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DEPARTMENT OF THE NAVY JUSTIFICATION OF ESTIMATES FOR
FISCAL YEAR 1986 SU. (U) DEPARTMENT OF THE NAVY
WASHINGTON DC FEB 85

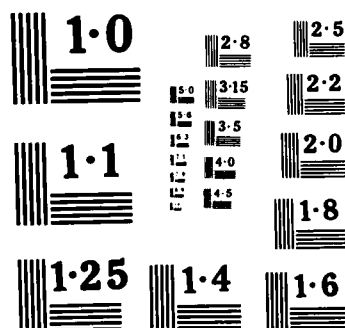
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AD-A154 927

**DEPARTMENT OF THE NAVY
JUSTIFICATION OF ESTIMATES
FOR FISCAL YEAR 1986**



SUBMITTED TO CONGRESS FEBRUARY 1985

**NAVY STOCK FUND
MARINE CORPS STOCK FUND**

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DEPARTMENT OF THE NAVY
JUSTIFICATION OF ESTIMATES FOR FISCAL YEAR 1986

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Department of the Navy
NAVY STOCK FUND
Appropriation Language

For the Navy Stock Fund; [\$473,307,000] \$716,500,000. (10 U.S.C. 2208; Department of Defense Appropriation Act, 1985).

Appropriation For	
WAGE	☒
TRAVEL	☐
UNIFORMS	☐
JA	☐
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Navy Stock Fund
Program and Financing (In Thousands of dollars)

Identification code	17-4911-0-4-051	1984 actual	1985 est.	1986 est.
Program by activities:				
01.0101	Ships, ordnance and electronics repair parts	483,821	489,200	508,100
01.0201	Forms and printed matter	13,611	18,700	20,600
01.0301	Ships store and commissary store stock	909,288	1,018,900	1,038,400
01.0401	Profits from sale of ships' stores paid to ships store profits, Navy	21,995	25,600	26,300
01.0501	Ship overhaul material	161,852	184,600	195,000
01.0601	Special clearance account	97	1,000	1,000
01.0701	Fleet material support office-retail commodities	1,578,576	1,840,400	2,004,800
01.0801	Aviation consumable material	959,191	991,400	862,000
01.0901	Fuels and related items	2,220,930	2,101,500	1,894,800
01.1001	Ship depot level reparables	1,183,537	1,245,100	1,316,400
01.1101	Aviation depot level reparables		2,467,700	3,286,300
10.0001	Total obligations	7,532,898	10,384,100	11,123,700
Financing:				
Offsetting collections from:				
11.0001	Federal funds(-)	-5,638,348	-8,754,493	-9,170,600
13.0001	Trust funds(-)	-79,140	-89,900	-85,400
14.0001	Non-Federal sources(-)	-1,039,170	-1,066,400	-1,151,200
39.0001	Budget authority	882,240	473,307	716,500
Budget authority:				
40.0001	Appropriation	632,869	473,307	716,500
69.1001	Contract authority (Substantive law) (Statutory citation)	249,371		
Relation of obligations to outlays:				
71.0001	Obligations incurred, net	882,240	473,307	716,500
72.4901	Obligated balance, start of year:	2,171,075	2,420,446	2,420,446
72.9801	Contract authority	662,363	1,333,516	1,683,123
72.9901	Fund balance			
74.4901	Obligated balance, end of year:	-2,420,446	-2,420,446	-2,420,446
74.9801	Contract authority	-1,333,516	-1,683,123	-2,125,923
74.9901	Fund balance			
90.0001	Outlays	-38,284	123,700	273,700

Navy Stock Fund
Object Classification (in Thousands of dollars)

Identification code	17-4911-0-4-051	1984 actual	1985 est.	1986 est.
Reimbursable obligations:				
22 2001	Transportation of things	12,839	36,300	52,100
22 5004	Other services:			
	Other	243,763	977,700	1,616,900
22 6001	Supplies and materials	7,254,301	9,344,500	9,428,400
24 2001	Insurance claims and indemnities	21,995	25,600	26,300
29 9001	Total Reimbursable obligations	7,532,898	10,384,100	11,123,700
99 9901	Total obligations	7,532,898	10,384,100	11,123,700

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Appropriated Funds Request
(In Thousands of Dollars)

NAVY STOCK FUND	Peacetime	War Reserves	Total
Program Requirements FY 1987	\$719,338	\$265,309	\$984,647
Program Requirements FY 1986	\$455,776	\$260,724	\$716,500
Program Requirements FY 1985	\$409,707	\$ 63,600	\$473,307
Program Requirements FY 1984	\$590,500	\$ 42,369	\$632,869

General Statement

The Navy Stock Fund is a revolving fund established to provide secondary item material support to Navy combat forces and shore installations. The stock fund customers buy material using annual appropriated funds. These monies are then used by the stock fund to reinvest in material that is held in inventory to meet future customer demands. Beginning in FY 1983, Congress directed that inventory investment for support of new weapons systems, weapons systems with expanding populations and readiness or sustainability initiatives be financed by direct appropriations. This request supports that direction.

On 1 April 1985 the Navy is expanding its test of financing the procurement and repair of non-aviation Depot Level Repairable (DLR) components in the Navy Stock Fund to aviation DLRs. Prior to this time, DLRs were funded in either Weapons Procurement, Navy (WPN), Other Procurement, Navy (OPN), or Aircraft Procurement, Navy (APN). While repair was funded in the Operation and Maintenance, Navy (O&MN) appropriation. In the procurement accounts, release of these items from the supply system was on a "free issue" basis. Under stockfunding, a "buyer/seller" relationship is established and users of DLRs pay for what they requisition. The purpose of the test is to determine if readiness can be improved via better material support and if economies can be achieved due to the "buyer/seller" relationship. The expanded test will continue through Fiscal Year 1988.

