

**DEFENSE WORKING CAPITAL FUND
FY 2007 Emergency Supplemental Request**

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DEFENSE WORKING CAPITAL FUND – ARMY

Global War on Terror (GWOT)/Regional War on Terror (RWOT)

**Defense Working Capital Fund (DWCF)
Detail by Subactivity Group**

Operations - Combat Losses – Aviation, Missile, Ground

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	330,960	330,960

Narrative Justification: Funds the replacement of aviation, missile, and ground combat weapons systems spares and repair parts damaged or lost in shipment due to enemy actions. The affected weapons systems include: M1A2 Abrams Tank, UH-60 Blackhawk; CH-47 Chinook, HMMWV, and M2 & M3 Bradley. Funding is required in FY 2007 to prevent a spares shortage within Army that will degrade equipment operational readiness and slow the repair of theater equipment.

Operations - Combat Losses – Avionics (Communications and Electronics)

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	172,800	172,800

Narrative Justification: Funds the replacement of aircraft systems avionics spares and repair parts damaged or lost in shipment due to enemy action. The spares are for all models of UH-60 Blackhawk, AH-64 Apache, Ch-47 Chinook, and OH-58 Kiowa. Funding is required in FY 2007 to prevent a spares shortage within Army that will degrade equipment operational readiness and slow the repair of theater equipment.

Operations - Spares Augmentation – OPERATION IRAQI FREEDOM (OIF)

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
255,000	-	185,800	185,800

Narrative Justification: Funds the increased National inventory levels driven by OIF demand history from FY 2005 and FY 2006. This increased inventory is seen in higher minimum allowable stockage levels (safety levels). While revolving funds are designed to provide spares to meet requirements during stable operations, the high OIF OPTEMPO imposed additional demands, not supported with on-hand assets, requiring an augmentation of inventory within the safety level. The continued combat activity in OIF requires retention of the current safety levels and funding must be provided to ensure sufficient cash to cover disbursements as materiel deliveries occur.

Operations - UH-60 Blackhawk Spares Augmentation

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	34,800	34,800

Narrative Justification: Funds the replacement of UH-60 Blackhawk secondary items (Stabilator Amplifier) whose high failure rate in OIF has affected the operational readiness of the deployed fleet. The requested \$34.8 million allows for a reliable item to replace stabilator amplifiers in 580 UH-60s currently in OIF or scheduled for rotation to OIF in FY 2007.

Funding Totals	255,000	-	724,360	724,360
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DEFENSE WORKING CAPITAL FUND – NAVY

Global War on Terror (GWOT)/Regional War on Terror (RWOT)

**Defense Working Capital Fund (DWCF)
Detail by Subactivity Group**

Operations – USMC War Reserve Material (WRM)

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	32,400	32,400

Narrative Justification: A direct NWCF appropriation for WRM funding is requested to support the procurement, replenishment, reconstitution, stock and contracted asset availability guarantee of consumable and reparable items deemed necessary for war reserve. At the onset of the GWOT, the Marine Corps war reserve stocks were severely depleted. Since that time, other engagements requiring withdrawal of war reserve stocks have added to the less than adequate war reserve stock inventories.

These items are generated as a result of Marine Corps wide primary warfighting element stakeholders, including combatant commanders and operating forces, development and review of various strategized operating plans aimed at identifying items, based on threat analysis and other conditions, that dictate the kind of wars, the range and expected duration of each war expected to be fought, new strategy in current war, Marine Expeditionary Forces and Units personnel deployment needs as well as on hand stock available throughout the Marine Corps for warfighting. These items include all appropriate classes of stock that are not assessed to be a deploying unit responsibility such as subsistence, investment, and shelf life items.

This NWCF funding will allow the Marine Corps to have the necessary WRM stocks to ensure mission readiness for future operations to support warfighting capability, and strategic planning.

