DEFENSE-WIDE WORKING CAPITAL FUND
DEFENSE LOGISTICS AGENCY
FISCAL YEAR (FY) 2004 BUDGET ESTIMATES
DISTRIBUTION DEPOTS

FUNCTIONAL DESCRIPTION

The Defense Logistics Agency (DLA) Distribution Depot Activity Group is responsible for the global distribution and warehousing of Military Service and DLA line items. These items consist of wholesale DoD weapon systems parts and other defense related consumable items to include medical, clothing, subsistence, electrical, industrial and general supplies. In FY 2002, the distribution depots, by location and component are:

DLA	Navy	Army	Air Force
Columbus, OH	Cherry Point, NC	Anniston, AL	Hill, UT
San Joaquin, CA	San Diego, CA	Corpus Christi, TX	Oklahoma City, OK
Richmond, VA	Jacksonville, FL	Red River, TX	Warner Robins, GA
Susquehanna, PA	Norfolk, VA	Tobyhanna, PA	
Germersheim, Germany	Puget Sound, WA		
Map Support, Richmond, VA	Pearl Harbor, HI		
	Yokosuka, Japan		
	Marines		
	Albany, GA		
	Barstow, CA		

These depots, strategically located throughout the world, received and issued over 23 million secondary lines and warehoused and maintained over 225 million cubic feet of material. The Defense Distribution Depot network ensures that America's war fighters receive the best value distribution services. All items are typically prepared and shipped within one day of receiving the shipping order.

CHANGES IN OPERATIONS

With the end of the Cold War, the DoD logistics system is evolving to support a smaller, highly mobile, technology based force. DLA's challenge is to transform to meet the expectations and needs of this smaller, more mobile customer while continually reducing cost, increasing consistency, and increasing product and service quality. These responsibilities, coupled with decreasing resources, will require increased innovation and technology.

Since "9/11", the Distribution Depot Activity Group has seen unprogrammed increases in workload and transportation costs. Other challenges facing this business area include downsizing, an aging workforce, and A-76 competition and resulting transitions. The continuing challenge is to identify the most cost-effective way of getting the right product to the right place at the right time. The war fighters are requiring DLA to change business practices to reduce customer wait time, meet time definite delivery standards, and reduce costs. Understanding both tactical and strategic supply chain management and DLA's role in creating the DoD distribution system for the 21st century is critical. Some of the cost increases DLA has experienced during FY 2002 and those projected over the budget period include:

- Workload – Receipts and issues have increased 1.1 million lines (five percent) over the initial FY 2002 estimate mainly due to support for Operation Enduring Freedom. DLA is projecting a 12 percent reduction during the budget period.

- Transportation – Distribution experienced a 35 percent increase in transportation during FY 2002, Enduring Freedom accounting for $73.7 million. DLA received $15 million directly from the Defense Emergency Response Fund (DERF), in support of this operation, the remaining was reimbursed from the Services. The FY 2004 estimate of $630.8 million is for the continued support of Operation Enduring Freedom theater of operations ($112 million), increased air shipments, increased shipment weights, increased freight surcharges, and transporting less than truck load shipments.

- Combating Terrorism– Increases over the budget period are the result of Antiterrorism Vulnerability Assessments, Security Assistance Visits and Depot Commander's security requests as a result of September 11, 2001. The DDC is also upgrading or implementing Common Access Card systems at all DDC activities to better serve physical access to buildings and controlled areas.

- Regulating Wood Packaging Materiel in International Trade – The approval of an international packaging standard required all raw wood packaging to be treated to reduce the introduction/spread of pests associated with wood packaging. The increased packaging supply costs are for treating lumber and certifying that all export shipments with wood packaging are pest free.

- First Destination Transportation (Lead Center for Distribution) - Beginning in FY 2004, the DDC will assume responsibility for first destination costs from the Inventory Control Points. This initiative will provide intransit visibility for freight on board origin direct vendor deliveries. Estimated reimbursable costs for FY 2004 are $41.3 million.

- Temporary Employees – DLA has temporarily added new employees to support Operation Enduring Freedom (OEF) workload increases and to make the A-76 transitions smoother.

