSTRIAL BUDGET INFORMATION SYSTEM

REVENUE and EXPENSES

AMOUNT IN MILLIONS

COMSC / TOTAL

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	1,838.1	1,716.8	1,928.0
Surcharges	.0	.0	.0
Depreciation excluding Major Construction	6.0	8.7	11.5
Other Income			
Total Income	1,844.1	1,725.5	1,939.4
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	28.7	30.3	30.7
Civilian Personnel	424.2	453.6	489.9
Travel and Transportation of Personnel	23.7	17.9	22.7
Material & Supplies (Internal Operations	183.9	160.5	180.7
Equipment	76.7	83.3	46.1
Other Purchases from NWCF	27.6	27.6	29.5
Transportation of Things	.7	3.4	3.6
Depreciation - Capital	6.0	8.7	11.5
Printing and Reproduction	.6	.6	.6
Advisory and Assistance Services	2.0	2.6	2.6
Rent, Communication & Utilities	548.9	516.0	553.1
Other Purchased Services	465.2	417.0	597.1
Total Expenses	1,788.2	1,721.3	1,968.1
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	1,788.2	1,721.3	1,968.1
Operating Result	55.8	4.2	-28.7
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	55.8	4.2	-28.7
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	24.5	28.7	.0

Exhibit Fund-14

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

	FY 2003 CON	FY 2004 CON	FY 2005 CON
	-----	-----	-----
1. New Orders	1,967	1,725	1,939
a. Orders from DoD Components	1,956	1,720	1,933
Department of the Navy	1,799	1,687	1,899
O & M, Navy	1,294	1,100	1,311
O & M, Marine Corps	14	0	0
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	8	2
Other Procurement, Navy	83	78	52
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	0	0	0
Research, Dev., Test, & Eval., Navy	2	0	0
Military Construction, Navy	0	0	0
Other Navy Appropriations	406	502	534
Other Marine Corps Appropriations	0	0	0
Department of the Army	105	0	0
Army Operation & Maintenance	105	0	0
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	34	33	34
Air Force Operation & Maintenance	34	33	34
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	18	0	0
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	3	0	0
Res, Dev, Test & Eval Accounts	0	0	0
Procurement Accounts	0	0	0
Defense Emergency Relief Fund	15	0	0
DOD Other	0	0	0
b. Orders from other WCF Activity Groups	10	6	6
c. Total DoD	1,966	1,725	1,939
d. Other Orders	1	0	0
Other Federal Agencies	1	0	0
Foreign Military Sales	0	0	0
Non Federal Agencies	0	0	0
2. Carry-In Orders	35	158	158
3. Total Gross Orders	2,002	1,884	2,098
a. Funded Carry-Over before Exclusions	158	158	158
b. Total Gross Sales	1,844	1,725	1,939
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS, Inst. MRTFB (-)	-1	-1	-1
6. Net Funded Carryover	157	157	157

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

FY 2005 PRESIDENT'S BUDGET
 Changes in the Costs of Operation
 Military Sealift Command/Transportation
 (Dollars in Millions)
 February 2004

	<u>Total Expenses</u>
FY 2003 Estimate	1,788.2
FY 2004 Estimate in FY 2004 President's Budget:	1,701.1
Pricing Adjustments:	
a. General Purchase Inflation	-1.9
Program Changes (list) as appropriate	
Force Protection (FP) Reimbursables	20.9
CIVMAR Salaries	21.7
Increase in SMS Reimbursables - HSV	10.2
Operations Status Changes (SMS) & Deactivation of T-AGOS Class ships	-38.9
Operating Status Changes (NFAF)	7.1
Other Changes:	
a. General & Administrative	1.1
FY 2004 Current Estimate:	1,721.3

FY 2005 PRESIDENT'S BUDGET
 Changes in the Costs of Operation
 Military Sealift Command/Transportation
 (Dollars in Millions)
 February 2004

	<u>Total Expenses</u>
FY 2004 Current Estimate:	1,721.3
Pricing Adjustments:	
a. FY 2005 Pay Raise	
(1) Civilian Personnel	2.7
(2) Military Personnel	1.0
b. Annualization of Prior Year Pay Raises	
(1) Civilian Personnel	6.2
(2) Military Personnel	0.0
c. Fuel	3.7
d. Supplies	0.7
e. DLRs	12.7
f. General Purchase Inflation	0.0
Program Changes:	
Force Protection (FP) Reimbursables	2.2
CIVMAR Salaries	25.4
Increase in SMS M&R (Number of Overhauls)	4.0
SMS Charter Hire/Fuel	4.6
Capital Hire For APF-N	13.1
Economic Adjustment: APF-N	6.9
Increase in APF-N Operating Costs (Port/Fuel/Lease)	13.8
Increase in APF-N M&R (Re-Setting the Force)	17.4
Increase in NFAF M&R (Number of Overhauls)	28.0
Increase in NFAF Fuel: Burn Rates/Days	14.9
Operating Status Changes (NFAF)	74.4
Other Changes:	
a. Depreciation	2.8
b. General & Administrative	12.3
FY 2005 Estimate:	1,968.1

Business Area Capital Investment Summary

Component: Military Sealift Command

Business Area: Transportation

Date: February 2004

(\$ in Millions)

Line Number	Item Description	FY 2003		FY 2004		FY 2005	
		Qty	Total Cost	Qty	Total Cost	Qty	Total Cost
	<u>Equipment</u>						
	Replacement						
	Productivity						
	New Mission						
	Environmental Compliance						
	Sub-total	0	0.0	0	0.0	0	0.0
	<u>ADPE & Telecomm</u>						
	Computer Hardware (Production)						
C001	TDMS		0.4				
C002	LAN		4.1		5.3		7.1
	Computer Software (Operating)						0.5
	Telecommunications						
	Other Communications and						
	Telecommunications Support						
	Equipment						
	Sub-total	0	4.5	0	5.3	0	7.6
	<u>Software Development</u>						
	Systems		9.1		7.4		7.4
C003	TDMS		2.3		5.2		5.4
C004	APM		0.1				
C005	COTS Initiative		5.3		2.2		2.0
C006	COTS Initiative		1.4				
C007	Minor Construction		0.0		0.4		0.2
	Total	0	13.6	0	13.1	0	15.2
	<u>Related Information</u>						
	Outlays						
	ADPE		5.4		4.8		7.0
	Software		9.8		7.5		9.0
	Minor Construction		0.0		0.0		0.5
	Total		15.2		12.3		16.5
	Depreciation						
	ADPE		1.2		3.7		4.9
	Software		4.7		4.9		6.5
	Minor Construction		0.1		0.1		0.1
	Total		6.0		8.7		11.5

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION						A. Budget Submission FY 2005 PRESIDENT'S BUDGET					
B. Component/Business Area/Date			C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2004			C001		TDMS						
			FY 2003		FY 2004		FY 2005				
ELEMENTS OF COST			Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
ADPE				Varies	350						
Total			0		350	0		0	0		0
<i>Narrative Justification:</i>											
<p>TDMS equipment provides a secure physical archive and replaces the existing manual labor and intensive paper based system that has a high risk of loss of critical material due to age and handling. This funding is for the main TDMS system located at MSC HQ and the peripherals which are located at MSC Area Commands.</p>											

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION						A. Budget Submission FY 2005 PRESIDENT'S BUDGET					
B. Component/Business Area/Date			C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2004			C002		LAN						
			FY 2003		FY 2004		FY 2005				
ELEMENTS OF COST			Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
ADPE - Afloat				Varies	4,132		Varies	5,325		Varies	6,893
ADPE - Ashore											200
Software - Ashore											470
Total			0		4,132	0		5,325	0		7,563
Narrative Justification:											
<p>The above represents MSC requirements to implement unclassified and classified LANS at all ships, offices, area command, and headquarters world-wide. Equipment includes servers, routers, modem pools, printers, firewall, etc. Increases for FY 2004 and FY 2005 support the installation of Public Key Infrastructure (PKI,) to integrate with MSC Financial Management System (FMS,) replicate data shoreside, and facilitate web enablement in accordance with Task Force Web (TFW) directives.</p> <p>MSC requires equipment and software to maintain backup sites - i.e. Mission Continuity Plan (MCP.) The refresh requirements are not covered by NMCI or Base Level Infrastructure Implementation (BLII) plans.</p>											

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION						A. Budget Submission FY 2005 PRESIDENT'S BUDGET					
B. Component/Business Area/Date			C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2004			C003 Systems								
			FY 2003		FY 2004		FY 2005				
ELEMENTS OF COST			Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Software Development					2,300						
Information Systems								2,000			2,150
Procure to Pay Initiative								3,242			3,242
Total			0		2,300	0		5,242	0		5,392
Narrative Justification:											
<p><u>Development</u></p> <p>All systems operate on existing MSC or Defense Mega Center (DMC) computers. All funds are for system design, product integration, acceptance testing, implementation, and documentation.</p> <p>Various modules integrate existing worldwide procurement system with developing/deploying financial system; this ensures validation of accounting data at time of origination, and tracking of both procurement and funds control from obligation through payment.</p> <p>Includes funding required to implement DOD mandated travel system and integrate it with the Command financial management system as well as the paperless environment.</p> <p><u>Information Systems</u></p> <p>This will enable Web systems to operate all MSC Ashore and Afloat operations. Funding supports system design, product integration, acceptance testing implementation, and documentation.</p> <p><u>Procure to Pay Initiative</u></p> <p>This initiative will provide for cross functional requirements and continuing development of enhancement and upgrades to MSC business systems. Supports the introduction of additional modules required to provide a total automated procure to pay solution for MSC. It also will support the development of interfaces required with external systems - e.g. DOD wide implementation of the End -to-End procurement process.</p>											

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION						A. Budget Submission FY 2005 PRESIDENT'S BUDGET					
B. Component/Business Area/Date			C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2004			C004		TDMS						
			FY 2003		FY 2004		FY 2005				
ELEMENTS OF COST			Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Software Development				Varies	100						
Total			0		100	0		0	0		0
Narrative Justification:											
<p>The Technical Data and Management System (TDMS) provides access to technical information - e.g. drawings, manuals, test reports, etc - on line or electronically in CALS and industry compatibility. TDMS eventually will enable MSC to migrate a paperless environment of engineering documents.</p>											

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION						A. Budget Submission FY 2005 PRESIDENT'S BUDGET				
B. Component/Business Area/Date			C. Line No. & Item Description				D. Activity Identification			
Military Sealift Command/Transportation/ February 2004			C005 APMC							
			FY 2003		FY 2004		FY 2005			
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Development				5,300			2,200			2,000
Total		0		5,300	0		2,200	0		2,000
Narrative Justification:										
<p>MSC has consolidated its civmar personnel functions at the Afloat Personnel Management Center (APMC.) This funding will satisfy the requirement to migrate to a paperless environment - i.e. total automation of the AP process, automated workflow and documentation management utilizing Oracle Human Resource (HR) and Payroll. This implementation also will provide the ability to integrate with MSC's corporate data environment.</p> <p>Note: CIVMAR personnel functions are not handled by the DOD Modern Defense Civilian Payroll Data System (DCPDS.)</p>										

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION						A. Budget Submission FY 2005 PRESIDENT'S BUDGET					
B. Component/Business Area/Date			C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2004			C006 COTS Initiative/FMS								
			FY 2003		FY 2004		FY 2005				
ELEMENTS OF COST			Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Software Development				Varies	1,368						
Total			0		1,368	0		0	0		0
Narrative Justification:											
<p><u>Financial Management Systems (FMS)</u></p> <p>The above funding is required to meet the requirement of the CFO and has been addressed in various meetings with representatives from DFAS and the Department of the Navy. This requirement was generated as a result of the DODIG's review of MSC's financial practices in September 1997. Additionally, provides funding for the enhancement and upgrade of MSC Oracle based financial system.</p>											

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION

A. Budget Submission
FY 2005 PRESIDENT'S BUDGET

B. Component/Business Area/Date

Military Sealift Command/Transportation/ February 2004

C. Line No. & Item Description

COO7 Minor Construction

D. Activity Identification

ELEMENTS OF COST	FY 2003			FY 2004			FY 2005		
	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Minor Construction					Varies	375		Varies	151
Sitework								Varies	95
Paving/Surfacing/ Etc									
Electrical/ Material/Labor									
Total	0		0	0		375	0		246

Narrative Justification:

The above covers requirements associated with the move of MSC personnel in the Norfolk Area. Renovation of three buildings will allow MSCLANT to consolidate in the Tidewater area.

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (Dollars in Thousands)							A. Budget Submission FY 2005 PRESIDENT'S BUDGET					
B. Component/Business Area/Date				C. Line No. & Item Description				D. Activity Identification				
Military Sealift Command/Transportation/ February 2004												
	FY 2002			FY 2003			FY 2004			FY 2005		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Total	0		0	0		0	0		0	0		0
<i>Narrative Justification:</i>												

Component: Military Sealift Command
Activity Group: Transportation
FY 2005 PRESIDENT'S BUDGET
(\$ in Millions)

FY	Approved Projects	PB Amount	Reprogs	Approved Proj Cost	Current Proj Cost	Asset/ Deficiency	Explanation
04	Equipment except ADPE & Telcomm	\$0.0		\$0.0	\$0.0	\$0.0	
	ADPE & Telecomm						
	APM	\$0.0		\$0.0	\$0.0	\$0.0	
	TDMS	\$0.0		\$0.0	\$0.0	\$0.0	
	LAN	\$5.7	-\$0.4	\$5.3	\$5.3	\$0.0	Emergent requirement for move of MSC personnel in Norfolk
	Software Development						
	TDMS/Systems/Lan	\$7.4		\$7.4	\$7.4	\$0.0	
	Minor Construction	\$0.0	\$0.4	\$0.4	\$0.4	\$0.0	Emergent requirement for move of MSC personnel in Norfolk
	TOTAL FY 2004	\$13.1	\$0.0	\$13.1	\$13.1	\$0.0	

Public Works Centers

Fiscal Year (FY) 2005 Budget Estimates
Navy Working Capital Fund
Base Support/Navy Public Works Centers
February 2004

ACTIVITY GROUP FUNCTION: The mission of the Public Works Centers (PWCs) is to provide clients with quality public works support and services to meet their diverse needs, thereby becoming the client's provider of choice.

The Navy Public Works Centers provide utilities services, facilities maintenance, transportation support, engineering services, environmental services, and shore facilities planning support required by afloat and ashore operating forces and other activities.

The Public Works Centers provide base support to military, Federal, state and local activities located within eight regional areas. Currently, PWCs provide support and services to Navy, Marine Corps, Army, Air Force, DoD, Coast Guard, National Aeronautics and Space Administration, and other Federal and non-Federal activities.

Public Works Centers have a unique Command and Control structure. They operate under the command of the Regional Commander who serves as Immediate Superior in Command (ISIC), and also under the technical and financial direction of the Naval Facilities Engineering Command as management command.

ACTIVITY GROUP COMPOSITION:

<u>ACTIVITY</u>	<u>LOCATION</u>
PWC Great Lakes	Great Lakes, Illinois
PWC Guam	Agana, Guam, Marianas Islands
PWC Jacksonville	Jacksonville, Florida
PWC Norfolk	Norfolk, Virginia
PWC Pearl Harbor	Pearl Harbor, Hawaii
PWC San Diego	San Diego, California
PWC Washington	Washington, D.C.
PWC Japan	Yokosuka, Japan

**TABLE ONE - Financial Profile
(\$M)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue	1,484.9	1,655.0	1,675.4
Cost of Goods Sold	1,480.8	1,637.4	1,672.8
Net Operating Results	4.0	17.7	2.6
Accum. Operating Results	-20.2	-2.6	0.0

FY 2003 was a challenging year for the Public Works Centers to continue to provide best value and high quality products and services to the Fleets and ashore-based naval activities. Challenges faced by the centers included: (1) Super Typhoon Pongsona struck Guam with sustained winds of 150 mph with gusts over 180 mph in December 2002. The 18 hour duration that Pongsona remained over the island resulted in extensive damage to PWC Guam facilities and utilities. (2) Multiple centers experienced a reduction in utilities sales as a result of increased ship deployments in conjunction with Operation Iraqi Freedom. (3) PWC Pensacola began implementing the new Commercial Activities contract 1 July 2002, which outsourced recurring-work, emergency/service, utilities and equipment rental.

**CASH POSITION
(\$M)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2004</u>
Collections	1,567.0	1,602.4	1,672.1
Disbursements	1,540.4	1,610.6	1,697.1
Net Cash	26.6	(8.2)	(25.1)

TABLE TWO - Workload

UTILITY SERVICES	MEASURE	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
ELECTRICITY	MWH	4,171,299	4,153,756	4,559,165
POTABLE WATER	KGAL	21,827,596	20,279,662	21,937,378
SALT WATER	KGAL	6,819,489	7,205,688	8,155,627
STEAM	MBTU	7,338,336	6,874,571	8,134,706
SEWAGE	KGAL	12,657,715	12,670,090	14,154,168
NATURAL GAS	MBTU	1,547,508	1,426,632	1,435,639
COMPRESSED AIR	KCF	8,657,453	7,322,673	8,707,442

SANITATION SERVICES

REFUSE COLL & DISPOSAL	CUYD	1,855,007	1,845,388	1,810,160
PEST CONTROL	HOURS	49,174	46,981	43,007
HAZ WASTE I	GAL	181,615	221,165	227,105
HAZ WASTE II	LBS	11,234,945	10,389,395	9,294,182
INDUST WASTE	KGAL	50,577	76,944	79,031
ENVIRONMENTAL ENG	HOURL	225,198	198,211	175,117
ENVIRONMENTAL LAB	TEST	426,775	225,671	88,521

TRANSPORTATION SERVICES

EQUIP RENTAL	HOURS	26,811,575	26,651,692	25,454,240
VEHICLE OPS	HOURS	759,032	714,254	692,728

MAINTENANCE & REPAIR

SPECIFICS	JOBS	2,802	2,693	2,945
MINORS	ITEMS	15,803	13,870	15,584
EMERGENCY	CHITS	95,321	82,425	78,943
SERVICE	CHITS	186,805	194,619	227,386
RECURRING	ITEMS	148,485	137,591	136,751
VEHICLE MAINTENANCE	SRO	59,820	74,168	60,607
ENGINEERING SUPPORT		103,623	103,067	170,490

CHANGES FROM THE FY 2004 PRESIDENT'S BUDGET:

Effective 1 October 2003, Installation Claimant Consolidation Round II was implemented with the functional transfer of various shore installation support resources to Commander, Naval Installations and the establishment of PWC detachments at various Naval Air Warfare Center and Naval Surface Warfare Center locations.

Beginning in FY 2004, PWC Pensacola became a detachment of PWC Jacksonville. This initiative is designed to tailor the Public Works organization in Pensacola for maximum efficiency following A-76 competition and the transition of many functions to commercial sources.

In FY 2005, PWC Japan will fully integrate a Strategic Utilities Initiative that will encompass U.S. Navy owned utility systems and operations throughout Japan. This initiative will envelop all facility management capabilities within the region into a seamless service delivery system, centrally managed and executed locally.

COMMERCIAL ACTIVITY AND FUNCTIONAL ANALYSIS STUDIES:

The PWCs continue to strive for efficiencies to improve and streamline work processes. In doing so, the PWCs are still on track to complete a 100% review of all core direct functions, which include maintenance, transportation, utilities, environmental and engineering functions. The PWCs have identified over 8,400 positions for study under various efficiency and competition reviews. The PWCs continue to achieve their projected strategic sourcing savings goal.

RATE CHANGES/UNIT COST:

TABLE THREE - Rate Change Percentage

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
East Coast and Great Lakes:			
Utilities and Sanitation	-2.3	10.5	-5.0
Other services	5.2	-1.1	2.4
Composite	2.3	4.1	-0.9
West Coast and Pacific			
Utilities and Sanitation	4.3	-23.4	-1.3
Other services	3.3	1.7	0.8
Composite	3.9	-12.0	-0.4

TABLE FOUR - Unit Cost Dollars

	UNIT OF MEASURE	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
UTILITY SERVICES				
ELECTRICITY	MWH	97.84	94.07	94.77
POTABLE WATER	KGAL	3.44	3.52	3.58
SALT WATER	KGAL	0.81	0.74	.74
STEAM	MBTU	16.63	18.03	18.52
SEWAGE	KGAL	4.69	4.87	3.76
NATURAL GAS	MBTU	6.79	7.12	6.90
COMPRESSED AIR	KCF	1.48	1.59	1.49
SANITATION SERVICES				
REFUSE COLL & DISPOSAL	CUYD	7.01	6.84	6.92
PEST CONTROL	HOURS	37.97	41.21	45.76
HAZ WASTE I	GAL	11.39	9.45	9.24
HAZ WASTE II	LBS	0.96	0.98	1.13
INDUST WASTE	KGAL	117.33	112.07	113.36
ENVIROMENTAL ENG	HOURL	66.94	74.91	86.57
ENVIROMENTAL LAB	TEST	11.32	20.83	54.24
TRANSPORTATION SERVICES				
EQUIP RENTAL	HOURS	3.33	3.49	3.58
VEHICLE OPS	HOURS	39.00	42.78	44.73
MAINTENANCE & REPAIR				
SPECIFICS	JOBS	46,524.23	52,801.04	59,302.33
MINORS	ITEMS	4,447.58	4,926.86	4,510.23
EMERGENCY SERVICE	CHITS	194.93	244.39	253.48
RECURRING	CHITS	252.29	249.03	225.55
VEHICLE MAINTENANCE	ITEMS	1,014.44	872.94	871.33
ENGINEERING SUPPORT	SRO	116.46	98.54	126.01
		470.58	1,461.61	324.38

PERFORMANCE INDICATORS:

The primary performance indicator is unit cost for Navy Public Works Centers. Although unit cost as presented in Table Four above remains the primary efficiency measure, other key corporate performance measures include net operating results (as stated above), and timeliness, workforce safety and client satisfaction.

