

DEPOT MAINTENANCE

	(\$ in Millions)									
	FY 2002 <u>Actual</u>	Price <u>Growth</u>	Program <u>Growth</u>	FY 2003 <u>Estimate</u>	Price <u>Growth</u>	Program <u>Growth</u>	FY 2004 <u>Estimate</u>	Price <u>Growth</u>	Program <u>Growth</u>	FY 2005 <u>Estimate</u>
Army	743.4	+25.5	+34.6	803.5	+44.2	+159.8	1,007.5	+19.3	+66.3	1,093.1
Navy	5,327.0	+101.6	-283.6	5,145.0	+59.3	-118.9	5,085.4	+232.2	-88.8	5,228.8
Marine Corps	102.6	+11.4	+27.2	141.2	+16.1	-55.9	101.4	+3.5	+16.7	121.6
Air Force	2,373.8	+154.2	-708.3	1,819.7	+259.4	+238.9	2,318.0	+184.7	-209.2	2,293.5
USSOCOM	204.4	+2.3	-30.8	175.9	+2.7	+12.6	191.2	+3.0	+7.3	201.5
Subtotal Active Forces	8,751.2	+295.0	-960.9	8,085.3	+381.7	+236.5	8,703.5	+442.7	-207.7	8,938.5
Army Reserve	58.6	+2.8	-12.9	48.5	+4.0	+10.4	62.9	+5.2	+12.9	81.0
Navy Reserve	196.8	+5.7	+26.2	228.7	+6.6	-8.1	227.2	+4.5	-2.9	228.8
Marine Corps Reserve	7.8	+0.8	+3.9	12.5	+1.4	-3.7	10.2	+0.4	+1.5	12.1
Air Force Reserve	340.1	+26.4	-26.8	339.7	+45.1	-65.7	319.1	+24.0	+9.5	352.6
Army National Guard	186.4	+4.6	-14.2	176.8	+14.7	+2.6	194.1	+3.9	+61.9	259.9
Air National Guard	710.3	+70.9	-216.7	564.5	+82.8	-26.3	621.0	+47.6	-3.5	665.1
Subtotal Reserve/Guard	1,500.0	+111.2	-240.5	1,370.7	+154.6	-90.8	1,434.5	+85.6	+79.4	1,599.5
Total	10,251.2	+406.2	-1,201.4	9,456.0	+536.3	+145.7	10,138.0	+528.3	-128.3	10,538.0

Depot Maintenance programs fund the overhaul, repair, and maintenance of aircraft, missiles, ships, submarines, combat vehicles and other equipment. Depot maintenance efforts are performed at both public (DoD) and private (contractor) facilities. These efforts provide maintenance necessary to sustain the operational readiness of combat forces, to ensure the safe and efficient operation of weapon systems, and to renovate assets that are being transferred from active forces to reserve components. The FY 2004 Depot Maintenance budget request reflects a net funding increase of \$682.0 million above the FY 2003 funding level. This is comprised of \$536.3 million of price growth and a net program increase of \$145.7 million (+1.5 percent).

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Price Growth

Of the overall \$536.3 million price increase, \$365.9 million is in aircraft maintenance, \$9.7 million is in ship maintenance, \$29.9 million is for combat vehicle maintenance, and \$130.8 million is for maintenance of missiles and other equipment.

Program Changes

Of the overall \$145.7 million net program increase, \$217.6 million is in aircraft maintenance, and \$285.9 million is for maintenance of missiles and other equipment. These increases are offset by a program reduction of \$-289.8 million for ship maintenance and \$-68.0 million for combat vehicle maintenance. The major programmatic changes are discussed below.