Initiatives for savings included in this submission aim at reducing infrastructure, eliminating duplicate functions, and streamlining business processes. Some initiatives include:

- Providing Strategic Distribution Enhancements –
  - Increase in dedicated truck routes allows for shipments to be consolidated and directed from premium /unscheduled modes of transportation to existing scheduled/dedicated truck routes at a significant cost reduction.
  - Divert shipments to new scheduled service. Shipping to customers via scheduled/dedicated truck provides time definite delivery at the lowest cost. Adding additional stop-offs to existing routes allows small customers to receive scheduled/dedicated truck support at a marginal additional cost.
  - Forward stock positioning. In an effort to meet U.S. Forces demand in the European theater and to reduce the transportation costs of airlifting material stored in CONUS, DLA has forward positioned some 26,000 National Stock Numbers (NSN) at Distribution Depot Germersheim, Germany. As part of this effort DLA will ship supplies to Europe by more economical surface ship transportation. Orders will then be processed and shipped by surface for European customer's directly out of Germersheim. Using surface transportation to ship supplies will significantly reduce Customer Wait Time, processing costs and storage costs.

- Installing the Distribution Planning and Management System (DPMS) - DPMS will allow the DDC to evaluate and optimize transportation operations to better manage material flow from vendors and distribution centers to the customer. The use of DPMS will allow the DDC to lower transportation and inventory holding costs. DPMS has a slight investment cost for FY 2004 with savings projected for FYs 2005-2009.

- Completing A-76 competitions - As of December 2002, DLA had completed nine of sixteen A-76 depot studies. The nine completed studies resulted in three in-house wins and six contractor wins. The table below details the nine completed studies and nine planned or in progress A-76 studies.

Completed Studies	FTE's	Winning Entity
Depot Columbus, OH	55	Government MEO
Depot Barstow, CA	170	EG&G Logistics Inc.

Depot Warner Robins, GA	647	EG&G Logistics Inc.
Depot Jacksonville, FL	152	MANCON
Depot Cherry Point, NC	131	LABAT-Anderson
Depot Richmond, VA	500	Government MEO
Depot Albany, GA	165	Government MEO
Depot Hill, UT	552	EG&G Logistics Inc.
Depot San Diego, CA	411	LABAT-Anderson

In addition, seven studies of 2,412 FTEs have been announced. DLA announced competition of the seven remaining CONUS depots during October 2001. DLA expects decisions on six of the depots in FY 2004 and decisions on the remaining one depot in FY 2005. The two final studies of support functions at the Strategic Distribution Platforms (SDP) will be announced during FY 2003. The table below details the nine planned or in progress A-76 studies.

Studies Underway Or Planned	FTE's	Status
Depot Tobyhanna, PA	120	PWS*Under Development
Depot Puget Sound, WA	86	PWS Under Development
Depot Corpus Christi, TX	124	PWS Under Development
Depot Anniston, AL	239	PWS Under Development
Depot Red River, TX	626	PWS Under Development
Depot Oklahoma City, OK	687	PWS Under Development
Depot Norfolk, VA	530	PWS Under Development
SDP's Susquehanna, PA	177	Study to Be Announced
& San Joaquin, CA	117	Study to Be Announced

* PWS: Performance Work Statement

Estimated costs/assumptions for the competitions are as follows:
(1) Study costs estimated at $4,000 per full-time equivalent (FTE);
(2) Severance costs for personnel reductions and contract conversions for half of the depots being studied estimated at $28,000 per FTE.

Budgeted FTE and labor savings include only most efficient organization (MEO) savings. Costs and savings are prorated to the fiscal year in which they are expected to occur. The performance metrics for this activity group are: (1) operating results; (2) competitions for depots; (3) unit costs for distribution services, (4) total cost for distribution services; (5) inventory accuracy for products; (6) location accuracy for products; and (7) customer satisfaction index.

DLA has been able to make great strides in reducing the number of depots through mergers and Base Realignment and Closure (BRAC) decisions in 1993 and 1995, going from 30 CONUS depots in 1992 to 18

CONUS depots by the end of 2001. Since depot consolidation, three depots have been established in the European and Pacific theatres (Pearl Harbor, Hawaii; Yokosuka, Japan; and Germersheim, Germany) and one specialized distribution depot for handling maps has been added.

