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Cost of the Global War on Terrorism

Presentation for the Military Operations Research Society
Cost Analysis Working Group
June 2005

- DOD Global War on Terrorism (GWOT) Cost Reporting
- Per Capita Costs

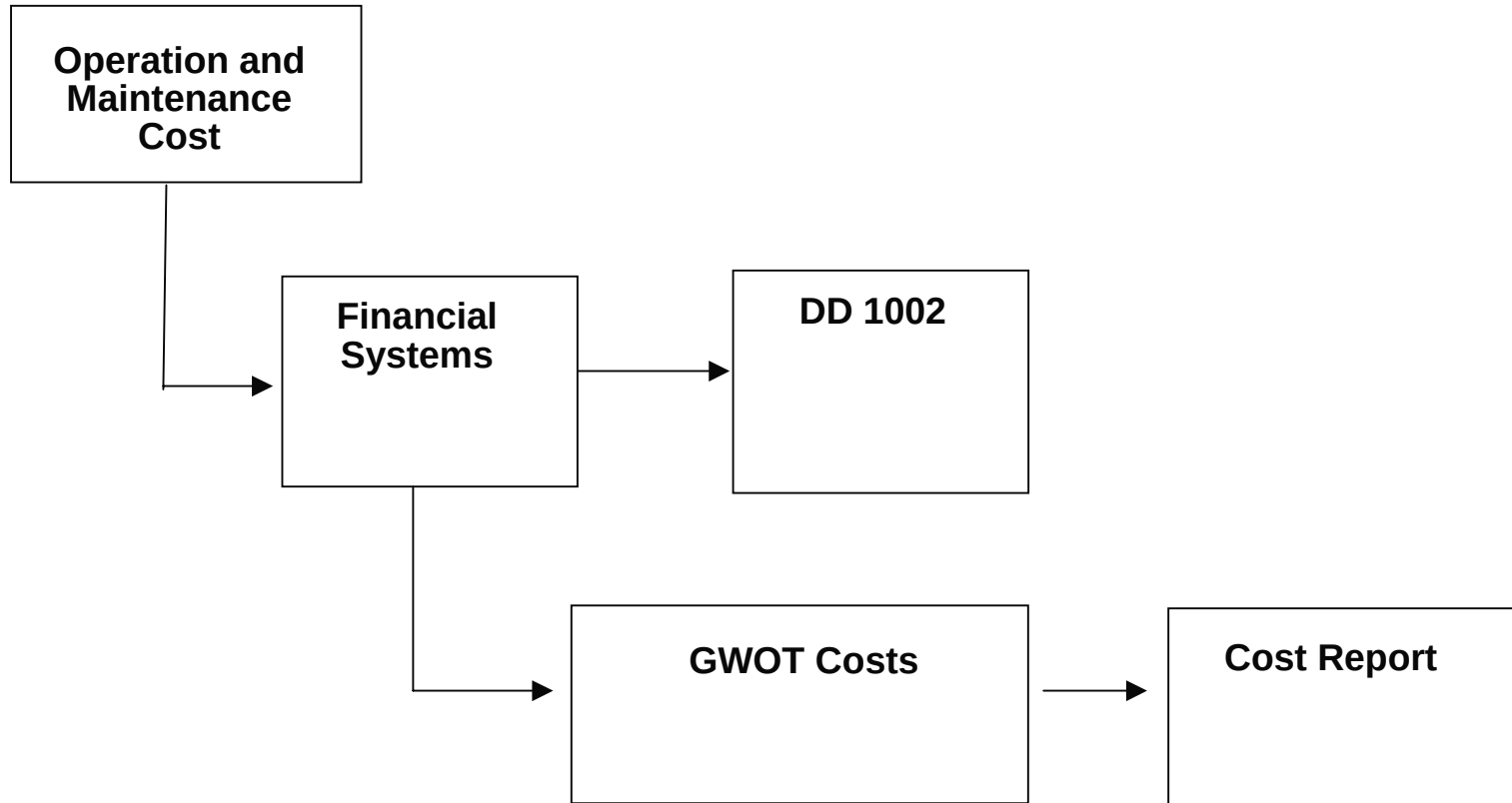
DOD GWOT Cost Reporting

Criteria for Obligating GWOT Funds

- Contingency funds are to be used to pay for “incremental costs.”
Defined as
 - costs that are directly attributable to the [contingency] operation that would not have been incurred if it were not for the operation and are above and beyond baseline training, operations, and personnel costs.
- Congress provides GWOT funding through supplemental appropriations which are provided directly into service appropriations accounts or in transfer accounts.
- Once in the service accounts, these funds can be spent on anything that falls within the scope or purpose of those accounts (e.g. personnel and operation and maintenance).