- The Army depot maintenance program increases by \$235.7 million in FY 2004. The Active Army program increases by \$204.0 million which is composed of price growth of \$44.2 million and a net program increase of \$159.8 million (18.9 percent). The Army has built its FY 2004 budget to augment depot maintenance efforts to restore Army aircraft to a full mission-ready status. Major end-item programs addressed by this increase are the AH-64 Helicopter (\$11.2 million), OH-58D Helicopter including Government Furnished Parts (\$10.8 million), CH-47 Helicopter (\$6.3 million), UH-60/MH60K Helicopters (\$20.8 million), and for Aircraft Communications and Electronic Equipment (\$3.6 million). The increased level of funding will provide for helicopter repairs, as well as progressive maintenance actions and crash damage restoration. Embedded in the above funding are new requirements within the CH-47 Helicopter program for Special Operations Aircraft (MH-47E) in FY 2004 and increased Recapitalization requirements in support of the UH-60 Helicopter program. Increase in Automotive depot maintenance is due to the induction of the High Mobility Multi-Purpose Wheeled Vehicle (HMMWV) into the Recapitalization Rebuild Program with 1,065 vehicles in FY 2004 (\$29.0 million). Increase in combat vehicle maintenance supports the Field Artillery Ammunition Supply Vehicle (FAASV) M992A2 Recapitalization Rebuild Program increasing to 34 in FY 2004 and a minor unit cost increase associated with the Abrams Army Integrated Management (AIM) XXI Program (\$8.5 million). Maintenance of communications/electronics and Post-Production Software Support increases \$52.2 million. The Army Missile maintenance program increases \$55.6 million to provide additional work in three areas: (1) Missile System Accessories and Components, (2) Multiple Launch Rocket System (MLRS) Ground Communication System and Components and finally, (3) the Patriot Missile Program. The Army revised its Patriot Missile Program to address concerns about program executability and still achieve the Joint Requirements Oversight Council (JROC) Approved Migration Plan and the Combatant Commanders' requirements by FY 2003. A \$19.2 million reduction to Army depot maintenance programs includes a reduction in the number of crash damages funded in support of the CH47D Program, which decrease from a quantity of 4 in FY 2003 to 1 in FY 2004. There is also a reduction associated with the number of Electronic Shop Shelters Recapitalization program. This program decreases from a quantity of 195 in FY 2003 to 68 in FY 2004. The Army Reserve program increases \$14.4 million that includes price growth of \$4.0 million and a

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net program increase of \$10.4 million (19.8 percent). Finally, the Army National Guard program increases by \$17.3 million, which consists of \$14.7 million in price growth, and \$2.6 million in net program growth (1.4 percent).

- The Navy and Marine Corps depot maintenance programs decrease \$103.2 million in FY 2004. For the Active Navy program, this reflects price growth of \$59.3 million offset by net a program decrease of \$118.9 million. Further broken down, this reflects a net program decrease to ship depot maintenance of \$280.4 million (-7.3 percent) and other maintenance of \$36.7 million (-7.9 percent) partially offset by a net program increase in aircraft depot maintenance of \$198.2 million (+22.2 percent). The net decrease in ship depot maintenance is associated with a reduction in number and scope of scheduled ship availabilities (\$-503.8 million), a decrease in emergent repairs corresponding to a decrease in ship operating months (\$-47.3 million), decrease in miscellaneous and other restricted/technical availabilities (ORA/TA) (\$-39.9 million); offset by additional depot-level work performed outside of scheduled availabilities (continuous maintenance) (\$89.5 million), and increase in unallocated overhead reflecting mission funding Puget Sound Naval Shipyard and a larger amount of reimbursable work at Pearl Harbor Naval Shipyard (\$221.1 million). Reductions in other depot maintenance reflect a reduction of maintenance tasks associated with the reclassification of Strike ordnance, calibration equipment, target maintenance, special weapons maintenance, missile maintenance, and Pioneer UAV (Unmanned Aerial Vehicle). Active Aircraft Depot Maintenance reflects additional Airframe Phased Maintenance Intervals, Age Explorations and Air Worthiness Inspections as well as additional Engine Overhauls, Engine Repairs, Gear Box/Torque Meter Repairs and Overhauls (\$185.2 million). The increase is also associated with additional Aircraft Software Trouble Report Maintenance actions (\$13.0 million). For the Navy Reserve program, this reflects price growth of \$6.6 million offset by net a program decrease of \$8.1 million. Further broken down, this reflects a net program decrease to ship depot maintenance of \$9.4 million (-10.1 percent) and other maintenance of \$0.1 million (-1.8 percent) partially offset by a net program increase in aircraft depot maintenance of \$1.4 million (+1.0 percent). The Navy Reserve depot maintenance program reflects a reduction in the number of ships scheduled for Phased Maintenance Availabilities (from 10 in FY 2003 to 4 in FY 2004). This decrease is partially offset by a \$1.4 million increase in aircraft depot maintenance commensurate with an increase in non-organic inductions. Overall, the President's budget request will meet 94 percent of the notional requirements for Reserve ship depot maintenance and 100 percent of the Navy goal for Reserve aviation depot requirements. The Active Marine Corps program reflects price growth of \$16.1 million offset by a net program decrease of \$55.9 million (-35.5 percent). The Reserve Marine Corps program change includes \$1.4 million in price growth offset by a net program decrease of \$3.7 million (-26.6 percent). Major program changes to Marine Corps depot maintenance from FY 2003 to FY 2004 include an increase in ordnance maintenance (\$1.2 million); increase in other end item maintenance (\$21.6 million); decrease in combat vehicle maintenance (\$-75.3 million); decrease in missile maintenance (\$-3.4 million). The reduced funding levels also reflect the USMC's commitment to eliminate excess carryover, which has been an item of Congressional Interest in recent years. The FY 2004 funding level strikes an acceptable balance between programs that affect medium term readiness and the USMC's investment in modernization and transformational programs.