Timeliness indicators are most important in the area of maintenance of real property and are reported quarterly.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Emergency Work Response (hours)	4.0	4.0	4.0
Specific Work Client (percent)	100	100	100
Minor Work Turnaround (days)	30	30	30

Workforce Safety goal is for lost time accidents to decrease.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Reduction in Workforce Safety Incidents (percent)	3%	3%	3%

Client Satisfaction is measured using a standard client survey given annually using a five point scale.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Overall Client Satisfaction	4.0	4.0	4.0

CIVILIAN AND MILITARY PERSONNEL - PWC civilian manpower increased in FY2004 as a result, of the PWC Detachments transfer and decreases in FY2005 through reorganization, outsourcing, and workload reductions.

TABLE FIVE - Personnel

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Civilian End Strength	7,566	8,670	8,372
Civilian Work Years	7,500	8,660	8,373
Military End Strength	105	105	105
Military Work Years	105	105	105

**TABLE SIX - Capital Budget Authority
(\$M)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Equipment-Non ADPE/TELECOM >500K	2.5	3.2	3.7
Equipment-Non ADPE/TELECOM <500K	6.9	5.7	6.9
ADPE/TELECOM Equip.	.0	0	0
Software Development	3.3	3.1	.7
Minor Construction	<u>5.2</u>	<u>7.1</u>	<u>5.9</u>
Total	17.9	19.1	17.2

SUMMARY

The PWCs strive to be efficient, providing high quality products and services to the Fleets and ashore-based activities. Sound business practices are the core for decisions that promote innovation and continuous improvements of products and services.

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

(NIFRPT)

PAGE 1

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	1,468.8	1,634.5	1,655.0
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	16.1	20.5	20.3
Other Income			
Total Income	1,484.9	1,655.0	1,675.4
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	9.2	9.6	9.9
Civilian Personnel	469.0	559.7	548.8
Travel and Transportation of Personnel	5.8	4.7	4.6
Material & Supplies (Internal Operations	144.5	167.9	174.6
Equipment	24.6	25.9	29.6
Other Purchases from NWCF	10.2	8.9	8.8
Transportation of Things	.4	.5	.3
Depreciation - Capital	16.1	20.5	20.3
Printing and Reproduction	.6	1.2	1.4
Advisory and Assistance Services	2.1	5.6	3.0
Rent, Communication & Utilities	456.5	432.4	456.8
Other Purchased Services	329.5	400.5	414.6
Total Expenses	1,468.6	1,637.4	1,672.8
Work in Process Adjustment	12.2	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	1,480.8	1,637.4	1,672.8
Operating Result	4.0	17.7	2.6
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	4.0	17.7	2.6
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	-20.2	-2.6	.0

Exhibit Fund-14

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

(R_FUND11)

PAGE: 1

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	1,459	1,633	1,688
a. Orders from DoD Components	1,160	1,339	1,360
Department of the Navy	1,001	1,174	1,177
O & M, Navy	863	1,074	1,064
O & M, Marine Corps	46	34	35
O & M, Navy Reserve	3	7	6
O & M, Marine Corp Reserve	3	2	2
Aircraft Procurement, Navy	2	5	5
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	3	3	4
Other Procurement, Navy	3	4	4
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	73	42	54
Research, Dev., Test, & Eval., Navy	1	1	1
Military Construction, Navy	4	1	1
Other Navy Appropriations	0	0	0
Other Marine Corps Appropriations	0	0	0
Department of the Army	11	14	18
Army Operation & Maintenance	7	10	13
Army Res, Dev, Test, Eval	0	0	0
Army Procurement	0	0	0
Army Other	4	4	4
Department of the Air Force	31	23	26
Air Force Operation & Maintenance	30	17	20
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	1	6	6
DOD Appropriation Accounts	116	128	139
Base Closure & Realignment	0	0	0
Operation & Maintenance Accounts	50	67	73
Res, Dev, Test & Eval Accounts	6	7	5
Procurement Accounts	1	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	60	54	60
b. Orders from other WCF Activity Groups	214	222	232
c. Total DoD	1,374	1,561	1,591
d. Other Orders	84	71	97
Other Federal Agencies	13	8	9
Foreign Military Sales	0	0	0
Non Federal Agencies	71	63	88
2. Carry-In Orders	221	222	173
3. Total Gross Orders	1,680	1,855	1,861
a. Funded Carry-Over before Exclusions	222	173	186
b. Total Gross Sales	1,458	1,682	1,675
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS (-)	-4	-4	-4
6. Net Funded Carryover	203	181	194

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

**Fiscal Year (FY) 2005 Budget Estimates
Navy Working Capital Fund
Base Support/ PUBLIC WORKS CENTERS
February 2004
Changes in the Costs of Operations
(\$ in Millions)**

	<u>Expenses</u>
1. FY 2003 Actual	1480.80
2. FY 2004 Estimate in President's Budget (DBC 4900)	1453.30
3. Estimated Impact in FY2004 based on actual experience	
4. Pricing Adjustments	
Pay Raise:	
FY 2004 CIVPERS Pay Adjustment	5.70
Annualization of FY 2004 Pay Adjustment	4.80
Fuel	4.00
Material and Supplies	1.50
General Purchases	12.00
5. Productivity Initiatives and Other Efficiencies	
Strategic Sourcing savings	(26.70)
Decreases in MRP	(12.30)
Reduction in Natural Gas purchases	(3.80)
Other	(0.50)
6. Program Changes	
Impact of PWC Detachments establishment in conjunction with ICC II	199.40
7. FY 2004 Current Estimate:	1637.40
8. Pricing Adjustments:	
Pay Raise:	
FY 2005 CIVPERS Pay Adjustment	5.70
Annualization of FY 2005 Pay Adjustment	2.10
Fuel	2.30
Material and Supplies	1.80
General Purchases	8.20
9. Productivity Initiatives and Other Efficiencies:	
Strategic Sourcing savings	(16.20)
Decrease in Advisory & Assistance Services	(2.60)
Other Reductions	(1.80)
10. Program Changes:	
PWC Japan Regional Utilities Initiative	34.20
Other	1.70
11. FY2005 Current Estimate:	1672.80

Navy Working Capital Fund Capital Investment Summary
Component: Department of Navy
Base Support - PWC

Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)

Line No.	Item Description	FY2003		FY2004		FY2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	<u>Non-ADP Equipment (>\$500K)</u> Replacement (List)						
L01	ECC 8217 CRANE, HYD ALL TERRAIN 25 TON	0	0.000	1	0.583	0	0.000
L02	ECC 8219 CRANE, TRUCK MOUNTED, 51 TON & UP	1	0.985	1	0.900	1	0.500
L03	ECC 8249 CRANE, TRUCK MTD HYD DED 51 TON & UP	1	0.679	1	0.900	4	2.443
L04	ECC 8253 CRANE TRUCK, 4X4 MTD 15 TON&UP	1	0.800	1	0.824	1	0.800
	Productivity (List)	XX	XX	XX	XX	XX	XX
	New Mission (List)	XX	XX	XX	XX	XX	XX
	Environmental Compliance (List)	XX	XX	XX	XX	XX	XX
	Total Non-ADP Equipment (>\$500K)	3	2.464	4	3.207	6	3.743
L05	Total Non-ADP Equipment (>\$100K<\$500K)	38	6.893	30	5.723	41	6.926
	Grand Total Non-ADP Equipment	41	9.357	34	8.930	47	10.669
	<u>ADP Equipment & Telecommunications (>\$500K) (List)</u>						
	Total ADP Equipment & Telecommunications (>\$500K)	0	0.000	0	0.000	0	0.000
	Total ADP Equipment & Telecommunications (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000
	Grand Total ADP Equipment & Telecommunications	0	0.000	0	0.000	0	0.000
	<u>Software Development (>\$500K) (List)</u> -Externally Developed						
L06	DWAS	1	2.689	1	2.445	1	0.672
L07	BIMS	1	0.608	1	0.608	0	0.000
	Total Software Development (>\$500K)	2	3.297	2	3.053	1	0.672
	Total Software Development (>\$100K<\$250K)	0	0.000	0	0.000	0	0.000
	Grand Total Software Development	2	3.297	2	3.053	1	0.672
L08	Grand Total Minor Construction (>\$100K-\$750K)	15	5.236	17	7.080	15	5.900
	Total Capital Purchase Program	58	17.890	53	19.063	63	17.241
	Total Capital Outlays		16.223		18.893		18.866
	Total Depreciation Expense		16.068		20.542		20.347

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$000)							A. Fiscal Year (FY) 2005 Budget Estimate		
B. Department of the Navy/Base Support		C. L01 ECC 8217 CRANE, HYD ALL TERRAIN 25 TON				D. Public Works Centers			
		FY2003		FY 2004			FY 2005		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	0	0.00	0	1	583.00	583	0	0.00	0
Narrative Justification:									
<p>FY04: Crane replacement proposed for FY04 are for a PWC Pear Harbor all terrain 60 Ton crane that has exceeded its economic life due to accelerated age ,deterioration and excessive downtimes. Commercial rental rates for similar equipment are 53% percent over PWC rental rates with additional costs for delivery/pick up fees. Additionally, the time involved to arrange for delivery and return of the crane increases the dead time charged to the customer.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$000)							A. Fiscal Year (FY) 2005 Budget Estimate		
B. Department of the Navy/Base Support		C. L02 ECC 8219 CRANE, TRUCK MOUNTED, 51 TON & UP				D. Public Works Centers			
Element of Cost	FY2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	1	985.00	985	1	900.00	900	1	500.00	500
Narrative Justification:									
<p>FY04: Crane replacement proposed for FY04 are for a PWC Norfolk crane truck MTD two engine 51 Ton requirement which has exceeded its economic life due to accelerated age, deterioration and excessive downtimes. The crane being replaced is over 15 years old and has experienced excessive reliability and safety costs which could be reduced by 50% annually with a new crane. The boom and lift specifications of this crane exceed those for the replacement crane in FY05 to address ongoing customer workload and heavy lift requirements. Lease cost for the required crane with this capacity is over \$1 million dollars annually. The current asset is so aged that it has been targeted for disposal through DRMO.</p> <p>FY05: Crane replacement proposed for FY05 are for a PWC Norfolk crane truck MTD two engine 51 Ton requirement which has exceeded its economic life due to accelerated age, deterioration and excessive downtimes. The crane being replaced is over 15 years old and has experienced excessive reliability and safety costs which could be reduced by 50% annually with a new crane. Lease cost for the required crane with this capacity is over \$500 thousand dollars annually.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$000)						A. Fiscal Year (FY) 2005 Budget Estimate			
B. Department of the Navy/Base Support		C. L03 ECC 8249 CRANE, TRUCK MTD HYD DED 51 TON & UP				D. Public Works Centers			
		FY2003		FY 2004		FY 2005			
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	1	679.00	679	1	900.00	900	4	610.75	2,443
Narrative Justification:									
<p>FY04: Crane replacement is proposed for an overaged crane (51 ton) at PWC Yokosuka that is costly to maintain and has high downtime hours. Commercial rental units are occasionally required at a 50% higher rate to meet customer workload. Current commercial rental rates in the Yokosuka area are \$1,877 per day for a crane of this requirement which far exceed the cost of ownership. This crane is used for various heavy lift workload requirements for the Fleet and Shore establishment on a continuous and on going basis. As such, replacement of this overaged asset will reduce projected annual lease and maintenance costs to the Navy.</p> <p>FY05: Crane replacement is proposed for overaged crane (51 ton) at PWC Jacksonville which services various Navy customers in the Mayport area. In addition there are specific Mayport facilities which require a replacement crane whose specifications meet NS Mayport engineering evaluations mandating a updated crane with a 30 foot set back from pier walls. This requirement reduces the usage of the current asset and hinders the cross decking as well as outboard antenna work and overall mission capability. Commercial leasing rates are over 50% higher with additional cost for delivery and pickup and dead time charges. By replacing the aging crane the PWC will be able to save significant annual lease and maintenance costs to the Navy.</p> <p>Crane replacement is proposed for an overaged crane (60 ton) at PWC Pearl Harbor which has been a primary performer of Fleet customer workload. Commercial rentals are 26% over current PWC rates with additional costs for delivery/pick up. Additional time involved to arrange for delivery and return results in higher expenses and dead time being charged to the navy customer. Current equipment is in a excessive cycle of breakdown maintenance which exceeds \$325K annually and has resulted in 1,597 downtime hours in FY2003.</p> <p>Crane replacement is proposed for an overaged crane (51 ton) at PWC San Diego which provides a wide range of Fleet and Shore repair, construction, maintenance, and utilities support requirements. The proposed crane replaces a crane that is overaged and beyond economical repair. Replacement will reduce workload delays and equipment downtimes which have resulted in lost revenue. Also current asset is difficult to get parts for and as a result has become operationally inefficient and accelerated annual maintenance cost. Alternative leases accelerate cost to the customer at projected rates which exceed \$500K annually.</p> <p>Crane replacement is proposed for an overaged crane (51 ton) at PWC Norfolk which primarily supports Fleet public works requirements in the Norfolk area. The crane requested for replacement is currently 18 years old and has had excessive maintenance cost due to age and deterioration. Due to deterioration and the scarcity of parts continued operational safety will contribute to unavoidable downtimes and lost revenues unless this crane is replace. Commercial lease costs for a similar crane are 50% higher and have resulted in additional lease costs to customers as a result of unanticipated breakdowns. If required to lease this crane on an annual basis to satisfy workload additional cost to the Navy would exceed over \$1 million dollars.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$000)						A. Fiscal Year (FY) 2005 Budget Estimate			
B. Department of the Navy/Base Support		C. L04 ECC 8253 CRANE TRUCK, 4X4 MTD 15 TON&UP				D. Public Works Centers			
		FY2003		FY 2004		FY 2005			
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$500K) Replacement	1	800.00	800	1	824.00	824	1	800.00	800
Narrative Justification:									
<p>FY04: Crane replacement is proposed for overaged crane (15 ton&up) at PWC Jacksonville which services various Navy customers in the Mayport area. In addition there are specific Mayport facilities which require a replacement crane whose specifications meet NS Mayport engineering evaluations mandating a updated crane with a 30 foot set back from pier walls. This requirement reduces the usage of the current asset and hinders the cross decking as well as outborad antenna work and overall mission capability. Commercial leasing rates are over 50% higher with additional cost for delivery and pickup and dead time charges. By replacing the aging crane the PWC will be able to avoid unanticipated annual lease and breakdown maintenance costs.</p> <p>FY05: Crane replacement is proposed for an overaged crane (15 ton&up) at PWC San Diego which provides a wide range of Fleet and Shore repair, construction, maintenance, and utilities support requirements. The proposed crane replaces a crane that is overaged and beyond economical repair. Replacement will reduce workload delays and equipment downtimes which have resulted in lost revenue. Also the current asset is difficult to get parts for and as a result will contribute to excessive downtimes and accelerated maintenance cost. Alternative leases accelerate cost to the customer at projected rates which exceed \$500K annually.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$000)						A. Fiscal Year (FY) 2005 Budget Estimate			
B. Department of the Navy/Base Support			C. L05 Non-ADP Equipment (>\$100K<\$500K)			D. Public Works Centers			
FY2003			FY 2004			FY 2005			
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$100K<\$500K)	38	184.05	6,994	30	190.77	5,723	41	168.93	6,926
Narrative Justification:									
All the equipment listed below met their replacement (age/hours) criteria set forth in NAVFAC P-300. Excessive maintenance costs of aged equipment impacts timeliness and cost to our customers. High demand and urgent requirements from customer often times require use of commercial rentals that can go as high as three times the cost of PWC owned equipment. Equipment requested in this category also include environmental plant equipment in support of Federal and State compliance and monitoring requirements. FY04/05 requirements by Center are as follows:									
FY04 PWC	QTY	DESCRIPTION			FY05 PWC	QTY	DESCRIPTION		
Norfolk	1	CRANE TRUCK MTD HYD DED 20-50 TON			San Diego	1	CRANE TRUCK 4X4 MTD 30 T		
Norfolk	1	CRANE TORPEDO TRUCK OR TRAILER MTD			Yokosuka	1	CRANE WHL MTD SWING CAB 4X4 15 T&UP		
San Diego	1	CRANE TRUCK MTD (HYD) 51 TON & UP			Yokosuka	1	CRANE WHL MTD HYD BOOM 4X4 5-35 T		
Yokosuka	2	CRANE WHL MTD HYD BOOM 4X4 5-35 TON			Norfolk	1	TRUCK MAINTENANCE POLE & LINE DED		
Norfolk	1	TRUCK MAINTENANCE POLE & LINE DED			Norfolk	1	TRUCK REEL HANDL/TENSIONING POWERED		
Norfolk	1	TRUCK REEL HANDL/TENSIONING POWERED			Norfolk	1	TRUCK TANK AVGAS/JETFUEL 5000 GAL & UP		
Norfolk	2	TRUCK TANK AVGAS/JETFUEL 5000 GAL & UP			Norfolk	2	MHE SWINGMASTER SIDELOADER 8K		
Norfolk	2	MHE SWINGMASTER SIDELOADER 8K			Norfolk	2	LOADER SCOOP WHEEL MOUNTED 4X4		
Norfolk	1	LOADER SCOOP WHEEL MOUNTED 4X4			Norfolk	1	SEMITRAILER TANK 6000 GAL AND OVER GP		
Norfolk	1	PLATFORM MAINTENANCE			Norfolk	1	TRACTOR WHEEL IND DED 90 HP		
Norfolk	1	TRUCK MAT HNDLG HOIST FORKLIFT TYPE			Norfolk	1	CLEANER VAC SELF-PROPELLED AIRFIELD		
Norfolk	1	TRUCK MAT HNDLG HOIST/HAUL TO 45 CYD			Norfolk	2	PLATFORM MAINTENANCE		
Norfolk	1	CAR SPOTTER RD -TRAILER PRT SELF-PROP			Norfolk	1	TRUCK REFUSE COLLECT COMP SIDE/REAR		
San Diego	1	CLEANER VAC SELF-PROPELLED AIRFIELD			Norfolk	1	TRUCK MAT HNDLG HOIST/HAUL TO 45 CYD		
Yokosuka	2	TRUCK TANK AVGAS/JETFUEL 5000 GAL&UP			San Diego	1	TRUCK CONTAINER ROLL-OFF		
Yokosuka	1	TRUCK TRACTOR 4X2/6X2 32000GVW			Yokosuka	1	TRUCK TRACTOR 4X2/6X2 32000GVW		
Yokosuka	1	PLATFORM MAINTENANCE			Yokosuka	1	TRUCK TRACTOR 4X2/6X2 32000GVW		
Yokosuka	1	CLEANER VAC SELF-PROPELLED AIRFIELD			Yokosuka	1	TRUCK TRACTOR 4X2/6X2 32000GVW		
Norfolk	1	CC600 FIRE PUMPS (NNSY)			Yokosuka	1	TRUCK OVRHD MAINT AERIAL SERV PLTFM		
San Diego	1	HAAS VERTICAL MACHINING CENTER VF11			Yokosuka	1	TRUCK TANK GEN PURPOSE 2000-2999GAL		
San Diego	1	PAVEMENT ASSESSMENT GPR			Yokosuka	1	TRUCK TANK AVGAS/JETFUEL 5000GAL&UP		
Norfolk	1	CC700 SHREDDER			Yokosuka	1	LOADRER SCOOP WHL MTD		
Yokosuka	1	BRAKE PRESS			Pearl Harbor	1	SCREENING PLANT		
Pearl Harbor	1	ICP MASS SPECTROMETER							
Pearl Harbor	1	MERCURY ANALYZER							

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (S000)							A. Fiscal Year (FY) 2005 Budget Estimate		
B. Department of the Navy/Base Support		C. L06 DWAS (>\$500K)				D. Public Works Centers			
		FY2003		FY 2004			FY 2005		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software Development (>\$500K)	1	2689.00	2,689	1	2445.00	2,445	1	672.00	672
Narrative Justification:									
<p>The Defense Working Capital Accounting System (DWAS) is a data entry accounting system that satisfies the Chief Financial Officers' Act by producing a transaction-driven Standard General Ledger. It was intended for low transaction, on line input, but has been modified to accept PWC data through various batch interfaces. This project consists of software development, design, configuration, interfaces, coding, and installation of software and hardware as well testing to ensure full functionality.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$000)							A. Fiscal Year (FY) 2005 Budget Estimate		
B. Department of the Navy/Base Support		C. L07 BIMS (>\$500K)				D. Public Works Centers			
		FY2003		FY 2004			FY 2005		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Software Development (>\$500K)	1	608.00	608	1	608.00	608	0	0.00	0
Narrative Justification:									
<p>Business Information Management System (BIMS) is a data storage and retrieval system providing PWC customers and managers with business information. This project consists of software development, design, configuration, interfaces, coding, and installation of software and hardware as well testing to ensure full functionality.</p>									