The inventories of all aviation ships will be capitalized into the Navy Stock Fund on 1 April 1985. The consumption of the inventories will be paid for by the users with appropriated operating funds. However, replacement of these inventories as well as required increases and/or additions will be paid for by the NSF. Beginning 1 April 1986, these inventories will be decapitalized (on a phased basis) to end use customer accounts. Decapitalization of inventories will be accompanied by a change in financing. This change in financing requires that consumption of the inventories continue to be paid for by the users with appropriated operating funds but only at the time these inventories are replaced. Further, increases and/or additions to these on board depot level repairable inventories will be financed by an outfitting account which is being budgeted in the APN appropriation. This two phased approach is necessitated by the lead time required to make all necessary system changes to accommodate moving the inventories to the end use customer account.

The Navy manages both expense or consumable items and repairable items for ships and aircraft in the stock fund. Both of these categories of material require two levels of inventory. The first level is Peacetime Operating Stock (POS) supporting annual training and maintenance requirements. This first level requires direct appropriation for inventory increases resulting from force modernization, force modification and/or readiness initiatives. War Reserve Material (WRM) is the second level of inventory and provides the increment above peacetime inventory required to sustain the wartime force until production can meet wartime consumption. The Navy Stock Fund WRM consists of two segments. The prepositioned segment is positioned either in forward areas, aboard ship, or at places where it can be readily loaded to accompany troops to assure timely support of a designated force in the initial phase of a war or contingency. The second segment is to provide sustaining support and is commonly referred to as Other War Reserve Material (OWRM). Funds are being requested only for the prepositioned War Reserve Material segment.

Incorporated in this request are the effects of the Secretary of Defense's Ten Point Program to increase competition and reduce the cost of spare parts. In August 1983, the Navy instituted Project BOSS (Buy Our Spares Smart), a multi-faceted program to improve the acquisition of spare parts. Project BOSS attacks all phases of who uses, purchases or controls material. The concepts encompassed by BOSS have changed the way the Navy buys spare parts. These initiatives have produced savings of approximately \$200 million which has been incorporated in the stock fund request and customer budgets.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Peacetime Inventory Augmentation - Secondary Items
(In Thousands of Dollars)

Program Requirement FY 1987		\$719,338
Program Requirement FY 1986		\$455,776
Program Requirement FY 1985		\$409,707
Program Requirement FY 1984		\$590,500

Narrative Statement

The Navy Stock Fund (NSF) Peacetime Inventory Augmentation request identifies spare parts inventory growth to support new weapons system/aircraft being introduced into the fleet as well as modifications to existing weapons systems/aircraft and specific initiatives to improve fleet readiness.

The FY 1986 Navy Stock Fund budget request for Peacetime Inventory Augmentation would finance new repair parts inventories to support new weapons systems and aircraft. The FY 1986 Navy investment in spare parts support for new hardware represents an 11 percent growth over FY 85 and is consistent with the growth to a 600 ship Navy. The repair parts required to support new sophisticated weapon systems and aircraft hardware are vital to the Navy's readiness and sustainability.

FY 1986
(In Millions of Dollars)

	<u>Shipboard</u>	<u>Aviation</u>	<u>Total</u>
Force Modernization	219.5	154.0	373.5
Force Modification	16.3	19.8	36.1
Readiness/Sustainability	36.8	9.4	46.2
Total Request	<u>272.6</u>	<u>183.2</u>	<u>455.8</u>

The justification of the requested funds for Peacetime Inventory Augmentation in FY 1986 follows:

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Peacetime Inventory Augmentation - Secondary Items

(In Millions of Dollars)

Program Requirement FY 1986	\$373,476
Program Requirement FY 1985	\$364,907
Program Requirement FY 1984	\$509,200

Force Modernization

The requirement for force modernization is to finance the acquisition of repair parts required for the establishment of initial levels of stockage at the echelons of inventory held by the Navy Stock Fund. It includes any initial stockage related to the introduction of a new aircraft, weapon system, assembly, or to support the introduction of additional units of end items above current force levels.

The cost of repair parts to support these weapons systems/aircraft is based on the total cost of the hardware and the number of installations of this hardware requiring support. A breakdown by weapons system and aircraft of the repair parts supporting the FY 1986 program requirement follows:

<u>Weapon System</u>	<u>Repair Parts Costs</u>
<u>Force Modernization (Shipboard)</u> (In Millions of Dollars)	
Submarine Advanced Combat System (SUBACS)	60.5
Vertical Launcher Weapon Control System for the Tomahawk Missile	24.6
Spares Support for Nuclear Propulsion Equipment	14.5
MK-15 Phalanx Close-In-Weapon System	12.9
Electrically Suspended Gyroscope Navigation (ESGN) System	9.8
AN/SQS-53 Hull Mounted Sonar	8.7

<u>Weapon System</u>	<u>Repair Parts Costs</u>
Electrically Suspended Gyroscope Navigation (ESGN) System	9.8
AN/SQS 53 Hull Mounted Sonar	8.7
AN/SLQ 32 Anti-Ship Missile Defense System	7.4
Spares Support for Trident Submarine Equipments	6.7
MK 76 Standard Missile (SM-2) Fire Control System	6.1
AN/UYQ 21 Standard Data Display System	5.9
AN/WQN 1 Channel Finder Sonar System Installed on all Surface Ships	5.4
AN/STC-2 Integrated Intercommunication System Installed in AEGIS Class Ships	4.8
Spares Support for Equipments Installed by Contractors	4.0
AN/UYK 62 SNAP-1 Shipboard Computer System (Large Ships)	3.3
CV-3591 Advanced Narrowband Digital Voice Terminal	3.3
Gas Management System Installed Aboard Trident Submarines	3.0
AN/UYK 62 SNAP-II Shipboard Computer System (Small Ships)	2.8
MK-92 Gun Fire Control System for Tarter Missile Launching System	2.7
MK-23 Target Acquisition System	2.6
BQQ-9 Trident Detection and Tracking Sonar	2.0
Fast Time Analyzer System (FTAS) for Post-Flight S-3 Aircraft Information	1.9