Funding Totals	-	-	32,400	32,400
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DEFENSE WORKING CAPITAL FUND – DEFENSE-WIDE

Global War on Terror (GWOT)/Regional War on Terror (RWOT)

Defense Working Capital Fund (DWCF)

Detail by Subactivity Group

Operations – Defense Distribution Center (DDC) Theater Redistribution

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	15,500	15,500

Narrative Justification: As the DoD reduces troop strength in Southwest Asia, the associated material to support the units will be transitioned back to the United States. This returning Theater Redistribution mission will require additional distribution depot effort to restock or dispose of the supplies.

Funding is required to support the additional (incremental) handling costs for a large volume of projected container returns (estimated at between 300 and 400 containers per month). Based on past experience, this workload is expected to include significantly more handling effort per container than normal workload. It is estimated each container will contain approximately 20 tri-walls of material with each tri-wall box containing approximately 25 separate lines of mixed freight. This will present material sorting, inspection and research requirements since many of the items included in the tri-wall will be unauthorized or unserviceable returns, bare items, misidentified or unlabeled material. It is estimated the volume and complexity of workload will require 200 civilian FTEs of additional labor effort (\$12M) above what was financed through the FY 2007 Distribution Depot rates.

In addition, the DDC will incur transportation costs for reshipment of misdirected items to proper storage locations as well as travel and miscellaneous material and supply costs (\$3M) that were not programmed or financed through the FY 2007 rates. Lastly, \$500K is required for the DLA planning and support costs associated with the establishment of an Iraqi operated supply depot in Taji, Iraq. This funding will ensure redistribution work will be performed in a timely manner, resulting in reducing procurement actions.

Operations – Defense Logistics Agency (DLA) Combat Inventory

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	243,400	243,400

Narrative Justification: Peacetime inventory levels prior to the Global War on Terrorism (GWOT) were not sufficient to support Operation Enduring Freedom (OEF) and Operation Iraqi Freedom’s (OIF) OPTEMPO and RESET requirements. To meet the challenge of supporting personnel fighting GWOT and repairing the equipment used in those conflicts, the DLA established inventory levels for items not normally held during peacetime and increased normal peacetime levels for items traditionally sold by DLA that were in direct support of GWOT. These increased levels were necessary to have items available on the shelf when demanded by the military services. The DLA used Defense-Wide Working Capital Fund (DWWCF) cash to finance payments made to vendors for those items. As the GWOT continues, advancements in weapon systems technology have made some items initially purchased obsolete. Thus, some inventory purchased at the beginning of the war to support initial warfighter requirements and that type equipment is now obsolete (i.e. body armor) due to operational improvements made by the Services to increase the items’ effectiveness in the changing environment. In addition, GWOT mission changes are translating into a different mix of items being required now versus when the contingency began. The inventory cost breakout follows:

Clothing and Textile Items	\$67.0
Army Ground Vehicle Repair Items	\$58.4
Construction and Equipment Items	\$35.9
Pre-OIF Lean Forward War Procurement	\$42.9
Medical Items	\$39.2

This funding will provide the DWWCF with sufficient cash levels to maintain current inventory levels and to replenish items as the Department of Defense continues to fight the GWOT. A direct appropriation to offset previous cash investments is needed to maintain solvency of the DWWCF cash corpus.

Operations – Fuel Losses

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	87,900	87,900

Narrative Justification: OEF/OIF tactical fuel sites holding the DLA capitalized fuel have experienced higher losses than fixed base facilities due to a number of factors. The FY 2006 loss was one million barrels. The product cost to replace the loss in FY 2007 is estimated at \$87.91 per barrel with a total replacement cost of \$87.9 million.

The storage at these sites consists of tactical bag farms which do not have vapor recovery systems. Therefore, product which evaporates is not contained (as it is in many fixed facilities). The high temperatures that occur (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 cases all the product is lost. Depending on the security situation, escorted vehicles that suffer a mechanical breakdown may be abandoned. In these cases the vehicle and product load are often destroyed to prevent them from being used 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, coupled with rough unimproved roads in many locations, also result in losses.