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (\$000)						A. Fiscal Year (FY) 2005 Budget Estimate			
B. Department of the Navy/Base Support			C. L08 Minor Construction (>\$100K<\$750K)			D. Public Works Centers			
Element of Cost	FY2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Minor Construction (>\$100K<\$750K)	15	349.07	5,236	17	416.47	7,080	15	393.33	5,900
Narrative Justification:									
The following PWC Minor Construction requirements represent PWC facilities requirements for a full range of transportation, utilities, environmental and storage requirements.									
PWC	FY04 PROJECT DESCRIPTION	(\$000)	PWC	FY05 PROJECT DESCRIPTION	(\$000)				
GU	CONVERT 4.16 TO 13.8 KV@ DIST & HRDN	325	GU	INSTALL EMERG GEN BOOSTER PUMPS ST/	375				
GU	INSTALL EMERG. GEN. FOR BPS @ NCTS I	374	GU	INSTALL 16" WATERLINE, BULLARD AVE	420				
GU	INSTALL NEW WATER WELL, NCTS	250	GU	INSTALL 16" WATER MAIN, NIMITZ HILL	150				
SD	CONSTRUCT EMS/DDC PT LOMA UT CNTR	573	NF	CC-700'CONSTRUCT ALTERNATE FUEL STA'	400				
SD	CONSTRUCT EMS/DDC MED DISP UT CNT	632	NF	CC 600 CONSTRT OFFICE COMPLEX, BLDG.	450				
SD	CONSTRUCT EMS/DDC CORONADO	666	NF	BERM, CRANEY ISLAND TANKS T-2C & T-2D	260				
SD	CONSTRUCT EMS/DDC MCAS	587	PH	CONSTRUCT NEW SUBSTATION, MOANALU	352				
NF	MAINT. & ENVIRONMENAL STORAGE FAC	470	PH	CONSTRUCT NEW SUBSTATION, MAKALAP/	452				
NF	CC-700'CONSTRUCT ALTERNATE FUEL ST	400	PH	CONSTRUCT FAC. FOR CRANE OPS.	300				
PH	CONSTRUCT NEW HYD GATE ENTRANCE	600	PH	CONSTRUCT FAC. FOR DISPATCH OPERATC	250				
PH	CONSTRUCT RECYCLING FAC BARBERS I	425	SD	CONSTRUCT EMS/DDC ASW 11 UT CNTRL	499				
PH	CONSTRUCT CHEMICAL STORAGE FAC	300	SD	CONSTRUCT EMS/DDC SUBASE UT CNTRL	499				
PH	PAVE 10'TH ST&CONSTR MATRL STORAGE	300	SD	CONSTRUCT EMS/DDC NAB UT CNTRL/MNT	496				
PH	REPLACE FUEL STATION	300	SD	CONSTRUCT EMS/DDC NAVSTA UT CNTRL/	498				
PH	INSTALL SPRINKLER SYSTEM B149	358	SD	CONSTRUCT EMS/DDC NASNI UT CNTRL	499				
PH	CONSTRUCT EMERGENCY GENERATOR S	250							
YK	INSTALL WATER TREATMENT SYSTEM	270							

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT
NAVY PUBLIC WORKS CENTERS
FY 2003 BUDGET ESTIMATE**

**Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)**

FY	Approved Project	PRESIDENT'S BUDGET	REPROGS	APPROVED PROJ COST	CURRENT PROJ COST	ASSET/ DEFICIENCY	JUSTIFICATION
2003	Equipment except ADPE and TELCOM	9.554	-0.096	9.458	9.357	0.101	
	Equipment - ADPE and TELCOM	0.350	0.000	0.350	0.000	0.350	
	Software Development	3.297	0.000	3.297	3.297	0.000	
	Minor Construction	5.982	-0.356	5.626	5.236	0.390	
	TOTAL FY 2003	19.183	-0.452	18.731	17.890	0.841	
ECC CESE					QNTY	(\$000)	
8249	CRANE TRUCK MTD HYD DEC 51TON&UP				1	679	Revised crane purchase to accommodate larger Fleet customer boom and lift requirements.
8254	CRANE WHL MTD HYD BOOM 4X4 5-35 TON				0	(155)	Revised crane specifications based on Fleet support requirements and equipment failures.
8254	CRANE WHL MTD HYD BOOM 4X4 5-35 TON				0	(155)	Revised crane specifications based on Fleet support requirements and equipment failures.
8246	CRANE TRUCK MTD HYD DED 20-50 TON				(1)	(395)	Delayed to support revised Fleet larger boom and lift requirements.
614	TRUCK TRACTOR 4X2/6X2 32000 GVW				-2	(236)	Delayed to support priority heavy loading and operational safety requirements.
630	TRUCK TRACTOR 6X4 39500 GVW				2	236	Revised to support priority heavy loading and operational safety requirements.
1800	MHE SWINGMASTER SIDELOADER 11K				1	209	Unanticipated equipment failures required one additional replacement to support customer workload.
5833	TRUCK MAT HNDLG HOIST/HAUL TO 45 CU YD				-3	(423)	Delayed to support priority workload due to unanticipated equipment failures.
5460	PLATFORM MAINTENANCE				1	122	Unanticipated equipment failures required one additional replacement to support customer workload.
5820	TRUCK, REFUSE COLL 6X4 COMPACTION TYPE RR LOAD				1	164	Unanticipated equipment failures required one additional replacement to support customer workload.
5835	TRUCK, REFUSE COLL 6X4 COMPACTION TYPE W/FORKS				0	(72)	Revised equipment specifications.
	YEN FLUCTUATION REPRICING					(101)	
			SUBTOTAL CESE			0	(127)
	INDUSTRIAL PLANT EQUIPMENT (IPE)						
	GAS CHROMOTOGRAPH/MASS SPECTROMETER				(1)	(150)	Cancelled no longer required. Alternative solution to meet requirements applied.
	ATOMIC ABSORPTION SPECTROMETER/HGA				(1)	(120)	Delayed to support priority workload due to unanticipated equipment failures.
	TURBLEX BLOWER FOR WASTEWTR. TRMNT. PLANT FT KAM				1	200	Revised to support priority customer environmental workload due to equipment failures.
			SUBTOTAL IPE			(1)	(70)
			SUBTOTAL ALL EQUIPMENT			(1)	(197)
	ADP EQUIPMENT & TELECOMMUNICATIONS (<\$500K)						
	LEGACY SYSTEM-ENGINEERING SUPPORT FUNCTIONS				(1)	(350)	Cancelled no longer required.
			SUBTOTAL ADP&TELCOM			(1)	(350)
	MINOR CONSTRUCTION						
	REPLACE FUEL STATION				(1)	(300)	Delayed to FY 2004 to address priority facilities health and safety gas leaks and sprinkler requirements.
	CONSTRUCT EMERGENCY BYPASS RISER, SY-007				(1)	(270)	Cancelled due to decreased materials and labor costs savings resulting from smaller generator requirements.
	INSTALL COVER/FILTRATION				1	260	Unanticipated construction requirement for health and safety hazard due to leaking gas tanks.
	INSTALL SPRINKLER SYSTEM B166				1	383	Unanticipated safety and fire protection compliance requirements.
	INSTALL REMOTE METERS PEARL HARBOR C620				(1)	(125)	Unanticipated project design improvements and reduced pricing
	EMERG. GENERATORS FOR SCADA MONITORING SYS., B166				(1)	(200)	Cancelled due to existing equipment sufficient to accomplish workload requirements.
	INSTALL SCADA EQUIPMENT, VARIOUS LIFT STATIONS				(1)	(250)	Cancelled no longer required
	EMS/DDC MCAS MIRAMAR BLDG				1	367	Unanticipated project design improvements to more efficiently utilize EMS/DDC systems applications.
	EMS/DDC NAVSTA OPERATIONS CONTROL CENTER BLDG 82				1	750	Unanticipated project design improvements to more efficiently utilize EMS/DDC systems applications.
	EMS/DDC NAVSTA FISC BLDG 1				(1)	(498)	Delayed due to priority construction requirements to more efficiently utilize EMS/DDC systems applications.
	EMS/DDC SUBASE BLDG 570				(1)	(408)	Delayed due to priority construction requirements to more efficiently utilize EMS/DDC systems applications.
	PHILLY DET-TRANSPORTATION FACILITY				(1)	(180)	Cancelled due to unanticipated availability of BRAC funding.
	CONSTRUCT RIGGERS BLDG 197				(1)	(210)	Cancelled due to revised project scope resulting in a construction below the CPP (\$100K) threshold.
	CONSTRUCT TRANSPORTATION WASHRACKS-HEAVY EQUIP				1	145	Unanticipated priority environmental construction requirements for heavy equipment washracks.
	EMS/DDC NAVSTA BLDG 116/322/3483				(1)	(210)	Cancelled due to revised project scope resulting in a construction below the CPP (\$100K) threshold.
			SUBTOTAL MC			(4)	(746)
			PWC TOTAL ALL			(6)	(1,293)

Exhibit Fund-9c Capital Budget Execution

**DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT
NAVY PUBLIC WORKS CENTERS
FY 2004 BUDGET ESTIMATE**

**Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)**

FY	Approved Project	PRESIDENT'S BUDGET	REPROGS	APPROVED PROJ COST	CURRENT PROJ COST	ASSET/ DEFICIENCY	JUSTIFICATION
2004	Equipment except ADPE and TELCOM	9.723	-0.793	8.930	8.930	0.000	
	Equipment - ADPE and TELCOM	0.000	0.000	0.000	0.000	0.000	
	Software Development	3.053	0.000	3.053	3.053	0.000	
	Minor Construction	6.546	0.534	6.546	6.546	0.000	
	TOTAL FY 2004	19.322	0.259	19.063	19.063	0.000	
ECC CESE					QNTY	(\$000)	
8219	CRANE TRUCK MTD 2-ENG PRT				0	(176)	Revised specifications and pricing.
8249	CRAN TRUCK MTD HYD DED 51TON & UP				1	900	Unanticipated fleet requirements and equipment failures.
8254	CRANE WHL MTD HYD BOOM 4X4 5-35TON				0	(208)	Revised equipment specifications
8246	CRANE TRUCK MTD HYD DED 20-50 TON				(1)	(443)	Delayed to support unanticipated priority customer requirements.
756	TRUCK TANK AVGAS/JETFUEL 5000 GAL & UP				(1)	(150)	Cancelled no longer required
723	TRUCK MAINTENANCE POLE & LINE DED				(1)	(143)	Cancelled no longer required
5460	PLATFORM MAINTENANCE 80 FT				(3)	(450)	Delayed to support unanticipated priority customer requirements.
			SUBTOTAL CESE		(5)	(670)	
	INDUSTRIAL PLANT EQUIPMENT						
	NEW 50 BHP STEAM BOILER				(1)	(123)	Cancelled no longer required.
			SUBTOTAL IPE		(1)	(123)	
	SUB		SUBTOTAL ALL EQUIPMENT		(6)	(793)	
	MINOR CONSTRUCTION						
	CONSTRUCT NEW HYDRAULIC GATE ENTRANCE				1	600	Unanticipated priority security gate requirements.
	EMS/DDC FCTCP BLDG 60				(1)	(500)	Cancelled due to revised design and technology.
	EMS/DDC NRAD PL BLDG 600				(1)	(500)	Cancelled due to revised design and technology.
	CONSTRUCT EMS/DDC MEDICAL DISPS. UTILITIES CNTRL.				1	632	Unanticipated project design improvements to more efficiently utilize EMS/DDC systems applications.
	CONSTRUCT EMS/DDC NASNI CORONADO				1	666	Unanticipated project design improvements to more efficiently utilize EMS/DDC systems applications.
	EMS/DDC ASW B-52 PL				0	114	Revised project design and cost to more efficiently utilize EMS/DDC systems applications.
	EMS/DDC MCAS BLDG				1	587	Unanticipated project design improvements to more efficiently utilize EMS/DDC systems applications.
	CONSTRUCT VEHICLE CAR WASH FACILITY				(1)	(300)	Delayed to support higher priority support requirements
	CONSTRUCT COMPOST STORAGE AREA, BIOSLDS. FAC.				(1)	(275)	Delayed to support higher priority support requirements
	CONSTRUCT EMERGENCY GENERATOR FI-044				(1)	(250)	Cancelled no longer required.
	CONSTRUCT EMERGENCY GENERATOR FI-043				(1)	(250)	Cancelled no longer required.
	CONSTRUCT FACILITY FOR DISPATCH/OPERATORS				(1)	(200)	Delayed to support higher priority support requirements
	CONSTRUCT CHEMICAL STORAGE FACILITY				1	300	Project delayed from FY 2003 due to emergent priorities.
	REPLACE FUEL STATION				1	300	Project delayed from FY 2003 due to emergent priorities.
	CONST EMERGENCY GEN SY007				1	250	Unanticipated utilities power system generator requirements.
	INSTALL SPRINKLER SYS B149				1	358	Unanticipated safety and fire protection compliance requirements.
	EMS/DDC NAVSTA B-3116/3235/3294				(1)	(499)	Cancelled due to revised design and technology.
	EMS/DDC NASNI B-698/1478 CORONADO				(1)	(499)	Cancelled due to revised design and technology.
			SUBTOTAL MC		(1)	534	
			PWC TOTAL ALL		(7)	(259)	

Exhibit Fund-9c Capital Budget Execution

**Naval Facilities
Engineering Service Center**

Fiscal Year (FY) 2005 Budget Estimates
Navy Working Capital Fund
Base Support/Naval Facilities Engineering Service Centers
February 2004

ACTIVITY GROUP FUNCTION AND TECHNICAL CAPABILITIES

The Naval Facilities Engineering Service Center is the principal Navy provider of specialized engineering services and products for shore and offshore facilities, energy and utilities, environmental support and amphibious and expeditionary systems. The work performed by NFESC is accomplished by mobilizing the proper expertise mix of personnel and other resources from these technology areas to address customer requirements.

NFESC is a critical part of the overall Naval Facilities Engineering Command's Strategic Plan. NFESC provides a synergism of its expertise and practical field experience for the solution of field activity and fleet needs. We support a very broad range of Navy and Marine Corps customers and focus on delivering quality products and services. Program execution is funded by many appropriations, but primarily from WCF, O&MN, R&D and DOD Appropriated Accounts.

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

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

The Environmental area of expertise is responsible for planning, reviewing, and analyzing Navy wide functions, and assembling and deploying customized technology to meet the environmental requirements of the Naval Shore Establishment. Efforts focus on environmental restoration, waste management, environmental compliance, environmental data management, environmental technology transfer, pollution prevention, indoor air management, and oil spill program.

The Ocean facilities department area of expertise is responsible for developing, implementing, and improving the Navy's capabilities for the design, construction, maintenance, and repair of fixed ocean facilities. Efforts focus on marine geotechniques, anchor systems, ocean structures, ocean construction, undersea warfare, underwater cable facilities, hyperbaric facilities, mooring systems, magnetic silencing facilities, underwater inspection, ocean construction equipment inventory, coastal facilities, and pipeline integrity assessment.

The Shore Facilities area of expertise is responsible for providing innovative engineering solutions, designs, technological tools and field services to best support a viable Naval Shore Establishment. Efforts focus on waterfront facilities, aviation facilities, physical security, ordnance facilities, materials and coatings, computer aided design, facilities life cycle management, base survivability electronics thermal and power plant engineering.

FINANCIAL PROFILE

(\$ Millions)

	FY 2003	FY 2004	FY 2005
Revenue	99.8	58.1	59.7
Cost of Goods Sold	98.4	58.2	58.0
Net Operating Results	1.4	-0.1	1.7
Accumulated Operating Results (AOR)	-1.7	-1.7	0.0

FY 2003 Revenue is higher as a result of a higher volume of Direct Contracts from current and prior years. Revenue and Cost of Goods Sold decline in FY 2004 and FY 2005 resulting from the decrease in a customer workload. The NFESC continues to have stable workload in the areas of Surf Entry and Barge Offload Systems (SEABOSS), the Logistics Information Systems (LIS), the Anti-Terrorism Force Protection (ATFP), Un-interruptible Power Supplies (UPS), and the Integrated Undersea Surveillance Program (IUSP). In addition, the NFESC will be the new program center of expertise for Critical Shore Facilities Systems.

WORKLOAD (Direct Labor Hours)

(Thousands)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Direct Labor Hours	480.9	441.5	438.7

Workload goes down as direct labor hours decrease in FY 2004 mainly associated with the loss of the Joint Modular Lighting System (JMLS) Program and to a lesser extent other project work before stabilizing in FY 2004 and FY 2005.

END STRENGTH/FULL TIME EQUIVALENT

	FY 2003	FY 2004	FY 2005
<u>Civilian</u>			
End Strength	361	331	326
FTE	355	327	322
<u>Military</u>			
End Strength	3	3	3
FTE	3	3	3

FY 2003 End Strength levels are higher than the FY 2003 President's Budget. This increase is a net result of the increase in workload (as stated above).

PERFORMANCE INDICATORS

The primary performance indicator is unit cost. The Unit Cost is a measurement of total direct labor and overhead costs per direct labor hour. The change in unit cost for FY 2003, FY 2004, and FY 2005 primarily reflects increases for annual inflation/price changes from year to year offset by overhead savings.

STABILIZED RATES/UNIT COST

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Stabilized Rates	\$79.85	\$81.06	\$87.19
Percent Stabilized Rate Change	17.7%	1.5%	7.6%
Unit Cost	\$73.26	\$82.83	\$83.35

The increase in FY 2004 and FY 2005 is largely the result of a decrease in direct labor hours (DLHs).

Other performance indicators are direct labor hours and NOR performance (as discussed above) and productivity ratio and customer satisfaction as shown below.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Productivity Ratio	74.4%	76.4%	77.7%

The slight increase is primarily the result of decreased indirect workyears.

Customer Request Evaluation Form (CREF) is used to measure customer satisfaction. Projects referred through the Activity Liaison Officer (ALNO) program are then evaluated by the system. Based on a rating scale A-F, NFESC has received an average rating of "A" since the CREF was implemented.

CAPITAL PURCHASE PROGRAM (CPP)
(\$ Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
ADP	0.0	0.0	0.0
Software	0.0	0.0	0.0
Equipment	0.2	0.0	0.0
Minor Construction	0.0	0.0	0.0
Total	0.2	0.0	0.0

FY 2003 Capital Program includes the purchase of one Heavy Weight Deflectometer (HWD) used in assessing the load carrying capacity of airfields and road pavements.

