

**DEFENSE WORKING CAPITAL FUND
FY 2008 Global War on Terror Request**

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REVOLVING AND MANAGEMENT FUNDS

DEFENSE WORKING CAPITAL FUND (DWCF)

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

Detail by Subactivity Group

Defense Working Capital Fund – Army

Operations and Reset - Army Prepositioned Stocks (APS) – Spares and War Reserve

FY 2007	FY 2008
<u>Title IX/Supplemental</u>	<u>GWOT Request</u>
0	1,098,000

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 5. 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 5 in Kuwait and Qatar, and to APS 3 located aboard ships in Diego Garcia and Guam. Funding is required during FY 2008 to ensure essential spares and repair parts are collocated with the combat equipment and available to sustain the combat force during the initial weeks of a deployment until normal re-supply channels are established.

Funds critical shortages in war reserve secondary items needed to raise the readiness posture of Army Prepositioned Stocks 4 (APS 4, Korea). These shortages include spares and repair parts to support the combat equipment of the Brigade Combat Teams in APS 4. 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 2008 to ensure essential spares and repair parts are collocated with the combat equipment and available to sustain the combat force during the initial weeks of a deployment until normal re-supply channels are established. These spares and repair parts were consumed in OIF/OEF. Therefore, the replenishment of these items is a cost of war.

Operations - Combat Losses

330,960

125,000

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 2008 to prevent a spares shortage within Army that will degrade equipment operational readiness and slow the repair of theater equipment.

Operations - Spares Augmentation – OIF

185,800

140,000

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.

Defense Working Capital Fund – Defense Wide

Operations – Theater Distribution Center, Kuwait

0 13,000

Narrative Justification: CENTCOM has requested that the Defense Logistics Agency (DLA) assume performance of distribution functions at Theater Distribution Center in Kuwait. Locating theater distribution functions with Defense Distribution Depot Kuwait has increased the distribution systems efficiency and consolidated functions. The center services 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 ensuring intransit visibility.

Operations – Combat Fuel Losses

87,900 86,800

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 2008 is estimated at \$86.8 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

208,200 192,100

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 are also incurred to deliver helium to Iraq to 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 2008 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.

Operations – Fuel Terminal Operations

0

16,100

Narrative Justification: In FY 2007 funding to support this mission (\$16.1 million) was included in the Transportation of Fuel category. In FY 2008, the request remains at \$16.1 million, but is provided separately. This funding is required to support fuel terminal operations 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

3,766

5,275

Narrative Justification: DRMS is experiencing operational and financial impacts from its support to OEF and OIF. With 43 established positions in theater, DRMS is providing support from six fully operational defense reutilization and marketing offices (DRMOs) in Kuwait, Afghanistan and Iraq, as well as unmanned pickup locations. This request funds demilitarization operations and equipment to support forward locations.

Note: The request for the **National Defense Sealift Fund (NDSF)** is \$5.1 million and is included in the Navy GWOT Request.

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