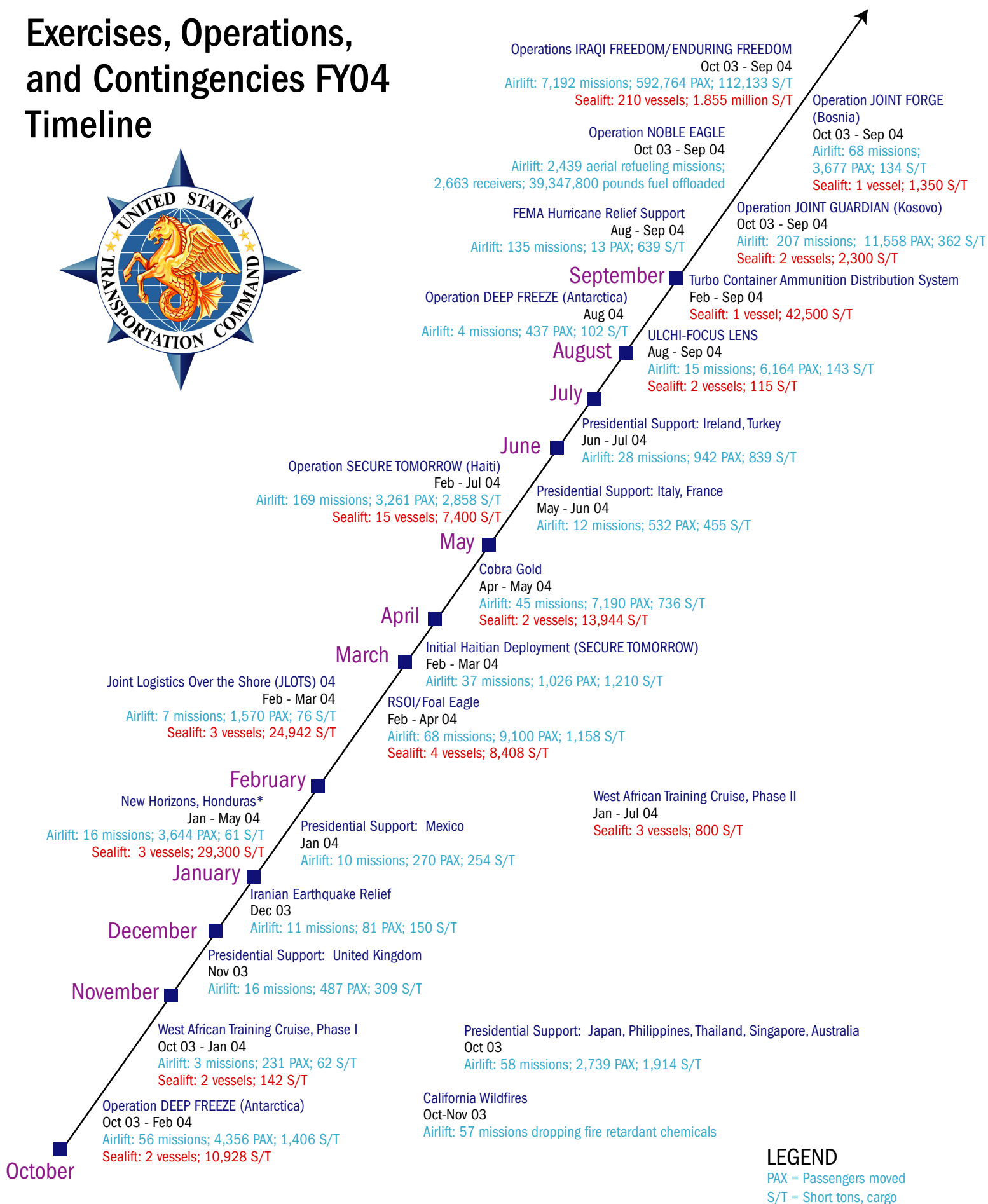


# United States Transportation Command

2004  
Annual Command  
Report



# Exercises, Operations, and Contingencies FY04 Timeline



\*Numbers for New Horizons include: Guatemala, Guyana, Grenada, and Exercise Blue Advance as well as Honduras.

# Commander's Statement



As our nation remains globally engaged with terrorist entities who continue to threaten the freedoms we, as Americans, all know and cherish, United States military forces remain deployed worldwide to combat this menace. As a unified combatant command uniquely structured to execute a global mission, United States Transportation Command (USTRANSCOM), together with our three component commands, functions as an integrated team and focuses the total synergy of the entire Defense Transportation System, including both military and commercial transportation assets.

On 16 Sep 2003, the Secretary of Defense designated Commander, USTRANSCOM, as Department of Defense's (DOD's) Distribution Process Owner. This transformational step requires that we bring our collective talents and ongoing initiatives together to forecast requirements, synchronize the movement of cargo and personnel from a source of supply to a designated customer, and expeditiously respond to warfighter requirements. This past year, we have effectively shattered the barrier between strategic and theater distribution by deploying the first-ever Central Command Deployment and Distribution Operations Center to the United States Central Command (USCENTCOM) area of responsibility.

To drive constant improvement, we established the Distribution Transformation Task Force. As the name implies, this task force crosses Service, combatant command, and agency borders and extends from flag officer to action officer level. Ultimately, this organization will develop process and technology solutions that will transform DOD's end-to-end distribution system. The warfighters deserve no less.