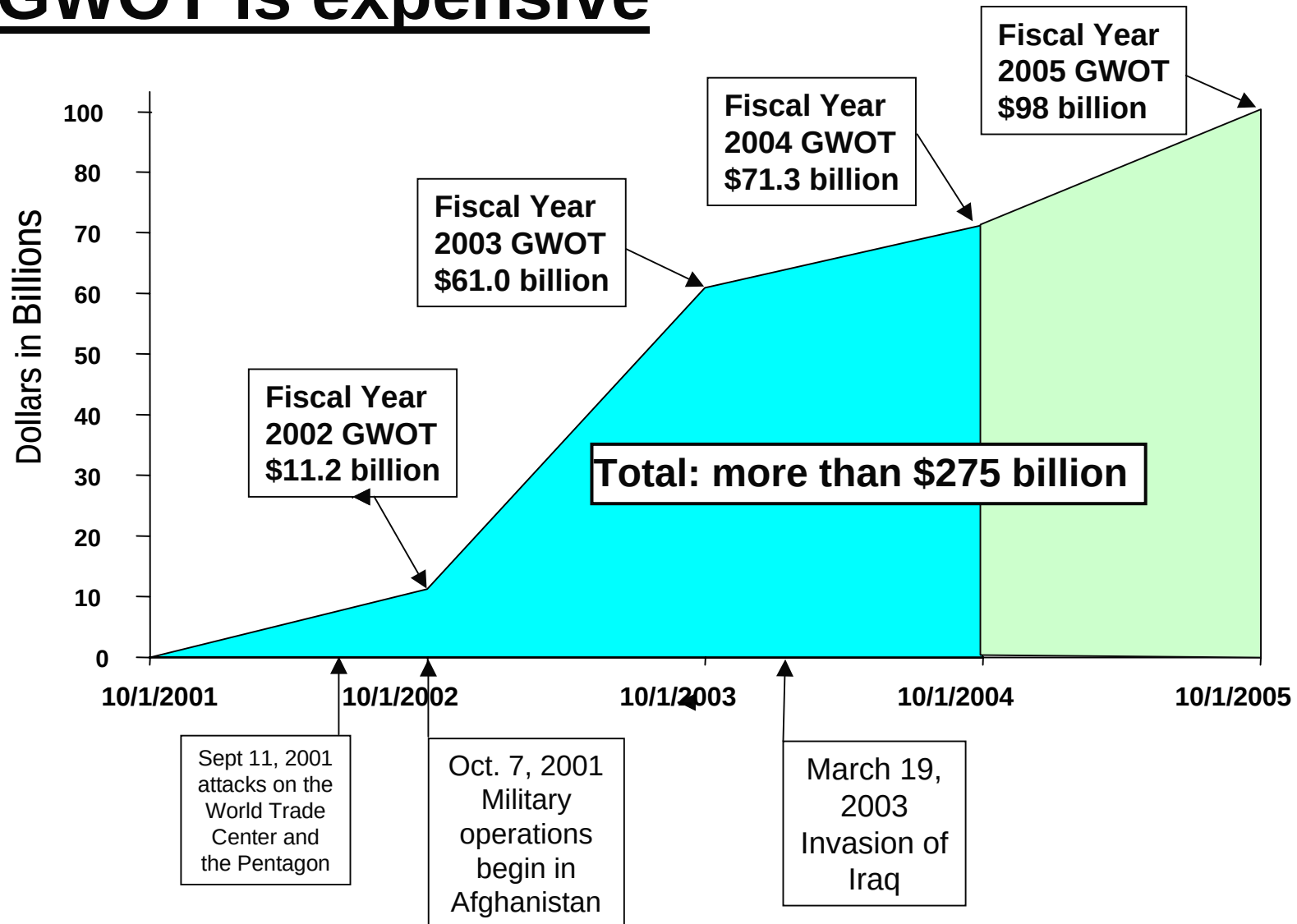
- GWOT obligations are incurred at dozens of locations.
 - Individual units for many purchases.
 - Major commands for large support categories such as airlift and logistical contracts.
- At these locations, obligation data is entered into service financial systems and, when deemed to be GWOT related, is coded as in support of GWOT.
- Data must be cross walked from service accounting categories to GWOT cost report categories.
- After initial data entry, GWOT obligations are rolled up to higher and higher levels of aggregation and ultimately reported into DOD's monthly terrorist response cost report (see following slides).
- Past work has shown that at higher headquarters levels there is little knowledge of what is being bought.

Simplified Version of How GWOT Obligation Data is Tracked and Reported



GWOT is expensive

GWOT Cost History
October 2001 – October 2005



- DOD reports on GWOT obligations monthly via the Supplemental and Cost of War Execution Report
- DOD uses a cost breakdown structure comprised of 6 overarching categories and 52 subcategories that are used for estimating and reporting costs of contingency operations. Costs are limited to those that are incrementally above and beyond baseline training, operational, and personnel costs.

