

## DEPOT MAINTENANCE

|                        | (\$ in millions)         |                        |                          |                            |                        |                          |                            |
|------------------------|--------------------------|------------------------|--------------------------|----------------------------|------------------------|--------------------------|----------------------------|
|                        | FY 2001<br><u>Actual</u> | Price<br><u>Change</u> | Program<br><u>Change</u> | FY 2002<br><u>Estimate</u> | Price<br><u>Change</u> | Program<br><u>Change</u> | FY 2003<br><u>Estimate</u> |
| Army                   | 717.6                    | +22.2                  | +1.8                     | 741.6                      | +33.1                  | +34.0                    | 808.7                      |
| Navy                   | 4,118.8                  | +105.0                 | +409.5                   | 4,633.3                    | +85.2                  | +146.0                   | 4,864.5                    |
| Marine Corps           | 118.5                    | +8.0                   | -14.9                    | 111.6                      | +12.5                  | +14.5                    | 138.6                      |
| Air Force              | 1,824.5                  | +153.0                 | +3.4                     | 1,980.9                    | +162.3                 | -361.4                   | 1,781.8                    |
| USSOCOM                | <u>162.6</u>             | <u>+2.6</u>            | <u>+8.1</u>              | <u>173.3</u>               | <u>+2.7</u>            | <u>+7.4</u>              | <u>183.4</u>               |
| Subtotal Active Forces | 6,942.0                  | +290.8                 | +407.9                   | 7,640.7                    | +295.8                 | -159.5                   | 7,777.0                    |
| Army Reserve*          | 46.7                     | +1.9                   | +11.0                    | 59.6                       | +3.1                   | -14.2                    | 48.5                       |
| Navy Reserve           | 168.0                    | +1.4                   | +18.7                    | 188.1                      | +5.6                   | +17.8                    | 211.5                      |
| Marine Corps Reserve   | 12.0                     | +0.8                   | -5.0                     | 7.8                        | +0.6                   | +4.3                     | 12.7                       |
| Air Force Reserve      | 298.9                    | +30.4                  | -10.9                    | 318.4                      | +29.9                  | -11.2                    | 337.1                      |
| Army National Guard    | 171.7                    | +5.8                   | +14.6                    | 192.1                      | +10.1                  | -23.6                    | 178.6                      |
| Air National Guard     | <u>465.7</u>             | <u>+51.8</u>           | <u>-19.4</u>             | <u>498.1</u>               | <u>+51.7</u>           | <u>+15.4</u>             | <u>565.2</u>               |
| Subtotal Reserve/Guard | 1,163.0                  | +92.1                  | +9.0                     | 1,264.1                    | +101.0                 | -11.5                    | 1,353.6                    |
| <b>Total</b>           | <b>8,105.0</b>           | <b>+382.9</b>          | <b>+416.9</b>            | <b>8,904.8</b>             | <b>+396.8</b>          | <b>-171.0</b>            | <b>9,130.6</b>             |

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 2003 Depot Maintenance budget request reflects a net funding increase of \$225.8 million above the FY 2002 funding level. This is comprised of \$396.8 million of price growth offset by a net program decrease of \$171.0 million (-1.8%). Of this net program change, \$235.0 million is due to the way the Air Force plans to recover losses at its Depots in FY 2002. The FY 2002 program includes a one-time \$235.3 million surcharge which is not carried forward into FY 2003. Adjusting for the impact of this one-time surcharge the real program growth in overall depot maintenance funding is \$64.0 million (0.7 percent) above the FY 2002 funded level.

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### **Price Growth**

Of the overall \$396.8 million price increase, \$278.0 million is in aircraft maintenance, \$34.7 million is in ship maintenance, \$11.9 million is for combat vehicle maintenance, and \$72.2 million is for maintenance of missiles and other equipment.

### **Program Changes**

There is a net program decrease of \$171.0 million. Net increases of \$219.7 million in ship maintenance and \$48.4 million in combat vehicle maintenance are offset by decreases of \$51.3 million in aircraft maintenance, and \$387.8 million for maintenance of missiles and other equipment. The major programmatic changes are discussed below.