PERSONNEL PROFILE:

Endstrength dropped from 25,372 in FY 1992 to a projected 7,673 in FY 2004, a reduction of 17,699 personnel, or a 70 percent decrease. Reductions to date have been accomplished mainly through the use of Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA). Various Reductions-in-Force (RIFs) conducted during FY 2002 resulted in 89 separations. To maintain the appropriate balance of workforce to workload, additional RIFs will be conducted, as necessary, during FYs 2003/2004.

	FY 2002	FY 2003	FY 2004	FY 2005
Civilian End Strength	8,405	8,285	7,618	7,434
Civ. Full Time Equiv. (FTEs)	8,526	8,178	8,016	7,381
Military End Strength	178	178	178	178

BUDGET HIGHLIGHTS:

WORKLOAD:

Lines Received and Shipped:

Lines processed (either received or shipped) are the basic work count. While workload estimates have increased to capture OEF requirements, overall workload is projected to decline 12 percent through FY 2005. This continues a long-lived trend, as changes in logistics methods reduce distribution depot workload. Reengineering initiatives such as Premium Service and Virtual Prime Vendor, and a general decline in customer demands, will continue this trend into the foreseeable future. These estimates reflect the latest forecasts.

Lines Received and Shipped (Millions)

FY 2002	FY 2003	FY 2004	FY 2005
23.3	22.5	21.1	20.5

Storage:

In FY 2003, DLA revised the method used to calculate storage. The FY 2003 estimate reflects Net Landed Cost (NLC) for storage based on item cubic feet. The correction of storage data through a joint Service effort resulted in more accurate item cube data. Using NLC, DLA will bill the customer for material (based upon total item cube) stored in DLA's warehouses. In so doing, DLA will fully automate a previously manual process and will bring storage billing into real-time billing vice billing based on prior period workload. This visibility allows DLA's customers to determine the level of inventory they want to maintain in DLA storage.

	Average Cubic Feet Occupied (Millions)1/	Item Cube (Millions) 2/		
	FY 2002	FY 2003	FY 2004	FY 2005
Covered Storage Space	220.8	76.9	75.8	75.2
Open Storage Space	61.4	30.5	30.0	29.8
Specialized Storage Space	N/A	3.0	2.9	2.9

1/ Based on occupied cubic feet (the entire area used to store material in racks, bins and bulk storage space)
2/ Based on item cubic feet (the actual packaged material cube)

REVENUE:

Revenue for the Distribution Depots Activity Group consists of payments from the Supply Management Activity Groups of DLA and the Military Services for lines received and shipped, storage space occupied, and reimbursable funding provided by inventory managers or local activities to depots for special project work. Inventory Control Points (ICPs) in supply management include their distribution depot costs in surcharges applied to sales of materiel that they manage.

Lines Received and Shipped:

The current rate structure used is Net Landed Cost. Net Landed Cost provides DLA's customers with greater visibility of their distribution costs by commodity, customer, and transactions in order for them to make more informed supply decisions. The following table outlines DLA's rate schedule under Net Landed Cost:

Net Landed Cost Rates

	FY 2003	FY 2004	
Receipt			
Base	$26.94	$24.73	
Plus			
1-40 lbs.	$1.40	$0.81	
41-150 lbs.	$9.31	$9.35	
151-2000 lbs.	$23.16	$27.02	
2000+ lbs.	$0.0098	$0.0108	per lb.+ 151-2000 rate
Return	$3.90	$3.90	per line additional
Hazardous	$13.15	$13.11	per line additional
Hard-to-Handle	$13.15	$13.11	per line additional
Issue			
Onbase	$11.00	$11.02	per line
Plus			
1-40 lbs.	$1.40	$0.81	per line
41-150 lbs.	$9.31	$9.35	per line
151-2000 lbs.	$23.16	$27.02	per line
2000+ lbs.	$0.0098	$0.0108	per lb.+ 151-2000 rate
Offbase	$15.21	$15.07	per line
1-40 lbs.	$2.50	$1.56	per line
41-150 lbs.	$21.07	$21.56	per line
151-2000 lbs.	$41.07	$50.97	per line
2000+ lbs.	$0.0129	$0.0159	per lb.+ 151-2000 rate
Hazardous	$13.15	$13.11	per line additional
Controlled Item	$6.63	$6.20	per line additional
Hard-to-Handle	$13.15	$13.11	per line additional
FMS	$6.49	$6.36	per line additional
Out-of Cycle	$17.35	$17.89	per line additional
LocalDelivery	$1.24	$1.34	per line additional
Issue from Receiving			
Base	$1.19	$1.17	per line
Plus			
1-40 lbs.	$1.40	$0.81	per line
41-150 lbs.	$9.31	$9.35	per line
151-2000 lbs.	$23.16	$27.02	per line
2000+ lbs.	$0.0098	$0.0108	per lb. + 151-2000 rate
Transshipments			
MarkFor	$5.56	$5.42	per line
Onbase	$10.57	$10.42	per line
Offbase	$21.09	$20.50	per line
1-40 lbs.	$2.50	$1.56	per line
41-150 lbs.	$21.07	$21.52	per line
151-2000 lbs.	$41.07	$50.97	per line
2000+ lbs.	$0.0129	$0.0159	per lb. + 151-2000 rate

	FY 2003	FY 2004
Estimated Transportation	$177,700,000	$182,148,000
Total Processing Cost	$638,100,000	$628,782,000
Composite Rate (without Transportation)	$21.81	$21.54

Storage Rates. DDC has applied ABC techniques by looking at the cost drivers for storage and has realigned costs accordingly. Because workload is decreasing faster than costs, and because storage charges are built on prior-year workload averaging, DLA has incorporated Net Landed Cost (cost per item cube) in FY 2003. While the FY 2003 storage rate to customers is over two-thirds higher than in FY 2002, the workload is two-thirds lower. Total costs remain the same. In addition, DLA has added an additional rate, Specialized Storage, for those items in controlled facilities, such as hazardous, chill vault, freeze and flammable warehouse facilities.

The last two depots closed under BRAC in FY 2001, left an infrastructure still in excess of distribution depot requirements. To the extent possible, DDC is continuing to vacate warehouses and return them to hosts/owners. Only through reduced inventory can DLA reduce fixed costs - infrastructure - and pass these savings to customers. With Net Landed Cost for storage, DLA's customers will be provided item cube data at the national stock number level by distribution center, which will help the customer, make better sourcing decisions.

During FY 2004, we reduced our customer storage rates by $51.2 million, the amount we attribute to unused storage space. For FY 2005, this reduction will not apply to the storage rates but will be evident in our reduced cost of DLA supply items sold.

Customer Rate
Average Cost Per Cubic Foot

	FY 2002	FY 2003	FY 2004	FY 2005
Covered Storage	$0.99	$3.368	$2.515	$3.036
Open Storage	$0.20	$0.696	$0.524	$0.635
Specialized Storage		$4.765	$3.695	$4.280

Reimbursables. Beginning in FY 2001, DLA established two rates to capture workload performed: 1) at DLA facilities, and 2) at customer facilities. In FY 2002 DLA realigned overhead costs in keeping with aligning costs where costs belong. DLA's hourly rates reflect costs for a workload estimate of 1.2 million hours through the budget period. The reduction in FY 2005 is the result of projected A-76 savings.

The following table outlines DLA's rate schedule under Net Landed Cost:

	FY 2002	FY 2003	FY 2004	FY 2005
DLA Facilities	$63.12	$64.14	$64.07	$61.69
Non-DLA Facilities	$52.55	$53.23	$53.50	$53.50

Note: Non-DLA facilities rate excludes costs for utilities, maintenance, and corporate overhead

Over-Ocean Transportation/Container Consolidation Point (OOT/CCP):

DLA budgeted for full recovery of Over-Ocean Transportation (OOT) and Container Consolidation Point (CCP) costs. Based on discussions with Army, DLA has reduced Bosnia transportation costs by $5 million to a new estimate of $10 million beginning in FY 2004 through FY 2005. In consonance with increased transportation costs experienced during FY 2002 as a result of higher fuel costs, increased air shipments, moving heavier items and the support for OEF, DLA anticipates the same increases during FY 2003 and 2004 with a small reduction in FY 2005. This assumption supports the Department's guidance through the budget period.