1.0 PERSONNEL COSTS

2.0 PERSONNEL SUPPORT
COSTS

3.0 OPERATING SUPPORT
COSTS

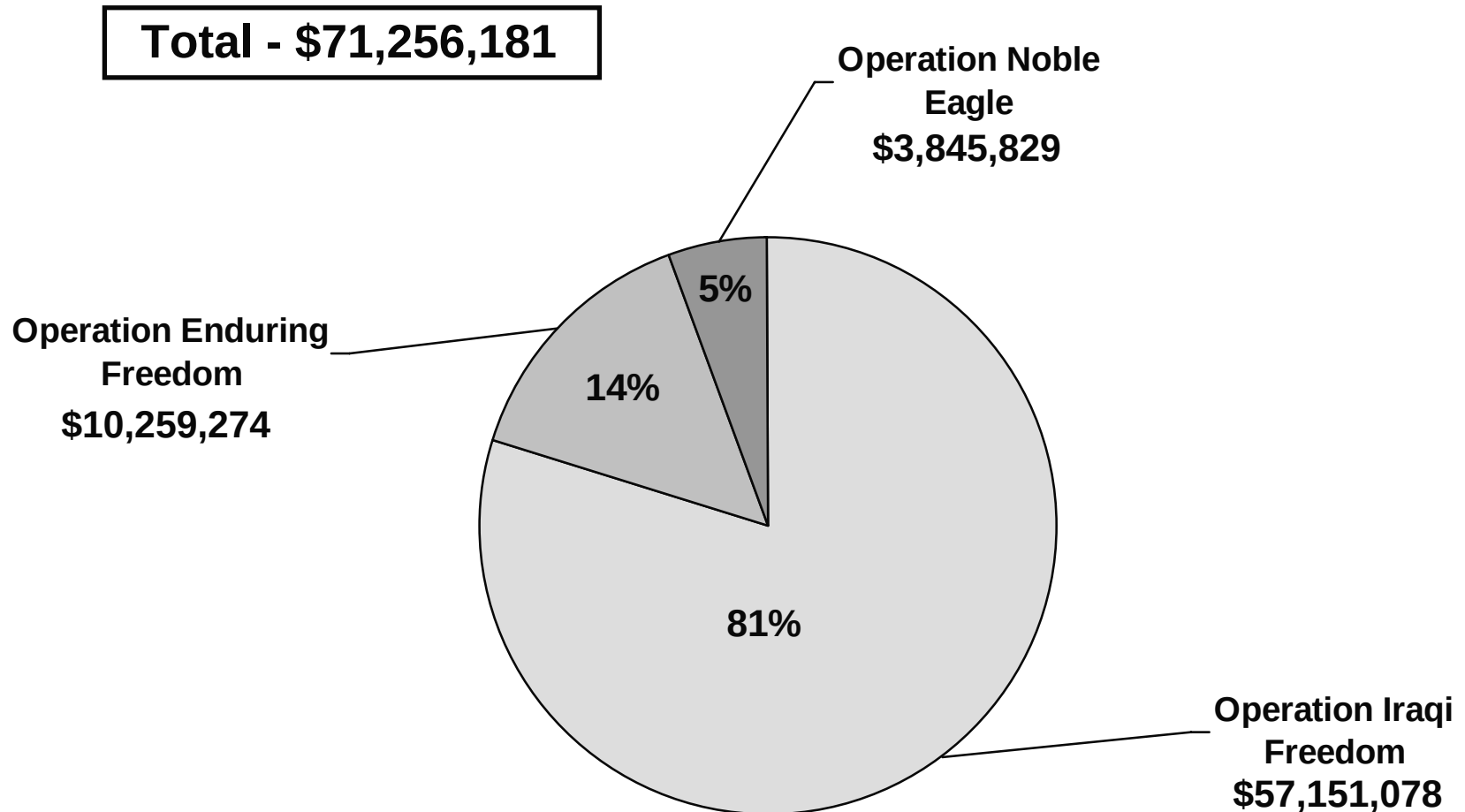
4.0 TRANSPORTATION COSTS

5.0 WORKING CAPITAL FUND
SUPPORT COSTS

6.0 INVESTMENT COSTS

- GAO's work has identifying concerns about the reliability of the data in the cost report.
 - Based on financial management systems that have long-standing deficiencies.
 - Limited assurance that data are accurately recorded.
 - Problems identified with accurately recording military personnel costs.
 - Problems identified with operation and maintenance costs being placed in incorrect cost categories.
- Cost reports based on tens (if not hundreds) of thousands of transactions posted at dozens of locations, making it for all practical purposes impossible to reach an overall conclusion of magnitude of reporting errors.
- However, DOD's cost report is the only source of cost of war data, so it forms the basis for all GWOT cost analysis.