CASH POSITION
(\$ Millions)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Collections	\$127.1	\$ 99.5	\$101.2
Disbursements	\$106.3	\$109.2	\$ 98.5
Net Cash	\$ 20.8	-\$ 9.7	\$ 2.7

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

(NIFRPT)

	FY 2003 CON	FY 2004 CON	FY 2005 CON
Revenue:			
Gross Sales			
Operations	99.8	57.9	59.5
Surcharges	.0	.0	.0
Depreciation excluding Major Constructio	.1	.2	.2
Other Income			
Total Income	99.8	58.1	59.7
Expenses			
Cost of Materiel Sold from Inventory			
Salaries and Wages:			
Military Personnel	.3	.3	.3
Civilian Personnel	34.6	32.9	33.1
Travel and Transportation of Personnel	3.8	3.1	3.1
Material & Supplies (Internal Operations	4.1	1.8	1.7
Equipment	1.0	.7	.9
Other Purchases from NWCF	2.3	6.2	6.1
Transportation of Things	.3	.2	.2
Depreciation - Capital	.1	.2	.2
Printing and Reproduction	.1	.3	.3
Advisory and Assistance Services	.0	.0	.0
Rent, Communication & Utilities	.3	.7	.8
Other Purchased Services	51.6	11.6	11.4
Total Expenses	98.4	58.2	58.0
Work in Process Adjustment	.0	.0	.0
Comp Work for Activity Reten Adjustment	.0	.0	.0
Cost of Goods Sold	98.4	58.2	58.0
Operating Result	1.4	-.1	1.7
Less Surcharges	.0	.0	.0
Plus Appropriations Affecting NOR/AOR	.0	.0	.0
Other Changes Affecting NOR/AOR	.0	.0	.0
Extraordinary Expenses Unmatched	.0	.0	.0
Net Operating Result	1.4	-.1	1.7
Other Changes Affecting AOR	.0	.0	.0
Accumulated Operating Result	-1.7	-1.7	.0

Exhibit Fund-14

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

(R_FUND11)

	FY 2003 CON -----	FY 2004 CON -----	FY 2005 CON -----
1. New Orders	95	54	56
a. Orders from DoD Components	61	42	47
Department of the Navy	45	31	37
O & M, Navy	17	14	18
O & M, Marine Corps	4	2	2
O & M, Navy Reserve	0	0	0
O & M, Marine Corp Reserve	0	0	0
Aircraft Procurement, Navy	0	0	0
Weapons Procurement, Navy	0	0	0
Ammunition Procurement, Navy/MC	0	0	0
Shipbuilding & Conversion, Navy	0	0	0
Other Procurement, Navy	0	1	1
Procurement, Marine Corps	0	0	0
Family Housing, Navy/MC	1	0	0
Research, Dev., Test, & Eval., Navy	22	13	14
Military Construction, Navy	1	0	0
Other Navy Appropriations	0	0	1
Other Marine Corps Appropriations	0	1	1
Department of the Army	2	1	1
Army Operation & Maintenance	1	1	0
Army Res, Dev, Test, Eval	1	0	0
Army Procurement	0	0	0
Army Other	0	0	0
Department of the Air Force	1	1	1
Air Force Operation & Maintenance	1	1	1
Air Force Res, Dev, Test, Eval	0	0	0
Air Force Procurement	0	0	0
Air Force Other	0	0	0
DOD Appropriation Accounts	13	9	8
Base Closure & Realignment	3	0	0
Operation & Maintenance Accounts	3	0	0
Res, Dev, Test & Eval Accounts	6	3	2
Procurement Accounts	1	0	0
Defense Emergency Relief Fund	0	0	0
DOD Other	0	6	6
b. Orders from other WCF Activity Groups	24	6	3
c. Total DoD	85	48	50
d. Other Orders	10	6	6
Other Federal Agencies	9	4	5
Foreign Military Sales	0	1	1
Non Federal Agencies	1	0	0
2. Carry-In Orders	40	35	31
3. Total Gross Orders	135	89	87
a. Funded Carry-Over before Exclusions	35	31	27
b. Total Gross Sales	100	58	60
4. End of Year Work-In-Process (-)	0	0	0
5. Non-DoD, BRAC, FMS (-)	-1	0	-1
6. Net Funded Carryover	34	31	26

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

Fiscal Year (FY) 2005 Budget Estimates
NAVY WORKING CAPITAL FUND
BASE SUPPORT/NFESC
February 2004
(\$ in Thousands)

	Costs
1. FY 2003 Actual	\$98.4
2. FY 2004 Estimates in President's Budget (DBC 4900)	\$58.2
3. Estimated Impact in FY 2004 based on actual experience	
4. Pricing Adjustments	\$0.5
Pay Raise:	
FY 2004 CIVPERS Pay Adjustment	\$0.5
5. Productivity Initiatives and Other Efficiencies	
6. Program Changes	-\$0.5
Decrease in material & supplies	-\$0.5
Increase in costs due to inflation factors	\$0.0
7. FY 2004 Current Estimate:	\$58.2
8. Pricing Adjustments: (FY 04-05)	\$1.2
Pay Raise:	
Annualization of PY Pay Raise CIV	\$0.8
Annualization of PY Pay Raise MIL	\$0.0
FY 2005 CIVPERS Pay Adjustment	\$0.4
9. Productivity Initiatives and Other Efficiencies:	
(Changes due to Rev/Cost/Personnel in FY 05, not in FY 04)	
Explain IF4 Column 5 (FY04-05) (#7 to #11)	-\$1.5
a. Decrease in travel, and training due to customers requirements	\$0.0
b. Increase in Materials and Supplies due to customers requirements	\$0.0
c. Decrease in Industrial fund Purchases due to customers requirements	-\$0.1
d. Decrease in Transportation, and Maintenance	\$0.5
e. Increase in Utilities, Communications, and ADP due to increase in ADP Costs	\$0.3
f. Increase in Other Engineering Support and Other Contracts due to customer requirements	\$0.1
g. Decrease in R&D Contracts due to customers requirements	-\$2.2
h. Decrease in Depreciation	\$0.0
10. FY 2005 Current Estimate should match (DBD 4990)	\$57.9

Navy Working Capital Fund Capital Investment Summary
Component: Department of Navy
Base Support - NFESC

Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)

Line No.	Item Description	FY2003		FY2004		FY2005	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
L01	<u>Non-ADP Equipment (>\$500K)</u>						
	Replacement (List)	XX	XX	XX	XX	XX	XX
	Productivity (List)	XX	XX	XX	XX	XX	XX
	New Mission (List)	XX	XX	XX	XX	XX	XX
	Environmental Compliance (List)	XX	XX	XX	XX	XX	XX
	Total Non-ADP Equipment (>\$500K)	0	0.000	0	0.000	0	0.000
	Total Non-ADP Equipment (>\$100K<\$500K)	1	0.240	0	0.000	0	0.000
	Grand Total Non-ADP Equipment	1	0.240	0	0.000	0	0.000
	<u>ADP Equipment & Telecommunications (>\$500K) (List)</u>						
	Total ADP Equipment & Telecommunications (>\$500K)	0	0.000	0	0.000	0	0.000
Total ADP Equipment & Telecommunications (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000	
Grand Total ADP Equipment & Telecommunications	0	0.000	0	0.000	0	0.000	
Total Software Development (>\$500K)	0	0.000	0	0.000	0	0.000	
Total Software Development (>\$100K<\$500K)	0	0.000	0	0.000	0	0.000	
Grand Total Software Development	0	0.000	0	0.000	0	0.000	
Grand Total Minor Construction (>\$100K<\$750K)	0	0.000	0	0.000	0	0.000	
Total Capital Purchase Program	1	0.240	0	0.000	0	0.000	
Total Capital Outlays		0.000		0.240		0.000	
Total Depreciation Expense		0.066		0.215		0.206	

BUSINESS AREA CAPITAL INVESTMENT JUSTIFICATION (S000)						A. Fiscal Year (FY) 2005 Budget Estimate			
B. Department of the Navy/Base Support		C. L01 Non-ADP Equipment (>\$100K<\$500K)				D. Naval Facilities Engineering Service Center			
		FY2003		FY 2004			FY 2005		
Element of Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Non-ADP Equipment (>\$100K<\$500K)	1	240.00	240	0	0.00	0	0	0.00	0
Narrative Justification:									
<p>In FY03 the Naval Facilities Engineering Service Center (NFESC) purchased a Heavy Weight Deflectometer (HWD) for assessing the load carrying capacity of airfield and road pavements, as well as piers and wharfs. This equipment is used for pier assessment as well as recently developed for void detection technology. The addition of the void detection technology has placed higher demands on the airfield pavement assessment teams and has increased the workload. With our current inventory of the 3 HWDs we would not be able to maintain the level of support needed for airfield and pier structural conditions assessment.</p>									

DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT
NAVAL FACILITIES ENGINEERING SERVICE CENTER
FY 2003 BUDGET ESTIMATE

PROJECTS ON THE FY 2005 PRESIDENT'S BUDGET
(Dollars in Millions)

FY	Approved Project	PRESIDENT'S BUDGET	REPROGS	APPROVED PROJ COST	CURRENT PROJ COST	ASSET/ DEFICIENCY	JUSTIFICATION
2003	Equipment except ADPE and TELCOM	0.240	0.000	0.240	0.240	0.000	
	Equipment - ADPE and TELCOM	0.000	0.000	0.000	0.000	0.000	
	Software Development	0.000	0.000	0.000	0.000	0.000	
	Minor Construction	0.000	0.000	0.000	0.000	0.000	
	TOTAL FY 2003	0.240	0.000	0.240	0.240	0.000	

Exhibit Fund-9c Capital Budget Execution

DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
BASE SUPPORT
NAVAL FACILITIES ENGINEERING SERVICE CENTER
FY 2004 BUDGET ESTIMATE
February 2004
Fiscal Year (FY) 2005 Budget Estimate
(Dollars in Millions)

FY	Approved Project	PRESIDENT'S BUDGET	REPROGS	APPROVED PROJ COST	CURRENT PROJ COST	ASSET/ DEFICIENCY	JUSTIFICATION
2004	Equipment except ADPE and TELCOM	0.000	0.000	0.000	0.000	0.000	
	Equipment - ADPE and TELCOM	0.000	0.000	0.000	0.000	0.000	
	Software Development	0.000	0.000	0.000	0.000	0.000	
	Minor Construction	0.000	0.000	0.000	0.000	0.000	
	TOTAL FY 2004	0.000	0.000	0.000	0.000	0.000	

Exhibit Fund-9c Capital Budget Execution

Supply Management, Navy/Marine Corps

DEPARTMENT OF THE NAVY
NAVY WORKING CAPITAL FUND
ACTIVITY GROUPS:
NAVY SUPPLY MANAGEMENT
MARINE CORPS SUPPLY MANAGEMENT
FY2005 BUDGET ESTIMATES

Activity Group Functions:

The Supply Management Activity Groups performs inventory management functions that result in the sale of aviation, shipboard, and ground components as well as fuel, ships store stock, and general use consumables to a wide variety of customers. Major customers include Department of the Navy commands afloat and ashore, Department of the Army, Department of the Air Force, Defense Agencies, and other government agencies and foreign governments. All costs associated with supplying this material to our customers are recouped through stabilized rates which include cost recovery elements that cover expenses relating to inventory management, receipt and issuing of DON managed material, Department owned retail material at distribution depots, as well as depreciation of capital assets.

Activity Group Composition:

Operations costs for the following activities are funded in the Navy Supply Management Activity Group:

Naval Inventory Control Point, Mechanicsburg/Philadelphia, PA

Commander, Fleet and Industrial Support Centers:

Fleet and Industrial Supply Center, San Diego, CA

Fleet and Industrial Supply Center, Norfolk, VA

Fleet and Industrial Supply Center, Puget Sound, WA

Fleet and Industrial Supply Center, Jacksonville, FL

Fleet and Industrial Supply Center, Pearl Harbor, HI

Fleet and Industrial Supply Center, Yokosuka, JP

Navy Supply Information Systems Activity, Mechanicsburg, PA

Operations costs for the following activities are funded in Marine Corps Supply Management Activity Group:

Materiel Management Center, Albany, GA

Direct Support Stock Control, Albany, GA

Direct Support Stock Control, Barstow, CA

Business Logistics Support Department, Camp Lejeune, NC
Direct Support Stock Control, Parris Island, SC
Direct Support Stock Control, Quantico, VA
Direct Support Stock Control, Twenty-nine Palms, CA
Consolidated Material and Service Center, Camp Pendleton, CA
Direct Support Stock Control, Camp Butler, JA

Executive Summary / Significant Changes in the Activity Groups:

Within the Supply Management areas, the Department continues to focus on delivering combat capability through optimum logistics support. Ensuring the right material is provided at the proper place, time, and cost is paramount to sustaining our warfighting units whether at peace or at war. To this end, the Department continues to pursue initiatives that will control costs and improve readiness. While we continue to address our aging weapon systems through modifications and new procurement, our older weapon systems combined with increased utilization rates have increased the cost of our spare parts. This is one of the reasons why the Department's request for material obligations remains high. In this regard, it is important to realize that since spare parts, in the aggregate, are but a single element within a complex and intricately balanced system necessary to keep weapon systems safe and operating at their optimal capability, the Department must also look at other contributing elements that influence cost. To attain data in other integrated logistics support elements, such as training and maintenance, more robust information systems are required. Accordingly, the Department continues to fund initiatives such as Enterprise Resource Planning. This initiative will provide the Department better tools to assess program growth and implement cost reducing procedures where appropriate. We are optimistic that these continuing efforts along with reducing weapon system age will stem the tide of spare part cost growth and allow the Department to provide our warfighters improved logistics support at a lower cost. One of the Department's readiness initiatives that will improve our ability to respond logistically to impending threats is the capitalization of spare aircraft engines. The NWCF is an account that provides the Department the ability to react quickly to changing (or projected) customer demand patterns. By enabling the NWCF to order spare aircraft engines, while still using procurement funds to buy the asset off the shelf when available, the Department gains efficiencies and improves our readiness posture. Accordingly, this submission includes \$59 million in FY 2005 to order spare aircraft engines using the NWCF. Lastly, this budget submission reflects a continuation of the Department's inventory

augmentation efforts. Inventory augmentation finances the procurement of wholesale system stock necessary to support new, modified or increasing numbers of weapons systems entering the Department's arsenal. It is this wholesale inventory upon which Fleet customers rely to meet afloat/ashore logistics response times planned in retail allowance models. Ensuring sufficient wholesale material is on hand is an essential element of the readiness equation. Additionally, financing the inventory augmentation via a direct appropriation is considered the most effective funding method since it does not excessively burden the customer rates and it allows the Department to capture total ownership more effectively since the funds are clearly tied to the support of the weapon system rather than being accounted for in the cost of operating the system. As a result of the lead times associated with ordering and delivering inventory augmentation material, the direct appropriation is normally required within two years after ordering; although in some case the lead times may be slightly longer. Accordingly, a direct appropriation to the NWCF of \$65.4 million is requested in FY 2005 as the last installment for material ordered over the FY 2002-2003 timeframe. As a continuation of the inventory augmentation initiative, obligation authority of \$114.7 million and \$86.0 million has been requested in FY 2004 and FY2005 respectively and a direct appropriation funding line has been programmed in the outyears to liquidate this expense as the material is delivered.

FY04 Annual Price Change (APC): This submission reflects an increase to both the Navy and the Marine Corps prices. While growth is still occurring for Navy items, it is important to note that the rate is beginning to subside. The Navy composite APC for FY 2005 is 2.4% with an overall cost recovery rate (CRR) of 15.7%. The Marine Corps composite APC for FY 2005 is 5.9% with an overall cost recovery rate (CRR) of 33.5%.

Material Cost and Rates:

<u>Navy</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Purchase Inflation	0.8%	1.5%	1.5%
Customer Rate Changes	9.6%	6.1%	2.4%
Composite Cost Recovery Rate	20.2%	17.1%	15.7%
Cost of Matl Sold (\$M)	3,400.7	3,734.9	3,844.6

<u>Marine Corps</u>	FY 2003	FY 2004	FY 2005
Purchase Inflation	0.8%	1.5%	1.5%
Customer Rate Changes	31.3%	-18.2%	5.9%
Composite Cost Recovery Rate	61.8%	29.5%	33.5%
Cost of Matl Sold (\$M)	24.6	23.4	19.1

Financial Profile:

(Dollars in Millions)

<u>Navy</u>	FY 2003	FY 2004	FY 2005
Revenue	6553.4	5826.1	5585.1
Expenses	6612.3	5830.0	5597.9
Capital Surcharge	18.1	4.5	-24.7
Other Changes Affecting NOR	7.7	0.0	-49.1
Net Operating Result	-69.2	-8.4	-37.3
Other Changes Affecting AOR	0.0	0.0	0.0
Accumulated Operating Result	45.7	37.3	0.0

(Dollars in Millions)

<u>Marine Corps</u>	FY 2003	FY 2004	FY 2005
Revenue	225.0	147.9	141.4
Expenses	201.2	204.6	172.5
Other Changes Affecting NOR	8.4	35.1	4.5
Net Operating Result	32.2	-21.6	-26.6
Other Changes Affecting AOR			
Accumulated Operating Result	48.2	26.6	0.0

Revenue: Corporate revenue decreased mainly as a result of transferring fuel accounting to DESC.

Expense: Corporate expenses decreased commensurate with revenue.

Cash Forecast

Cash solvency across the budget horizon continues to remain a primary consideration. This budget carefully balances cash with Chief of Naval

Operations' and the Commandant of the Marine Corps' priorities of current and future readiness.

(Dollars in Millions)

<u>Navy</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Collections	6721.8	6003.2	5694.3
Disbursements	6876.7	6491.6	5783.7
Net Outlays*	154.9	488.4	89.4

* Cash transfers associated with the Inventory Augmentation initiative are not included.

(Dollars in Millions)

<u>Marine Corps</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Collections	251.6	182.1	146.0
Disbursements	185.4	168.7	162.0
Net Outlays	-66.2	-13.4	16.0

Inventory Augmentation

Inventory augmentation finances the procurement of wholesale system stock necessary to support new, modified or increasing numbers of weapons systems entering the Department's arsenal. It is this wholesale inventory upon which Fleet customers rely to meet afloat/ashore logistics response times planned in retail allowance models. Ensuring sufficient wholesale material is on hand is an essential element of the readiness equation. Additionally, financing the inventory augmentation via a direct appropriation is considered the most effective funding method since it does not excessively burden the customer rates and it allows the Department to capture total ownership more effectively since the funds are clearly tied to the support of the weapon system rather than being accounted for in the cost of operating the system. As a result of the lead times associated with ordering and delivering inventory augmentation material, the direct appropriation is normally required within two years after ordering; although in some case the lead times may be slightly longer. Accordingly, a direct appropriation to the NWCF of \$65.4 million is requested in FY 2005 as the last installment for material ordered over the FY 2002-2003 timeframe, as depicted below:

(Dollars in Millions)

<u>Navy</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Obligation Authority	98.5	137.5		
Direct Appropriation to the NWCF		40.2	130.4	65.4

As a continuation of the inventory augmentation initiative, obligation authority of \$114.7 million and \$86.0 million has been requested in FY 2004 and FY2005 respectively and a direct appropriation funding line has been programmed in the outyears to liquidate this expense as the material is delivered.

War Reserve Material Obligations

(Dollars in Millions)

Marine Corps	FY 2003	FY 2004	FY 2005
Retail	24.3	1.3	0.4
Wholesale	10.8	3.2	4.5
Total WRM	35.1	4.5	4.9

The above chart reflects WRM authority budgeted to meet projected Marine Corps deficits and funding levels required for initial mobilization.

Obligation Authority:

(Dollars in Millions)

Navy Obligations	FY 2003	FY 2004	FY 2005
Wholesale	4,278.9	3,884.7	4,054.5
Retail	1,488.7	1,050.1	891.8
Operating	1,386.7	1,229.2	1,150.3
Total	7,154.3	6,164.0	6,096.6

(Dollars in Millions)

Marine Corps Obligations	FY 2003	FY 2004	FY 2005
Wholesale**	115.3	70.1	67.1
Retail**	137.5	79.9	85.0
Operating	12.3	11.2	11.0
Total	265.1	161.2	163.1

** WRM obligations are included.

Wholesale: Focuses on a continued emphasis to align customer funding and demand to NWCF wholesale production and repair investments. Proposed in FY05 is the capitalization of aircraft engines. Accordingly, \$59M has been budgeted in FY05 and procurement account resources have been aligned in FY07 to pay for the engines when they are available.

Retail: Reflects the Department’s ongoing effort to reduce the retail footprint. Naval Supply Systems Command completed the transfer of fuel aboard Navy oilers to DESC in FY 2003 and is scheduled to complete transfer of fuel from remaining force level ships in FY 2004. As a result, this budget submission reflects minimal obligation authority to support fuel operations in FY 2004 and contains no Navy obligation authority to support fuel operations beginning in FY 2005. However, a minimal amount of commitment authority has been budgeted in case this effort is delayed.

Operations (BPP91): The operations budget reflects a decline in obligations. This decline is primarily attributable to continued efficiencies, Strategic Sourcing Initiatives and NAVSUP’s Transformation Initiative.

Workload:

(Dollars in Millions)

Navy Gross Sales	FY 2003	FY 2004	FY 2005
Wholesale	4,821.1	4,544.1	4,449.8
Retail	1,456.8	1,072.3	910.9
Total	6,277.9	5,616.4	5,360.7

(Dollars in Millions)

Marine Corps Gross Sales	FY 2003	FY 2004	FY 2005
Wholesale	119.8	73.8	64.3
Retail	111.3	77.8	80.8
Total	231.1	151.6	145.1

Wholesale: Sales are directly tied to customer funding and the Department’s ability to fill orders.

Retail: This submission continues to reflect the Department’s efforts to reduce its retail footprint. By the end of FY 2004, all Navy fuel is expected to be transferred to DESC.

Unit Cost:

Navy	FY 2003	FY 2004	FY 2005
Wholesale	1.060	.986	1.043
Retail	1.026	.994	.997

Marine Corps	FY 2003	FY 2004	FY 2005
Wholesale	1.024	1.106	1.199
Retail	1.018	1.013	1.048

Performance Metrics

The availability of spare parts is an essential performance metric to our warfighting customers. Accordingly, goals are established and results are monitored continuously so that corrective action can be taken, when necessary, to maximize performance outputs.

Navy	FY 2003	FY 2004 Goal	FY 2005 Goal
Supply Material Availability	77.5%	85%	85%

Marine Corps	FY 2003	FY 2004 Goal	FY 2005 Goal
Supply Chain Channel Performance	77.5%	85%	85%

Staffing:

Navy	FY 2003	FY 2004	FY 2005
Civilian End Strength	5,672	5,477	5,477
Civilian Work Years	6,061	5,756	5,477
Military End Strength	426	421	383
Military Work Years	428	423	402

Marine Corps	FY 2003	FY 2004	FY 2005
Civilian End Strength	47	26	24
Civilian Work Years	47	26	24

Civilian Personnel: FY 2003 numbers reflect actual end strength and work year levels. The decrease in FY 2004 and FY 2005 is a continuation of our strategic sourcing and workload validation efforts to gain efficiencies throughout the supply management business area.

Capital Budget Authority:

(Dollars in Millions)

Navy	FY 2003	FY2004	FY 2005
Equipment Non-ADPE/Telecom	1.429	1.999	1.822
ADPE/Telecom Equipment	2.250	2.306	1.786

Software Development	66.595	43.284	9.231
Minor Construction	1.238	2.259	2.328
Total	71.512	49.848	15.167

Cost of Goods Sold Breakout:

This budget continues to reflect the methodology applied in previous years for recovering costs associated with transportation, depot washout, obsolescence, LECP management, testing and NADEP Transformation. These costs, which are directly associated with material, are now being recovered through material cost of goods. The following breakout applies:

(Dollars in Millions)

FY 2003	Transportation	Obsolescence	Depot Washout	LECP NRE	Testing	SNT	
BP 34	13.7	3.4			5.3		
BP 81P	11.7	4.1		1.0			
BP 81R	10.0		18.5				
BP 85P	34.5	27.7			1.8		
BP 85R	68.2		231.5	14.2		25.1	
Total	138.1	35.2	250.0	15.2	7.1	25.1	
FY 2004	Transportation	Obsolescence	Depot Washout	LECP NRE	Testing	SNT	NADEP Transf
BP 34	15.2	9.3			5.7		
BP 81P	17.6	4.9		1.0			
BP 81R	12.7		23.4				
BP 85P	32.6	6.0			2.4		
BP 85R	107.7		254.1	9.5		15.1	-17.7
Total	185.8	20.2	277.5	10.5	8.1	15.1	-17.7
FY 2005	Transportation	Obsolescence	Depot Washout	LECP NRE	Testing	NADEP Transf	
BP 34	17.1	8.3			5.7		
BP 81P	15.5	4.7		1.0			
BP 81R	15.1		37.2				
BP 85P	21.5	19.2			2.5		
BP 85R	97.2		284.4	11.0		-20.4	
Total	166.4	32.2	321.6	12.0	8.2	-20.4	

In conclusion, the budget presented herein maintains NWCF-SM at a funding level that meets the Department of the Navy's readiness requirements over the budget horizon.