Repair Parts Costs

Weapon System

SPA 25 Surface Ship Radar Display System	1.8
Trident Tactical Display System	1.7
AN/SQR-18 Tactical Towed Array Sonar	1.4
UYQ-34 Tactical Data Display System	1.4
25MM Gun System	1.4
SQR-19 Tactical Towed Array Sonar Receiver	1.3
UYK-43 Large Scale Tactical Embedded Computer	1.3
BQQ-6 Trident Onboard Sonar Trainer	1.3
MK-10 Guided Missile Control System	1.2
AN/SQR-17 Sonar Signal Processor	1.2
SRQ-4 Shipboard Terminal for Processing Lamps Helicopter Data	1.1
Deep Submergence Rescue Program	1.0
Extremely Low Frequency (ELF) Communication System	1.0
NAVSTAR Satellite Navigation System	1.0
AN/SSN-2 Precise Integrated Navigation System on Mine Countermeasure Ships	1.0
AN/SPS-40 Air Search Radar	0.9
BQR-15 Trident Towed Array Sonar System	0.8
UYH-3 Data Recorder and Reproducing Equipment	0.8

Weapon System

Repair Parts Costs

Unmanned Submersible Vehicle Support	0.6
Submarine NR 1 Equipment	0.6
MK 48 Torpedo	0.6
AN/UYK-7 General Purpose Solid State Digital Computer	0.6
Harpoon Missile Command Control System	0.6
Surface Anti-Submarine Launcher System	0.5
WLR-8 Trident Electronics Surveillance Receiver	0.5
UYA-4 Planned Position Data Display Equipment	0.5
AN/SPS-49 Air Search Radar	0.3
BYH-1 Submarine Data Recording and Reproducing Equipment	<u>0.2</u>
Total Shipboard Force Modernization	219.5

Marine Corps Stock Fund
Program and Financing (In Thousands of dollars)

Identification code	17-4913-0-4-051	1984 actual	1985 est.	1986 est.
Program by activities:				
01 0101	Ordnance-tank-automotive	24,481	31,800	37,400
01 0201	Engineer supplies and construction materials	35,798	33,600	32,600
01 0301	Communication-electronic	10,398	18,400	18,200
01 0401	General material	36,250	35,800	37,200
01 0501	Clothing and textiles	47,571	49,100	48,200
01 0601	Fuels and related items	25,454	29,400	27,200
01 0701	Substance-commissary	208,545	234,500	248,600
10 0001	Total obligations	388,497	432,600	449,400
Financing:				
Offsetting collections from:				
11 0001	Federal funds(-)	-232,303	-240,392	-241,600
14 0001	Non-Federal sources(-)	-147,479	-157,300	-165,100
32 4901	Balance of contract authority withdrawn	12,065		
40 0001	Budget authority (Appropriation)	20,780	34,908	42,700
Relation of obligations to outlays:				
71 0001	Obligations incurred, net	8,715	34,908	42,700
72 4901	Obligated balance, start of year:	71,352	59,286	59,286
72 9801	Contract authority Fund balance	53,731	40,382	68,790
74 4901	Obligated balance, end of year:	-59,286	-59,286	-59,286
74 9801	Contract authority Fund balance	-40,382	-68,790	-96,990
90 0001	Outlays	34,129	6,500	14,500

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Appropriation Language

For the Marine Corps Stock Fund: [\$34,908,000.] \$42,700,000. (10 U.S.C. 2208; Department of Defense Appropriation Act, 1985).

DEPARTMENT OF THE NAVY
UNITED STATES NAVY
War Reserves - Secondary Items
(In Millions of Dollars)

Category	Stock Funded		Procurement Funded		Total	
	FY 84	FY 85	FY 84	FY 85	FY 84	FY 85
<u>Shipboard Material</u>						
Requirement	576.3	602.2	-	-	576.3	602.2
Applicable Assets	245.8	256.8	-	-	245.8	256.8
Funding Requested	12.1	19.4	-	-	12.1	19.4
<u>Aeronautical Material</u>						
Requirement	688.2	719.1	99.5	99.7	787.7	818.8
Applicable Assets	276.2	288.7	.8	.8	277.0	289.5
Funding Requested	11.2	23.0	0(*)	19.4	11.2	42.4
<u>Retail Supplies</u>						
Requirement	500.3	522.8	-	-	500.3	522.8
Applicable Assets	177.1	185.1	-	-	177.1	185.1
Funding Requested	19.1	21.2	-	-	19.1	21.2
<u>Forms and Printed Matter</u>						
Requirement	.5	.5	-	-	.5	.5
Applicable Assets	.5	.5	-	-	.5	.5
Funding Requested	-	-	-	-	-	-
<u>Total Navy</u>						
Requirement	1,765.3	1,844.6	99.5	99.7	1,864.8	1,944.3
Applicable Assets	699.6	731.1	.8	.8	700.4	731.9
Funding Requested	42.4	63.6	0(*)	0	42.4	63.6
(NSF)	2.5	0	-	19.4	2.5	19.4
Funding Requested(*)	44.9	63.6	0(*)	19.4	44.9	83.0
Total		260.7				260.7

(*) \$2.5 million FY 1984 funding was provided via APN-6. Requirements and applicable assets that these funds relate to are included in the Stock Funded column.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986	\$62,633
Program Requirement FY 1985	\$11,886
Program Requirement FY 1984	\$ 0

Advanced Base Functional Components (ABFC)
Operation Plan (OPLAN) Support

This program provides for forward base support to Naval forces. This includes \$59 million of retail supplies to initially outfit the Reserve Naval Construction Force Units. The remaining material is for outfitting P-3 Aircraft Maintenance Van Sites and Reserve Cargo Handling Battalions. FY 1986 funds are requested as follows:

Retail supplies	\$59,333
Aeronautical material	\$ 3,300

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items
(In Thousands of Dollars)