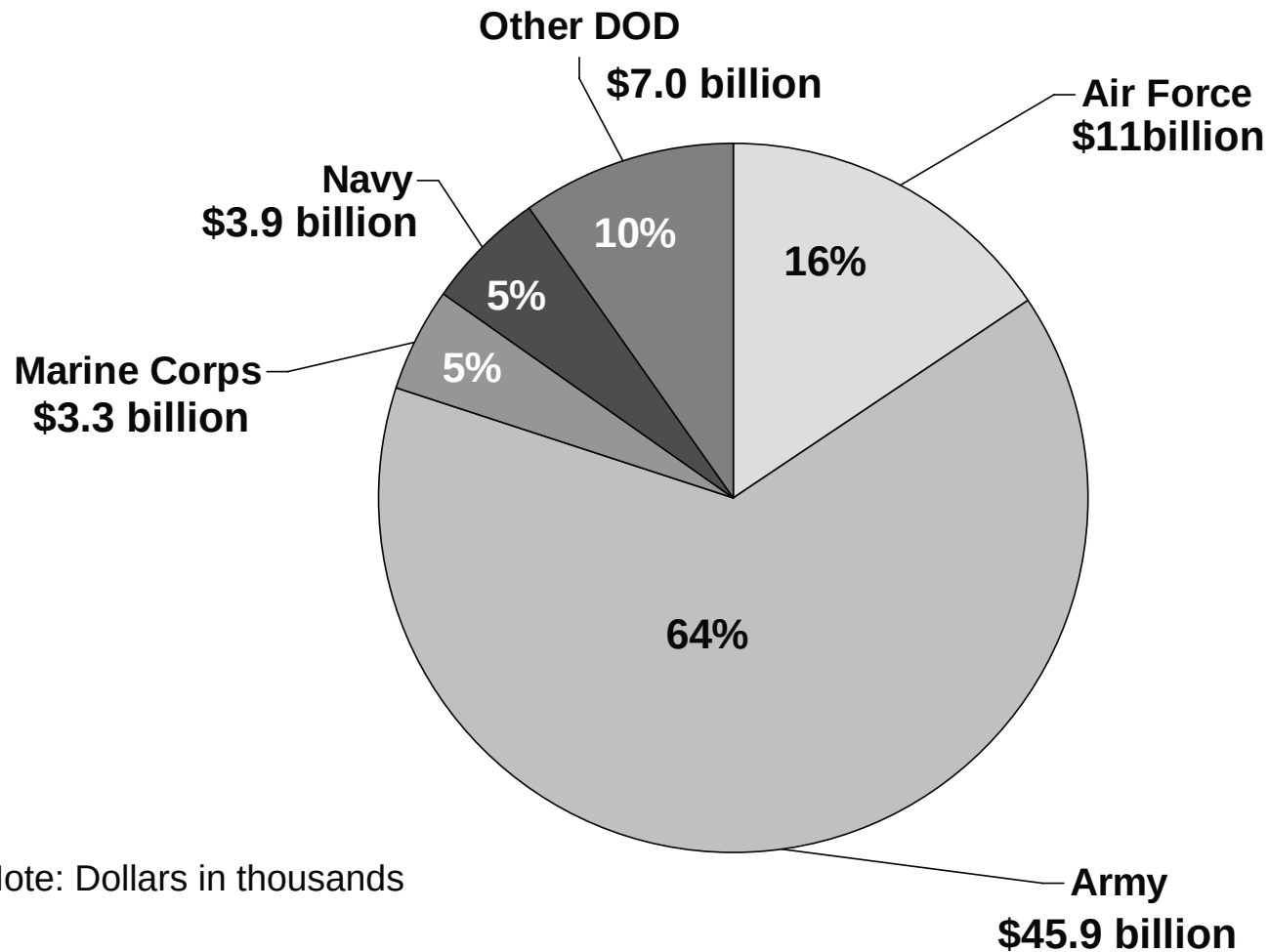
Total GWOT Obligations By Operation Fiscal Year 2004