All that matters, and what each of us in USTRANSCOM is pledged to do, is to provide absolute, complete, and total support to the warfighter. Today, USTRANSCOM is simultaneously supporting every single Combatant Commander performing real-world operations. No matter what the mission assigned, the men and women who operate USTRANSCOM's air, land, and sea components are first out the door. Although they are not in many headlines for what they do, these dedicated professionals execute their global military mission every day in defense of our country.

I am extremely proud of today's USTRANSCOM and honored to lead the superb men and women who make up our national defense transportation team. USTRANSCOM will continue to provide the most effective and responsive mobility capability the world has ever seen and, in light of recent developments, will endeavor to create that same level of efficiency and interoperability through a transformed DOD distribution process.

You can rest assured that USTRANSCOM's crystal clear vision of the way ahead will provide constantly improving, seamless, and responsive support to the warfighters. America's military might moves with us and we are stepping out smartly.

**John W. Handy**  
General, USAF  
Commander



# Our Mission

*"To provide air, land, and sea transportation for the DOD, both in time of peace and time of war."*

*USTRANSCOM  
Mission Statement*

*"Provide ocean transportation of equipment, fuel, supplies, and ammunition to sustain U.S. forces worldwide during peacetime and in war for as long as operational requirements dictate."*

*MSC  
Mission Statement*



When the unified combatant commands, Services, or other government agencies require strategic transportation, they rely on USTRANSCOM. The command provides the synchronized transportation, distribution, and sustainment that projects and maintains national power where needed with the greatest speed and agility, the highest efficiency, and the most reliable level of trust and accuracy. As the Distribution Process Owner, USTRANSCOM directs and supervises the execution of the strategic distribution system and develops and implements distribution process improvements that enhance the Defense Logistics and Global Supply Chain Management System for the DOD. USTRANSCOM executes missions through three component commands: the Military Sealift Command (MSC), the Military Surface Deployment and Distribution Command (SDDC), and the Air Mobility Command (AMC).

## Military Sealift Command

Recent crises underscore MSC's vital role as a major contributor in the execution of our national strategy. From the start of the war on terrorism, MSC has been at the forefront of the U.S. response, providing a variety of services and supplies to U.S. and allied forces around the world.

During fiscal year 2004, the MSC team delivered more than 6 billion gallons of fuel for U.S. ground and air forces in Iraq and Afghanistan. During the same period, the MSC team delivered more than 3 million short tons of cargo to the ground forces in Iraq and Afghanistan.

As MSC and USTRANSCOM face the future, new sealift programs are exploring the use of high-speed, shallow-draft vessels, and the sea-basing of a variable collection of sea-going platforms that will place a U.S. military presence closer to a theater of operations.

## Surface Deployment and Distribution Command

SDDC (formerly Military Traffic Management Command) transformed its historic role of delivering traffic management services to one that produces end-to-end distribution solutions for warfighters around the world. In keeping pace with its new priority and focus, this year the Command was renamed Military Surface Deployment and Distribution Command.



SDDC's focus is the warfighter. Their deployment and distribution expertise touches every soldier, sailor, airman, and Marine in the U.S. Armed Forces. For 40 years, SDDC (and its predecessor organizations) supported every war, major contingency, and humanitarian relief operation in which U.S. forces have been deployed.

This fiscal year challenged SDDC with the largest surface movement since World War II. Supporting American forces in Iraq and Afghanistan, SDDC synchronized 210 vessel operations and the related land movement by truck, rail, and barge. For these operations alone, SDDC loaded 1.85 million short tons of ocean cargo and managed the distribution of 41,000 shipping containers. While a huge commitment, this movement represents only a portion of the total global workload. Overall, the command procured more than \$1.5 billion in commercial truck, rail, barge, pipeline, and ocean transportation services.

## Air Mobility Command

AMC provides common-user and exclusive-use airlift, aerial refueling, and aeromedical

evacuation transportation services to deploy, employ, sustain, and redeploy U.S. forces worldwide. AMC enables the "global" in the Air Force's "global vigilance, reach, and power," by providing exceptional support to the warfighter.

The Global War on Terrorism continues to significantly increase demand for airlift. Scheduled airlift missions (channel passenger and channel cargo) moved 516,396 passengers and 359,423 million ton-miles of cargo during fiscal year 2004. Charter airlift requirements (Special Assignment Airlift Missions and contingency) more than doubled from the President's budget. Additionally, AMC's military aircraft overflew their Transportation Working Capital Fund flying hour program by 37,600 hours.



*"Provide global surface deployment command & control and distribution operations to meet National Security objectives in peace and war."*

*SDDC  
Mission Statement*

*"Provide airlift, air refueling, special air mission, and aeromedical evacuation for U.S. forces."*

*AMC  
Mission Statement*

# A Year Shaped by Operation IRAQI FREEDOM and Distribution Transformation



*"We have affected a paradigm shift in strategic transportation, moving user focus from airlift to sealift."*

Major General Carlos D. Pair

Operation IRAQI FREEDOM, including a troop rotation of historic proportion and the designation of the Commander of USTRANSCOM as DOD's Distribution Process Owner (DPO) by the Secretary of Defense, sustained the momentum and changed the shape of USTRANSCOM's operations in fiscal year 2004. These events and decisions extended the heightened operational pace of the post-9/11 era.