DLA remains convinced that the current policy needs to link these costs to the customers who incur them (i.e., since the costs are included in Supply rates, they are not discretely visible or chargeable to individual customers). Simply stated, the costs should be aligned with the component driving the costs. DLA continues to pursue other avenues of recouping these costs to enhance customer visibility and to impact customer behavior in order to drive these costs down.

Capital Investments:

The Capital Investment Program for distribution provides for the reinvestment of the infrastructure for this activity group. The Distribution Depot Activity Group submits the following requirements:

(Dollars in Millions)

	FY 2002	FY 2003	FY 2004	FY 2005
Equipment (non-ADP)	$15.4	$14.3	$21.7	$19.1
Equipment (ADP/T)	$5.7	$17.8	$9.9	$9.5
Software Development	$2.7	$11.5	$19.2	$3.5
Minor Construction	$9.9	$7.5	$7.5	$7.5
TOTAL	$33.7	$51.2	$58.3	$39.7

For non-ADP equipment there is an increase in FY 2004 and FY 2005 primarily due to construction of the new General Purpose Warehouse (GPW) at Distribution Depot Tracy. The new GPW will replace Buildings 8, 9, 11 and 12, which are WWII era warehouses. These buildings will be demolished and the new GPW will be constructed west of Building 16 complex. The equipment will be installed over a two year period and includes a high rise narrow aisle pallet rack storage system, a rail guidance system, and multiple conveyor systems. There is significant reduction in ADP equipment due to completion of the Radio Frequency (RF) equipment upgrade at Distribution Depot Susquehanna and San Joaquin in FY 2003.

Investments in FY 2004 and FY 2005 are primarily for Local Area Network (LAN) equipment life cycle replacements. In FY 2003 and FY 2004, DDC will implement DPMS. DPMS will provide process integration to evaluate and optimize, at a global level, transportation operations. DPMS will also integrate information about transportation rates, routes, carrier capacities and customer service requirements in order for the DDC to better manage asset visibility and cost. In FY 2004 and FY 2005, the Minor Construction budget remains constant from previous years.

Operating Result. FY 2004 distribution rates are based on full cost recovery. DLA projects an AOR of zero by FY 2004. DLA is projecting a $23.1 million loss for the budget year. The proposed rates are requested to meet only the total costs of current operations less a prior year (FY 02) gain due to increase workload.

NOR/AOR
($ in Millions)

	FY 2002	FY 2003	FY 2004	FY 2005
Revenue	$1,463.8	$1,488.7	$1,492.1	$1,446.4
Expenses	$1,467.6	$1,535.1	$1,515.2	$1,446.4
Operating Result	(3.8)	(46.4)	(23.1)	(0.0)
Other Changes Affecting NOR	0.0	0.0	0.0	0.0
NOR	(3.8)	(46.4)	(23.1)	0.0
Prior year AOR	73.3	69.5	23.1	0.0
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
AOR	69.5	23.1	0.0	0.0

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Distribution Depots Activity Group
Fiscal Year (FY) 2004 Budget Estimates
Changes in Cost of Operations
(Dollars in Millions)