•Note: Dollars in thousands

Total GWOT Obligations by DOD Organization Fiscal Year 2004

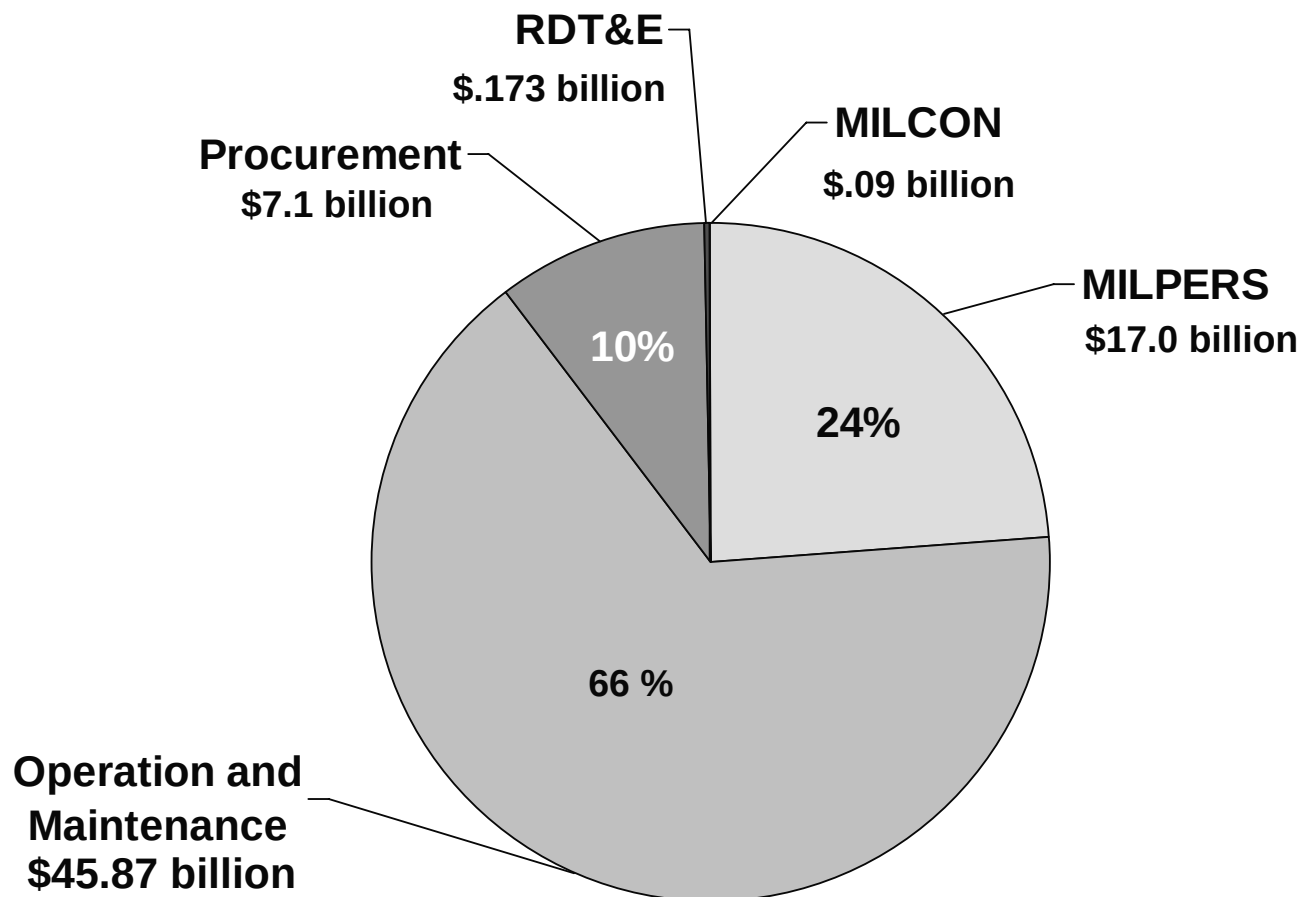
Total - \$71,256,181



•Note: Dollars in thousands

Total GWOT Obligations by Appropriation Account Fiscal Year 2004

Total - \$71,256,181



DOD GWOT Cost Reporting

FY 2004 Cost Details

Overview of Items Bought

- DOD is purchasing a vast array of goods and services to meet the needs of the Global War on Terrorism. Within the Army, for example:
 - Some very large obligations for key support.
 - LOGCAP
 - Transportation
 - Thousands of smaller purchases that add up to billions of dollars ranging from
 - Spare parts and other items obtained through the Army supply system
 - Building and furnishing the equivalent of small towns across Iraq
 - Buying and leasing vehicles
 - Procuring IT equipment, including
 - computers and related equipment
 - Video Television Conference capabilities
 - Procuring a host of miscellaneous items, including
 - Plasma TVs and other audio-related equipment
 - MWR items such as unit coins, T-shirts, and recruiting items
 - Field equipment such as knives, specialty packs, hand-held radios, holsters, and weapons slings

Terrorism Cost Response Report

DOD Totals – September 2004

TERRORIST RESPONSE COST REPORT (REVISED)

DoD TOTALS

REPORT PERIOD - as of September 30, 2004
(Incremental Costs in Thousands of Dollars)