Program Requirement FY 1986	\$62,633
Program Requirement FY 1985	\$11,886
Program Requirement FY 1984	\$ 0

Advanced Base Functional Components (ABFC)
Operation Plan (OPLAN) Support

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Retail supplies	\$59,333
Aeronautical material	\$ 3,300

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986	\$194,068
Program Requirement FY 1985	\$ 45,572
Program Requirement FY 1984	\$ 42,369

Fleet Support

This special project provides support which accompanies the deployed fleet units in supply ships of the Mobile Logistics Support Force and material carried aboard aircraft carriers and by Marine Air Groups (MAGs) to support the difference between wartime and peacetime consumption for assigned aircraft. It also includes material placed ashore to meet the expanded repair efforts and resupply of fleet units. FY 1986 funds are requested as follows:

Shipboard material	\$87,478
Aeronautical material	\$84,300
Retail supplies	\$22,290

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986	\$1,023
Program Requirement FY 1985	\$1,142
Program Requirement FY 1984	\$ 0

Fleet Marine Forces Support

This Force consists of Fleet Marine Force Atlantic, Fleet Marine Force Pacific and the Fourth Division/Air Wing team which must be ready to deploy on extremely short notice. The material will be held at ports of embarkation from which the units are scheduled to deploy. All of the material accompanies the unit and is needed for support during the initial outbreak of hostilities. FY 1986 funds are requested as follows:

Shipboard Material	\$422
Retail supplies	\$601

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
WAR RESERVES - SECONDARY ITEMS
(In Thousands of Dollars)

	<u>FY 1984 ACTUAL</u>	<u>FY 1985 ESTIMATE</u>	<u>FY 1986 ESTIMATE</u>
Fleet Marine Forces Support	-	1,142	1,023
Fleet Support	42,369	45,572	194,068
Advanced Base Functional Component	-	11,886	62,633
Fleet Hospital Element	-	<u>5,000</u>	<u>3,000</u>
Totals	42,369	63,600	260,724

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
War Reserves - Secondary Items
(In Thousands of Dollars)

Program Requirement FY 1987	\$265,309
Program Requirement FY 1986	\$260,724
Program Requirement FY 1985	\$ 63,600
Program Requirement FY 1984	\$ 42,369

Narrative Statement

The Navy Stock Fund provides for the procurement of War Reserve Material (WRM) stocks which will be held in inventory until such time as the stocks are issued to support and sustain operational force wartime requirements. Funding is provided by direct appropriation. Management of the overall stock fund program is facilitated by collecting all stock fund WRM requirements in a single appropriation. Stock Fund Categories are as follows:

- a. Shipboard Material --- Consumable and depot level repairable ship, submarine, shore based, electronic and ordnance equipment, and subassembly components and repair parts.
- b. Retail Supplies --- Consumable items used by Navy activities but managed by other service activities. The types of material include parts peculiar to combat and tactical vehicles managed by Army, aircraft material managed by the Air Force and clothing and textiles, construction, general, electronic and industrial material and subsistence managed by the Defense Logistics Agency.
- c. Aeronautical Material --- Consumable and depot level repairable aeronautical, photographic and catapult and arresting gear components, subassemblies and repair parts.
- d. Forms and Printed Matter --- Printed matter including forms, directives, placard, publications and manuals.

The justification of the requested funds for war reserves in FY 1986 follows:

Trident Training Facility - Provides for initial levels of inventory at the new Trident submarine activity at Kings Bay, GA. 4.1

DIMM/NIP - Provides for wholesale system stock of repairable items required to support other service customers under the Defense Integrated Material Management/Nonconsumable Item Program (DIMM/NIP). 3.4

Numeric Stockage Objective - Provides stockage of a minimum replacement unit for items not previously stocked which have experienced a failure in a critical weapons system. 2.3

Fleet Program Support Material - Provides overseas stockage of critical items in support of deployed units. 2.1

Operational Support Inventory - Provides an intermediate level of inventory at Naval Shipyard Philadelphia. 1.8

Total Shipboard Readiness and Sustainability 36.8

Readiness and Sustainability (Aviation)

(In Millions of Dollars)

F/A-18 Support - Provides an additional level of inventory at NSD Subic Bay in support of the F/A-18 aircraft units deployed in the western Pacific. 4.9

E-2C, S-3A and KA-6D - Provides an additional level of inventory ashore in support of an approved increase in combat flying hours afloat for these aircraft. 4.5

Total Aviation Readiness and Sustainability 9.4

Total Readiness and Sustainability 46.2

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Peacetime Inventory Augmentation - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986		\$46,200
Program Requirement FY 1985		\$10,600
Program Requirement FY 1984		\$51,800

Readiness and Sustainability

The requirement for readiness and sustainability is to finance the acquisition of repair parts which increase current levels at any echelon of inventory held by the Navy Stock Fund for the purpose of increasing material readiness or sustainability. Initiatives include increased material stockage to improve approved, identifiable and quantifiable readiness indicators such as stock availability, operational availability, backorder rates, mission capable rates, casualty reports, etc.

A list of the readiness and sustainability initiatives requested in the FY 1986 program follows:

Readiness and Sustainability (Shipboard)
(In Millions of Dollars)

Repair Parts Cost

70% Point of Entry Effectiveness - Provides additional levels of intermediate and retail inventory required to achieve the Chief of Naval Operations goal of filling 70% of customer requisitions at the stockpoint closest to the customer.	10.9
Remain in Place - Provides an additional level of inventory for repairable items authorized to remain in place within the customer's equipment until a ready for issue replacement item is received.	6.4
Supply Support Requests - Provides for a level of inventory of consumable items to support requirements from other services or activities when the Navy inventory control point is the PICA (primary inventory control activity).	5.8

Weapon System

Repair Parts Costs

Integrated Radio Room Equipment Improvements Aboard Submarines	1.5
SPN-43 Shipboard Precision Aircraft Approach Radar System	1.3
Standard Missile/Radar Integration System (CWI) Transmitter	0.5
Miscellaneous Shipboard Modifications	<u>0.5</u>
Total Shipboard Force Modification	16.3

Force Modification (Aviation)

(In Millions of Dollars)

Repair Parts Cost

Aircraft Modifications	<u>19.8</u>
Total Aviation Force Modification	<u>19.8</u>
Total Force Modifications	36.1

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Peacetime Inventory Augmentation - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986	\$36,100
Program Requirement FY 1985	\$34,200
Program Requirement FY 1984	\$29,500

Force Modification

Force modification requirements are necessary to finance the acquisition of repair parts to provide increases in inventory held by the Navy Stock Fund in support of programmed modifications to existing aircraft, weapons systems, and assemblies.