- The Army depot maintenance program decreases by \$3.8 million (-0.4 percent) in FY 2003. The Active Army program increases by \$34.0 million (4.4 percent) which is the net result of program increases totaling \$111.8 million offset by program decreases totaling \$69.2 million. In addition, \$8.6 million in funding for the Heavy Expanded Mobility Tactical Truck-Expanded Service Program (HEMTT-ESP) was realigned to Other Procurement, Army, as all HEMTT funding is being realigned to support this program. The most significant increase is for aircraft depot maintenance (\$74.4 million). This will support increased helicopter recapitalization focused on the UH-60, and CH-47D, as well as an increase to the Aircraft Ground Support Equipment Recap/Electronic Shop Shelters program. Additional increases include \$22.6 million in missile systems depot maintenance, which will primarily support the Patriot Missile and Ground Support Equipment Programs, \$6.6 million to support the Field Artillery Ammunition Supply Vehicle (FAASV) recapitalization program, which will begin in FY 2003 with a planned induction of 18 vehicles; and an increase in the quantity of the Small Emplacement Excavator (SEE) recapitalization program from 78 to 99 in FY 2003 (\$8.1 million). These increases are partially offset by a reduction in combat vehicle funding, primarily due to the Bradley Fighting Vehicle (BFV) recapitalization program, which has been changed to a procurement upgrade program, and therefore will not be funded in O&M, Army; a decrease in weapons armament, including individual and Crew Served Weapons Programs (\$-6.0 million), the 9mm Pistol (\$-1.0 million), the M16 Rifle (\$-3.9 million) and the 5.56mm Squad Automation Weapons (SAW) system (\$-2.6 million); a decrease for post production software support (\$-6.6 million); and a decrease of \$1.9 million in depot maintenance of general equipment. The Army Reserve program decreases \$14.2 million in FY 2003, primarily due to a reduction to aircraft crash damage repair funding (\$-3.9 million) and Tactical Wheeled Vehicles funding (\$-11.5 million), offset by increase in Combat Vehicles (\$0.9 million) and Communications/Electronics (\$0.3 million). Finally, the Army National Guard program decreases by \$23.6 million in FY 2003, the majority of which was in Rotary-wing Aircraft (\$-20.0 million).
- The Navy and Marine Corps depot maintenance programs increase \$182.6 million in FY 2003. For the Active Navy this reflects increases in ship depot maintenance (\$215.4 million) and other depot maintenance (\$27.3 million), offset by a decrease of \$96.7 million in aircraft depot maintenance. The ship depot maintenance program reflects the funding of increased notional requirements for depot maintenance availabilities and increased continuous maintenance (depot level work performed outside full scheduled maintenance availability periods). The increase also reflects the planned execution of a greater percentage of these increased requirements than in the previous year (89.3% in FY 2002 vice 95.5% in FY 2003). "Other" depot maintenance reflects

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one-time Congressional Adjustments (\$-3.8 million) offset by programmatic increases for software maintenance, target maintenance and cruise missile re-certifications from 103 to 239 in FY 2003. Active Marine Corps major program changes include an increase in combat vehicle overhaul funding (\$49.8 million); increase in missile maintenance (\$2.5 million); decrease in other end item maintenance (\$-30.0 million); a decrease in ordnance maintenance (\$-4.0 million); and the removal of one-time FY 2002 Congressional adjustments (\$-3.8 million). As with the active counterparts, the Navy Reserve ship depot maintenance program increase of \$7.6 million supports increased notional requirements for depot maintenance availabilities and increased Continuous Maintenance depot level work performed outside a full scheduled maintenance availability period. The planned program will satisfy approximately 95% of requirements for the Reserve Forces ship depot maintenance in FY 2003. Navy Reserve aircraft depot maintenance funding reflects a program increase of \$10.2 million associated with the induction of 2 additional airframes and 16 engines over that accomplished in FY 2002. Reserve Marine Corps major program changes from FY 2002 to FY 2003 are associated with an increase of 12 Combat Vehicle overhauls (\$+9.5 million) and a decrease in Other End Item maintenance (\$-5.6 million).