DoD Totals

			Monthly	Cumulative	
1.0 PERSONNEL COSTS					
1.1 Military Personnel					
1.1.1 Reserve Components Called to Active Duty	(277,591)	8,815,940			
1.1.2 Imminent Danger or Hostile Fire Pay	59,500	645,239			
1.1.3 Family Separation Allowance	21,501	195,369			
1.1.4 Foreign Duty Pay	12,103	168,681			
1.1.5 Subsistence	920,471	2,495,709			
1.1.6 Reserve Component Predeployment Training	0	0			
1.1.7 Other Military Personnel (MILPERS)	540,958	4,697,946			
Subtotal	1,276,942	17,018,884			
1.2 Civilian Personnel					
1.2.1 Civilian Premium Pay	21,267	152,584			
1.2.2 Civilian Temporary Hires	15,609	145,554			
Subtotal	36,876	298,138			
TOTAL PERSONNEL	1,313,818	17,317,022			
2.0 PERSONNEL SUPPORT COSTS					
2.1 Temporary Duty (TDY)/Additional Duty (TAD)	252,648	1,808,405			
2.2 Clothing & Other Equipment & Supplies	183,547	1,683,195			
2.3 Medical Support/Health Services	96,134	767,241			
2.4 Reserve Component Activation/Deactivation	(2,707)	51,739			
2.5 Other Personnel Support	(56,813)	282,256			
TOTAL PERSONNEL SUPPORT	472,809	4,592,836			
3.0 OPERATING SUPPORT COSTS					
3.1 Training	22,429	212,316			
3.2 Operation OPTEMPO (Fuel, Other POL, Parts)	(414,306)	7,838,122			
3.3 Other Supplies & Equipment	992,211	5,373,337			
3.4 Facilities/Base Support	245,616	9,395,194			
3.5 Reconstitution	605,610	4,779,640			
3.6 C4I	182,665	1,269,444			
3.7 Other Services/Miscellaneous Contracts	692,362	7,030,838			
TOTAL OPERATING SUPPORT	2,326,587	35,898,891			
4.0 TRANSPORTATION COSTS					
4.1 Airlift	142,607	2,820,838			
4.2 Sealift	28,385	922,897			
4.3 Ready Reserve Force/Fast Sealift Ships	(10,199)	0			
4.4 Port Handling/Inland Transportation	30,534	919,276			
4.5 Other Transportation	(331,091)	1,415,326			
TOTAL TRANSPORTATION	(139,764)	6,078,337			
TOTAL CONTINGENCY COSTS	3,973,450	63,887,086			
TOTAL COSTS BY APPROPRIATION			Monthly	Cumulative	
Military Personnel			1,276,942	17,018,884	
Operation and Maintenance			2,696,508	46,868,202	
Working Capital Fund			532	1,981	
Investment			328,336	7,367,114	
Other			0	0	
GRAND TOTAL			4,302,318	71,256,181	
5.0 WORKING CAPITAL FUND SUPPORT COSTS			Monthly	Cumulative	
5.1 Depot Level Repairables	0	0			
5.2 Depot Maintenance	26	424			
5.3 Nonflying Hours Spares (War Reserve Stock)	0	0			
5.4 War Reserve Stock Secondary Items	0	0			
5.5 Prepositioning Equipment Replacement (War Reserve Stock)	506	1,557			
5.6 Prepositioning Munitions Replacement (War Reserve Stock)	0	0			
5.7 Battle Damage Repair	0	0			
TOTAL WORKING CAPITAL FUND SUPPORT	532	1,981			
6.0 INVESTMENT COSTS					
6.1 Procurement					
6.1.1 Aircraft Procurement	(12,158)	625,121			
6.1.2 Munition Procurement	19,902	1,392,451			
6.1.3 Vehicle Procurement	170,176	975,195			
6.1.4 Communication & Electronic Equipment Procurement	21,138	1,186,121			
6.1.5 Other Procurement	114,154	2,924,387			
Subtotal	313,212	7,103,275			
6.2 Research, Development, Test & Evaluation					
6.2.1 Basic Research	0	217			
6.2.2 Applied Research	0	809			
6.2.3 Advanced Technology Development	0	43,942			
6.2.4 Demonstration/Validation	537	36,563			
6.2.5 Engineering Manufacturing Development	0	3,822			
6.2.6 Management Support	0	0			
6.2.7 Operational System Development	1,400	88,182			
Subtotal	1,937	173,535			
6.3 Military Construction					
6.3.1 Major Construction	13,187	90,304			
6.3.2 Minor Construction	0	0			
6.3.3 Family Housing (Construction)	0	0			
6.3.4 Family Housing (Operation & Maintenance)	0	0			
Subtotal	13,187	90,304			
TOTAL INVESTMENT	328,336	7,367,114			
TOTAL WCF SUPPORT & INVESTMENT COSTS	328,868	7,369,095			

Fiscal Year 2004 GWOT
Obligations For Military Personnel,
Through September 2004

Military Personnel	
1.1.1 Reserve Components Called to Active Duty	8,815,940
1.1.7 Other Military Personnel	4,697,946
1.1.5 Subsistence	2,495,709
1.1.2 Imminent Danger or Hostile Fire Pay	645,239
1.1.3 Family Separation Allowance	195,369
1.1.4 Foreign Duty Pay	168,681
Total	17,018,884