This direct appropriated funding will enable the DLA to replenish these fuel losses, while maintaining the cash solvency of the DWWCF, thus ensuring continued in-theater support to the engaged fighting forces.

Operations – Transportation of Fuel and Helium into Iraq, Afghanistan, and Kyrgyzstan and Associated Fuel Terminal Operations

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
107,000	-	208,200	208,200

Narrative Justification: This funding is required to support transportation, increased pipeline costs, and new storage terminal operations as follows:

Transportation costs to deliver fuel products to U.S. military forces in the countries shown above 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. OIF 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 supported sites require a 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. Transportation costs to deliver helium to Iraq support the Rapid Aerostat Initial Deployment and the Persistent Threat Detection System. Both programs use cameras and sensor packages attached to balloons which provide visual and radar tracking. The transportation cost breakout is as follows:

Iraq petroleum	\$107.0
Afghanistan/Kyrgyzstan petroleum	\$82.2
Iraq helium	\$2.9

The increase from FY 2006 to FY 2007 is due to full inclusion of transportation costs to and within Afghanistan/Kyrgyzstan. These costs were not fully reimbursed by supplemental funding in FY 2006 and had to be absorbed by the DWWCF. If funds are not provided, the DWWCF will sustain a loss in the year of execution which will have to be recovered in future year's standard fuel prices.

Pipeline and terminal operations costs are broken down as follows:

Increased pipeline costs as a result of greater fuel throughput in Turkey - \$6.0: This fuel is a CENTCOM originated requirement that supports specific operations for the military forces 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 then is transferred via pipeline to Adana, Turkey. Fuel is then loaded into trucks that deliver fuel to support 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 new pipeline from Umm Said, Qatar to Al Udeid Air Base - \$8.2: This pipeline will provide support to the military forces at Al Udeid Air Base, Qatar (replaced Prince Sultan Air base in Saudi Arabia) and will be 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 jet fuel in quantities of up to 1.5 million gallons 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 them as mission critical.

Establishment of new storage terminal operations located in Kabul, Afghanistan - \$1.9: 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 shut downs, 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 and the overall GWOT.

This direct appropriated funding will enable the DLA to honor these contracts, some of which are long term without sustaining DWWCF cash losses, thus ensuring the right level of support to the military forces without putting the mission at risk.

Operations – Defense Reutilization and Marketing Service (DRMS) Operations

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
-	-	3,766	3,766

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/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 currently providing disposal support to all 47 countries in the CENTCOM AOR as well as OEF operations in the Republic of the Philippines. The DRMS currently has four fully operational Defense Reutilization and Marketing Offices (DRMO) in Kuwait, Afghanistan and Iraq, as well as unmanned pickup locations. The DRMS is also providing advance disposal advice and on-the-ground expertise throughout Iraq to support the closure of Forward Operating Bases and expects heavy involvement in the retrograde of Military Service owned property back to CONUS. Due to the growing workload, the DRMS has also established and staffed two additional DRMOs in Iraq. This supplemental request provides \$3.8M to defray the costs for demilitarization service contracts at DRMO Anaconda, Iraq (\$2.5 million) and DRMO Al Asad, Iraq (\$1.3 million).

Funding Totals	107,000	-	558,766	558,766
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NATIONAL DEFENSE SEALIFT FUND (NDSF)

Operations – National Defense Sealift Fund

FY 2006	*-----*	FY 2007	-----*
<u>Actuals</u>	<u>Title IX</u>	<u>Supplemental</u>	<u>Total</u>
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***Note** - The National Defense Sealift Fund is requesting \$5.0 million in supplemental funding to support critical maintenance and repair to Ready Reserve Force ships resulting from increased use in support of Operation Iraqi Freedom sealift operations. The entry here is provided for reference purposes only, justification and details associated with this request are included in the Navy’s Supplemental request..

Funding Totals	-	-	*	*
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