Despite a primary focus on Operation IRAQI FREEDOM, USTRANSCOM continued in 2004 to supply our forces with critical combat equipment in the Afghanistan theater of operations. This theater presented enormous supply and transportation distribution challenges never before experienced by our forces. USTRANSCOM quickly overcame these challenges by developing transportation innovations to take full advantage of the combined effect created by multimodal transportation networks. Due to forces operating in an austere environment, in a country landlocked from the sea, USTRANSCOM relied heavily on both highway and rail networks for combat sustainment. Through the combined efforts of USCENTCOM and two of USTRANSCOM's components, SDDC and MSC, USTRANSCOM deployed almost two million short tons of cargo in fiscal year 2004 to the theater by orchestrating a complex system of ship, road, and rail operations.

## Sealift: A Pillar in Mobility Operations

Continuing the strategy of selecting sealift first, USTRANSCOM planners met the demands of its worldwide customers while skillfully balancing mobility requirements with sealift and airlift resources. Planners used sealift whenever practical, reserving airlift for critical shipments and upholding sealift as a key pillar of mobility operations for a host of crucial Defense Department missions. Sealift's vital role was even highlighted in the review of airlift and aerial refueling support, noting the contributions of surface mobility.

Sealift Support	
Vessels	210
Cargo (short tons)	1,855,000

The total Operation IRAQI FREEDOM sealift tonnage moved between Jan–Jun 2004 for the deployment and redeployment of approximately 240,000 troops and their equipment was part of the largest troop rotation since World War II. USTRANSCOM used sealift to create a "steel bridge" from the continental United States, Europe, and the Pacific to the USCENTCOM area of responsibility. Sealift accounted for approximately 84 percent of the Operation IRAQI FREEDOM cargo shipped during this period. USTRANSCOM used 89 percent organic assets and 11 percent commercial assets to accomplish this surface move.





## Domestic Surface Movements

At home, SDDC synchronized tens of thousands of truck, rail, and barge movements to air and sea ports. The command responded quickly to evolving requirements and an untraditional flow of cargo to manage unit rotations effectively and efficiently. SDDC took the initiative to pre-negotiate rail rates and routing for cargo moving from power projection platforms to seaports, ensuring timely delivery during the CONUS movement phase.

Rotations continued unabated at the combat training centers at Fort Polk, LA, and Fort Irwin, CA. The training tempo for maneuver forces remained high as active, reserve, and National Guard units prepared for deployment. SDDC supported 16 exercises at the two training centers by synchronizing cargo movements on more than 12,000 rail cars.

## Airlift Support

While continuing to support all USTRANSCOM's mobility customers, the largest airlift requirements were generated by the Operations IRAQI FREEDOM and ENDURING FREEDOM rotation of forces. This rotation of forces began Jan 2004 and continued through May 2004 and was the largest movement of forces since World War II.

The original estimate was a requirement to deploy and redeploy approximately 250,000 personnel. As the time-phased force and deployment data matured, the requirement grew to over 304,000 personnel. During this fiscal year,

AMC reached the milestone of moving 1 million troops in support of Operations ENDURING FREEDOM and IRAQI FREEDOM.

### Airlift Support

Missions	7,192
Passengers	592,764
Cargo (short tons)	112,133

During the troop rotation, the C-17 played a unique role. Because enemy ground threat precluded the use of commercial carriers to transport passengers into certain areas, passengers were flown in on C-17s. With the newly procured C-17 Seat Pallets, the C-17 increased passenger capabilities.

## Aerial Refueling Support

AMC continued to provide exceptional air refueling support to the nation. AMC is USTRANSCOM's single source manager for providing air refueling support to combatant commanders. AMC supported the Operations IRAQI FREEDOM and ENDURING FREEDOM rotations using KC-135 and KC-10 tankers from deployed locations in USCENTCOM and United States European Command (USEUCOM). Hundreds of additional sorties were launched from CONUS.

### Aerial Refueling Support

Sorties	11,512
Receiver Contacts	39,080
Fuel Offloaded (pounds)	679,162,830

*"(The force rotation is) a logistics feat that will rival any in history."*

*General Richard Myers  
Chairman, Joint Chiefs of Staff*

# A Year Shaped by Operation IRAQI FREEDOM and Distribution Transformation

*"We are defining the distribution battle-space."*

*Major General Carlos D. Pair*

## Distribution Transformation

In partnership with the Defense Logistics Agency, Office of the Secretary of Defense, the Joint Staff, Combatant Commanders, and the Services, USTRANSCOM brought everyone's collective talents and ongoing initiatives together to forecast distribution requirements, synchronize the movement of cargo from a source of supply to a designated customer, and expeditiously respond to warfighter requirements. The intent is to provide a "factory to foxhole" distribution system, linking the entire global DOD supply chain.

USTRANSCOM established a supporting collaborative structure to aid in transforming distribution within the DOD. With its partners, USTRANSCOM started examining lessons learned and after-action reports from previous operations while soliciting ideas and active support of the process stakeholders in determining the road ahead. Indeed, work began through a series of joint service teams to drive distribution process improvements.

USTRANSCOM responded to the Combatant Commanders' needs by focusing immediately on the barrier between strategic and theater distribution. These barriers included a fragmented distribution system with a lack of synchronization, multiple feeds of cargo coming into the pipeline without an overall owner, and the system having to cope with non-interoperable information systems. In other words, distribution lacked integration, prioritization of cargo, and effective end-to-end in-transit visibility.