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
REVENUE AND EXPENSE SUMMARY
FY 2005 BUDGET ESTIMATES - FEBRUARY 2004
(Dollars in Millions)**

	FY2003	FY2004	FY2005
REVENUE:			
Net Sales			
Operations	6,122.2	5,445.8	5,224.4
Capital Surcharge	-1.3	4.5	-24.7
Depreciation except Maj Const	53.5	45.4	39.9
Major Construction Dep	0.0	0.0	0.0
Other Income	379.0	330.5	345.5
Refunds/Discounts (-)			
Total Income:	6553.4	5826.1	5585.1
EXPENSES:			
Cost of Materiel Sold from Inventory	5,444.2	4,779.5	4,631.9
Salaries and Wages:			
Military Personnel	27.5	27.6	27.4
Civilian Personnel	410.9	403.7	372.8
Travel & Transportation of Personnel	13.3	11.3	10.7
Materials & Supplies	39.7	31.3	29.9
Equipment	12.6	8.4	8.5
Other Purchases from Revolving Funds	348.9	294.2	280.0
Transportation of Things	0.0	0.0	0.0
Depreciation - Capital	53.5	45.4	39.9
Printing and Reproduction	0.0	0.2	0.2
Advisory and Assistance Services	37.6	25.0	21.5
Rent, Communication, Utilities & Misc	25.7	17.9	18.1
Other Purchased Services	134.7	78.5	45.2
Inventory Gains and Losses	63.7	107.2	111.9
TOTAL EXPENSES	6,612.3	5,830.0	5,597.9
Operating Result	-58.8	-3.9	-12.9
Less Capital Surcharge reservation	18.1	4.5	-24.7
Plus Appro Affecting NOR/AOR	0.0	0.0	0.0
Plus Other Changes Affecting NOR	7.7	0.0	-49.1
Net Operating Result	-69.2	-8.4	-37.3
Other Changes Affecting AOR			
Accumulated Operating Result	45.7	37.3	0.0

**NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
SOURCES OF REVENUE
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
(\$ in Millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
a. Orders from DoD Components:			
Own Component			
1105 Military Personnel, M.C.	0.0	0.0	0.0
1106 O&M Marine Corps	9.0	2.9	0.0
1108 Reserve Personnel, M.C.	0.0	0.0	0.0
1109 Procurement, M.C.	4.1	3.6	3.4
1319 RDT & E, Navy	0.0	0.0	0.0
1405 Reserve Personnel, Navy	11.5	10.0	9.6
1453 Military Personnel, Navy	9.7	8.5	8.2
1506 Aircraft Procurement, Navy	686.2	550.5	381.5
1711 Shipbuilding & Conv. Navy	27.1	38.7	42.3
1804 O&M, Navy	4,312.4	3,779.4	3,777.1
1806 O&M, Navy Reserve	125.8	110.3	110.2
1810 Other Procurement, Navy	46.9	63.0	45.1
4930 Navy Working Capital Fund	<u>601.9</u>	<u>527.5</u>	<u>527.2</u>
	5,834.7	5,094.3	4,904.7
Orders from other DoD Components			
2100 Army	9.6	8.4	8.1
5700 Air Force	105.4	92.0	88.5
9700 Other DoD	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	115.0	100.4	96.7
b. Orders from other Fund Business Areas:			
Distribution Depots, Navy	0.0	0.0	0.0
Logistics Support, Navy	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	0.0	0.0	0.0
c. Total DoD	5,949.7	5,194.7	5,001.4
d. Other Orders:			
Other Federal Agencies	51.5	44.9	43.2
Trust Fund	0.0	0.0	0.0
Non-Federal Agencies *	227.5	173.2	166.2
Foreign Military Sales (FMS)	<u>92.8</u>	<u>81.0</u>	<u>78.0</u>
	371.7	299.1	287.4
2. Carry-In Orders	836.1	879.6	757.0
3. Total Gross Orders	7,157.5	6,373.4	6,045.8
4. Change to Backlog	879.6	757.0	685.1
5. Total Gross Sales	6,277.9	5,616.4	5,360.7
Reimbursable Orders (BP 91)	379.0	330.5	345.5

* Non-federal agencies line includes cash sales

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
FUEL DATA
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

Depots

	FY2003 Estimate			FY2004 Estimate			FY2005 Estimate		
	<u>BBLs</u>	<u>Unit Cost</u>	<u>\$000</u>	<u>BBLs</u>	<u>Unit Cost</u>	<u>\$000</u>	<u>BBLs</u>	<u>Unit Cost</u>	<u>\$000</u>
Aircraft Ops									
AVGAS (CONUS)	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
MOGAS: Unleaded-Mid	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
JP-4 Milspec	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
JP-5	3.594	36.12	129.8	1.081	39.06	42.2	0.000	0.00	0.0
JP-8	0.108	35.28	3.8	0.029	38.22	1.1	0.000	0.00	0.0
Distillates	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Residuals	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Diesel	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Total Air Ops	3.702		133.6	1.110		43.3	0.000		0.0
Other									
AVGAS (CONUS)	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
MOGAS: Leaded	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
MOGAS: Unleaded-Mid	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
JP-5	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
JP-8	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Distillates	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Residuals	0.017	29.40	0.5	0.005	32.76	0.2	0.000	0.00	0.0
Gasahol	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Reclaimed	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Diesel	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Total Other	0.017		0.5	0.005		0.2	0.000		0.0
Ship Ops									
MOGAS: Unleaded - Mid	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
JP-5	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Distillates	11.901	34.02	404.9	3.727	35.28	131.5	0.000	0.00	0.0
Residuals	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Reclaimed	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Diesel	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Total Ship Ops	11.901		404.9	3.727		131.5	0.000		0.0
Vehicle Ops									
AVGAS: (CONUS)	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
MOGAS: Leaded	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
MOGAS: Unleaded-Mid	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
JP-5	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Distillates	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Gasohol	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Reclaimed	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Diesel	0.000	0.00	0.0	0.000	0.00	0.0	0.000	0.00	0.0
Total Vehicle Ops	0.000		0.0	0.000		0.0	0.000		0.0
Total	15.620		539.0	4.842		175.0	0.000		0.0

NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
SUPPLY MANAGEMENT SUMMARY- FY03
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
OBLIGATION TARGETS

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OPERATING	MOBILIZATION	INVENTORY AUGMENT	TOTAL OBLIGATIONS	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
BP 14										
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 15										
Approved	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 21										
Approved	29.3	83.4	83.5	83.5	0.0	0.0	83.5	6.5	90.0	0.0
Request	17.1	114.9	114.9	106.3	0.0	0.0	106.3	6.5	112.8	0.0
Delta	-12.2	31.5	31.4	22.8	0.0	0.0	22.8	0.0	22.8	0.0
BP 23										
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 25										
Approved	0.0	0.0	1.0	1.0	0.0	0.0	1.0	0.1	1.1	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
Delta	0.0	0.0	-1.0	-1.0	0.0	0.0	-1.0	0.0	-1.0	0.0
BP 28										
Approved	1,464.9	780.7	780.7	817.1	0.0	0.0	817.1	80.0	897.1	11.3
Request	1,566.6	799.1	799.1	843.4	0.0	0.0	843.4	67.7	911.1	6.1
Delta	101.7	18.4	18.4	26.3	0.0	0.0	26.3	-12.3	14.0	-5.2
BP 34										
Approved	690.5	371.5	373.3	388.6	0.0	3.9	392.5	109.6	502.1	3.4
Request	651.2	455.5	455.8	468.1	0.0	3.9	472.0	109.6	581.6	1.4
Delta	-39.3	84.0	82.5	79.5	0.0	0.0	79.5	0.0	79.5	-2.0
BP 38										
Approved	0.0	603.5	603.5	611.7	0.0	0.0	611.7	121.8	733.5	0.0
Request	75.9	536.7	536.7	539.0	0.0	0.0	539.0	121.8	660.8	0.0
Delta	75.9	-66.8	-66.8	-72.7	0.0	0.0	-72.7	0.0	-72.7	0.0
BP 81										
Approved	7,652.3	670.6	670.6	566.7	0.0	36.8	603.5	140.0	743.5	31.4
Request	8,934.1	750.7	750.7	660.6	0.0	36.8	697.4	104.5	801.9	24.5
Delta	1,281.8	80.1	80.1	93.9	0.0	0.0	93.9	-35.5	58.4	-6.9
BP85										
Approved	30,193.5	3,177.0	3,186.5	2,674.3	0.0	110.8	2,785.1	636.8	3,421.9	104.8
Request	30,248.3	3,296.4	3,517.2	3,012.7	0.0	96.8	3,109.5	636.8	3,746.3	71.5
Delta	54.8	119.4	330.7	338.4	0.0	-14.0	324.4	0.0	324.4	-33.3
BP 91										
Approved	0.0	0.0	0.0	1,329.7	0.0	0.0	1,329.7	0.0	1,329.7	0.0
Request	0.0	0.0	0.0	1,386.7	0.0	0.0	1,386.7	0.0	1,386.7	0.0
Delta	0.0	0.0	0.0	57.0	0.0	0.0	57.0	0.0	57.0	0.0
TOTAL										
Approved	40,030.4	5,686.7	5,699.1	6,472.6	0.0	151.5	6,624.1	1,094.8	7,718.9	150.9
Request	41,493.2	5,953.3	6,174.4	7,016.8	0.0	137.5	7,154.3	1,047.0	8,201.3	103.5
Delta	1,462.8	266.6	475.3	544.2	0.0	-14.0	530.2	-47.8	482.4	-47.4

NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
SUPPLY MANAGEMENT SUMMARY- FY04
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
OBLIGATION TARGETS

DIVISION	PEACETIME INVENTORY	NET		NET SALES	OPERATING	MOBILIZATION	INVENTORY AUGMENT	TOTAL OBLIGATIONS	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
		CUSTOMER ORDERS									
BP 14											
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 15											
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 21											
Approved	30.5	83.2	83.2	83.2	0.0	0.0	83.2	6.5	89.7	0.0	0.0
Request	18.2	86.0	86.0	86.0	0.0	0.0	86.0	6.5	92.5	0.0	0.0
Delta	-12.3	2.8	2.8	2.8	0.0	0.0	2.8	0.0	2.8	0.0	0.0
BP 23											
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 25											
Approved	0.0	0.0	1.0	1.0	0.0	0.0	1.0	0.1	1.1	0.0	0.0
Request	0.0	0.0	1.0	1.0	0.0	0.0	1.0	0.1	1.1	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 28											
Approved	1,521.3	794.0	794.0	818.6	0.0	0.0	818.6	81.0	899.6	11.5	0.0
Request	1,528.4	794.0	794.0	788.1	0.0	0.0	788.1	98.0	886.1	16.3	0.0
Delta	7.1	0.0	0.0	-30.5	0.0	0.0	-30.5	17.0	-13.5	4.8	0.0
BP 34											
Approved	645.8	353.3	353.6	372.6	0.0	0.0	372.6	90.0	462.6	3.4	0.0
Request	745.1	420.6	444.5	419.3	0.0	18.4	437.7	90.0	527.7	1.9	0.0
Delta	99.3	67.3	90.9	46.7	0.0	18.4	65.1	0.0	65.1	-1.5	0.0
BP 38											
Approved	0.0	104.8	104.8	104.8	0.0	0.0	104.8	400.0	504.8	0.0	0.0
Request	0.0	175.0	175.0	175.0	0.0	0.0	175.0	350.0	525.0	0.0	0.0
Delta	0.0	70.2	70.2	70.2	0.0	0.0	70.2	-50.0	20.2	0.0	0.0
BP 81											
Approved	7,491.4	667.6	667.6	589.9	0.0	0.0	589.9	140.0	729.9	31.4	0.0
Request	9,212.1	762.8	762.8	563.4	0.0	39.6	603.0	104.5	707.5	29.0	0.0
Delta	1,720.7	95.2	95.2	-26.5	0.0	39.6	13.1	-35.5	-22.4	-2.4	0.0
BP85											
Approved	34,253.0	3,125.5	3,213.5	2,232.1	0.0	0.0	2,232.1	584.9	2,816.9	104.8	0.0
Request	33,115.1	3,134.6	3,232.3	2,787.3	0.0	56.8	2,844.1	859.9	3,704.0	73.6	0.0
Delta	-1,137.9	9.1	18.8	555.2	0.0	56.8	612.0	275.0	887.1	-31.2	0.0
BP 91											
Approved	0.0	0.0	0.0	1,249.1	0.0	0.0	1,249.1	0.0	1,249.1	0.0	0.0
Request	0.0	0.0	0.0	1,229.2	0.0	0.0	1,229.2	0.0	1,229.2	0.0	0.0
Delta	0.0	0.0	0.0	-19.9	0.0	0.0	-19.9	0.0	-19.9	0.0	0.0
TOTAL											
Approved	43,942.0	5,128.4	5,217.7	5,451.3	0.0	0.0	5,451.3	1,302.5	6,753.7	151.1	0.0
Request	44,618.9	5,373.0	5,495.6	6,049.3	0.0	114.7	6,164.0	1,509.0	7,673.0	120.8	0.0
Delta	676.9	244.6	277.9	598.0	0.0	114.7	712.8	206.5	919.4	-30.3	0.0

NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT ACTIVITY GROUP
SUPPLY MANAGEMENT SUMMARY- FY05
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
OBLIGATION TARGETS

DIVISION	PEACETIME INVENTORY	NET		NET SALES	OPERATING	MOBILIZATION	INVENTORY AUGMENT	TOTAL OBLIGATIONS	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
		CUSTOMER ORDERS									
BP 14											
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 15											
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 21											
Approved	31.7	83.2	83.2	83.2	0.0	0.0	83.2	6.5	89.7	0.0	0.0
Request	19.5	86.0	86.0	86.0	0.0	0.0	86.0	6.5	92.5	0.0	0.0
Delta	-12.2	2.8	2.8	2.8	0.0	0.0	2.8	0.0	2.8	0.0	0.0
BP 23											
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 25											
Approved	0.0	0.0	1.0	1.0	0.0	0.0	1.0	0.1	1.1	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	-1.0	-1.0	0.0	0.0	-1.0	-0.1	-1.1	0.0	0.0
BP 28											
Approved	1,540.3	808.3	808.3	845.9	0.0	0.0	845.9	82.0	927.9	11.7	0.0
Request	1,556.4	808.3	808.3	805.8	0.0	0.0	805.8	99.5	905.3	16.6	0.0
Delta	16.1	0.0	0.0	-40.1	0.0	0.0	-40.1	17.5	-22.6	4.9	0.0
BP 34											
Approved	619.4	370.9	373.7	330.3	0.0	0.0	330.3	70.0	400.3	3.4	0.0
Request	698.8	431.4	432.3	398.2	0.0	25.2	423.4	90.0	513.4	1.9	0.0
Delta	79.4	60.5	58.6	67.9	0.0	25.2	93.1	20.0	113.1	-1.5	0.0
BP 38											
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0	200.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	175.0	175.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-25.0	-25.0	0.0	0.0
BP 81											
Approved	7,288.0	699.1	699.1	623.3	0.0	0.0	623.3	140.0	763.3	31.4	0.0
Request	8,411.4	761.5	761.5	588.7	0.0	0.0	588.7	104.5	693.2	29.0	0.0
Delta	1,123.4	62.4	62.4	-34.6	0.0	0.0	-34.6	-35.5	-70.1	-2.4	0.0
BP85											
Approved	36,101.1	2,818.4	2,880.5	2,703.5	0.0	0.0	2,703.5	699.1	3,402.6	104.8	0.0
Request	35,957.5	3,080.5	3,151.5	2,981.6	0.0	60.8	3,042.4	1,049.1	4,091.5	73.6	0.0
Delta	-143.6	262.1	271.0	278.1	0.0	60.8	338.9	350.0	688.9	-31.2	0.0
BP 91											
Approved	0.0	0.0	0.0	1,183.8	0.0	0.0	1,183.8	0.0	1,183.8	0.0	0.0
Request	0.0	0.0	0.0	1,150.3	0.0	0.0	1,150.3	0.0	1,150.3	0.0	0.0
Delta	0.0	0.0	0.0	-33.5	0.0	0.0	-33.5	0.0	-33.5	0.0	0.0
TOTAL											
Approved	45,580.5	4,779.9	4,845.8	5,771.0	0.0	0.0	5,771.0	1,197.7	6,968.7	151.3	0.0
Request	46,643.6	5,167.7	5,239.6	6,010.6	0.0	86.0	6,096.6	1,524.6	7,621.2	121.1	0.0
Delta	1,063.1	387.8	393.8	239.6	0.0	86.0	325.6	326.9	652.5	-30.2	0.0

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34
FY 2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2003

<u>Weapon System</u>	<u>NMCS Rates</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	9.6	7.5		4.9	12.4
AV-8B/T-45	12.1/5.6	0.8		1.5	2.3
EA-6B	12.0		0.4	4.3	4.7
F-14	8.0			10.8	10.8
V-22	n/a				0.0
S-3/C-130	7.4/13.5			1.5	1.5
P-3	9.0			8.1	8.1
E-2/C-2	11.0/6.9			4.0	4.0
Common Systems	n/a	3.1		6.4	9.5
Aircraft Engines	n/a		42.8	138.3	181.1
Aviation Support Systems	n/a		28.7	52.1	80.8
H-46/H-1	12.1/15.4		3.0	12.8	15.8
H-53	12.5	2.4		8.4	10.8
H-60	10.9	0.7		4.1	4.8
Multi-application	n/a			112.4	112.4
Efficiencies/Self Financing				-1.5	-1.5
LECP				2.3	2.3
Anticipated Special Programs			0.0		0.0
Full PBL				8.3	8.3
Sub-total		14.5	74.9	378.7	468.1
System Stock: Initial/Follow-on					3.9
Operating Requirement					472.0

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2004

<u>Weapon System</u>	<u>NMCS Rates</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	9.6	2.5		3.4	5.9
AV-8B/T-45	12.1/5.6			1.9	1.9
EA-6B	12.0	0.3	0.3	5.2	5.8
F-14	8.0		7.7	2.5	10.2
V-22	n/a	0.3		0.0	0.3
S-3/C-130	7.4/13.5	0.4		0.5	0.9
P-3	9.0	0.2	0.8	3.8	4.8
E-2/C-2	11.0/6.9	0.8		1.5	2.3
Common Systems	n/a	0.6		3.6	4.2
Aircraft Engines	n/a		48.4	117.1	165.5
Aviation Support Systems	n/a	1.0	6.9	37.7	45.6
H-46/H-1	12.1/15.4	0.1	2.9	7.7	10.7
H-53	12.5	0.1		2.8	2.9
H-60	10.9	6.4		1.4	7.8
Multi-application	n/a			127.4	127.4
Efficiencies/Self Financing				-1.5	-1.5
Anticipated Special Programs			17.0		17.0
Full PBL				7.6	7.6
Sub-total		12.7	84.0	322.6	419.3
System Stock: Initial/Follow-on					18.4
Operating Requirement					437.7

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 34
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2005

<u>Weapon System</u>	<u>NMCS Rates</u>	<u>Buy-in Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>TOTAL</u>
F/A-18	9.6	4.4		3.2	7.6
AV-8B/T-45	12.1/5.6			2.4	2.4
EA-6B	12.0	0.7		6.6	7.3
F-14	8.0			2.7	2.7
V-22	n/a	0.3		0.0	0.3
S-3/C-130	7.4/13.5	0.5		0.5	1.0
P-3	9.0	0.2		3.7	3.9
E-2/C-2	11.0/6.9	1.0		1.3	2.3
Common Systems	n/a	0.6		4.0	4.6
Aircraft Engines	n/a		24.5	114.8	139.3
Aviation Support Systems	n/a	1.0	2.6	30.9	34.5
H-46/H-1	12.1/15.4	0.1		8.5	8.6
H-53	12.5	0.1		3.0	3.1
H-60	10.9	8.5		1.1	9.6
Multi-application	n/a			114.0	114.0
Efficiencies/Self Financing				-0.8	-0.8
Anticipated Special Programs			50.0		50.0
Full PBL				7.8	7.8
Sub-total		17.4	77.1	303.7	398.2
System Stock: Initial/Follow-on					25.2
Operating Requirement					423.4

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 81C
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2003

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>STOCK</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	2.1	1.1	1.0	2.4	13.2	19.8
NUCLEAR	23.5	5.0	7.4	16.2	1.7	53.8
SUBSAFE LI/ASDS/DSSP	23.5	1.2	2.7	18.2	19.5	65.1
SUBMARINE SUPPORT	19.7	4.9	0.7	34.0	58.6	117.9
HM&E	25.9	2.0	1.2	49.2	45.3	123.6
END ITEM MGT/CARPER/MSC	9.2	0.0	3.5	6.5	8.0	27.2
GPETE	0.3	0.0	0.0	22.6	2.0	24.9
AEGIS/LAUNCHERS	19.6	7.6	3.1	18.4	69.8	118.5
CIWS/INTEGRATED SELF-DEFENSE	12.8	8.0	6.0	10.8	52.3	89.9
COMMUNICATION SURVEILLANCE	17.2	12.6	5.0	16.2	22.8	73.8
GROSS REQUIREMENTS	153.8	42.4	30.6	194.5	293.2	714.5
EFFICIENCY MARKS	-5.5	-1.4	-0.4	-4.0		-11.3
PBL SAVINGS				-5.8		-5.8
SUBTOTAL	148.3	41.0	30.2	184.7	293.2	697.4
PROVISIONING SELLDOWN		9.4	-9.4			0.0
TOTAL	148.3	50.4	20.8	184.7	293.2	697.4

<u>PLATFORM</u>	<u>Actual FY03 POTF *</u>
AIRCRAFT CARRIERS	90%
AMPHIBIOUS WARFARE	80%
COMBAT LOGISTICS SHIPS	80%
MINE WARFARE SHIPS	47%
SUBMARINES	96%
SURFACE COMBATANTS	80%
SURFACE SHIPS	76%
MISCELLANEOUS	76%
ACROSS ALL PLATFORMS	80%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs)). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level.