		EXPENSES	
FY 02 Actual		1,346.9	
FY 03 Estimate in President's Budget		1,287.0	
Estimated Impact in FY 03 of Actual FY 02 Experience:			
Pricing Adjustments:			
Annualization of FY 02 Pay Raise		5.1	
FY 03 Pay Raise		10.4	
General Purpose Inflation		6.4	
Program Changes:			
Civilian Personnel Cost		(33.4)	
Military Personnel Cost		3.4	
Travel of Persons		3.4	
Supplies		(27.4)	
Equipment		(2.5)	
Intrafund Purchases		8.2	
Transportation of Things		104.7	
Depreciation		(20.9)	
Other Purchased Services		78.8	
FY 03 Current Estimate		1,483.1	
Pricing Adjustments:			
Annualization of FY 02 Pay Raise		3.9	
FY 03 Pay Raise		10.6	
General Purpose Inflation		16.5	
Program Changes:			
BRAC		5.4	
Non Capital IT		(6.0)	
A-76 Competitions		(21.6)	
Workload Decrease		(24.0)	
Strategic Distribution		(14.6)	
1st Destination Transportation		41.3	
EU Wood Packaging		4.3	
Contracts Mods/Recompetition		1.4	
Combating Terrorism		5.2	
Benefits to Former Employees		9.7	
FY 04 Estimate		1,515.2	
Pricing Adjustments:			
Annualization of FY 04 Pay Raise		4.1	
FY 05 Civilian Personnel Pay Raise		12.9	
General Purpose Inflation		17.6	
Program Changes:			
BRAC		(5.9)	
Non Capital IT		(6.2)	
A-76 Competitions		(50.1)	
Workload Decrease		0.4	
CSRS/FEHB		0.0	
CCP/OOT Workload Decrease		(13.2)	
DPMS		(28.4)	
FY 05 Estimate		1,446.4	

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Distribution Depots Activity Group
Fiscal Year (FY) 2004 Budget Estimates
Source of New Orders and Revenue
(Dollars in Millions)

	FY 02	FY 03	FY 04	FY 05
1. New Orders				
a. Orders from DoD Components:	67.2	64.2	56.2	50.1
Other Services (Appropriated)				
DLA	12.7	4.5	9.9	4.1
Army	37.1	40.1	27.0	26.5
Navy	0.0	0.0	0.0	0.0
Air Force	0.0	0.0	0.0	0.0
Marine Corps	0.0	0.0	0.0	0.0
QOL	2.4	3.5	3.4	3.7
DDMA	15.0	16.1	15.9	15.8
b. Orders from Other Working Capital Fund Activity Groups:	1,396.6	1,424.5	1,435.8	1,396.3
DLA	686.7	675.9	536.9	526.6
Army	282.8	306.2	357.0	356.0
Navy	163.4	177.0	213.1	195.6
Air Force	256.6	256.6	312.8	302.9
Marine Corps	7.1	8.8	16.1	15.1
c. Total DoD:	1,463.8	1,488.7	1,492.1	1,446.4
d. Other Orders:	0.0	0.0	0.0	0.0
Other Federal Agencies				
Trust Fund				
Non Federal Agencies				
Foreign Military Sales				
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	1,463.8	1,488.7	1,492.1	1,446.4
4. Funded Carry-over	0.0	0.0	0.0	0.0
5. Total Gross Sales	1,463.8	1,488.7	1,492.1	1,446.4

Defense Logistics Agency
Defense-Wide Working Capital Fund
Distribution Depots Activity Group
Fiscal Year (FY) 2004-2009 Budget Estimates
Performance and Quality Measures

Performance Effectiveness Measure Definitions

CATEGORY	TITLE	DESCRIPTION
1. Net Operating Result/ Accumulated Operating Results	NOR/AOR	A financial management tool that measures the effectiveness of cost recovery rates. As stated on the Accounting Report (AR) 1307, NOR is the differences between revenues and expenses and also excludes non-recoverables such as PDO Transfers, Net Acquisition Cost Changes and Returns without Credit. The consolidation of all business area NORs is the Accumulated Operating Result (AOR). The objective is to strive for a break even AOR for the business area.
2. Timeliness	Competitions for Depots	Public/private competitions for depots and selected functions at principal distribution sites using OMB Circular A-76. Competitions are based on a 36-month study from start to completion. Completion dates are TBD.
3. Cost	Unit Cost for Distribution Services	Unit cost for distribution services (lines processed, cubic footage stored/maintained, and reimbursable work) provided by DLA distribution depots will be below targets.
4. Cost	Total Cost for Distribution Services	Total cost of distribution services provided by DLA distribution depots will be below targets.
5. Quality	Inventory Accuracy for Products	Sample inventory accuracy for all products, as determined by a statistical sampling in each fiscal year, will be greater than or equal to targets. Inventory accuracy measures whether the stock record quantity of a given item is physically present.
6. Customer Satisfaction	Customer Satisfaction Index	The percentage of customers who are satisfied or very satisfied with Distribution services/products.
7. Customer Wait Time	Logistics Response Time (Total Pipeline)	The average number of days to fill 96% of requisitions from the date of the requisition until the date of receipt of the item.
	Logistics Response Time (Segment 4 - Storage/ Vendor Processing)	The average number of days from Storage/Vendor receipt of materiel release order to shipment. (Includes Direct Vendor Deliveries)