Shipboard modification requirements are based on weapon system costs and modification schedules while the aircraft modification requirement represents the investment in repair parts to support modifications as described in the aircraft procurement, Navy (APN) appropriation request.

Breakout of the force modification requirements in the FY 1986 program follows:

Force Modification (Shipboard)

	<u>Weapon System</u>	(In Millions of Dollars)	<u>Repair Parts Costs</u>
AN/SPS-48E Long Range Air Surveillance System		6.6	
AN/SPN-42 Ring Laser Gyroscope for the Automatic Carrier Landing System (ACLS)		3.0	
Advanced Capability (ADCAP) Torpedo		2.9	

Force Modernization (Aviation)
(In Millions of Dollars)

Aircraft

AV-8B
SH-60B
F/A-18

Aviation Spares for New Carrier
Support Equipment

CH-53
EA-6B
C-2A
AH-1T
F-14A
A-6E
E-2C
P-3C

Branch Aviation Supply Office
Targets

Total Aviation Force Modernization

Total Force Modernization

Repair Parts Cost

74.6
23.6
18.7
9.7
6.0
4.2
3.9
3.0
2.6
2.3
2.0
1.6
1.4
0.3
0.1

154.0

373.5

Marine Corps Stock Fund
Object Classification (in thousands of dollars)

Identification code	17-4913-0-4-051	1964 actual	1965 est	1966 est
Reimbursable obligations:				
22.2001	Transportation of things	3,500	3,500	3,500
22.6001	Supplies and materials	384,997	429,100	445,900
29.9001	Total Reimbursable obligations	388,497	432,600	449,400
99.9901	Total obligations	388,497	432,600	449,400

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Appropriated Funds Request

(In Thousands of Dollars)

	<u>Peacetime</u>	<u>War Reserve</u>	<u>Total</u>
Marine Corps Stock Fund			
Program Requirements FY 1987...\$	510	\$62,479	\$62,989
Program Requirements FY 1986...\$1,594		\$41,106	\$42,700
Program Requirements FY 1985...\$3,507		\$31,401	\$34,908
Program Requirements FY 1984...\$ 0		\$20,780	\$20,780

General Statement

The Marine Corps Stock Fund is a working capital fund established for the purpose of financing inventories of stores, supplies, material and equipment. Such inventories include consumable, expense-type material and relatively minor items of equipment primarily in support of the day-to-day operating requirements of Marine Corps posts, camps and stations. Marine Corps Stock Fund customers buy material utilizing appropriated funds. These monies, in turn, are used by the stock fund to reinvest in material that is held in inventory to meet future customer demands.

In a static environment, this sale and replenishment cycle is self-sustaining. However, introduction of new weapons systems, modernization of existing systems, increased levels of peacetime operations, and mobilization or War Reserve Material (WRM) require expansion and augmentation of stock fund inventories to assure proper levels of support and readiness. The direct appropriation requested by the Marine Corps Stock Fund in FY 1986 includes \$1,594 thousand for peacetime inventory augmentation and \$41,106 thousand for War Reserve Material.

The FY 1986 request for Peacetime Inventory Augmentation would support Force Modernization. Specifically, these funds are for the establishment of initial wholesale stock levels of consumable expense-type items for which the Marine Corps has been designated the Integrated Material Manager (IMM) for the Department of Defense (DOD) supply system. Such items are in support of new/additional end items of equipment entering the force structure. The FY 1987 requirement would fund similar programs for other equipment entering the Force.

The range of items in War Reserve Material (WRM) stock consists of repair parts necessary for repair/replacement of unserviceable components of end items; allowance items required to complete the initial outfitting of active force cadre units; the Table of Equipment (T/E) allowance for each Marine Corps Reserve unit which is offset by the training allowance held by that unit; and Meals Ready to Eat (Combat Rations) and associated fuel bars in support of the Maritime Prepositioning Ships (MPS) program. Further, projected combat losses for the approved period are additive to the initial outfitting requirements. This budget submission for War Reserve Material was developed by use of the preceding criteria and addresses a requirement in FY 1986 of \$41,106 thousand for the procurement of stock fund War Reserve Material.

The Marine Corps has implemented the Secretary of Defense's Ten Point Program to increase competition and reduce the cost of spare parts. Cost avoidance resulting from these initiatives has been incorporated in this request.

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Peacetime Inventory Augmentation - Secondary Items
(In Thousands of Dollars)

Program Requirement FY 1987.....	\$ 510
Program Requirement FY 1986.....	\$1,594
Program Requirement FY 1985.....	\$3,507
Program Requirement FY 1984.....	\$ 0

Narrative Statement

The FY 1986 Marine Corps Stock Fund (MCSF) Peacetime Inventory Augmentation request is to support force modernization requirements. Within force modernization, the requirement relates to the procurement of initial wholesale stock levels of new consumables/expendables in support of new/additional end items. The new end items will enhance the combat capabilities of Marine Corps forces.