FY04 and FY05 POTF projections reflect continuation of FY03 actual POTF percentages.

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 81C
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2004

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>STOCK</u>	<u>SPECIAL PROGRAMS</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	2.0	0.9	1.1	3.6	12.5	20.1
NUCLEAR	13.8	7.0	8.6	20.2	1.7	51.3
SUBSAFE LI/ASDS/DSSP	23.0	2.4	5.2	6.8	13.9	51.3
SUBMARINE SUPPORT	18.9	8.3	4.8	19.5	41.4	92.9
HM&E	14.6	0.2	0.3	39.6	34.1	88.8
END ITEM MGT/CARPER/MSC	8.5	0.9	2.4	8.1	12.4	32.3
GPETE	0.2	0.0	0.0	22.5	1.8	24.5
AEGIS/LAUNCHERS	12.6	7.0	4.8	12.6	67.6	104.6
CIWS/INTEGRATED SELF-DEFENSE	12.1	8.2	9.7	15.6	34.7	80.3
COMMUNICATION/SURVEILLANCE	16.4	9.3	5.7	7.7	24.9	64.0
 GROSS REQUIREMENTS	 122.1	 44.2	 42.6	 156.2	 245.0	 610.1
EFFICIENCY MARKS	-1.2					-1.2
PBL SAVINGS				-5.9		-5.9
 SUBTOTAL	 120.9	 44.2	 42.6	 150.3	 245.0	 603.0
PROVISIONING SELLDOWN		13.1	-13.1			0.0
 TOTAL	 120.9	 57.3	 29.5	 150.3	 245.0	 603.0

<u>PLATFORM</u>	<u>FY04 POTF *</u>
AIRCRAFT CARRIERS	90%
AMPHIBIOUS WARFARE	80%
COMBAT LOGISTICS SHIPS	80%
MINE WARFARE SHIPS	47%
SUBMARINES	96%
SURFACE COMBATANTS	80%
SURFACE SHIPS	76%
MISCELLANEOUS	76%
 ACROSS ALL PLATFORMS	 80%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs)). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level.

FY04 and FY05 POTF projections reflect continuation of FY03 actual POTF percentages.

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 81C
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2005

<u>WEAPON SYSTEM NAME</u>	<u>BASIC REPLEN</u>	<u>OUTFITTING</u>	<u>SPECIAL PROGS.</u>	<u>REWORK</u>	<u>TOTAL</u>
AIR TRAFFIC CONTROL	1.7	2.0	1.9	13.7	19.3
NUCLEAR	13.2	7.2	17.8	1.8	40.0
SUBSAFE LI/ASDS/DSSP	19.1	13.5	8.3	15.8	56.7
SUBMARINE SUPPORT	16.4	8.9	23.3	52.2	100.8
HM&E	12.6	0.1	41.7	33.9	88.3
END ITEM MGT/CARPER/MSC	7.1	1.5	5.2	13.0	26.8
GPETE	0.2	0.0	23.6	1.9	25.7
AEGIS/LAUNCHERS	10.8	6.2	13.0	73.6	103.6
CIWS/INTEGRATED SELF-DEFENSE	10.4	8.2	16.1	38.3	73.0
COMMUNICATION/SURVEILLANCE	14.3	7.0	10.7	28.5	60.5
 GROSS REQUIREMENTS	 105.8	 54.6	 161.6	 272.7	 594.7
 PBL SAVINGS			 -6.0		 -6.0
 TOTAL	 105.8	 54.6	 155.6	 272.7	 588.7

<u>PLATFORM</u>	<u>FY05 POTF *</u>
AIRCRAFT CARRIERS	90%
AMPHIBIOUS WARFARE	80%
COMBAT LOGISTICS SHIPS	80%
MINE WARFARE SHIPS	47%
SUBMARINES	96%
SURFACE COMBATANTS	80%
SURFACE SHIPS	76%
MISCELLANEOUS	76%
 ACROSS ALL PLATFORMS	 80%

* POTF (Percentage of Time Free) is an accepted Department of Defense readiness metric and is used in assessing ship and submarine readiness vice NMCS (aviation metric). It measures the percentage of operating time free of mission-degrading casualties for active ships in all fleets (i.e. the percentage of operating time that a platform has no C3/C4 casualty reports (CASREPs)). POTF is measured by platform. There is no means of obtaining POTF data at the Weapon System level.

FY04 and FY05 POTF projections reflect continuation of FY03 actual POTF percentages.

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2003

<u>Weapon System</u>	<u>NMCS Rates</u>	<u>Buy In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	9.6	21.2	63.7	66.2	241.8	392.9
AV-8B/T-45	12.1/5.6	8.3	0.0	8.7	24.9	41.9
EA-6B	12.0	0.0	0.7	14.7	39.2	54.6
F-14	8.0	0.0	6.4	30.4	70.6	107.4
V-22	n/a	0.0	0.0	0.0	0.0	0.0
S-3/C-130	7.4/13.5	9.8	5.1	14.4	43.4	72.7
P-3	9.0	31.0	13.2	21.9	64.6	130.7
E-2/C-2	11.0/6.9	34.0	6.1	15.0	24.3	79.4
Common Systems	n/a	20.8	1.7	28.9	65.0	116.4
Aircraft Engines	n/a	9.1	28.3	101.0	288.2	426.6
Aviation Support Systems	n/a	10.0	2.9	10.4	35.3	58.6
H-46/H-1	12.1/15.4	0.0	11.1	37.7	105.1	153.9
H-53	12.5	0.0	18.5	33.6	158.1	210.2
H-60	10.9	112.9	14.8	25.9	82.5	236.1
Multi-application	n/a	0.0	0.0	222.3	669.3	891.6
Efficiencies/Self Financing	n/a	-37.0		-64.2		-101.2
NAVAIR IISRP	n/a				6.3	6.3
Serial Number Tracking	n/a			8.5		8.5
Full PBL	n/a			114.5	106.8	221.3
PBL Savings	n/a				-9.4	-9.4
LECP Investment/Savings	n/a			28.9	-32.2	-3.3
Sub-Total		220.1	172.5	718.8	1983.8	3095.2
System Stock: Initial/Follow-on						14.3
Operating Requirement						3109.5

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2004

<u>Weapon System</u>	<u>NMCS Rates</u>	<u>Buy In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	9.6	116.4	47.0	48.7	219.2	431.3
AV-8B/T-45	12.1/5.6	0.00	0.00	5.60	20.90	26.5
EA-6B	12.0	3.50	0.00	10.20	33.40	47.1
F-14	8.0	0.00	0.00	5.80	69.00	74.8
V-22	n/a	0.00	0.00	0.00	0.00	0.0
S-3/C-130	7.4/13.5	4.60	0.00	4.40	42.20	51.2
P-3	9.0	2.70	0.00	15.70	76.30	94.7
E-2/C-2	11.0/6.9	10.70	0.00	6.20	37.50	54.4
Common Systems	n/a	18.20	0.50	19.90	76.80	115.4
Aircraft Engines	n/a	3.30	42.70	69.30	251.70	367.0
Aviation Support Systems	n/a	9.00	1.80	6.80	27.40	45.0
H-46/H-1	12.1/15.4	0.00	0.00	25.90	97.50	123.4
H-53	12.5	2.00	0.60	23.40	105.80	131.8
H-60	10.9	64.70	2.00	19.30	67.80	153.8
Multi-application	n/a	0.00	0.00	140.60	606.00	746.6
Efficiencies/Self Financing		-53.900		-8.300		-62.2
NAVAIR IISRP					0.0	0.0
Serial Number Tracking				0.0		0.0
Anticipated Special Programs			53.0			53.0
Carcass Losses				45.3		45.3
CARES Refresh/Parameter Increase				0.0		0.0
Full PBL				157.0	132.4	289.4
PBL Savings					-9.6	-9.6
LECP Investment/Savings				34.3	-25.9	8.4
Sub-Total		181.2	147.6	630.1	1828.4	2787.3
System Stock: Initial/Follow-on						56.8
Operating Requirement						2844.1

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
OPERATING REQUIREMENT BY WEAPON SYSTEM
BUDGET PROJECT 85
FY2005 BUDGET ESTIMATES - FEBRUARY 2004**

(DOLLARS IN MILLIONS)

FY2005

<u>Weapon System</u>	<u>NMCS Rates</u>	<u>Buy In Outfitting</u>	<u>Special Programs</u>	<u>Basic Replen</u>	<u>Repair</u>	<u>Total</u>
F/A-18	9.6	107.9	64.0	61.6	219.6	453.1
AV-8B/T-45	12.1/5.6	0.0	0.0	7.2	21.1	28.3
EA-6B	12.0	8.1	0.0	13.0	33.4	54.5
F-14	8.0	0.0	0.0	5.6	56.6	62.2
V-22	n/a	0.0	0.0	0.0	0.0	0.0
S-3/C-130	7.4/13.5	6.2	0.0	4.3	37.3	47.8
P-3	9.0	2.5	0.0	20.0	77.9	100.4
E-2/C-2	11.0/6.9	14.3	0.0	8.0	36.2	58.5
Common Systems	n/a	23.0	0.5	25.3	80.9	129.7
Aircraft Engines	n/a	66.5	21.5	87.0	251.8	426.8
Aviation Support Systems	n/a	8.0	0.0	8.6	26.3	42.9
H-46/H-1	12.1/15.4	0.0	0.0	32.7	96.7	129.4
H-53	12.5	1.5	0.0	28.7	106.2	136.4
H-60	10.9	126.5	3.1	24.2	68.0	221.8
Multi-application	n/a	0.0	0.0	175.6	598.8	774.4
Efficiencies/Self Financing		-49.5		-7.8		-57.3
NAVAIR IISRP					0.0	0.0
Serial Number Tracking				0.0		0.0
Anticipated Special Programs			15.0			15.0
Carcass Losses				40.6		40.6
Full PBL				180.4	136.1	316.5
PBL Savings					-9.7	-9.7
LECP Investment/Savings				35.0	-24.7	10.3
Sub-Total		315.0	104.1	750.0	1812.5	2981.6
System Stock: Initial/Follow-on						60.8
Operating Requirement						3042.4

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
(Dollars in Millions)
FY2003**

	Total	Mobilization	---Peacetime---	
			Operating	Other
1. INVENTORY BOP	36,343.5	237.1	15,165.8	20,940.6
2. BOP INVENTORY ADJUSTMENTS	2,928.1	18.5	6,116.7	(3,207.1)
A. RECLASSIFICATION CHANGE (memo)	0.0	0.0	4,279.9	(4,279.9)
B. PRICE CHANGE AMOUNT (memo)	2,928.1	18.5	1,836.8	1,072.8
C. INVENTORY RECLASSIFIED AND REPRICED	39,271.6	255.6	21,282.5	17,733.5
3. RECEIPTS AT STANDARD	3,159.6	2.6	3,046.0	111.0
4. SALES AT STANDARD	6,277.9	0.0	6,277.9	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	1,146.6	0.0	1,055.4	91.2
B. RETURNS FROM CUSTOMERS FOR CREDIT	103.5	0.0	85.4	18.1
C. RETURNS FROM CUSTOMERS, NO CREDIT	18,387.4	0.0	7,998.0	10,389.4
D. RETURNS TO SUPPLIERS (-)	0.0	0.0	0.0	0.0
E. TRANSFERS TO PROP. DISPOSAL (-)	(1,567.5)	0.0	0.0	(1,567.5)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(930.8)	0.0	(65.8)	(865.0)
G. OTHER (listed in Section 9)	(11,542.9)	(1.8)	(8,167.2)	(3,373.9)
H. TOTAL ADJUSTMENTS	5,596.3	(1.8)	905.8	4,692.3
6. INVENTORY EOP	41,749.6	256.4	18,956.4	22,536.8
7. INVENTORY EOP (REVALUED)	25,349.4	249.8	13,130.4	11,969.2
A. APPROVED ACQUISITION OBJECTIVE (memo)				10,194.1
B. ECONOMIC RETENTION (memo)				944.2
C. CONTINGENCY RETENTION (memo)				778.3
D. POTENTIAL DOD REUTILIZATION (memo)				52.6
8. INVENTORY ON ORDER EOP (memo)	2,446.6	0.0	2,396.7	64.5
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(1,319.7)	2.2	(1,455.9)	134.0
Strata Transfers	0.0	(4.0)	3,511.9	(3,507.9)
Net/Standard Difference	(10,223.2)	0.0	(10,223.2)	0.0
Total	(11,542.9)	(1.8)	(8,167.2)	(3,373.9)

DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS
BUDGET PROJECT SUMMARY
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
(Dollars in Millions)
FY2004

	---Peacetime---			
	Total	Mobilization	Operating	Other
1. INVENTORY BOP	41,749.6	256.4	18,956.4	22,536.8
2. BOP INVENTORY ADJUSTMENTS	1,918.8	(4.6)	4,638.6	(2,715.2)
A. RECLASSIFICATION CHANGE (memo)	0.0	0.0	3,538.5	(3,538.5)
B. PRICE CHANGE AMOUNT (memo)	1,918.8	(4.6)	1,100.1	823.3
C. INVENTORY RECLASSIFIED AND REPRICED	43,668.4	251.8	23,595.0	19,821.6
3. RECEIPTS AT STANDARD	3,342.7	0.2	3,347.9	(5.4)
4. SALES AT STANDARD	5,616.4	0.0	5,616.4	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	46.8	0.0	7.8	39.0
B. RETURNS FROM CUSTOMERS FOR CREDIT	120.8	0.0	34.7	86.1
C. RETURNS FROM CUSTOMERS, NO CREDIT	15,716.2	0.1	8,091.6	7,624.5
D. RETURNS TO SUPPLIERS (-)	0.0	0.0	0.0	0.0
E. TRANSFERS TO PROP. DISPOSAL (-)	(1,273.4)	0.0	0.0	(1,273.4)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(62.6)	0.0	(24.7)	(37.9)
G. OTHER (listed in Section 9)	(11,071.5)	0.0	(10,692.0)	(379.5)
H. TOTAL ADJUSTMENTS	3,476.3	0.1	(2,582.6)	6,058.8
6. INVENTORY EOP	44,871.0	252.1	18,743.9	25,875.0
7. INVENTORY EOP (REVALUED)	27,128.1	244.9	13,002.6	13,880.6
A. APPROVED ACQUISITION OBJECTIVE (memo)				11,905.6
B. ECONOMIC RETENTION (memo)				1,061.6
C. CONTINGENCY RETENTION (memo)				854.2
D. POTENTIAL DOD REUTILIZATION (memo)				59.2
8. INVENTORY ON ORDER EOP (memo)	2,561.1	0.0	2,553.1	8.0
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(162.3)	0.0	(163.1)	0.8
Strata Transfers	0.0	0.0	380.3	(380.3)
Net/Standard Difference	(10,909.2)	0.0	(10,909.2)	0.0
Total	(11,071.5)	0.0	(10,692.0)	(379.5)

**DEPARTMENT OF NAVY, SUPPLY MANAGEMENT
INVENTORY STATUS**

**BUDGET PROJECT SUMMARY
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
(Dollars in Millions)
FY2005**

	---Peacetime---			
	Total	Mobilization	Operating	Other
1. INVENTORY BOP	44,871.0	252.1	18,743.9	25,875.0
2. BOP INVENTORY ADJUSTMENTS	1,117.1	3.3	4,846.5	(3,732.7)
A. RECLASSIFICATION CHANGE (memo)	0.0	0.0	4,223.5	(4,223.5)
B. PRICE CHANGE AMOUNT (memo)	1,117.1	3.3	623.0	490.8
C. INVENTORY RECLASSIFIED AND REPRICED	45,988.1	255.4	23,590.4	22,142.3
3. RECEIPTS AT STANDARD	3,090.9	0.1	3,117.8	(27.0)
4. SALES AT STANDARD	5,360.7	0.0	5,360.7	0.0
5. INVENTORY ADJUSTMENTS				
A. CAPITALIZATIONS + or (-)	49.6	0.0	9.9	39.7
B. RETURNS FROM CUSTOMERS FOR CREDIT	121.1	0.1	34.7	86.3
C. RETURNS FROM CUSTOMERS, NO CREDIT	16,589.1	0.0	8,588.1	8,001.0
D. RETURNS TO SUPPLIERS (-)	0.0	0.0	0.0	0.0
E. TRANSFERS TO PROP. DISPOSAL (-)	(1,976.3)	0.0	0.0	(1,976.3)
F. ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(63.4)	0.0	(25.0)	(38.4)
G. OTHER (listed in Section 9)	(11,539.2)	0.0	(11,232.8)	(306.4)
H. TOTAL ADJUSTMENTS	3,180.9	0.0	(2,625.1)	5,805.9
6. INVENTORY EOP	46,899.2	255.6	18,722.4	27,921.2
7. INVENTORY EOP (REVALUED)	29,371.8	249.4	13,197.2	15,925.2
A. APPROVED ACQUISITION OBJECTIVE (memo)				13,263.9
B. ECONOMIC RETENTION (memo)				1,132.6
C. CONTINGENCY RETENTION (memo)				1,464.9
D. POTENTIAL DOD REUTILIZATION (memo)				63.8
8. INVENTORY ON ORDER EOP (memo)	2,836.0	0.0	2,826.1	9.9
9. NARRATIVE:				
Other adjustments (Total posted to line 5g):				
Other Gains/Losses	(137.3)	0.0	(168.7)	31.4
Strata Transfers	0.0	0.0	337.8	(337.8)
Net/Standard Difference	(11,401.9)	0.0	(11,401.9)	0.0
Total	(11,539.2)	0.0	(11,232.8)	(306.4)

SUPPLY MANAGEMENT ACTIVITY GROUP
WHOLESALE COST RECOVERY RATE CALCULATION
FY 2005 BUDGET ESTIMATES -- FEBRUARY 2004
(DOLLARS IN MILLIONS)

SHIPS/AVIATION	FY03	FY04	FY05
1. Net sales at Cost	3400.7	3734.9	3844.6
2. Less: Material Inflation Adj	193.1	331.3	109.7
3. Revised Net Sales at Cost	3207.6	3403.6	3734.9
4. Surcharge (\$)	686.9	639.4	604.9
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.163	0.202	0.171
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.274	0.285	0.191
c. Percent change to customer	9.6%	6.1%	2.4%

SUPPLY MANAGEMENT ACTIVITY GROUP
WHOLESALE COST RECOVERY RATE CALCULATION
FY 2005 BUDGET ESTIMATES -- FEBRUARY 2004
(DOLLARS IN MILLIONS)

BP34-AVIATION CONSUMABLES	FY03	FY04	FY05
1. Net sales at Cost	324.7	294.3	373.9
2. Less: Material Inflation Adj	-21.3	14.3	3.7
3. Revised Net Sales at Cost	346.0	280.0	370.2
4. Surcharge (\$)	58.9	62.7	60.3
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.082	0.181	0.213
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.109	0.275	0.173
c. Percent change to customer	2.5%	7.9%	-3.3%

**SUPPLY MANAGEMENT ACTIVITY GROUP
WHOLESALE COST RECOVERY RATE CALCULATION
FY 2005 BUDGET ESTIMATES -- FEBRUARY 2004
(DOLLARS IN MILLIONS)**

BP81-SHIP	FY03	FY04	FY05
1. Net sales at Cost	487.0	558.7	659.4
2. Less: Material Inflation Adj	30.5	34.2	20.9
3. Revised Net Sales at Cost	456.5	524.5	638.5
4. Surcharge (\$)	123.7	140.3	131.1
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.177	0.254	0.251
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.338	0.333	0.238
c. Percent change to customer	13.7%	5.4%	-0.2%

SUPPLY MANAGEMENT ACTIVITY GROUP
WHOLESALE COST RECOVERY RATE CALCULATION
FY 2005 BUDGET ESTIMATES -- FEBRUARY 2004
(DOLLARS IN MILLIONS)

BP85-AVIATION REPAIRABLES	FY03	FY04	FY05
1. Net sales at Cost	2588.9	2881.9	2811.3
2. Less: Material Inflation Adj	183.9	282.8	85.1
3. Revised Net Sales at Cost	2405.0	2599.1	2726.2
4. Surcharge (\$)	504.2	436.1	413.6
5. Change to Customers			
a. Previous Year's Surcharge (%)	0.172	0.195	0.151
b. This year's Surcharge and material inflation divided by line 3 above (\$)	0.286	0.277	0.183
c. Percent change to customer	9.7%	6.0%	3.9%