Eliminating these barriers will ensure the synchronized flow of resources to the foxhole.

USTRANSCOM deployed the first-ever joint Service distribution command and control function to address these shortcomings in the USCENTCOM's area of responsibility. Logistics specialists from multiple commands and agencies composed this forward-deployed operations center, the CENTCOM Deployment and Distribution Operations Center.

The CENTCOM Deployment and Distribution Operations Center confirmed the Combatant Commander's deployment and distribution priorities, validated and directed intra-theater airlift requirement support, monitored and directed intra-theater surface distribution support, adjudicated the identified USCENTCOM distribution and intra-theater shortfalls, coordinated for additional USTRANSCOM support, provided total asset visibility and in-transit visibility for inter and intra-theater forces and materiel, and ensured effective retrograde of materiel from the theater.

The USTRANSCOM Deployment and Distribution Operations Center achieved considerable success during its pilot deployment. Working with the Services and USCENTCOM, USTRANSCOM achieved a major mindset change concerning strategic transportation, moving the users' focus from airlift to sealift. This paradigm shift resulted in a \$268 million cost avoidance for DOD within the first three months of calendar year 2004. The CENTCOM Deployment and Distribution Operations





Center also implemented a new validation process for troop movement to theater, reducing travel and in-transit time from intermediate staging locations to final destination from 72 hours to 27 hours — a significant benefit for the warfighter.

## Other Engagements

The U.S. military's unencumbered ability to operate overseas is contingent on the continued defense of the homeland. USTRANSCOM remains an integral part of that defense. Active duty, reserve, and Air National Guard KC-135 and KC-10 tanker aircraft continuously supported combat aircraft patrolling the skies of the Continental United States in support of Operation NOBLE EAGLE.

### Operation NOBLE EAGLE Support

Aerial Refueling Missions	2,439
Refueling Receiver Contacts	2,663
Pounds of Fuel Offloaded	39,347,800
Cargo ( <i>short tons</i> )	2,663

On 26 Dec 2003, an earthquake virtually destroyed the Iranian city of Bam. Almost 85 percent of the city's buildings were destroyed; 30,000 people lost their lives; 30,000 were injured; and as many as 45,000 were left homeless. Just four days later, an 81-member Disaster Assistance Response Team arrived in Iran on three USTRANSCOM airlift missions. USTRANSCOM delivered more than 150 tons of

humanitarian relief supplies, medical support, and equipment on 11 airlift missions, providing direct support to the Bam survivors.

USTRANSCOM continued to support the

### Iranian Earthquake Support

Airlift Missions	11
Passengers	81
Cargo ( <i>short tons</i> )	150

United States Antarctic Program, Operation DEEP FREEZE. In Apr 2004, USTRANSCOM became aware of an urgent medical evacuation requirement from the South Pole to Christchurch, New Zealand. When the Royal New Zealand Air Force was unable to support the evacuation, USTRANSCOM arranged to have an aircraft launch from McChord Air Force Base, Washington to the South Pole, successfully rescuing three patients and delivering them to medical facilities in New Zealand.

### Operation DEEP FREEZE Support

<b>AMC</b>	
Airlift Missions	60
Passengers	4,793
Cargo ( <i>short tons</i> )	1,508
<b>MSC</b>	
Fuel ( <i>millions/gallons</i> )	7.9
Cargo ( <i>short tons</i> )	10,928

# Defense Transportation System



## Our Customers

The number and variety of its customers drive the nature of USTRANSCOM's peace and wartime mission. Each customer has unique requirements. For example, the Combatant Commanders maintain a focus on readiness and quick response, while the Military Exchange Services want consistent, reliable, and cost-effective service. Consequently, a one-size-fits-all Defense Transportation System is not possible.

To illustrate, the Federal Emergency Management Agency (FEMA) relied heavily upon AMC airlift to quickly move supplies and

personnel into affected areas in the aftermath of natural disasters. USTRANSCOM supported firefighting efforts throughout the western United States. In addition, USTRANSCOM supported FEMA efforts in Florida and other southeastern states following three devastating hurricanes. The three storms left tens of thousands of people homeless and millions without power and water with damage rivaling Hurricane Andrew in total impact. These are but two examples of the customer support USTRANSCOM provides to other federal agencies.

### USTRANSCOM's Customers

- Joint Chiefs of Staff
- Unified Combatant Commands
- Military Services (i.e., U.S. Army, U.S. Navy, U.S. Marine Corps, U.S. Air Force)
- Defense Logistics Agency
- Exchange Services
- Defense Threat Reduction Agency
- Defense Commissary Agency
- Military Postal Services
- Federal Agencies (i.e., Central Intelligence Agency, Federal Emergency Management Agency)
- United Nations
- North Atlantic Treaty Organization



## Our Rates

The objective of USTRANSCOM's business is to break even. Using the Transportation Working Capital Fund, USTRANSCOM finances the cost of operations by billing customers for services



rendered based on pre-established rates. Rates for each Transportation Working Capital Fund business area recover all operating costs associated with the service provided. The operating costs include direct costs (i.e., contract carrier cost, stevedores, material, fuel, direct labor), indirect costs (i.e., supervisory costs), and overhead costs (i.e., headquarters general and administrative costs).