The Justification of the requested funds for Peacetime Inventory Augmentation in FY 1986 follows:

MARINE CORPS STOCK FUND
FORCE MODERNIZATION

- a. Ordnance-tank-automotive (\$371 thousand). The FY 1986 request will provide for the procurement of initial wholesale stock levels of consumables/expendables in support of vehicles and weapons. The request includes \$103.1 thousand for initial stock to support the Logistics Vehicle System Front Power Unit and \$89.1 thousand to support the 5 Ton Cargo Truck, 6x6-M923. The balance of the request (\$178.8 thousand) supports a variety of weapons and vehicles at amounts ranging from \$42.0 thousand for the Light Armored Vehicle 25mm Gun to \$.4 thousand for the Shop Set, FM-25-64.
- b. Engineer-Construction (\$57 thousand). FY 1986 funding is requested to provide for initial wholesale stock levels of consumables/expendables in support of new/additional engineering and construction equipment. Examples of end items to be supported include Bridge Erection Boat w/Cable (\$13.0 thousand); Mine Clearance Kit (\$11.6 thousand); and Multi-Purpose Bucket Tractor (\$10.0 thousand).

c. Communications - Electronics (\$1,085 thousand). The FY 1986 request will provide for the procurement of initial stock levels of consumables/expendables in support of new communications and electronics equipment. The request includes \$320.1 thousand for initial stock to support a Central Office Telephone; \$297.6 thousand to support the Marine Integrated Fire and Air Support System; and \$133.4 thousand for the Unit Level Switch Switching Unit Telephone. The balance of the request (\$333.9 thousand) supports a variety of communications-electronics equipment ranging from \$86.0 thousand for the Communication Central AN/MS-63A to \$.5 thousand for a Digital Telephone Analyzer.

d. General Property (\$81 thousand). The requested funds are for the establishment of initial wholesale stock levels of consumables/expendables to support new/additional general property items. In FY 1986, such consumables will primarily be in support of the Reciprocating Pump (\$41.6 thousand) and Decontamination Apparatus (\$13.1 thousand). Examples of other end items supported include: Topographical Survey Set; Compressor, 4 Cubic Feet/Minute (CFM); Water Distribution Equipment, M62; Field Refrigeration Box, 8x8x10; and Expeditionary Field Bath Shower Unit.

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Peacetime Inventory Augmentation - Secondary Items
Summary of the Requirement

(In Thousands of Dollars)

<u>Material Category</u>	<u>FY 1984 Actual</u>	<u>FY 1985 Estimate</u>	<u>FY 1986 Estimate</u>
Ordnance-Tank-Automotive		1006	371
Engineer-Construction		56	57
Communications-Electronics		2412	1085
General Property		33	81
TOTAL MARINE CORPS		3507	1594

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1987		\$62,479
Program Requirement FY 1986		\$41,106
Program Requirement FY 1985		\$31,401
Program Requirement FY 1984		\$20,780

Narrative Statement

The Marine Corps Stock Fund provides for the procurement of War Reserve stock which will be held in inventory until such time as the stocks are issued to support and sustain operational force capabilities. The War Reserve requirements contained in this submission are essential to ensure the initial readiness and sustained wartime capability of the active Marine Amphibious Forces (MAFs) and the Reserve 4th Division/Wing Team. Funding is provided by direct appropriation. Management of the overall stock fund program is facilitated by collecting, in a single appropriation, all stock fund War Reserve requirements. Stock fund War Reserve categories are as follows:

1. Equipment Support and Allowance Items

- a. Ordnance-Tank-Automotive: Consumable/expendable items for support of motor vehicles and weapons of the combat forces.
- b. Engineer-Construction: Consumable/expendable items for support of field fortifications and other engineer equipment of the combat forces.
- c. Communications-Electronics: Consumable/expendable items for support of communications and electronics equipment in the combat forces.
- d. General Property: Prepositioned fuel bars to heat combat rations and minor consumable/expendable items for support of individual equipment and general articles in the combat forces.
2. Clothing and Textiles: Consumable/expendable items of individual and organizational clothing; tentage and equipment used by the combat forces.
3. Subsistence: Prepositioned Meals Ready to Eat to support a Marine Amphibious Brigade.

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

	<u>FY 1984 Actual</u>	<u>FY 1985 Estimate</u>	<u>FY 1986 Estimate</u>
<u>Equipment Support and Allowance Items</u>			
Ordnance-Tank-Automotive	1,070	6,492	9,550
Engineer-Construction	6,072	2,335	3,171
Communications-Electronics	1,012	2,134	2,818
General Property	<u>2,267</u>	<u>1,785</u>	<u>2,171</u>
Subtotal	10,421	12,746	17,710
<u>Clothing and Textiles</u>			
Clothing and Textiles	10,359	12,891	17,566
<u>Subsistence</u>			
Subsistence (MPS)	<u>-</u>	<u>5,764</u>	<u>5,830</u>
TOTAL MARINE CORPS	20,780	31,401	41,106

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986	\$17,710
Program Requirement FY 1985	\$12,746
Program Requirement FY 1984	\$10,421

Equipment Support and Allowance Items

Funding for equipment support and allowance items will provide for the procurement of centrally-procured expense-type items in support of tactical motor vehicles and weapons; combat field fortifications and other engineer equipment; communications and electronics equipment; and general property material required to sustain the combat forces. In addition, in FY 1985 and FY 1986, general property encompasses the financing of fuel bars which will be used to heat prepositioned Meals Ready to Eat.

The combat consumption requirements for consumable spares (equipment support) are developed by applying tempered current usage data to the increase in the number of equipments involved in combat. Requirements for allowance items are developed by use of approved allowance lists offset by the quantities held by the operating forces. Combat sustainability is also calculated for combat essential allowance items. Examples of the types of equipment support and allowance items to be funded include: bayonette-knife, w/scabbard; combat knife; mortar w/case; pyrotechnic pistol w/o mount; barbed wire; sand bag; unmounted magnetic compass; chemical detector set; battery charger; radiac computer indicator; gasoline can; first aid kit; military water can; water purification tablet, etc. There are literally thousands of individual, expense-type items included in this category which must be provided to sustain the combat forces. The requirement for fuel bars is based on the consumption of Meals Ready to Eat in support of the combat forces.

