

CHAPTER 65

MOBILIZATION COSTS

A. APPLICABILITY

The policy contained herein applies to all DBOF activity business areas and covers the requirement for a separate appropriation for peacetime costs to maintain a mobilization capability. This requirement shall hereafter be referred to as mobilization requirement.

B. SCOPE

Each DBOF business area must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions when required. The nature and extent of the costs to be paid by a separate appropriation rather than charged to other business customers through the rates shall be in accordance with policy and procedures outlined below.

C. DEFINITIONS

Mobilization capability costs include the costs to maintain a surge capacity, to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense Planning Guidance or operational plans.

1. Surge Capacity

a. A business's total surge capacity most often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations.

(1) Unutilized (Reserve) Plant and Equipment
Capacity is that part of a DBOF activity's assets including plant and, equipment that is held in a standby, idle, or lay-away status or for War Reserve Storage.

(2) Underutilized Plant and Equipment results when the volume of workload is less than full capacity of an operating facility. The cost of maintaining underutilized capacity, except as defined below for the Transportation Business Area, is not considered a mobilization requirement eligible for separate appropriation funding under this policy.

b. Unutilized capacity associated with the ability to satisfy a projected surge capability is considered a mobilization requirement eligible for separate appropriation funding when it is, or is expected to be, unutilized for six consecutive months or more. Such amounts shall not be funded in an appropriated or DBOF fund different from that in which funds for this purpose were budgeted unless approved by the Under Secretary of Defense (Comptroller).

c. Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.

2. War Reserve Material. War reserve materiel includes secondary items procured and/or stored in support of wartime scenarios established in Defense Planning Guidance or contingency operations identified in specific Operational Plans.

D. FUNDING

1. Operations. All elements of cost required to maintain unutilized plant and equipment capacity shall be DBOF funded costs. The portions of direct, indirect, and G&A costs supporting the maintenance of this capacity shall be separately accumulated. When a portion of a DBOF activity's plant is purposely set aside as idle capacity, a direct appropriation to the Component O&M shall be requested to pay for the cost of essential operation and maintenance for that portion of the plant and idle equipment as well as an allocated portion of G&A costs. The percentage of G&A costs allocated to the cost center for the unutilized plant capacity shall be the same as the percentage of G&A costs allocated to other cost elements of the activity. Separate cost centers shall be maintained for all such costs.

2. War Reserve Material. The purchase of secondary items of supply as War Reserve Materiel shall be funded from a direct appropriation. Such appropriated amounts shall be reflected as a separate goal within the applicable Supply Management or Commissary Resale business area Annual operating Budget. Items such as ammunition and/or principal and major end items procured for war reserve shall not be DBOF-funded, but shall be funded through amounts available to Component/Defense Agency procurement appropriations.

3. Capital Investment. New capital asset investments at DBOF activities necessary to satisfy a mobilization requirement shall be funded from component procurement appropriations. DBOF activity business areas shall assume ownership of such assets. Depreciation expense for new capital assets to satisfy a mobilization requirement (as well as other, older capital assets laid away for use in mobilization) shall be recorded as unfunded depreciation.

4. United States Transportation Command (USTRANSCOM). Because a capability must be maintained by the USTRANSCOM DBOF Transportation business area to expeditiously respond to requirements to transport personnel, materials, or other elements required to satisfy a mobilization condition, direct appropriation funding will be provided for:

a. Air Mobility Command(AMC). Airlift flying hours and associated costs are based on the requirement to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirement. The airlift system training generated capacity is used by DoD to move air eligible cargo and passengers. In order to extend air eligibility and increase capacity utilization rates are generally established to be competitive with commercial carriers. However, resulting contributed revenue

does not cover the costs of operations due to the mobilization requirement. This requirement will be recorded/budgeted as follows:

(1) The costs for military personnel will be recorded (at the civilian equivalency rate) in accordance with the policy on Military Personnel Expense in Chapter 63, "Expenses," of this Volume, Military personnel within the Air Mobility Command will be direct funded by a Military Personnel appropriation. Although the cost shall be recorded as a DBOF cost, it shall be recorded so that it is not required to be recovered in customer rates.

(2) The balance of the mobilization requirement costs will be funded through a direct appropriation to the Air Force and will be placed as an order with the DBOF. This will assure that revenue is reflected to offset the costs.

b. Military Traffic Management Command (MTMC). The MTMC shall plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by Army Operation and Maintenance.

E. ACCOUNTING

A cost center capability shall be established to separately account for all costs applicable to the continuance of a mobilization requirement. Where necessary, such costs shall be maintained to the function or task level, as necessary to segregate costs between normal operating costs and mobilization costs.

Purchases of DBOF-funded War Reserve items shall be accounted for at the same level of detail as items procured for peacetime requirements. Amounts shall be recorded in separate general ledger accounts, or appropriate subaccounts, to retain separate visibility of such assets. Inventory levels funded by such amounts are not available for sale; therefore, cost shall be separately maintained and reported to ensure that the unit cost targets for the Supply Management business are not affected.

F. REPORTING

DBOF business area activities shall record and report financial information on the maintenance of a mobilization capability in accordance with the DoD accounting and reporting requirements specified for the DBOF. The Monthly Report of Operations (AR. 1307) shall be prepared to include a footnote which identifies the amount of the mobilization requirement costs which are funded through direct appropriations or reimbursable orders accepted specifically for mobilization requirements.