PERFORMANCE MEASURE(S)	Goal	FY 2002 Actual	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
NOR (M$)	0.0	-3.8	-46.4	-23.1	0.0
AOR (M$)	0.0	73.3	69.5	23.1	0.0
		69.5	23.1	0.0	0.0
Supplemental		0	0	0	0
Total Operating Result (M$)		69.5	23.1	0.0	0.0
Depot Competitions	Started/year:	9	0	0	0
UNIT COST DISTRIBUTION SERVICES					
Composite Rate w/o Transportation	Unit Cost Below:	$18.59	$20.37	$21.17	$21.18
Storage					
Covered	Unit Cost Below:	$0.954	$2.787	$3.145	$3.013
Open	Unit Cost Below:	$0.181	$0.659	$0.672	$0.635
Specialized	Unit Cost Below:	$0.000	$4.733	$4.358	$4.119
Reimbursable					
Reimbursable Work (DLA Facilities)	Unit Cost Below:	$99.67	$65.00	$64.07	$61.69
Total Cost Distribution Svcs	Total Costs Below:	1346.9	1483.1	1515.2	1446.4
Depot Inventory Accuracy (%)	99.0 (Cat A)	99.0	99.0	99.0	99.0
	95.0 (Cats B,C, and D)	95.0	95.0	95.0	95.0
Customer Satisfaction Rating(%)	Increase to:	85	87	90	90
Total LRT for 96% of Requisitions		5.7	na	na	na
Segment 4 Average		3	na	na	na

DEFENSE LOGISTICS AGENCY
Defense-Wide Working Capital Fund
Distribution Depots Activity Group
Fiscal Year (FY) 2004 Budget Estimates
Revenue and Expenses
(Dollars in Millions)

	FY 02	FY 03	FY 04	FY 05
Revenue:				
Gross Sales	0.0	0.0	0.0	0.0
Operations	1,400.2	1,446.0	1,449.7	1,404.5
Capital Surcharge	0.0	0.0	0.0	0.0
Depreciation excluding Maj Const	63.6	42.7	42.4	41.9
Other Income				
Total Income:	1,463.8	1,488.7	1,492.1	1,446.4
Expenses:				
Cost of Material Sold from Inventory	0.0	0.0	0.0	0.0
Salaries and Wages:				
Military Personnel	6.9	10.7	10.9	11.2
Civilian Personnel	429.8	471.5	488.4	439.3
Travel & Transportation of Personnel	6.1	7.4	7.5	7.7
Materials & Supplies (for Internal Operations)	16.8	20.9	20.8	20.4
Equipment	8.0	5.6	5.8	5.8
Other Purchased Services from Revolving Funds	33.9	42.5	44.7	43.9
Transportation of Things	655.0	639.3	630.8	596.2
Depreciation-Capital	63.6	42.7	42.4	41.9
Printing and Reproduction	1.0	0.3	0.3	0.3
Advisory and Assistance Services	3.9	1.8	1.6	1.8
Rent, Communication, Utilities, & Misc. Charges	8.6	7.7	7.8	7.8
Other Purchased Services	234.0	284.7	254.2	270.2
Total Expenses	1,467.6	1,535.1	1,515.2	1,446.4
Operating Result	(3.8)	(46.4)	(23.1)	0.0
Less Capital Surcharge Reservation	0.0	0.0	0.0	0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0	0.0
Other Changes Affecting NOR/AOR*	0.0	0.0	0.0	0.0
Net Operating Result	(3.8)	(46.4)	(23.1)	0.0
Prior Year AOR	73.3	69.5	23.1	0.0
Accumulated Operating Result	69.5	23.1	0.0	0.0
Non-Recoverable Adjustment Impacting AOR	0.0	0.0	0.0	0.0
Accumulated Operating Results for Budget Purposes	69.5	23.1	0.0	0.0