The requested funds will provide an incremental increase in War Reserve Material to support the effective accomplishment of the Marine Corps' combat mission.

FY 1986 funds are requested as follows:

Equipment Support	\$ 151
Allowance Items	17,358
Fuel Bars	201
TOTAL	\$17,710

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986		\$17,566
Program Requirement FY 1985		\$12,891
Program Requirement FY 1984		\$10,359

Clothing and Textiles

Funding provides for the procurement of expense-type clothing and textile items.

Examples of allowance-type items in this commodity area are individual clothing; organizational equipment; and environmental clothing and equipment. Combat sustainability for combat essential items is additive to the requirement.

The requested funds will provide an incremental improvement in items necessary to outfit and sustain the combat forces.

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
War Reserve - Secondary Items

(In Thousands of Dollars)

Program Requirement FY 1986	\$ 5,830
Program Requirement FY 1985	\$ 5,764
Program Requirement FY 1984	\$ 0

Subsistence

Subsistence funding provides for the procurement of Meals Ready to Eat (MRE's), i.e., combat rations, to sustain the combat forces.

The inventory objective for Meals Ready to Eat is based on the requirement to preposition Meals Ready to Eat aboard the Maritime Prepositioning Ships (MPS) to sustain the combat forces.

Funding for this requirement is necessary to provide a mobility enhancement alternative to the use of scarce strategic lift assets required for the early introduction of credible, sustainable forces in order to respond to any potential world-wide contingency.

DEPARTMENT OF THE NAVY
HEADQUARTERS, UNITED STATES MARINE CORPS
War Reserve - Secondary Items

(In Millions of Dollars)

CATEGORY	STOCK FUNDED			PROCUREMENT FUNDED			TOTAL		
	FY84	FY85	FY86	FY84	FY85	FY86	FY84	FY85	FY86
<u>Ordnance-Tank-Automotive</u>									
Requirement	67.5	79.5	82.4	9.7	10.2	10.7	77.2	89.7	93.1
Applicable Assets	10.4	11.5	18.0	6.2	8.8	9.3	16.6	20.3	27.3
Funding Requested	1.1	6.5	9.6	2.6	.5	.6	3.7	7.0	10.2
<u>Engineer-Construction</u>									
Requirement	30.6	33.0	30.3	6.0	6.3	6.6	36.6	39.3	36.9
Applicable Assets	11.0	17.1	19.4	2.7	4.1	4.4	13.7	21.2	23.8
Funding Requested	6.1	2.3	3.2	1.4	.3	.2	7.5	2.6	3.4
<u>Communications-Electronics</u>									
Requirement	31.0	33.5	26.2	41.2	43.5	45.7	72.2	77.0	71.9
Applicable Assets	11.2	12.2	14.3	14.1	29.3	31.8	25.3	41.5	46.1
Funding Requested	1.0	2.1	2.8	15.2	2.5	1.1	16.2	4.6	3.9
<u>General Property*</u>									
Requirement	27.3	29.5	32.7	-	-	-	27.3	29.5	32.7
Applicable Assets	12.4	14.7	16.5	-	-	-	12.4	14.7	16.5
Funding Requested	2.3	1.8	2.2	-	-	-	2.3	1.8	2.2

*Includes fuel bars for Maritime Prepositioning Ship (MPS) -- Requirement \$.6 million in FY 1984, FY 1985 and FY 1986. Applicable Assets \$.2 million in FY 1984 and FY 1985 and \$.4 million in FY 1986. Funding requested \$.2 million in both FY 1985 and FY 1986.

DEPARTMENT OF THE NAVY
HEADQUARTERS, UNITED STATES MARINE CORPS
WAR RESERVE - SECONDARY ITEMS (continued)

(In Millions of Dollars)

CATEGORY	STOCK FUNDED			PROCUREMENT FUNDED			TOTAL		
	FY84	FY85	FY86	FY84	FY85	FY86	FY84	FY85	FY86
<u>Clothing and Textiles</u>									
Requirement	191.5	200.9	149.3	-	-	-	191.5	200.9	149.3
Applicable Assets	76.5	86.9	99.8	-	-	-	76.5	86.9	99.8
Funding Requested	10.4	12.9	17.6	-	-	-	10.4	12.9	17.6
<u>Subsistence</u>									
Requirement	18.8	18.8	18.8	-	-	-	18.8	18.8	18.8
Applicable Assets	7.2	7.2	13.0	-	-	-	7.2	7.2	13.0
Funding Requested	-	5.8	5.8	-	-	-	-	5.8	5.8
<u>Total Marine Corps</u>									
Requirement	366.7	395.2	339.7	56.9	60.0	63.0	423.6	455.2	402.7
Applicable Assets	128.7	149.6	181.0	23.0	42.2	45.5	151.7	191.8	226.5
Funding Requested	20.8	31.4	41.1	19.2	3.3	1.9	40.1	34.7	43.0
<u>Total MPS (included in Subsistence and General Property above)</u>									
Requirement	19.4	19.4	19.4	-	-	-	19.4	19.4	19.4
Applicable Assets	7.4	7.4	13.4	-	-	-	7.4	7.4	13.4
Funding Requested	-	6.0	6.0	-	-	-	-	6.0	6.0

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Financial Condition (In Thousands of Dollars)

Identification code 17-4911-0-4-051	1983 Actual	1984 Actual	1985 Estimate	1986 Estimate
Assets:				
Selected Assets:				
Fund Balance with Treasury.....	662,363	1,333,516	1,683,123	2,125,923
Accounts Receivable (net).....	77,246	135,456	135,503	135,479
Inventories (net).....	9,809,439	12,350,886 (a)	20,041,417 (b)	16,813,241
Other Assets.....	819,891	382,595	382,595	382,595
Total Assets.....	11,368,939	14,202,453	22,242,638	19,457,238
Liabilities:				
Selected Liabilities:				
Accounts Payable and Accrued Liabilities.....	747,290	954,022	986,500	1,088,600
Other Liabilities.....	-187,383	-639,097	-639,097	-639,097
Total Liabilities.....	559,907	314,925	347,403	449,503
Government Equity				
Selected Equities:				
Unexpended budget authority:				
Undelivered orders.....	2,842,953	3,719,599	5,813,268	7,455,044
Unfinanced budget authority:				
Unfilled customer orders.....	-722,163	-829,319	-2,605,812	-3,906,912
Contract authority.....	-2,171,075	-2,420,446	-2,420,446	-2,420,446
Invested Capital.....	10,859,318	13,417,695	21,108,225	17,880,049
Total Government Equity.....	10,809,032	13,887,528	21,895,235	19,007,735

(a) Increase due to the capitalization of aviation depot level repairables in the Navy Stock Fund on 1 April 1985.