- The Air Force's depot maintenance program has a net decrease of \$357.2 million in FY 2003. This program adjustment is comprised of a \$361.4 million decrease for the Active forces, and a \$4.2 million increase for the Guard and Reserve forces. As noted above, the FY 2003 program includes a one-time decrease of \$235.3 million as the budget request no longer includes the Depot Quarterly Surcharge to finance Air Force Working Capital Fund losses in the Depot Maintenance Activity Group. The Air Force program also reflects reductions reflecting workloads that cannot be accomplished in FY 2003 within the Depot Maintenance Activity Group (\$173.0 million). The Active Air Force program increase includes funding for additional Programmed Depot Maintenance (PDM) and "on-condition" maintenance for a variety of aircraft (\$19.3 million); for 5 first-time engine overhauls for the F118 engine (\$2.9 million); for increased Analytical Condition Inspections (ACI) during scheduled overhauls (\$2.4 million); for software requirements, maintenance, and changes (\$7.8 million); for Base Operating Support Equipment (\$10.0 million); communications electronics equipment repairs in support of Readiness Training (\$3.8 million); and scheduled depot maintenance for modular control systems (\$2.6 million). These increases are offset by decreases to the Airborne Battlefield Command and Control Center (ABCCC) was divested of all assets in FY 2003, and funds were realigned to programs assuming its mission (\$-2.9 million) and the effect of a one-time Congressional increase for B-52 Attrition reserve (\$-20.1 million). The Air Force Reserve depot maintenance program net decreases of \$11.2 million reflect decreases of \$-33.5 million in aircraft DPEM due to a deferral of 3 aircraft, offset by an increase of \$22.6 million in engine DPEMs, which is associated with increased requirements for engine overhauls. The FY 2002 Air National Guard maintenance program includes a net increase of \$15.4 million. This is attributable to: major structural repair on the A-10 aircraft (\$9.2 million), additional C-130E, KC-135 E/R, and F-15B/C aircraft being scheduled for PDMs based on maintenance cycle requirements (\$53.0 million), and scheduled engine overhaul and repair on the C-141C aircraft (\$3.1 million). These increases are partially offset by reduced PDM requirements for C-141C, F-15A, and C-5 aircraft (\$-22.9 million) and the loss of the B-1 bomber aircraft from the ANG inventory (\$-7.2 million). Further reductions in depot maintenance funding are attributable to scheduled engine maintenance requirements on the F-16C/D, KC-135R, and C-130E aircraft in FY 2003.

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- The Special Operations Command (SOCOM) FY 2002 net program increase of \$7.4 million is composed of increases of \$13.1 million offset by decreases of \$5.7 million. The increases included \$5.8 million for air survivability equipment to enhance the survivability of fixed and rotary wing aircraft and for the aging aircraft sustaining engineering program, \$3.9 million to support the first full phase of scheduled depot maintenance for the first platform of the Advanced Seal Delivery System, which will include a comprehensive Hull Integrity program inspection and maintenance, and \$3.5 million for increased requirements for Special Operating Forces Planning and Rehearsal System and technical insertion/maintenance upgrade for multiple systems. These increases are offset by program decreases associated with the cancellation of all scheduled overhaul and depot phased maintenance work due to the planned deactivation of 13 Patrol Coastal ships (\$-3.3 million), a decrease in scheduled maintenance due to the transition to the new Mission Enhancing Little Bird (MELB) and the phasing out of the older A/MH-6J aircraft (\$-1.3 million), and decreases in contractor logistics support (\$-0.7 million) and planning yard contract requirements for Dry Dock Shelters Restricted Availabilities (RAVS) scheduled maintenance requirements (\$-0.4 million)

### **Maintenance Backlog**

- Between FY 2002 and FY 2003, depot maintenance funding increases by \$225.8 million (+2.0 percent), and the percentage of funded executable requirements decrease from 85.2 percent in FY 2002 (\$8,904.8 million of \$10,453.0 million executable requirement is funded) to 84.7 percent in FY 2003 (\$9,130.6 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)