**Fiscal Year 2004 GWOT
Obligations For Operation and Maintenance,
Through September 2004**

Operations and Maintenance	
3.4 Facilities/Base Support	9,395,194
3.2 Operation OPTEMPO (Fuel, Other POL, Parts)	7,838,122
3.7 Other Services/Miscellaneous Contracts	7,030,838
3.3 Other Supplies & Equipment	5,373,337
3.5 Reconstitution	4,779,640
4.1 Airlift	2,820,838
2.1 Temporary Duty (TDY)/Temporary Additional Duty (TAD)	1,808,405
2.2 Clothing & Other Personnel Equipment & Supplies	1,683,195
4.5 Other Transportation	1,415,326
3.6 C4I	1,269,444
4.2 Sealift	922,897

**Fiscal Year 2004 GWOT
Obligations For Operation and Maintenance,
Through September 2004 (continued)**

Operations and Maintenance (cont.)	
4.4 Port Handling/Inland Transportation	919,276
2.3 Medical Support/Health Services	767,241
2.5 Other Personnel Support	282,256
3.1 Training	212,316
1.2.1 Civilian Premium Pay	152,584
1.2.2 Civilian Temporary Hires	145,554
2.4 Reserve Component Activation/Deactivation	51,739
4.3 Ready Reserve Force/Fast Sealift Ships	0
Grand Total	46,868,202

**Fiscal Year 2004 GWOT
Obligations For Procurement,
Through September 2004**

Investment	
6.1.5 Other Procurement	2,924,387
6.1.2 Munitions Procurement	1,392,451
6.1.4 Communication & Electronic Equipment Procurement	1,186,121
6.1.3 Vehicle Procurement	975,195
6.1.1 Aircraft Procurement	625,121
6.3.1 Major Construction	90,304
6.2.7 Operational System Development	88,182
6.2.3 Advanced Technology Development	43,942
6.2.4 Demonstration/Validation	36,563
6.2.5 Engineering Manufacturing Development	3,822
6.2.2 Applied Research	809
6.2.1 Basic Research	217
Total	7,367,114

DOD GWOT Cost Reporting

FY 2004 Army Central Command Cost Details

**ARCENT Total GWOT Obligations FY2004
by Cost Breakdown Structure**

ARCENT TOTAL OBLIGATIONS FISCAL YEAR 2004 by COST BREAKDOWN STRUCTURE	
Cost Breakdown Structure	ARCENT
3.4 Facilities/Base Support	\$7,306,313
3.3 Other Supplies & Equipment	3,220,899
3.2 Operations OPTEMPO (Fuel, Other, POL, Parts)	2,844,005
3.7 Other Services & Miscellaneous Contracts	888,540
4.1 Airlift	792,607
4.2 Sealift	668,729
4.4 Port Handling/Inland Transportation	325,105
3.6 C4I	255,346
2.3 Medical Support/Health Services	158,573
2.2 Clothing and Other Personnel Equipment & Supplies	143,571
2.1 Temporary Duty/Temporary Additional Duty	111,518
1.2.1 Civilian Premium Pay	4,188
4.5 Other Transportation	823
2.5 Other Personnel Support	21
Total	\$16,720,238

Category: 3.3.0 Other Supplies and Equipment: Operating Support

Category:

3.3.0 Other Supplies and Equipment

<u>Sub-Category:</u> Combined Element of Resource Titles	ARCENT
Repair Parts (Tactical Vehicle & Other)	\$1,649,748
General Supplies & Equipment	1,503,593
Furniture (Recurring & Non-recurring)	40,821
Government Purchase Card	21,176
ADP Supplies	4,133
Test-Instrumentation	62

Sample Data

Element of Resource Summary Title: Repair Parts	Amount
Total Army Managed DWCF Items (DLR)	\$457,627
Total DLA Managed DWCF T (NON-DLR)	\$413,947
Total Non-DWCF/Local Purchases	\$328,884
Total Army Managed DWCF Terms (NON-DLR)	\$326,952
Total General Services Administration Managed Items	\$118,646
Total Air Force Managed DWCF Items (NON-DLR)	\$1,937
Total Navy Managed DWCF Items (NON-DLR)	\$1,608
Total Navy Managed DWCF Items (DLR)	\$147
Total:	\$1,649,748

We cannot obtain a deeper level of sample descriptions for items purchased. No variables within the Purchase Requisitions and Contractual Obligations database are coded with this EOR summary title within the category of repair parts.

Note: Dollars in thousands.