(b) Decrease due to the phased decapitalization of aviation depot level repairables on carriers, LPHs, LPDs, and Marine Air Groups and Naval Air Stations commencing 1 April 1986.

DEPARTMENT OF THE NAVY
NAVY STOCK FUND
Financial Condition (continued) (In Thousands of Dollars)

Identification code 17-4911-0-4-051	1984 Actual	1985 Estimate	1986 Estimate
Analysis of Changes in Government Equity:			
Paid-in capital:			
Opening balance.....	5,785,179	6,245,993	14,253,700
Transactions:			
Appropriations.....	632,869	473,307	716,500
Net change in capitalized inventory.	<u>-172,055</u>	<u>7,534,400</u>	<u>-3,604,000</u>
Closing balance.....	6,245,993	14,253,700	11,366,200
Retained Income or Loss (-):			
Opening balance.....	5,023,854	7,641,536	7,641,536
Transactions: Net operating income or loss.	<u>2,617,682</u>	<u>-</u>	<u>-</u>
Closing balance.....	<u>7,641,536</u>	<u>7,641,536</u>	<u>7,641,536</u>
Total Government Equity (end of year)...	13,887,528	21,895,235	19,007,735

DEPARTMENT OF THE NAVY
NAVY STOCK FUND

Revenue and Expense (In Thousands of Dollars)

Identification code 17-4911-0-4-051	1984 Actual	1985 Estimate	1986 Estimate
Operating Income or Loss (-):			
Revenue: Sale of goods.....	6,543,502	8,134,300	9,106,100
Expense:			
Purchases of goods (at cost).....	7,182,682	7,163,531	7,770,824
Transportation.....	12,839	36,300	52,100
Inventory Increases (-) or Decreases	-2,713,503	-156,131	-375,824
Other expenses.....	-556,198	1,090,600	1,659,000
Total Expenses.....	3,925,820	8,134,300	9,106,100
Net Operating Income or Loss (-).....	2,617,682		

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Financial Condition (In Thousands of Dollars)

Identification Code: 17-4913-0-4-051 1983 Actual 1984 Actual 1985 Estimate 1986 Estimate

Assets:

Selected Assets:				
Fund balance with Treasury.....	53,731	40,382	68,790	96,990
Accounts receivable, (net).....	12,510	15,177	15,198	15,233
Inventories, (net).....	<u>293,479</u>	<u>341,885</u>	<u>341,000</u>	<u>403,000</u>
Total Assets.....	359,720	397,444	424,988	515,223

Liabilities:

Selected Liabilities:				
Accounts payable and accrued liabilities.....	76,827	66,344	54,627	73,962
Other Liabilities.....	<u>-35,459</u>	<u>-18,253</u>	<u>-35,500</u>	<u>-35,500</u>
Total Liabilities.....	41,368	48,091	19,127	38,462

Government Equity:

Selected Equities				
Unexpended budget authority:				
Undelivered orders.....	122,258	106,489	128,075	156,275
Unfinanced budget authority:				
Unfilled customers orders.....	-26,033	-39,735	-3,928	-23,228
Contract authority.....	-71,352	-59,286	-59,286	-59,286
Invested Capital.....	<u>293,479</u>	<u>341,885</u>	<u>341,000</u>	<u>403,000</u>
Total Government Equity.....	318,352	349,353	405,861	476,761

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Analysis of Changes in Government Equity (In Thousands of Dollars)

Identification Code: 17-4913-0-4-051	1983 Actual	1984 Actual	1985 Estimate	1986 Estimate
Analysis of changes in government equity:				
Paid-in Capital:				
Opening Balance.....	473,735	480,854	511,951	568,459
Transactions:				
Appropriation.....	11,812	20,780	34,908	42,700
Net changes in capitalized assets.....	<u>-4,693</u>	<u>10,317</u>	<u>21,600</u>	<u>28,200</u>
Closing balance.....	480,854	511,951	568,459	639,359
Retained income or deficit (-)				
Opening balance.....	-158,299	-162,502	-162,598	-162,598
Transactions:				
Net operating income or loss (-).....	<u>-4,203</u>	<u>-96</u>	<u>-0-</u>	<u>-0-</u>
Closing balance.....	-162,502	-162,598	-162,598	-162,598
Total Government Equity (end of year)	318,352	349,353	405,861	476,761

DEPARTMENT OF THE NAVY
MARINE CORPS STOCK FUND
Revenue and Expense (In Thousands of Dollars)

Identification Code: 17-4913-0-4-051	1984 Actual	1985 Estimate	1986 Estimate
Operating Income or Loss (-):			
<u>Revenue:</u> Sales of Goods.....	366,079	433,500	387,400
<u>Expense:</u>			
Purchase of goods (at cost).....	411,081	429,115	445,900
Transportation.....	3,500	3,500	3,500
Other expenses.....	-	-	-
Inventory increase (-) or decrease...	-48,406	885	62,000
Total Expense.....	<u>366,175</u>	<u>433,500</u>	<u>387,400</u>
Net Operating Income or Loss (-).....	-96	-0-	-0-

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