The Transportation Component Commands develop and propose Transportation Working

Capital Fund rates to use in charging customers. The Office of the Under Secretary of Defense (Comptroller) approves and issues composite rate changes through Program Budget Decisions. Application of composite rate changes is in the aggregate and will not always reflect actual rate increases or decreases for individual routes and commodities. Once the Under Secretary of Defense (Comptroller) approves the rates, they remain fixed during the year of execution. This stabilized rate policy protects appropriated fund customers from unforeseen cost changes and thereby enables customers to more accurately plan and budget Defense Transportation System support requirements. This policy also reduces disruptive fluctuations in planned Working Capital Fund workload levels and permits better use of the Defense Transportation System resources. Accurate workload forecasts and projected costs are imperative for the fiscal health of the Transportation Working Capital Fund since they are the foundation of financial assumptions in rate setting and budget development.



# Defense Transportation System

## Our Commercial Partners

USTRANSCOM's commercial partners are invaluable in the support of the day-to-day peacetime workload, as well as in the direct support of Operations ENDURING FREEDOM and IRAQI FREEDOM. USTRANSCOM would have a difficult time meeting its wartime requirements without its unique partnerships with civilian industry since the backbone of the nation's lift capacity lies in its commercial fleets. The command uses business incentives to create wartime capacity, ensure readiness within the civilian sector, and exercise frequently used procedures for fluid transition to support contingencies.

## Civil Reserve Air Fleet

The Civil Reserve Air Fleet (CRAF) is a voluntary partnership between the DOD and commercial air carriers designed to provide the Defense Department with access to commercial aircraft to augment military airlift during times of crisis. The airlines contractually pledge aircraft for activation when needed. To provide incentives for air carriers to commit aircraft to the program and to assure adequate airlift reserves, AMC makes peacetime airlift business available to the airlines. Three stages of incremental CRAF activation allow for tailoring an airlift force suitable for the contingency at hand. Stage 1 is normally used for minor regional crises; Stage 2 is normally used for large scale major combat operations; and Stage 3 is normally used for periods of national mobilization. The CRAF provides 90 percent of the command's long-range passenger capability and nearly 40 percent of the long-range

air cargo capability without the prohibitive procurement cost and maintenance expense associated with a wholly organic airlift fleet.

The high operational tempo in today's global environment provides a dramatic example of the major role America's civilian airline industry plays in the deployment, redeployment, and sustainment of U.S. forces during contingencies. During peacetime, civilian air carriers augment AMC's passenger and cargo airlift capabilities with contract flights. To meet the requirements of the first large deployment and redeployment of troops, AMC solicited participation from commercial partners. The carriers responded by volunteering 31 passenger and 16 cargo aircraft and crews to move over 279,000 troops. This cooperation averted CRAF Stage I activation.

### Civil Reserve Air Fleet Support

Passenger/Cargo Aircraft	285
Commercial Companies (CRAF Partners)	40
Troops Carried	606,993
Cargo (short tons)	6,801
CRAF Missions	10,308

By the end of January, the civilian partners transported an estimated 42,000 troops. During the peak rotation in February, the carriers met an astounding 80 percent of the requested requirement, transporting a total 77,715 of the total 96,681 passengers. They repeated their outstanding efforts in March with 87,733 passengers moved – 93 percent of the requirement. AMC aircraft transported all remaining passengers.



## Voluntary Intermodal Sealift Agreement

The Voluntary Intermodal Sealift Agreement, through its contingency contracts, provides the DOD with assured access to militarily useful, U.S.-flagged, dry cargo sealift capacity; mariners; the global infrastructure; and the intermodal capability required to augment organic sealift capabilities during conflict. The agreement allows the DOD to use ships and shore-based transportation systems of ocean shipping companies that receive priority when competing for peacetime defense sealift cargo movement contracts. All major U.S.-flagged carriers participate in the Voluntary Intermodal Sealift Agreement. Of the total U.S.-flagged dry cargo fleet, 95 percent are enrolled, providing roll-on/roll-off and container ships, break bulk ships, and seagoing tugs and barges.

Because of the agreement, commercial transportation companies are an integral part of the military contingency planning process. Since USTRANSCOM works with a wide array of commercial assets, services, and systems, it must continually grow the partnership with industry to operate current technology, anticipate trends, and develop future capabilities.

## National Port Readiness Network

Through coordination and cooperation among its members, the National Port Readiness Network ensures military and commercial port readiness for deployment of military personnel and cargo in the event of mobilization or a national defense contingency. This network consists of nine agencies: USTRANSCOM, MSC, SDDC, U.S. Joint Forces Command, U.S. Army Corps of Engineers, U.S. Forces Command, Maritime Defense Zone, Maritime Administration, and U.S. Coast Guard.



## Summary

USTRANSCOM's task is to link the pieces to form a seamless distribution system. This effort has no value if it does not support the needs of customers. Therefore, USTRANSCOM must be able to deliver the right item, at the right time, to the right place, at the lowest effective cost, while accurately tracking where that item is at any point in the distribution process.

# United States



**Delivering  
distribution  
support...**



**...in times of  
peace and war...**



# Transportation Command

...deployment,  
sustainment, and  
redeployment...



...anywhere  
in the world.