**NAVY SUPPLY MANAGEMENT
WAR RESERVE MATERIAL (WRM)
STOCKPILE
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
(Dollars in Millions)
FY 2003**

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	237.1	237.1	
2. Price Change	18.5	18.5	
3. Reclassification	0.0	0.0	
4. Inventory Changes	0.8	0.8	0.0
a. Receipts @ std	2.6	2.6	0.0
(1). Purchases	2.6	2.6	
(2). Returns from customers	0.0	0.0	
b. Issues @ std	0.0	0.0	0.0
(1). Sales	0.0	0.0	
(2). Returns to suppliers	0.0	0.0	
(3). Disposals	0.0	0.0	
(4). Issues/receipts w/o ADJs	0.0	0.0	
c. Adjustments @ std	(1.8)	(1.8)	0.0
(1). Capitalizations	0.0	0.0	
(2). Gains and losses	2.2	2.2	
(3). Other	(4.0)	(4.0)	
5. Inventory EOP	256.4	256.4	0.0

STOCKPILE COSTS

1. Storage	0.3
2. Management	0.0
3. Maintenance/Other	0.0
Total Cost	0.3

WRM BUDGET REQUEST

1. Obligations @ cost	0.3
a. Additional WRM	0.3
b. Replen. WRM	0.0
c. Repair WRM	0.0
d. Assemble/Disassemble	0.0
e. Other	0.0
Total Request	0.3

**NAVY SUPPLY MANAGEMENT
WAR RESERVE MATERIAL (WRM)
STOCKPILE**

FY2005 BUDGET ESTIMATES - FEBRUARY 2004
(Dollars in Millions)
FY 2004

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	256.4	256.4	
2. Price Change	(4.6)	(4.6)	
3. Reclassification	0.0	0.0	
4. Inventory Changes	0.3	0.3	0.0
a. Receipts @ std	0.3	0.3	0.0
(1). Purchases	0.2	0.2	
(2). Returns from customers	0.1	0.1	
b. Issues @ std	0.0	0.0	0.0
(1). Sales	0.0	0.0	
(2). Returns to suppliers	0.0	0.0	
(3). Disposals	0.0	0.0	
(4). Issues/receipts w/o ADJs	0.0	0.0	
c. Adjustments @ std	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	
(2). Gains and losses	0.0	0.0	
(3). Other	0.0	0.0	
5. Inventory EOP	252.1	252.1	0.0

STOCKPILE COSTS

1. Storage	0.3
2. Management	0.0
3. Maintenance/Other	0.0
Total Cost	0.3

WRM BUDGET REQUEST

1. Obligations @ cost	0.3
a. Additional WRM	0.3
b. Replen. WRM	0.0
c. Repair WRM	0.0
d. Assemble/Disassemble	0.0
e. Other	0.0
Total Request	0.3

**NAVY SUPPLY MANAGEMENT
WAR RESERVE MATERIAL (WRM)
STOCKPILE
FY2005 BUDGET ESTIMATE - FEBRUARY 2004
(Dollars in Millions)
FY 2005**

STOCKPILE STATUS	<u>Total</u>	<u>WRM Protected</u>	<u>WRM Other</u>
1. Inventory BOP @ std	252.1	252.1	
2. Price Change	3.3	3.3	
3. Reclassification	0.0	0.0	
4. Inventory Changes	0.2	0.2	0.0
a. Receipts @ std	0.2	0.2	0.0
(1). Purchases	0.1	0.1	
(2). Returns from customers	0.1	0.1	
b. Issues @ std	0.0	0.0	0.0
(1). Sales	0.0	0.0	
(2). Returns to suppliers	0.0	0.0	
(3). Disposals	0.0	0.0	
(4). Issues/receipts w/o ADJs	0.0	0.0	
c. Adjustments @ std	0.0	0.0	0.0
(1). Capitalizations	0.0	0.0	
(2). Gains and losses	0.0	0.0	
(3). Other	0.0	0.0	
5. Inventory EOP	255.6	255.6	0.0

STOCKPILE COSTS

1. Storage	0.3
2. Management	0.0
3. Maintenance/Other	0.0
Total Cost	0.3

WRM BUDGET REQUEST

1. Obligations @ cost	0.3
a. Additional WRM	0.3
b. Replen. WRM	0.0
c. Repair WRM	0.0
d. Assemble/Disassemble	0.0
e. Other	0.0
Total Request	0.3

Activity Group Capital Investment Summary
Component: Navy
Activity Group: Supply Management
FY2005 BUDGET ESTIMATES - FEBRUARY 2004
(\$ IN MILLIONS)

LINE NUMBER	ITEM DESCRIPTION	FY 2003		FY 2004		FY 2005	
		QUANTITY	TOTAL COST	QUANTITY	TOTAL COST	QUANTITY	TOTAL COST
	Equipment		1.429		1.999		1.822
	Replacement		1.429		1.999		1.822
	\$1,000,000 and over						
0001	Material Handling Equipment (Forklifts)	VAR	1.039	VAR	1.206	VAR	1.015
0002	\$250,000 to \$999,999	VAR	0.390	VAR	0.793	VAR	0.807
0003	\$100,000 to \$249,999		0.000		0.000		0.000
0004	Productivity		0.000		0.000		0.000
0005	New Mission		0.000		0.000		0.000
0006	Environmental		0.000		0.000		0.000
	ADPE & Telecommunications Equipment		2.250		2.306		1.786
	\$1,000,000 and over						
0007	Information Technology Support/BLC	VAR	2.000	VAR	1.806	VAR	1.286
0008	\$250,000 to \$999,999	VAR	0.250	VAR	0.500	VAR	0.500
0009	\$100,000 to \$249,999		0.000		0.000		0.000
	Software Development		66.595		43.284		9.231
	Internally Developed		7.051		9.917		9.231
	\$1,000,000 and over						
0010	Asset Visibility Initiatives	VAR	1.003	VAR	1.588	VAR	1.270
0011	Financial Initiatives	VAR	1.264	VAR	1.464	VAR	1.245
0012	Inform-21	VAR	0.964	VAR	1.227	VAR	1.269
0013	Integrated Data Environment	VAR	1.262	VAR	1.504	VAR	1.532
0014	One Touch v3.0	VAR	2.558	VAR	4.134	VAR	3.915
0015	\$250,000 to \$999,999		0.000		0.000		0.000
0016	\$100,000 to \$249,999		0.000		0.000		0.000
	Externally Development		59.545		33.367		0.000
	\$1,000,000 and over						
0017	Enterprise Resource Planning	VAR	59.207	VAR	33.367	VAR	0.000
0018	\$250,000 to \$999,999	VAR	0.338		0.000		0.000
0019	\$100,000 to \$249,999	VAR	0.000		0.000		0.000
0020	Minor Construction	VAR	1.238	VAR	2.259	VAR	2.328
	TOTAL		71.512		49.848		15.167
	Total Capital Outlays		75.321		68.729		42.134
	Total Depreciation Expense		53.520		45.355		39.855

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 01 MATERIAL HANDLING EQUIPMENT (FORLIFTS)			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
01 MATERIAL HANDLING EQUIPMENT (FORLIFTS)	VAR	VAR	1,039	VAR	VAR	1,206	VAR	VAR	1,015

Narrative Justification:

This program funds the procurement of new/initial outfitting and replacement of Material Handling Equipment (MHE) and Automated Material Handling Systems (AMHS) to satisfy operational requirements within the Navy Supply System. Replacement MHE is for overaged non-repairable equipment used in material handling operations at various activities. With a large inventory of equipment at the various FISCs there will always be units eligible for replacement through procurement. If fully supported, this funding will allow the Navy to develop the right mix of new procurements, resulting in overall requirement reductions, and resolving the problem of trying to maintain old equipment at high maintenance cost and reduced state of readiness. MHE funding limitations in past years has precluded the purchase of required MHE planned for issue. We can not emphasize enough that this is a continuing program and one year builds on the next. Delaying any funding only postpones the inevitable requirement to procure a new unit at a higher cost. Supply readiness and logistical support are dependent upon the availability of reliable MHE. In the past we have been able to make up any shortfalls in funding by utilizing surplus equipment, however, this avenue is slowly drying up. Non-repairable equipment is not cost effective to maintain for continued operation, and repair parts are difficult to obtain. Replacement of non-repairable equipment with new and more efficient models will reduce excessive costs attributed to repair/overhaul, downtime and maintenance. New equipment will enhance productivity and enable users to meet handling and logistics requirements in an efficient and effective manner. For these reasons it is essential to maintain a funding to cover procurement of new equipment as required.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 02 CIVIL ENGINEERING SUPPORT EQUIPMENT			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
02 CIVIL ENGINEERING SUPPORT EQUIPMENT	VAR	VAR	390	VAR	VAR	793	VAR	VAR	807

Narrative Justification:

NAVSUP is responsible for replacing and maintaining aging Civil Engineering Support Equipment (CESE) necessary for Logistics Service Center (LSC) support, Fleet Industrial & Supply Center (FISC) operations, Special Material Logistics support, Fuel Depot operations throughout the claimancy. This equipment is necessary to maintain and improve the working conditions and assist NAVSUP operations employees. Safety, reliability, maintenance cost and customer support are directly impacted by age and condition of this equipment. Examples: 20 ton Semi trailer stake 2 axle, 20 ton Semi trailer van 2 axle.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 07 INFORMATION TECHNOLOGY (BLC)			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
07 INFORMATION TECHNOLOGY (BLC)	VAR	VAR	2,000	VAR	VAR	1,806	VAR	VAR	1,286

Narrative Justification:

Information Technology provides the information technology (IT) tools and related services that are required to refresh and support the NAVSUP corporate IT infrastructure. This infrastructure consists of various hardware and software components and support services. Included are: MID Tier Management software, NAVSISA test and development environment, some mid-tier application hosting, Legacy Network Administration, infrastructure training and associated peripherals. Information Technology pays for the procurement and follow-on maintenance of this hardware. Information Technology also maintains support of corporate software licenses. These licenses have wide applicability across the claimancy and are deemed to be more efficient if managed centrally. Included are licenses for: Oracle database, Novell network, E.Power, Lotus Notes applications, Webmethods enterprise application integration, Cognos data warehouse, Microsoft operating system and office, and other minor software suites. Supports Implementation and maintenance of the IT Risk Assessment Program, IT Lifecycle Evaluation System and the expansion of the existing corporate reporting systems to include IT performance metrics. Supports the annual IT Leadership/Training conference to include hosting, travel, and appropriate technical consulting and facilitating services. Finally, Information Technology contracts for services including technical consulting services from Gartner Group or Meta Group and general technical support. ITS supports InforM-21 with Informatica Software. ITS includes licenses and license maintenance for the Central Design Agency's Architectural Support.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 08 NAVSISA EQUIPMENT			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
08 NAVSISA EQUIPMENT	VAR	VAR	250	VAR	VAR	500	VAR	VAR	500

Narrative Justification:

NAVSISA - Funds provide support to the Navy Supply Information Systems Activity (NAVSISA) Legacy/Non-NMCI Network Plan. As part of the plan, NAVSISA is upgrading its network which will replace obsolete ADP equipment in order to provide an environment for client/server development. A variety of PC hardware platforms currently exist in NAVSISA which prevents deployment of the development tools needed to maintain its competitiveness. Upgrading and standardizing hardware infrastructure will allow NAVSISA to use the network to deploy the latest legacy/non-NMCI software products.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 10 ASSET VISIBILITY INITIATIVES			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
10 ASSET VISIBILITY INITIATIVES	VAR	VAR	1,003	VAR	VAR	1,588	VAR	VAR	1,270

Narrative Justification:

ASSET VISIBILITY INITIATIVES: Reengineered processes to ensure accountability and visibility of in-transit material from Proof-of-Issue to Proof-of-Receipt. This includes substantial reprogramming to access various legacy systems for validation data and development of the Supply Discrepancy Reporting (SDR) System. The initiatives will age records, and "gate" or segment the process to track in-transit inventory. These initiatives have Congressional interest. Associated functionality is primarily the new AUTORODs and Material In-Transit (MIT) capability. The effort also includes budget requirements for support and causative research and analysis of SIT and MIT write-offs. In addition, the initiatives are an open system architecture that can be used to rapidly incorporate or modify system software. Using a WEB-Based Client Server format/architecture facilitates Navy efforts to gain visibility and automated access into commercially repaired assets. Inclusion of EC/EDI ANSI X12 transaction capabilities allows use for DVD/PBL vendors and PICA/SICA activities. Additionally, integration of In-transit information are critical and provide a complete picture to our customers. Modifying/upgrading systems to allow us to fully utilize/interface with this new capability/information as well as integrating our asset visibility efforts with DoD efforts.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 11 FINANCIAL INITIATIVES			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
11 FINANCIAL INITIATIVES	VAR	VAR	1,264	VAR	VAR	1,464	VAR	VAR	1,245

Narrative Justification:

MFCS is the Navy's premier Inventory and Financial Accounting system for Wholesale and Retail inventories within the Navy. The MFCS Program consists of several individual projects: Retail Ashore; Retail Afloat; and PX02/04/06. The system is jointly owned by NAVSUP (51%) and DFAS (49%). The MFCS Program seeks to accomplish several goals to include: meeting Congressional CFO compliance standards; standardize financial business practices for NWCF material ashore and afloat, retail and wholesale; replace legacy accounting systems; centralize accounting processes at NAVICP; support Total Asset Visibility initiatives; and provide a stepping stone for ERP financials. Most of the program has already been implemented...the last piece implemented being PX02/04 in June 2000... with the Retail Ashore project being rolled out in FY02 and FY03. Future development efforts include moving the afloat community into PX02/04 for Allotment Accounting/Expenditure Processing, several large projects deferred at PX02/04 implementation, and smaller PX02/04 projects to enhance both Retail and Wholesale functionality. End state - MFCS supports the NAVSUP ERP initiative by consolidating accounting/financial systems into something that is easier to convert to SAP. Benefits of centralized accounting under MFCS include: eliminating redundant systems; improving retail in-transit tracking; reduced ops cost; better metrics/control; and early detection of supply/financial disconnects.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 12 INFORM-21			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
12 INFORM-21	VAR	VAR	964	VAR	VAR	1,227	VAR	VAR	1,269

Narrative Justification:

InforM-21 provides the Information Technology (IT) decision support data warehouse infrastructure to support the NAVSUP claimancy. The Data Warehouse will include data from both Mechanicsburg and Philadelphia operational systems, as well as RSupply and other stock point systems when it is fully populated. It will include the infrastructure to support FISCMIIS and TLOD. Eventually, this effort will replace the existing decision support systems distributed throughout the claimancy, since the current decision support systems cannot and do not consider the impact of their decision recommendations on other functional areas within the enterprise. The InforM-21 data warehouse effort will support process improvements and new business processes obtained through the purchase of commercial-off-the-shelf (COTS) software.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 13 INTEGRATED DATA ENVIRONMENT			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
13 INTEGRATED DATA ENVIRONMENT	VAR	VAR	1,262	VAR	VAR	1,504	VAR	VAR	1,532

Narrative Justification:

The Integrated Data Environment (IDE) provides the corporate Information Technology (IT) data infrastructure to support the Naval Supply (NAVSUP) day-to-day business. It will bring together the pieces of data we collect and compute in our IT systems to create information. Additionally, it will create the standards by which we will share data outside the command. Standard documented data views and exchange procedures will be used for current and future interfaces.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 14 ONE TOUCH V3.2			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
14 ONE TOUCH V3.2	VAR	VAR	2,558	VAR	VAR	4,134	VAR	VAR	3,915

Narrative Justification:

Enables a customer to use internet technology to access the broad scope of the Navy/DOD supply system to locate available stock, enter requisitions, perform technical screening functions and check on requisition status. Through One Touch, the user has virtual access to all Navy-authorized supply sources using a single Password using commercially-available PKI technology. Integration of the Regional One Touch site will improve system security and make access seamless to all Region-unique functions, e.g., direct sales from local vendors and service providers.

In support of the mandated transition of the Navy's supply chain from an inventory based, batch processing system to a velocity-based, electronic commerce system, we must implement modern state of the art business to business (B2B), and business to customer (B2C) tools which provide us with the capability to track requirements for our customers from generation to fulfillment and eliminate some of the corporate infrastructure which currently sits between our customers and our suppliers. We anticipate standing up a corporate web-based order fulfillment system which will enable our customers to communicate directly with any required suppliers, providing us with increased corporate knowledge of the customer requirements and facilitating the collaborative forecasting and procurement for common needs across a widely divergent customer base. This commercially developed and commercially hosted application will allow us to build and maintain a state of the art fully automated electronic supply chain for US Navy customers and suppliers. With an extended supply chain which reaches into the customer's and supplier's information systems, a business environment capable of true data sharing is imperative.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 17 ENTERPRISE RESOURCE PLANNING			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
17 ENTERPRISE RESOURCE PLANNING	VAR	VAR	59,207	VAR	VAR	33,367	VAR	VAR	-

Narrative Justification:

SMART Sustainment: The Navy has completed an initial examination of its logistics infrastructure and associated processes to ascertain ways to improve and reduce costs while maintaining/improving support to the warfighter. We have found that commercially available Enterprise Resource Planning (ERP) programs have potential applicability for the Navy. The Navy needs to further examine private sector capabilities to determine/demonstrate their feasibility and applicability to its logistics, supply and maintenance chains. The purpose of this project is to acquire the commercial expertise and to demonstrate the feasibility and applicability of ERP programs to the Navy aviation supply chain and maintenance areas by conducting a study and pilot project. To best support the war-fighter and make optimum use of limited support resources, the Navy logistics community intends to identify changes that: (1) Best integrate and coordinate Navy supply chain and maintenance management processes, (2) Enhance and integrate the Navy's ability to manage and control supply chain processes, products, services and information from end to end, and (3) Optimize inventory levels to provide effective readiness at the best value.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 18 CORPORATE DATA MANAGEMENT			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
18 CORPORATE DATA MANAGEMENT	VAR	VAR	338	VAR	VAR	-	VAR	VAR	-

Narrative Justification:

Corporate Data Management (CDM) provides the data administration infrastructure to support NAVSUP Corporate Re-engineering and day-to-day business. The effort provides a web-enabled and accessible logical data model and data dictionary, and a Metadata Repository to support NAVSUP's information requirements, including a repository of accesses to those data stores which NAVSUP does not own, but in which we have an interest, resulting in customer access to comprehensive, integrated, quality data from dispersed sources.

Related efforts include:

Corporate Informations System: supports executive information used to provide decision support capabilities for Key Indicator briefings which provide metric information to the corporate board monthly. Collecting information from nearly all supply related data bases in order to determine DLA and ICP effectiveness, material availability and supply readiness. The effort provides extensive on-line help available to assist users with any questions they may have on the various indicators or system usage and provides a common interface and standard set of metrics for NAVSUP and the Navy Logistics community.

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)							A. Budget Submission FY2005 Budget Estimates		
B. Component/Business Area/Date Navy/Supply Management/February 2004				C. Line No. & Item Description 20 MINOR CONSTRUCTION			D. Activity Identification NWCF		
Element of Cost	FY 2003			FY 2004			FY 2005		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
20 MINOR CONSTRUCTION	VAR	VAR	1,238	VAR	VAR	2,259	VAR	VAR	2,328

Narrative Justification:

NAVSUP, as the maintenance UIC for all facilities occupied and operated by NAVSUP employees, is responsible for Real Property Maintenance (Minor Construction portion) of facilities occupied and operated by NAVSUP. These projects are necessary to maintain and improve the working conditions for NAVSUP claimancy employees. Projects include Minor Construction requirements of facilities maintenance as well as Quality of Life and correction of Safety deficiencies. Minor Construction funding requested supports the overall RPM objectives of the NAVFAC recommended maintenance spending limits of between 2% to 4% annually based on the associated property values. Each minor construction project must be less than \$500,000.

