

**REVOLVING AND MANAGEMENT FUNDS**

**DEFENSE WORKING CAPITAL FUND (DWCF)**

**FY 2009 Supplemental Request  
(\$ in Thousands)**

**Detail by Subactivity Group**

**Defense Working Capital Fund - Army**

**A. Subactivity Group - Army Prepositioned Stocks (APS) – Spares and War Reserve**

	<b>FY 2008 Actuals</b>	<b>FY 2009 Request</b>	<b>FY 2009 Bridge</b>	<b>FY 2009 Remaining</b>
<b>1. 5.4 War Reserve Stock, Secondary Items</b>	1,057,889	443,200	0	443,200

**Narrative Justification:** Funds the re-stocking of spares and repair parts essential to the operational readiness of combat vehicles and equipment in Army Prepositioned Stocks 3 and 4. These stocks provide spares to support combat equipment assigned to Brigade Combat Teams and supporting Sustainment Brigades. Stocks include medical supplies for Combat Support Hospitals and Surgical Teams. This materiel is destined for APS 4 in Korea, and to APS 3 located aboard ships in Diego Garcia and Guam. APS 3 provides critical assets to use world-wide, but especially in East Asia or the East Asia littorals. Additionally, these funds restock critical operational project stocks in APS 1 that support NORTHCOM Chemical, Biological, Radiological, Nuclear, and high-yield Explosives (CBRNE) Consequence Management Response Force, Homeland Defense, support to Special Forces, enemy prisoner of war requirements, aerial resupply, humanitarian assistance, and disaster relief operations. Funding these critical shortages allows strategic cargo aircraft to be allocated to movement of combat forces rather than moving stocks of supplies during a deployment. Funding is required during FY 2009 to ensure essential spares and repair parts are collocated with the combat equipment and are available to sustain the combat force during the initial weeks of a deployment until normal re-supply channels are established. This funding will restock the prepositioned capability used in contingency operations.

<b><u>FY 2008</u></b> <b><u>Actuals</u></b>	<b><u>FY 2009</u></b> <b><u>Request</u></b>	<b><u>FY 2009</u></b> <b><u>Bridge</u></b>	<b><u>FY 2009</u></b> <b><u>Remaining</u></b>
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**Impact if not funded:** Unit sets (Tanks, Bradleys, artillery howitzers, etc.) would be placed in war reserve storage with insufficient or no spares collocated with the combat equipment. In this situation, releasing war reserve equipment to a deploying force without spares threatens the unit’s mission, its combat capability, and its sustainability.

**Defense Working Capital Fund – Defense Wide**

**Defense Information Services Agency (DISA)**

**A. Subactivity Group - Operations - Southwest Asia Transmission Costs**

<b>1. 5.11 Other</b>	0	13,100	0	13,100
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**Narrative Justification:** Funds are required for commercial leases over international fiber networks to provide bandwidth to CENTCOM Area of Responsibility (AOR). In response to communications requirements of CENTCOM forces, DISA increased communications capacity to the permanent bases in Kuwait, Bahrain, and Qatar, by commercial leased large capacity circuits. These OC3 (155 Megabytes per second - Mbps) and OC12 (622Mbps) circuits are required to give the high capacity and low communications delay required by CENTCOM to these bases. Each of these bases has major missions and also serves as a gateway for satellite communications to deployed forces in the contingency areas.

**Impact if not funded:** If these critical circuit leases are not funded, the DISA will have to reprioritize resources from the newly mandated communication diversity to the CENTCOM AOR. The Joint Requirements Oversight Council validated and mandated the communications diversity requirement after a critical cable was cut in January 2008.

**Defense Logistics Agency (DLA)**

**A. Subactivity Group - Operations – Consolidated Shipping Point, Kuwait**

<b>1. 5.8 Theater Distribution</b>	11,980	13,300	0	13,300
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**Narrative Justification:** The Defense Logistics Agency (DLA) performs distribution functions at the Theater Consolidation and Shipping Point in Kuwait for CENTCOM. Locating theater distribution functions with Defense Distribution Depot Kuwait has increased the distribution systems efficiency and consolidated functions. The center

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<b><u>Actuals</u></b>	<b><u>Request</u></b>	<b><u>Bridge</u></b>	<b><u>Remaining</u></b>

serves as a central receiving and shipping point for inbound cargo shipments and trans-loading containers or palletized shipments for onward movements to units located in Kuwait and Iraq, while improving in-transit visibility.