# Performance



## USTRANSCOM's Transportation Working Capital Fund

USTRANSCOM Transportation Working Capital Fund ended fiscal year 2004 with increased costs and revenue due to another year of major support to the Global War on Terrorism. The additional workload from the Global War on Terrorism resulted in operating results higher than planned. The \$8.06 billion in fiscal year 2004 revenue would place USTRANSCOM 254th on the United States' Fortune 500 companies' list.

Net Operating Result			
	Actual FY04	Planned FY04	Variance FY04
Revenue	\$8,060.0	\$7,427.8	\$632.2
Expense	\$8,044.4	\$7,688.5	\$355.9
NOR	\$15.6	(\$260.7)	\$276.3
(Dollars in Millions)			

The continued elevated pace of operations caused an increase in USTRANSCOM's cash. Because of the shortage of additional supplemental funding for the Services, the DOD withdrew over \$1.5 billion in cash from the Transportation Working Capital Fund.

## MSC's Financial Performance

MSC continued to improve the Financial Management System both with respect to information technology and processes. Additionally, training for users was updated and

Net Operating Result			
	Actual FY04	Planned FY04	Variance FY04
Revenue	\$1,018.6	\$877.1	\$141.5
Expense	\$1,073.4	\$924.7	\$148.7
NOR	(\$54.8)	(\$47.6)	(\$7.2)
(Dollars in Millions)			

expanded. Specifically, MSC expanded the use of interfaces between the Standard Procurement System and the MSC Financial Management System. Now that the system allows transfer of award/contract modification data back into the Financial Management System, it eliminates manual entry of award data for contracts and reduces the chance for errors. Additional work on the intergovernmental funding documents produced by the Financial Management System further automated this process. Moreover, government purchase card invoices were received electronically from CitiBank Direct, the first use of e-invoices.



## SDDC's Financial Performance

SDDC adopted an initiative to institutionalize a cost and performance management program that



uses activity-based costing and cost management fundamentals. This effort links performance and cost activities, processes, and business areas to provide managers with better decision-making tools. The automated tools SDDC uses ensure more efficient and cost-effective global surface deployment and distribution services, allocation of personnel resources based on workload, elimination of redundant or non-value added activities, and continuous improvement of internal processes. Upon full implementation, SDDC's cost and performance management program will provide information that will allow managers to be proactive based on real-time indicators rather than lagging trend analysis.

### Net Operating Result

	Actual FY04	Planned FY04	Variance FY04
Revenue	\$1,569.1	\$1,185.3	\$383.8
Expense	\$1,616.9	\$1,085.5	\$531.4
NOR	(\$47.8)	\$99.8	(\$147.6)
(Dollars in Millions)			

## AMC's Financial Performance

Fiscal year 2004 was another exceptional year for AMC's Transportation Working Capital Fund. Operating results were \$425 million better than planned. AMC serves as the single DOD manager for our nation's airlift services and maintains the worldwide airlift system in a constant state of readiness.

### Net Operating Result

	Actual FY04	Planned FY04	Variance FY04
Revenue	\$5,454.8	\$5,347.9	\$106.9
Expense	\$5,341.1	\$5,658.9	(\$317.8)
NOR	\$113.7	(\$311.0)	\$424.7
(Dollars in Millions)			

The Global War on Terrorism required AMC to transform the delivery of airlift services to the wartime customer. One major change is the way AMC met the requirement to move large amounts of cargo both efficiently and economically to support the Global War on Terrorism. Contingencies in the past were primarily supported with charter (Special Assignment Airlift Missions and Contingency) missions. However, AMC satisfied much of the total fiscal year 2004 requirements using scheduled channel missions. The significant increase in workload since 11 Sep 2001 enabled AMC to zero out the Airlift Readiness Account in fiscal years 2003 and 2004.



# Component Performance by Business Area

## MSC

Definition of Business Areas:

Cargo	Movement of DOD dry cargo
Tanker	Movement of DOD bulk petroleum products
Surge	Strategic lift capabilities used for contingencies and Joint Chiefs of Staff exercises
Prepo	Prepositioning support placing military equipment and supplies in key ocean areas prior to contingencies
Reimbursable	Funds used on a reimbursable basis

## SDDC

Definition of Business Areas:

Port Operations	Vessel loading and discharging operations, cargo staging and stow planning, documentation, and oversight of stevedore services
Traffic Management	Direction, control, and supervision of all traffic management, freight management, and transportation services
GPC	Booking and movement of privately owned vehicles (known as Global Privately Owned Vehicle Contract)
Liner	Ocean movement of DOD cargo by scheduled commercial ocean carrier service
Reimbursable	Fees to maintain underutilized capacity of the port for use in contingencies
Charter Cargo	Surface movement of DTS dry cargo
Other	Non-operational revenue

### MSC Net Operating Result

	Revenue	Expense	NOR
Cargo	\$307.7	\$272.0	\$35.7
Tanker	\$88.7	\$145.7	(\$57.0)
Surge	\$311.3	\$338.2	(\$26.9)
Prepo	\$289.9	\$296.5	(\$6.6)
Reimbursable	\$21.0	\$21.0	\$0.0
<b>TOTAL</b>	<b>\$1,018.6</b>	<b>\$1,073.4</b>	<b>(\$54.8)</b>

(Dollars in Millions)