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY 2003
FY2005 BUDGET ESTIMATES - FEBRUARY 2004

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
03	Non-ADP Equipment	.000	1.429	1.429	.000	
03	ADP Equipment	.000	2.250	2.250	.000	
03	Software Development	.000	66.595	66.595	.000	
03	Minor Construction	.000	1.238	1.238	.000	
	Total Capital Investment	.000	71.512	71.512	.000	

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY 2004
FY2005 BUDGET ESTIMATES - FEBRUARY 2004

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
04	Non-ADP Equipment	.200	1.799	1.999	.000	Adjusted requirements
04	ADP Equipment	.230	2.076	2.306	.000	Adjusted requirements
04	Software Development	-1.329	44.613	43.284	.000	Adjusted requirements
04	Minor Construction	.898	1.361	2.259	.000	Adjusted requirements
	Total Capital Investment	.000	49.849	49.848	.000	

DEPARTMENT OF NAVY
Activity Group: Supply Management
CAPITAL BUDGET EXECUTION
FY 2005
FY2005 BUDGET ESTIMATES - FEBRUARY 2004

(Dollars in Millions)

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation/Reason for Change</u>
05	Non-ADP Equipment	.000	1.822	1.822	.000	
05	ADP Equipment	.000	1.786	1.786	.000	Adjusted requirements
05	Software Development	.000	9.231	9.231	.000	Adjusted requirements
05	Minor Construction	.000	2.328	2.328	.000	Adjusted requirements
	Total Capital Investment	.000	15.167	15.167	.000	

FY 2005

**USMC SUPPLY MANAGEMENT NARRATIVE
CONSOLIDATED WITH NAVY SUPPLY**

FY 2005 PRESIDENT'S BUDGET
NAVY WORKING CAPITAL FUND
SUPPLY MANAGEMENT - MARINE CORPS
REVENUE AND EXPENSES
(Dollars in Millions)
SUMMARY

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Revenue			
Operations (Gross Sales)	231.1	151.6	145.1
Capital Surcharge	0.0	0.0	0.0
Depreciation except Maj Const	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
Refunds/Discounts	(6.1)	(3.7)	(3.7)
Total Income:	225.0	147.9	141.4
Expenses			
Cost of Materiel Sold from Inventory	180.5	158.3	157.0
Salaries and Wages:			
Military Personnel Compensation & Benefits	0.0	0.0	0.0
Civilian Personnel & Compensation & Benefits	3.0	1.7	1.7
Travel & Transportation of Personnel	0.0	0.1	0.1
Materials & Supplies (For internal Operations)	0.0	0.0	0.0
Mobilization	8.4	35.1	4.5
Other Purchases from Revolving Funds	6.3	6.6	6.6
Transportation of Things	0.1	0.1	0.1
Depreciation - Capital	0.0	0.0	0.0
Printing and Reproduction	0.0	0.0	0.0
Advisory and Assistance Services	0.0	0.0	0.0
Rent, Communication, Utilities, & Misc. Charges	0.3	0.2	0.1
Other Purchased Services	2.6	2.5	2.4
Total Expenses:	201.2	204.6	172.5
Operating Result:	23.8	(56.7)	(31.1)
Less Capital Surcharge Reservation	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR - <i>WRM</i>	8.4	35.1	4.5
Other Changes Affecting NOR/AOR	0.0	0.0	0.0
Navy Cash Recovery	0.0	0.0	0.0
Net Operating Result:	32.2	(21.6)	(26.6)
Other Changes Affecting AOR			
Prior Year AOR	16.0	48.2	26.6
AOR Redistribution	0.0	0.0	0.0
Cash Factor	0.0	0.0	0.0
Accumulated Operating Result:	48.2	26.6	(0.0)

FY 2005 President's Budget
Source of Revenue
Summary
(Dollars in Millions)

Marine Corps/Supply Management

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
1. New Orders			
1a. Orders from DoD Components:			
Own Component			
Military Personnel, M.C.	0.0	1.1	1.1
O & M, M.C.	283.1	73.5	101.2
O & M, M.C. Reserve	0.5	0.6	0.6
Reserve Personnel, M.C.	0.0	0.0	0.0
Procurement, M.C.	13.5	11.5	20.1
Other Services (O&M)			
Army	4.2	3.0	3.2
Air Force	0.7	0.7	0.7
Navy	0.4	0.3	
All Other DOD	0.5	0.9	0.9
Subtotal	302.9	91.5	127.7
1b. Orders from other Fund Business Areas:			
Navy Supply Management	1.4	1.4	1.5
M.C. Depot Maintenance	5.0	5.7	5.7
Subtotal	6.4	7.1	7.2
1c. Total DoD	309.3	98.6	134.9
1d. Other Orders:			
Other Federal Agencies	1.4	0.7	0.7
Foreign Military Sales	4.8	0.0	0.0
Non Federal Agencies	0.2	1.8	1.9
Subtotal	6.4	2.5	2.6
1. Total New Orders	315.7	101.1	137.9
2. Carry-In Orders	23.6	108.2	57.7
3. Total Gross Orders:	339.4	209.3	195.6
4. Funded Carry-over:	108.2	57.7	50.4
5. Total Gross Sales:	231.1	151.6	145.2

Fund-15

February 2004

MARINE CORPS
 FY 2005 PRESIDENT'S BUDGET
BUDGET PROJECT 38
 (DOLLARS IN MILLIONS)
FY 2003

<u>PRODUCT</u>	<u>-----PROCURED FROM DFSC-----</u>			<u>-----PROCURED BY SERVICE-----</u>		
	<u>Barrels</u>	<u>U/P</u>	<u>Ext Cost</u>	<u>Barrels</u>	<u>U/P</u>	<u>Ext Cost</u>
Propane - West	0.000	\$0.00	0.00	0.003	\$28.56	0.08
JP5	0.000	\$36.12	0.00	0.000	\$0.00	0.00
JP-8	0.067	\$35.28	2.38	0.000	\$0.00	0.00
Propane	0.000	\$0.00	0.00	0.005	\$1.28	0.01
Distillates	0.132	\$34.02	4.48	0.000	\$0.00	0.00
MOGAS Lead	0.000	\$40.74	0.00	0.000	\$0.00	0.00
MOGAS Unlead	0.041	\$36.12	1.48	0.000	\$0.00	0.00
Residual	0.004	\$29.40	0.12	0.000	\$1.10	0.00
Kerosene	0.000	\$0.00	0.00	0.025	\$0.92	0.02
Other	0.000	\$0.00	0.00	0.000	\$0.86	0.00
Coal	0.000	\$0.00	0.00	0.037	\$59.88	2.22
Diesel	0.030	\$37.80	1.13	0.159	\$0.86	0.14
Other (CNG)	0.000	\$0.00	0.00	0.000	\$29.82	0.01
Kerosene - West	0.000	\$0.00	0.00	0.000	\$142.80	0.00
TOTAL	0.274		\$9.59	0.229		\$2.47

Fund-15

February 2004

MARINE CORPS
 FY 2005 PRESIDENT'S BUDGET
BUDGET PROJECT 38
 (DOLLARS IN MILLIONS)
FY 2004

PRODUCT	-----PROCURED FROM DFSC-----			-----PROCURED BY SERVICE-----		
	Barrels	U/P	Ext Cost	Barrels	U/P	Ext Cost
Propane - West	0.000	\$0.00	0.00	0.002	\$26.46	0.04
JP5	0.001	\$39.06	0.05	0.000	\$0.00	0.00
JP-8	0.054	\$38.22	2.08	0.000	\$0.00	0.00
Propane	0.000	\$0.00	0.00	0.004	\$1.28	0.00
Distillates	0.086	\$35.28	3.04	0.000	\$0.00	0.00
MOGAS Lead	0.000	\$0.00	0.00	0.000	\$0.00	0.00
MOGAS Unlead	0.039	\$46.20	1.81	0.000	\$0.00	0.00
Residual	0.000	\$32.76	0.00	0.000	\$0.00	0.00
Kerosene	0.000	\$0.00	0.00	0.022	\$0.92	0.02
Other	0.000	\$0.00	0.00	0.364	\$0.86	0.31
Coal	0.000	\$0.00	0.00	0.023	\$59.47	1.38
Diesel	0.036	\$40.74	1.48	0.000	\$0.00	0.00
Other (CNG)	0.000	\$0.00	0.00	0.000	\$31.87	0.01
Kerosene - West	0.000	\$0.00	0.00	0.000	\$117.57	0.00
TOTAL	0.217		\$8.46	0.415		\$1.76

Fund-15

February 2004

MARINE CORPS
 FY 2005 PRESIDENT'S BUDGET
BUDGET PROJECT 38
 (DOLLARS IN MILLIONS)
FY 2005

<u>PRODUCT</u>	<u>-----PROCURED FROM DFSC-----</u>			<u>-----PROCURED BY SERVICE-----</u>		
	<u>Barrels</u>	<u>U/P</u>	<u>Ext Cost</u>	<u>Barrels</u>	<u>U/P</u>	<u>Ext Cost</u>
Propane - West	0.000	\$0.00	0.000	0.001657	\$26.46	0.04
JP5	0.001	\$39.90	0.052	0.000000	\$0.00	0.00
JP-8	0.053	\$38.64	2.049	0.000000	\$0.00	0.00
Propane	0.000	\$0.00	0.000	0.003597	\$1.28	0.00
Distillates	0.086	\$38.22	3.290	0.000000	\$0.00	0.00
MOGAS Lead	0.000	\$51.24	0.000	0.000000	\$0.00	0.00
MOGAS Unlead	0.033	\$44.10	1.472	0.000000	\$0.00	0.00
Residual	0.000	\$33.60	0.000	0.000000	\$0.00	0.00
Kerosene	0.000	\$0.00	0.000	0.022370	\$0.92	0.02
Other	0.000	\$0.00	0.000	0.364214	\$0.86	0.31
Coal	0.000	\$0.00	0.000	0.022288	\$59.47	1.33
Diesel	0.036	\$42.42	1.539	0.000000	\$0.00	0.00
Other (CNG)	0.000	\$0.00	0.000	0.000336	\$31.87	0.01
Kerosene - West	0.000	\$0.00	0.000	0.000004	\$117.57	0.00
TOTAL	0.210		\$8.4	0.414		\$1.71

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FY 2005 PRESIDENT'S BUDGET
(DOLLARS IN MILLIONS)
TOTAL PROGRAM SUMMARY

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
FY 2003										
Approved	473.1	123.0	123.5	120.1	7.3	0.0	127.4	22.4	149.8	1.5
Request	619.5	309.7	225.0	230.0	35.1	0.0	265.1	22.4	287.5	6.1
Delta	146.5	186.7	101.6	109.9	27.8	0.0	137.7	0.0	137.7	4.6
FY 2004										
Approved	477.0	114.4	114.9	127.5	4.5	0.0	132.0	27.4	159.4	1.2
Request	522.7	97.3	147.9	156.7	4.5	0.0	161.2	27.4	188.6	3.7
Delta	45.7	(17.1)	33.0	29.2	0.0	0.0	29.2	0.0	29.2	2.5
FY 2005										
Approved	465.5	119.2	119.7	120.3	4.9	0.0	125.2	40.4	165.6	1.2
Request	502.5	134.2	141.4	158.2	4.9	0.0	163.1	40.4	203.5	3.7
Delta	37.0	15.1	21.7	37.9	0.0	0.0	37.9	0.0	37.9	2.5

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FY 2005 PRESIDENT'S BUDGET
FY 2003

(Dollars in Millions)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
BP 21										
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 28										
Approved	102.3	65.4	65.5	64.2	3.0	0.0	67.2	13.0	80.2	0.2
Request	142.8	110.5	100.3	101.1	24.3	0.0	125.4	13.0	138.4	0.2
Delta	40.6	45.1	34.9	37.0	21.3	0.0	58.3	0.0	58.3	(0.0)
BP 38										
Approved	0.9	12.2	12.2	12.2	0.0	0.0	12.2	2.5	14.7	0.0
Request	0.5	10.8	10.8	12.1	0.0	0.0	12.1	2.5	14.6	0.0
Delta	(0.4)	(1.4)	(1.4)	(0.2)	0.0	0.0	(0.2)	0.0	(0.2)	0.0
BP 84										
Approved	369.9	45.3	45.8	33.7	4.3	0.0	38.0	6.9	44.9	1.3
Request	476.2	188.3	113.9	104.5	10.8	0.0	115.3	6.9	122.2	5.9
Delta	106.3	143.0	68.1	70.8	6.5	0.0	77.3	0.0	77.3	4.6
			*REPAIR ----->	44.9						
BP 91										
Approved	0.0	0.0	0.0	10.0	0.0	0.0	10.0	0.0	10.0	0.0
Request	0.0	0.0	0.0	12.3	0.0	0.0	12.3	0.0	12.3	0.0
Delta	0.0	0.0	0.0	2.3	0.0	0.0	2.3	0.0	2.3	0.0
TOTAL										
Approved	473.1	123.0	123.5	120.1	7.3	0.0	127.4	22.4	149.8	1.5
Request	619.5	309.7	225.0	230.0	35.1	0.0	265.1	22.4	287.5	6.1
Delta	146.5	186.7	101.6	109.9	27.8	0.0	137.7	0.0	137.7	4.6

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FY 2005 PRESIDENT'S BUDGET
FY 2004

(Dollars in Millions)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
BP 21										
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 28										
Approved	94.3	62.1	62.1	63.2	1.3	0.0	64.5	15.1	79.6	0.2
Request	135.0	66.4	67.4	68.4	1.3	0.0	69.7	15.1	84.8	0.2
Delta	40.7	4.3	5.3	5.2	0.0	0.0	5.2	0.0	5.2	0.0
BP 38										
Approved	0.0	12.3	12.3	12.3	0.0	0.0	12.3	2.6	14.9	0.0
Request	0.5	10.2	10.2	10.2	0.0	0.0	10.2	2.6	12.8	0.0
Delta	0.5	(2.1)	(2.1)	(2.1)	0.0	0.0	(2.1)	0.0	(2.1)	0.0
BP 84										
Approved	382.7	40.0	40.5	43.4	3.2	0.0	46.6	9.7	56.3	1.0
Request	387.2	20.7	70.3	66.9	3.2	0.0	70.1	9.7	79.8	3.5
Delta	4.5	(19.3)	29.8	23.5	0.0	0.0	23.5	0.0	23.5	2.5
			*REPAIR ----->	42.3						
BP 91										
Approved	0.0	0.0	0.0	8.6	0.0	0.0	8.6	0.0	8.6	0.0
Request	0.0	0.0	0.0	11.2	0.0	0.0	11.2	0.0	11.2	0.0
Delta	0.0	0.0	0.0	2.6	0.0	0.0	2.6	0.0	2.6	0.0
TOTAL										
Approved	477.0	114.4	114.9	127.5	4.5	0.0	132.0	27.4	159.4	1.2
Request	522.7	97.3	147.9	156.7	4.5	0.0	161.2	27.4	188.6	3.7
Delta	45.7	(17.1)	33.0	29.2	0.0	0.0	29.2	0.0	29.2	2.5

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FY 2005 PRESIDENT'S BUDGET
FY 2005

(Dollars in Millions)

DIVISION	PEACETIME INVENTORY	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS			TOTAL OBLIGATION	COMMITMENT TARGET	TARGET TOTAL	CREDIT SALES
				OPERATING	MOBILIZATION	OTHER				
BP 21										
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Request	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Delta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BP 28										
Approved	89.5	69.4	69.4	69.9	0.4	0.0	70.3	16.0	86.3	0.2
Request	128.7	78.4	70.5	74.5	0.4	0.0	74.9	16.0	90.9	0.2
Delta	39.2	9.1	1.1	4.6	0.0	0.0	4.6	0.0	4.6	0.0
BP 38										
Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.8	14.8	0.0
Request	0.5	10.1	10.1	10.1	0.0	0.0	10.1	14.8	24.9	0.0
Delta	0.5	10.1	10.1	10.1	0.0	0.0	10.1	0.0	10.1	0.0
BP 84										
Approved	376.0	49.8	50.3	41.8	4.5	0.0	46.3	9.6	55.9	1.0
Request	373.3	45.7	60.8	62.6	4.5	0.0	67.1	9.6	76.7	3.5
Delta	(2.7)	(4.1)	10.5	20.8	0.0	0.0	20.8	0.0	20.8	2.5
			*REPAIR ----->	32.8						
BP 91										
Approved	0.0	0.0	0.0	8.6	0.0	0.0	8.6	0.0	8.6	0.0
Request	0.0	0.0	0.0	11.0	0.0	0.0	11.0	0.0	11.0	0.0
Delta	0.0	0.0	0.0	2.4	0.0	0.0	2.4	0.0	2.4	0.0
TOTAL										
Approved	465.5	119.2	119.7	120.3	4.9	0.0	125.2	40.4	165.6	1.2
Request	502.5	134.2	141.4	158.2	4.9	0.0	163.1	40.4	203.5	3.7
Delta	37.0	15.1	21.7	37.9	0.0	0.0	37.9	0.0	37.9	2.5

SM-3B

February 2004

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FY 2005 PRESIDENT'S BUDGET
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES
2003
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL	MCRS
Light Armored Vehicle		2.7			2.7	46.2
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK	26.7			13.0	39.7	
TOTAL ORDNANCE TANK AUTOMOTIVE	26.7	2.7	0.0	13.0	42.4	
					0.0	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK	9.7			1.4	11.1	
TOTAL GUIDED MISSILES AND EQUIPMENT	9.7	0.0	0.0	1.4	11.1	
GPETE		1.2			1.2	
Mod Kits (MAGTF)		0.5			0.5	
					0.0	
BASIC REPLEN/BASIC REWORK	16.4			30.5	46.9	
TOTAL COMMUNICATION AND ELECTRONICS	16.4	1.7	0.0	30.5	48.6	
					0.0	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK	2.4				2.4	
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	2.4	0.0	0.0	0.0	2.4	
					0.0	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK	0.0	0.0	0.0	0.0	0.0	
TOTAL GENERAL PROPERTY	0.0	0.0	0.0	0.0	0.0	
TOTAL PROCUREMENT	55.2	4.4	0.0	44.9	104.5	
War Reserve			10.8		10.8	
TOTAL COST	55.2	4.4	10.8	44.9	115.3	

SM-3B

February 2004

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FY 2005 PRESIDENT'S BUDGET
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES
2004
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL	MCRS
LTWT 155 Howitzer		1.2			1.2	
LAV/SLEP		0.8			0.8	46.2
					0.0	
BASIC REPLEN/BASIC REWORK	9.3			12.3	21.6	
TOTAL ORDNANCE TANK AUTOMOTIVE	9.3	2.0	0.0	12.3	23.6	
					0.0	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK				1.3	1.3	
TOTAL GUIDED MISSILES AND EQUIPMENT	0.0	0.0	0.0	1.3	1.3	
Radio System		2.1			2.1	
Communication Switch & Control Sysems		1.6			1.6	
Fire Support Systems		1.1			1.1	
TRSS-PIP		0.3			0.3	
GPETE		1.0			1.0	
Gen Purpose Mechanical, TMDE		0.2			0.2	
TLDHS		1.1			1.1	
MOD Kits Intel		2.2			2.2	
BASIC REPLEN/BASIC REWORK	3.1			28.7	31.8	
TOTAL COMMUNICATION AND ELECTRONICS	3.1	9.6	0.0	28.7	41.4	
					0.0	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK					0.0	
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	0.0	0.0	0.0	0.0	0.0	
Bulk Liquid Equipment		0.6			0.6	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK					0.0	
TOTAL GENERAL PROPERTY	0.0	0.6	0.0	0.0	0.6	
TOTAL PROCUREMENT	12.4	12.2	0.0	42.3	66.9	
War Reserve			3.2		3.2	
TOTAL COST	12.4	12.2	3.2	42.3	70.1	

SM-3B

February 2004

NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
FY 2005 PRESIDENT'S BUDGET
BY WEAPON SYSTEM/CATEGORY
DEPOT LEVEL REPARABLES
2005
(DOLLARS IN MILLIONS)

WEAPON SYSTEM	BASIC REPLEN	OUTFITS	SPECIAL PROGRAMS	BASIC REWORK	TOTAL	MCRS
LW 155 Towed Howitzer		3.2			3.2	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK	9.4			8.2	17.6	
TOTAL ORDNANCE TANK AUTOMOTIVE	9.4	3.2	0.0	8.2	20.8	
PEDESTAL MTD STINGER		0.4			0.4	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK				1.7	1.7	
TOTAL GUIDED MISSILES AND EQUIPMENT	0.0	0.4	0.0	1.7	2.1	
Unit Operating Center		1.6			1.6	
CLAWS		3.7			3.7	
General Purpose Electronic Test Equipment (GPETE)		1.0			1.0	
Gen Purpose Mechanical, TMDE		0.3			0.3	
Air Ops C2 System		0.0			0.0	
Intelligence Support Equipment		0.9			0.9	
Modification Kits (Intel)		0.1			0.1	
TRSS PIP		0.3			0.3	
Comm Switch & Control		1.3			1.3	
Radio Systems		1.1			1.1	
Fire Support Systems		0.7			0.7	
BASIC REPLEN/BASIC REWORK	3.2			22.9	26.1	
TOTAL COMMUNICATION AND ELECTRONICS	3.2	11.0	0.0	22.9	37.1	
					0.0	
					0.0	
					0.0	
BASIC REPLEN/BASIC REWORK					0.0	
TOTAL ENGINEER SUPPORT AND CONSTRUCTION	0.0	0.0	0.0	0.0	0.0	
Assault Beacher Veh		2.0			2.0	
Bulk Liquid Equipment		0.6			0.6	
Amphibious Raid Equipment					0.0	
BASIC REPLEN/BASIC REWORK					0.0	
TOTAL GENERAL PROPERTY	0.0	2.6	0.0	0.0	2.6	
TOTAL PROCUREMENT	12.6	17.2	0.0	32.8	62.6	
War Reserve			4.5		4.5	
TOTAL COST	12.6	17.2	4.5	32.8	67.1	

FY 2005 PRESIDENT'S BUDGET
NAVY WORKING CAPITAL FUND
MARINE CORPS SUPPLY MANAGEMENT
Wholesale Only (BP 84 MC Managed)
Customer Price Change
(\$ IN MILLIONS)

		<u>FY 2003</u>		<u>FY 2004</u>		<u>FY 2005</u>
1. Net Sales at Cost		24.6		23.4		19.1
2. Less: Mat'l Inflation Adj.		0.5		0.5		0.5
3. Revised Net Sales		24.1		22.9		18.6
4. Surcharge (\$)		15.2		6.9		6.4
5. Change to Customers						
a. Previous Year's Surcharge (%)		25.74%		61.79%		29.49%
b. This year's Surcharge and Material Inflation divided by line 3 above (\$)		65.15%		32.31%		37.10%
c. Percent change to customer		31.34%		-18.22%		5.87%