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- The Air Force's depot maintenance programs increase \$534.2 million in FY 2004. The Active Air Force program increases by \$498.3 million which is composed of price growth of \$259.4 million and a net program increase of \$238.9 million (+11.5 percent). Aircraft depot maintenance increases include an 85% increase in the F-15C/D/E Aircraft PDM price caused by an increase in labor hours and direct material consumption to convert the trim stabilizers on 89 F-15s from a honeycomb composite material to a gridlock material (\$108.5 million), increase in the B-52 unit PDM cost of \$2.29M for 14 B-52s is a result of unanticipated corrosion and structural repairs, which increased labor hours and direct material (\$32.0 million), an increase in PDM workload hours for in-processing procedures at the start of the AWACS aircraft PDM process (\$17.0 million). Program increases are partially offset by decreased aircraft and engine maintenance at the depot due to completion of the Service Life Extension Program (SLEP) for the F-16 aircraft (\$-40.9 million), the transfer of 17 E-8 JSTARS and 7 KC-135s to the Air National Guard and a reduction of 1 B-2 PDM (\$-13.3 million). In other maintenance, the Air Force funds a variety of avionics software developments including the A-10 software upgrade for the Suite 3 Block-Upgrade as well as the associate testing (\$19.8 million), the software effort for the first Block Cycle Change of the B-1 ALR-46 RADAR warning receiver (\$27.5 million), coding on P5 Block Cycle Change under Multi Stage Improvement Program (MSIP) for the B-2 program (\$8.7 million), the B-52 Avionics Mid-Life Improvement Off Aircraft Pylon Tester (OAPT) and flight test support (\$8.7 million), the initial effort to sustain the Precision Location and Identification (PLAID) subsystem to the ALR-69 Radar Warning Receiver on the E-3 AWACS (\$12.8 million), the initial stage of the F-16 SCU-6 Block Cycle Change (\$9.7 million), and support for a service life extension of the MH-53 to FY 2014 (\$8.8 million). The Air Force Reserve program decreases \$20.6 million which includes price growth of \$45.1 million and a net decrease of \$65.7 million (-17.1 percent). The Air National Guard program increase of \$56.5 million is composed of a price increase of \$82.8 million offset by a net program decrease of \$26.3 million (-4.1 percent).
- The United States Special Operations Command (USSOCOM) depot maintenance program increases \$15.3 million which is composed of \$2.7 million in price growth and \$12.6 million in program growth (7.1 million). Increase include \$1.2 million for Psychological Operations Production Distribution System (PDS), \$1.3 million for Special Operations Forces Intelligence systems, and \$6.2 million for increased maintenance and sustainment for Special Operations Command Research Analysis and Threat Evaluation System (SOCRATES) in support of the Global War on Terrorism.

Maintenance Backlog

- Between FY 2003 and FY 2004, depot maintenance funding increases by \$682.0 million (+1.5 percent), and the percentage of funded executable requirements decrease from 82.5 percent in FY 2003 (\$9,456.0 million of \$11,457.8 million executable requirement is funded) to 81.1 percent in FY 2004 (\$10,138.0 million of \$10,781.4 million executable requirement is funded). Executable requirements are those maintenance requirements that can be accommodated within current physical depot maintenance capacity. The table on the following page displays funded and financial backlog amounts for depot maintenance:

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(\$ in Millions)