### SDDC Net Operating Result

	Revenue	Expense	NOR
Port Ops	\$265.6	\$220.7	\$44.9
TFC Mgt	\$96.5	\$96.5	\$0.0
GPC	\$210.2	\$212.5	(\$2.3)
Liner	\$839.1	\$936.9	(\$97.8)
Reimbursable	\$98.4	\$98.4	\$0.0
Charter Cargo	\$39.9	\$33.9	\$6.0
Other	\$19.4	\$18.0	\$1.4
<b>TOTAL</b>	<b>\$1,569.1</b>	<b>\$1,616.9</b>	<b>(\$47.8)</b>

(Dollars in Millions)

## AMC

### Definition of Business Areas:

PAX	Passenger airlift from CONUS to OCONUS along scheduled routes
Cargo	Shipment of cargo from port to port or from depot to customer along scheduled routes
SAAM	Special Assignment Airlift Mission: rental of entire aircraft to move cargo and/or passengers
Exercise	Rental of entire aircraft in support of Joint Chiefs of Staff exercises
Training	Air Force/Air Force Reserves purchase of flying hours to train crews

### AMC Net Operating Result

	Revenue	Expense	NOR
PAX	\$310.9	\$338.3	(\$27.4)
Cargo	\$2,089.6	\$1,689.3	\$400.3
SAAM	\$2,588.6	\$2,861.3	(\$272.7)
Exercise	\$79.6	\$100.5	(\$20.9)
Training	\$386.1	\$351.7	34.4
<b>TOTAL</b>	<b>\$5,454.8</b>	<b>\$5,341.1</b>	<b>\$113.7</b>

(Dollars in Millions)



# Technology and Transformation



## Command, Control, Communications, and Computer Systems

USTRANSCOM is an information-intensive command. Information technology is the enabler for collaborative, dynamic decision-making and global command and control delivering the speed, effectiveness, and efficiency of USTRANSCOM's operations. The command's advantage is not derived from technology alone. Instead, the real advantage is derived from the combination of information technology, supportive processes, and organizational facilitators.

## Global Transportation Network for the 21st Century

One of USTRANSCOM's key responsibilities to the warfighter is to ensure in-transit visibility of personnel, supplies, and equipment. USTRANSCOM uses the Global Transportation Network as the information technology tool to provide in-transit visibility. This system provides the near real-time worldwide visibility of passengers and material moving from origin to destination through the distribution system, regardless of the mode of transportation used. The Global Transportation Network uses information provided by 23 DOD source systems and more than 125 commercial carrier information systems. During Operations ENDURING FREEDOM and IRAQI FREEDOM, the command extended that capability in support of two major

combat operations to include movement of passengers and cargo within both theaters of operations. At the peak of Operation IRAQI FREEDOM, the Global Transportation Network processed over 5 million daily transactions, with over 9,000 daily customer queries for information on strategic and tactical lift. Development of the next generation system, Global Transportation Network for the 21<sup>st</sup> Century (GTN 21), is well underway towards a fiscal year 2005 initial operating capability. GTN 21 will integrate transportation information that supports the command and control mission requirement to direct, control, and execute operations of assigned forces pursuant to global transportation management.

## TRANSCOM Regulating and Command & Control Evacuation System

TRANSCOM Regulating and Command & Control Evacuation System (TRAC<sup>2</sup>ES) is a unique and highly effective medical regulating and patient "in-transit visibility" system that matches the patient to the optimal bed destination via the most expeditious transport. All branches of the Service use the web-based TRAC<sup>2</sup>ES throughout the patient movement process during both peace and war. Information captured by the system also provides DOD with critical data used for medical and disease trending. Immediately following the tragic events of 11 Sep 2001, the first real-world test of TRAC<sup>2</sup>ES occurred. Within two months following initial fielding,



this system was supporting Operation ENDURING FREEDOM via fixed and deployed medical sites. TRAC<sup>2</sup>ES performed as designed. The system provided 100 percent patient in-transit visibility during Operations ENDURING FREEDOM and IRAQI FREEDOM. For deployed sites with web access problems, TRAC<sup>2</sup>ES also provided a “store and forward” software application. Future plans for the system include expanded support capabilities for Homeland Defense.

## Global Command, Control, Communications, and Computer Systems Coordination Center

Information technology is the driver for the speed, effectiveness, and efficiency of USTRANSCOM’s operations. The continued demand for information technology services and the need for real-time information flow moved USTRANSCOM into a network-centric warfighting environment. This movement increases the number of users, nodes, and links while significantly increasing the demand on computers, video, and data networks. This rapid growth of command, control, communications, and information technology requirements increases the need for network troubleshooting, network management, dynamic bandwidth management, and information and network protection. As a result, these functions are emerging from a traditionally low profile support role to that of a critical, highly visible warfighting capability. In short, the network

has become a weapon system. The Global Command, Control, Communications, and Computer Systems Coordination Center is responsible for maintaining situational awareness of these systems and ensuring that information technology services are available continuously to USTRANSCOM customers.