|                              | <u>FY 2001</u>            |                             | <u>FY2001/2002</u>                    | <u>FY 2002</u>            |                             | <u>FY 2002/2003</u>                   | <u>FY 2003</u>            |                             |
|------------------------------|---------------------------|-----------------------------|---------------------------------------|---------------------------|-----------------------------|---------------------------------------|---------------------------|-----------------------------|
|                              | <u>Funded Requirement</u> | <u>Unfunded Requirement</u> | <u>Change in Unfunded Requirement</u> | <u>Funded Requirement</u> | <u>Unfunded Requirement</u> | <u>Change in Unfunded Requirement</u> | <u>Funded Requirement</u> | <u>Unfunded Requirement</u> |
| <b><u>Army *</u></b>         | <b><u>936.0</u></b>       | <b><u>311.7</u></b>         | <b><u>+67.4</u></b>                   | <b><u>993.3</u></b>       | <b><u>379.1</u></b>         | <b><u>+77.2</u></b>                   | <b><u>1,035.8</u></b>     | <b><u>456.3</u></b>         |
| Aircraft                     | 171.3                     | 95.5                        | +42.7                                 | 183.5                     | 138.2                       | -23.0                                 | 273.9                     | 115.2                       |
| Combat Vehicle               | 219.1                     | 66.0                        | +25.7                                 | 228.0                     | 91.7                        | -42.9                                 | 228.4                     | 48.8                        |
| Other                        | 545.6                     | 150.2                       | -1.0                                  | 581.8                     | 149.2                       | +143.1                                | 533.5                     | 292.3                       |
| <b><u>Navy *</u></b>         | <b><u>4,286.8</u></b>     | <b><u>738.8</u></b>         | <b><u>+61.0</u></b>                   | <b><u>4,821.4</u></b>     | <b><u>798.2</u></b>         | <b><u>-112.8</u></b>                  | <b><u>5,076.0</u></b>     | <b><u>686.0</u></b>         |
| Ship                         | 3,000.7                   | 355.5                       | +30.0                                 |                           | 385.5                       | -217.6                                | 3,616.8                   | 167.9                       |
| Aircraft                     | 906.6                     | 176.9                       | +18.7                                 | 1,043.8                   | 195.6                       | +120.1                                | 1,006.7                   | 315.7                       |
| Other                        | 379.5                     | 206.4                       | +12.3                                 | 418.4                     | 217.1                       | -15.3                                 | 452.5                     | 202.4                       |
| <b><u>Marine Corps *</u></b> | <b><u>130.5</u></b>       | <b><u>30.3</u></b>          | <b><u>+15.4</u></b>                   | <b><u>119.4</u></b>       | <b><u>45.7</u></b>          | <b><u>-24.1</u></b>                   | <b><u>151.3</u></b>       | <b><u>21.6</u></b>          |
| Combat Vehicle               | 41.8                      | 9.9                         | +16.0                                 | 39.3                      | 25.9                        | -23.1                                 | 99.2                      | 2.8                         |
| Other                        | 88.7                      | 20.4                        | -0.6                                  | 80.1                      | 19.8                        | -1.0                                  | 52.1                      | 18.8                        |
| <b><u>Air Force *</u></b>    | <b><u>2,589.1</u></b>     | <b><u>136.6</u></b>         | <b><u>+188.6</u></b>                  | <b><u>2,797.4</u></b>     | <b><u>325.2</u></b>         | <b><u>+161.7</u></b>                  | <b><u>2,684.1</u></b>     | <b><u>486.9</u></b>         |
| Aircraft                     | 1,625.1                   | 56.9                        | +142.1                                | 1,791.6                   | 199.0                       | +15.3                                 | 1,956.9                   | 214.3                       |
| Other                        | 964.0                     | 79.7                        | +46.5                                 | 1,005.8                   | 126.2                       | +146.4                                | 727.2                     | 272.6                       |
| <b><u>USSOCOM</u></b>        | <b><u>162.6</u></b>       | <b><u>=</u></b>             | <b><u>=</u></b>                       | <b><u>173.3</u></b>       | <b><u>=</u></b>             | <b><u>=</u></b>                       | <b><u>183.4</u></b>       | <b><u>=</u></b>             |
| Ship                         | 14.0                      | -                           | -                                     | 6.4                       | -                           | -                                     | 3.2                       | -                           |
| Aircraft                     | 91.4                      | -                           | -                                     | 100.1                     | -                           | -                                     | 105.4                     | -                           |
| Other                        | 57.2                      | -                           | -                                     | 66.8                      | -                           | -                                     | 74.8                      | -                           |
| <b><u>Total</u></b>          | <b><u>8,105.0</u></b>     | <b><u>1,217.4</u></b>       | <b><u>+332.4</u></b>                  | <b><u>8,904.8</u></b>     | <b><u>1,548.2</u></b>       | <b><u>+102.0</u></b>                  | <b><u>9,130.6</u></b>     | <b><u>1,650.8</u></b>       |
| Ship                         | 3,014.7                   | 355.5                       | +30.0                                 | 3,365.6                   | 385.5                       | -217.6                                | 3,620.0                   | 167.9                       |
| Aircraft                     | 2,794.4                   | 329.3                       | +203.5                                | 3,119.0                   | 532.8                       | +112.4                                | 3,342.9                   | 645.2                       |
| Combat Vehicles              | 260.9                     | 75.9                        | +41.7                                 | 267.3                     | 117.6                       | -66.0                                 | 327.6                     | 51.6                        |
| Other                        | 2,035.0                   | 456.7                       | +57.2                                 | 2,152.9                   | 512.3                       | +273.2                                | 1,840.1                   | 786.1                       |

\* Includes Active and Reserve Components