	FY 2002		FY 2002/ FY 2003	FY 2003		FY 2003/ FY 2004	FY 2004		FY 2004/ FY 2005	FY 2005	
	Requirements Funded	Requirements Unfunded	Change in Unfunded	Requirements Funded	Requirements Unfunded	Change in Unfunded	Requirements Funded	Requirements Unfunded	Change in Unfunded	Requirements Funded	Requirements Unfunded
<u>Army*</u>	<u>988.4</u>	<u>374.6</u>	<u>+60.2</u>	<u>1,028.8</u>	<u>434.8</u>	<u>+118.4</u>	<u>1,264.5</u>	<u>553.2</u>	<u>-153.9</u>	<u>1,434.0</u>	<u>399.3</u>
Aircraft	174.9	129.4	-24.6	273.1	104.8	+3.7	298.8	108.5	-9.5	358.4	99.0
Combat Vehicle	319.1	105.2	-6.8	297.0	98.4	+64.9	330.5	163.3	-81.2	390.4	82.1
Other	494.4	140.0	+91.6	458.7	231.6	+49.8	635.2	281.4	-63.2	685.2	218.2
<u>Navy*</u>	<u>5,523.8</u>	<u>499.2</u>	<u>+293.0</u>	<u>5,373.7</u>	<u>792.2</u>	<u>+91.7</u>	<u>5,312.6</u>	<u>883.9</u>	<u>-22.1</u>	<u>5,457.6</u>	<u>861.8</u>
Ship	3,959.8	207.0	-57.0	3,931.2	150.0	-7.0	3,651.1	143.0	+7.0	3,816.3	150.0
Aircraft	1,161.9	152.0	+168.7	995.4	320.7	+130.7	1,229.5	451.4	+44.8	1,198.9	496.2
Other	402.1	140.2	+181.3	447.1	321.5	-32.0	432.0	289.5	-73.9	442.4	215.6
<u>Marine Corps*</u>	<u>110.4</u>	<u>29.3</u>	<u>-10.0</u>	<u>153.7</u>	<u>19.3</u>	<u>+44.8</u>	<u>111.6</u>	<u>64.1</u>	<u>+26.2</u>	<u>133.7</u>	<u>90.3</u>
Combat Vehicle	48.0	3.9	-0.2	98.3	3.7	+35.3	26.7	39.0	+24.6	45.3	63.6
Other	62.4	25.4	-9.8	55.4	15.6	+9.5	84.9	25.1	+1.6	88.4	26.7
<u>Air Force*</u>	<u>3,424.2</u>	<u>146.0</u>	<u>+609.5</u>	<u>2,723.9</u>	<u>755.5</u>	<u>+112.8</u>	<u>3,258.1</u>	<u>868.3</u>	<u>+198.4</u>	<u>3,311.2</u>	<u>1,066.7</u>
Aircraft	2,015.9	29.3	+415.6	1,973.5	444.9	+60.1	2,294.4	505.0	+197.2	2,370.1	702.2
Other	1,408.3	116.7	+193.9	750.4	310.6	+52.7	963.7	363.3	+1.2	941.1	364.5
<u>USSOCOM</u>	<u>204.4</u>	=	=	<u>175.9</u>	=	=	<u>191.2</u>	=	=	<u>201.5</u>	=
Ship	9.7	-	-	-	-	-	-	-	-	-	-
Aircraft	125.7	-	-	104.3	-	-	106.9	-	-	110.3	-
Other	69.0	-	-	71.6	-	-	84.3	-	-	91.2	-
<u>Total</u>	<u>10,251.2</u>	<u>1,049.1</u>	<u>+952.7</u>	<u>9,456.0</u>	<u>2,001.8</u>	<u>+367.7</u>	<u>10,138.0</u>	<u>2,369.5</u>	<u>+48.6</u>	<u>10,538.0</u>	<u>2,418.1</u>
Ship	3,969.5	207.0	-57.0	3,931.2	150.0	-7.0	3,651.1	143.0	+7.0	3,816.3	150.0
Aircraft	3,478.4	310.7	+559.7	3,346.3	870.4	+194.5	3,929.6	1,064.9	+232.5	4,037.7	1,297.4
Combat Vehicle	367.1	109.1	-7.0	395.3	102.1	+100.2	357.2	202.3	-56.6	435.7	145.7
Other	2,436.2	422.3	+457.0	1,783.2	879.3	+80.0	2,200.1	959.3	-134.3	2,248.3	825.0

* Includes Active, Guard and Reserve Component programs