**Impact if not funded:** Failure to fund these war related costs will result in cash losses to this DWCF business area, and could jeopardize support to the Military Services, particularly the Army and Marine Corps.

**B. Subactivity Group - Operations – Defense Distribution Center, Kuwait (DDCK)**

<b>2. 5.8 Theater Distribution</b>	0	20,300	0	20,300
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**Narrative Justification:** Provides for logistical support, including the receipt, storage, and issue of repair parts and consumable supplies, to Military Service customers operating in SWA. By positioning materiel forward, customer wait time is decreased and DoD transportation costs are significantly reduced by the use of surface versus air shipment mode. However, this distribution center is 50 percent more expensive to operate (\$83.69 per transaction) than other overseas distribution depots (\$55.38 per transaction) due to the geographic location and hostile operating environment, an increase of \$28.31 per transaction. The requested funds are required to recoup these increased wartime costs and prevent Working Capital Fund losses. The DDCK projects that it will process 717 thousand transactions in FY 2009; the additional \$28.31 per transaction increases the cost of operations by \$20.3 million.

**Impact if not funded:** This DWCF business activity will sustain a loss in the year of execution that would have to be recovered in Defense Distribution rates. Higher rates for distribution services may adversely impact Military Service programs and readiness accounts.

**C. Subactivity Group – Operations – Combat Fuel Losses**

<b>1. 5.9 Fuel Transportation and Fuel Combat Losses</b>	83,394	109,210	0	109,210
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**Narrative Justification:** OEF/OIF tactical fuel sites holding DLA capitalized fuel have experienced higher losses than fixed base facilities. The cost to replace the estimated 1.5 million barrel FY 2009 loss is based on \$72.81 in refined product cost per barrel. This quantity is .5 million barrels greater than the FY 2008 quantity and is based on actual losses. Fuel storage at these sites consists of tactical bag farms that do not have vapor recovery systems. The product that evaporates is lost because it is not contained as it is in many fixed facilities. The high temperatures, above 120 degrees in many places during the warmer months, promote higher levels of evaporation. Combat losses also occur and in the vast majority of these cases all the product is lost. Depending on the security situation, escorted vehicles that

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suffer a mechanical breakdown may be abandoned. In these cases the vehicle and product load are often destroyed to prevent their use by the enemy. Locations which are supported via tank truck deliveries require extended duration delivery times (ranging from two to 15 days depending on the location). The increased journey time and resulting exposure, coupled with rough unimproved roads in many locations and some theft, also result in losses above the norm.

**Impact if not funded:** Failure to continue funding the war related combat fuel losses will result in cash losses in the Defense Energy Support Center and require higher standard prices for petroleum products to maintain the required level of fuel supplies to meet warfighter requirements.

**D. Subactivity Group – Operations – Fuel Transportation and Terminal Operations**

<b>2. 5.9 Fuel Transportation and Fuel Combat Losses</b>	199,394	213,200	0	213,200
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**Narrative Justification:** This funding is required to support war-related fuel transportation, increased pipeline costs, and fuel storage terminal operations. Transportation costs to deliver fuel products to U.S. military forces in the countries shown below are significantly higher than anywhere else in the world. The journey is fraught with poor road conditions, weather delays, insurgent attacks, and harassment by local war lords. Costs include:

OIF transportation – \$121.1M: Locations are supported via tank truck deliveries from other countries, all of which require extended duration delivery times ranging from two to 15 days depending on the location.

OEF transportation - \$73.0M: Supported sites require multi-day delivery via tank truck sometimes exceeding 10 days one-way from Pakistan and up to 23 days from sourcing locations to the north of Afghanistan.

Helium transportation - \$3.0M: Delivery of helium to Iraq support the Rapid Aerostat Initial Deployment and the Persistent Threat Detection System. Both programs use cameras and sensor packages attached to helium balloons that provide visual and radar tracking.