Element of Resource Summary Title: General Supplies and Equipment	Amount
Total Non-DWCF/Local Purchase Items	\$1,067,382
Total DLA Managed DWCF T (Non-DLR)	283,395
Total DLA Managed DWCF Items (NON-DLR)	66,253
Total General Services Administration Managed Items	56,737
Total Army Managed DWCF Items (NON-DLR)	17,139
Total Army Managed DWCF Items (DLR)	11,701
Total Navy Managed DWCF Items (NON-DLR)	525
Total Air Force Managed DWCF Items (NON-DLR)	429
Total DLA Managed DWCF Items (DLR)	25
Total Air Force Managed DWCF Items (DLR)	6
Total Navy Managed DWCF Items (DLR)	1
Total:	\$1,503,593

Sample Description (Top 15 Dollar Amounts)	Amount
DFAC for FOB Ridgeway	\$24,329
250 KA Generators -- 1-33 FA	7,855
Field Ordering Officer	6,870
Field Ordering Officer	5,411
Field Ordering Officer-515TH FSB, 5BCT	3,507
Containerized housing units GEN 5000KW AND 200KW -- 4 ID FOB	3,443
General Supplies	3,245
15,000 Laundry service for the division for the following compounds: Champion Base, Junction City, FOB Ridgway, FOB Manhattan, FOB Chosin, FOB St. Michael, FOB Tiger, and FOB Buzz	3,200
General Supplies	3,178
FORCE PROTECTION FOR DIVISION -- 264 EN	2,305
External Fuel Tanks for Aviation	2,243
Force Protection	2,108
NTV extensions approved at JARB -- 1 ID G4	2,083
(15) Self-contained MWR facility consisting of weight room TV?Movie room library/ game room	1,998
Gravel -Zone 6	1,937

Examples
of no
further
visibility

ARCENT FY2004: Total GWOT Obligations by Major Category

ARCENT FY2004 GWOT Total Obligations	
Category	In Billions
Stock Fund	\$5.1
Non Stock Fund	4.7
LOGCAP	5.4
Strategic Lift	1.5
Total	\$16.7

Stock Fund Purchases: ARCENT FY2004 (dollars in thousands)		
Class of Supply	Description	Total
IX-G	Repair Parts (Ground)	\$2,695,356
IX-A	Repair Parts (Air)	980,475
II/IV	Clothing & individual equipment; Construction materials	726,036
II/IV-PBO	Clothing & individual equipment; Construction materials	337,662
III	Fuel; POL	143,414
VIII	Medical items	140,413
IX-SARSS	Repair Parts	79,680
HAZMAT	Hazardous Materials	989
Total Stock Fund		\$5,104,025

ARCENT FY2004: Cost Breakdown Structure Strategic Lift (dollars in thousands)		
4.1 Airlift	Air mobility command (AMC) SAAM/JCS and channel cargo	\$792,606
4.2 Sealift	Military sealift command (MSC) chartered cargo and military traffic management command (MTMC) liner ocean transportation	668,729
Total:		\$1,461,335

ARCENT FY2004 Total Obligations by Country Location

ARCENT FY2004 Total Obligations	
Iraq	\$9,882,199
Outside Iraq	6,838,039
Total \$16,720,238	



ARCENT Total Obligations FY2004 by Country Location	
Iraq	\$9,882,199
Kuwait	3,111,649
USA	2,224,554
Afghanistan	1,261,448
Uzbekistan	161,713
Qatar	57,409
Saudi Arabia	13,225
Total	\$16,720,238

Note: Dollars in thousands.

DOD GWOT Cost Reporting FY 2005 Cost Projection

**Projection of FY2005 Actuals to Annual
Total Obligations**

Dollars in thousands	October	November	December	January	February
MILPERS	1,341,087	1,282,760	1,275,487	1,214,244	1,292,151
O&M	5,958,029	3,453,572	2,904,081	5,883,913	4,015,909
TOTAL	\$ 7,299,116	\$ 4,736,332	\$ 4,179,568	\$ 7,098,157	\$ 5,308,060

Source: February 2005 Supplemental & Cost Of War Execution Report

Rolling Average	\$ 7,299,116	\$ 6,017,724	\$ 5,405,005	\$ 5,828,293	\$ 5,724,247
Full year projection	\$ 87,589,392	\$ 72,212,688	\$ 64,860,064	\$ 69,939,519	\$ 68,690,959

Per Capita Costs

Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF)
Average Cost Per Person for Fiscal Year 2004

Dollars in thousands	MILPERS and O&M obligations	Per capita
OIF	\$50,447,279	\$266,917
OEF	\$9,787,589	\$543,755

Note: Calculation based on 189,000 personnel supporting OIF and 18,000 personnel supporting OEF, as of September 30, 2004

Observations

- Concerns with reliability of cost reports hamper cost analysis
- Large per capita costs raise questions about why GWOT is so expensive
 - Large disparity between OEF and OIF costs raises further questions
 - Is problem due to faulty cost reporting, significant differences in the two theaters, or other factors?
- More can be done to reduce costs without compromising mission
- There is much the MORS cost analysis community can do to both understand costs and seek ways to reduce them without comprising mission