Fuel terminal operations costs include:

Pipeline costs as a result of fuel throughput in Turkey - \$6.0M: CENTCOM requires fuel for specific military operations in Iraq. The requirement was to establish supply lines from both the south and the north. Fuel is off loaded at Mersin sea port depot and transferred via pipeline to Adana, Turkey. Fuel is then loaded into trucks that deliver fuel to support

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combat operations in Northern Iraq. Obtaining the fuel from Turkey proves to be the most economical and the shortest distance to its destination.

Usage fees for a pipeline from Umm Said, Qatar to Al Udeid Air Base - \$8.2M: This pipeline provides support to the military forces at Al Udeid Air Base, Qatar (replaced Prince Sultan Air base in Saudi Arabia) and is the most economical method of distribution. Al Udeid is the central hub for US Air Force flying operations in the Middle East. Installation of this pipeline is critical so that up to 1.5 million gallons of jet fuel per day can be delivered to Al Udeid Air Base. Trucking of this fuel is not feasible due to the high volumes of fuel required to support military operations. Requirement for this pipeline is CENTCOM driven and validated by CENTCOM as mission critical.

Storage terminal operations located in Kabul, Afghanistan - \$1.9M: This requirement supports CENTCOM and military operations in Afghanistan. Fuel held in this storage depot supports the forces when there are any disruptions to the normal supply pattern, e.g., refinery shutdowns, delays due to Ramadan/customs/weather/situations, trucking breakdowns, etc.

These pipeline/terminal operations requirements have increased in the CENTCOM AOR and supporting regions. The petroleum storage and throughput in these terminals and connecting pipelines is essential to prosecution of the OEF/OIF campaigns. This direct appropriated funding will enable the DLA to honor these contracts, some of which are long term, without sustaining Working Capital Fund cash losses.

**Impact if not funded:** The DWCF will sustain a war-related financial loss in the year of execution that will have to be recovered in future years' fuel standard prices. Higher prices for petroleum products adversely impact Military Service programs and readiness accounts. In addition, the DWCF cash corpus will suffer a substantial loss in FY 2009 that cannot be recouped until price increases become effective.

**E. Subactivity Group – Operations – Defense Reutilization and Marketing Service (DRMS) Operations**

<b>1. 5.10 DRMS Ops</b>	4,861	34,416	0	34,416
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**Narrative Justification:** The DRMS is responsible for the reuse, reutilization, and disposal of excess and surplus property within the DoD. The DRMS is experiencing operational and financial impacts from support to OEF and OIF. Of critical importance is providing support to the warfighter at forward deployed locations where timely and accurate logistical support can affect the outcome of military operations. The DRMS is providing support from six fully

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operational Defense Reutilization and Marketing Offices (DRMOs) in Kuwait, Afghanistan and Iraq, and unmanned pickup locations, primarily via contract with government oversight. From these locations, DRMS provides advance disposal advice and on-the-ground expertise throughout Iraq to support the disposal mission.

Heavy involvement in the retrograde of Military Service-owned property to CONUS is also expected. DRMS is currently receiving an average of 10 million pounds of scrap per month in the AOR, the equivalent of just over one infantry battalion's worth of property. DRMS is ramping up to have the capability to receive a significant workload increase of an additional 40 million pounds, the equivalent of five infantry battalions. This request includes resources for continuing operations at the six established DRMOs and is needed to finance DRMO operations in Southwest Asia, including operations covered by contract as well as the government presence necessary to provide contract oversight.

The \$34.416 million request funds the increased workload as follows:

	\$ in millions
SWA Operations Contract:	28.400
Continuing Government Labor/Travel:	4.120
Telecommunications:	1.296
Incinerator Contract:	0.600

**Impact if not funded:** The DWCF will sustain a loss in the year of execution which will have to be recovered in future years' Service Level Bills (SLB) to the Military Services. Higher SLBs for DRMS services may adversely impact Military Service programs and readiness accounts. In addition, the DWCF cash corpus will suffer a loss in FY 2009 that cannot be recouped until the increased SLB becomes effective.

<b>DWCF Funding Totals</b>	<b>1,357,518</b>	<b>846,726</b>	<b>0</b>	<b>846,726</b>
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