## Defense Transportation System Enterprise Architecture

The Defense Transportation System Enterprise Architecture continues to be the model for architecture development and governance within the DOD. In April 2004, USTRANSCOM was named as one of 25 finalists for the Excellence.Gov Award. Members from the Industry Advisory Council, the American Council for Technology, and the Federal Chief Information Officer Council composed the selection board for this award. The award focuses on governance models used in E-Government projects that cross organizational boundaries. In June, the Defense Transportation System Enterprise Architecture was a nominee for the second consecutive year for the DOD Chief Information Officer Award. Throughout the winter of 2003 and the spring of 2004, the USTRANSCOM staff worked closely with counterparts from the United States Northern Command (USNORTHCOM) to successfully export USTRANSCOM’s architecture data model, processes, and architecture development framework to stand-up an information technology investment organization within USNORTHCOM. The formal recognition of the Defense Transportation System Enterprise Architecture by these commercial and governmental bodies attests to the continuous quality of the command-sponsored effort and the critical role that architectures serve in both the business community and the federal government.



# Technology and Transformation

*"Warfighters want simplicity, speed, visibility, reliability. When there's confusion, they want a single face to deal with for answers."*

Lieutenant General  
Gary H. Hughey

## The Way Ahead

### Improving DOD Distribution Services in the Future

USTRANSCOM will advance the current capability through Agile Transportation for the 21st Century initiatives designed to introduce collaborative analysis and decision-making capabilities in distributed, information-intensive environments. Those environments will enable interactive visualizations to exchange information; evaluate courses of action; and make more informed, effective, and timely modal decisions.

In addition to implementing major improvements to its transportation and command and control data systems, USTRANSCOM recognizes and maintains a significant reliance on global communications networks. Indeed, its success in developing world-class information technology systems creates a need for more robust bandwidth resources and end-to-end connectivity with transportation elements and supported forces deployed throughout the world. Accordingly, USTRANSCOM and its component commands continue to invest in major upgrades to servicing communications and network infrastructures. These modernization and transformation efforts address a range of fixed terrestrial and space-based networks to include the soldier at the end of the distribution

pipeline, "last tactical mile." USTRANSCOM continues to implement Radio-Frequency Automatic Identification Technologies to support its goal of providing Combatant Commanders detailed tracking information on the movement of cargo throughout the distribution system. Further, it is making major strides in expanding the bandwidth capabilities of its terrestrial campus networks and achieving a level of redundancy to ensure full continuity of operations.

On the contingency operations side, the command is also making significant progress in addressing last tactical mile requirements by using innovative deployable satellite communications techniques and systems. Its progress is clearly demonstrated as it enjoys unprecedented success rates in capturing and disseminating cargo and passenger movement information from its unimproved tactical air and seaports supporting Operations ENDURING FREEDOM and IRAQI FREEDOM.

Because national interests rely so heavily on force projection, timely and free-flowing transportation information is vital. Thus, USTRANSCOM must continuously evolve and manage an integrated, forward-looking, interoperable information systems capability for the entire transportation system and those who

depend upon or interact within it. To ensure future-state, end-to-end distribution processes are enabled by interoperable information systems, USTRANSCOM began documenting those processes into the Joint Distribution Architecture. The Joint Distribution Architecture uses the Defense Transportation System Enterprise Architecture and the Joint Deployment Process Owner's Deployment Architecture as its nucleus. Once the Joint Distribution Architecture is substantially complete, this architecture will be used to guide transformation initiatives toward even more effective and efficient distribution processes of the future and keeping our warfighters strong and preeminent in any future situation they may face.

## Financial Systems Improvement

The DOD embarked on the Business Management Modernization Program and is committed to transforming its business and financial management processes and systems to improve combat support for the warfighting forces. In fiscal year 2004 USTRANSCOM, the Air Force, and the Defense Finance and

Accounting Service partnered to make the Defense Enterprise Accounting and Management System a joint initiative.

USTRANSCOM continued to develop the Transportation Financial Management System. This system will provide USTRANSCOM and component commanders with online query capability to Transportation Working Capital Fund data. Daily detail-level, transactional data will be linked with the Business Decision Support System to provide combined operational and financial data to managers throughout USTRANSCOM.

*"It's through information technology that we will have the visibility of the processes that we will further validate. And it's time to do the same thing with the supply chain – start to finish, factory to foxhole."*

*General John W. Handy*



# Appendix

## Department of Defense

### United States Transportation Command

#### Statement of Financial Condition

*(Dollars in Millions)*

	FY 2004	FY 2003
<b>Assets:</b>		
Cash	\$652.7	\$1,742.2
Available for Operations	\$465.2	\$1,552.6
Required for Capital Purchases	\$187.5	\$189.6
Accounts Receivable	\$826.0	\$1,266.0
Advances Made	\$27.6	\$22.8
Inventories	\$42.1	\$58.4
Capital Property (Net)	\$1,135.8	\$1,140.0
<b>Total Assets</b>	<b>\$2,684.2</b>	<b>\$4,229.4</b>
<b>Liabilities:</b>		
Accounts Payable	\$1,228.5	\$1,198.0
Accrued Liabilities	\$35.3	\$41.2
Other Liabilities	\$111.8	\$109.1
<b>Total Liabilities</b>	<b>\$1,375.6</b>	<b>\$1,348.3</b>
<b>Government Equity:</b>		
Paid-in-Capital	(\$618.1)	\$970.0
Accumulated Operating Results	\$1,926.7	\$1,911.1
<b>Total Government Equity</b>	<b>\$1,308.6</b>	<b>\$2,881.1</b>
<b>Total Liabilities and Equity</b>	<b>\$2,684.2</b>	<b>\$4,229.4</b>

## Statement of Revenue and Expenses

(Dollars in Millions)

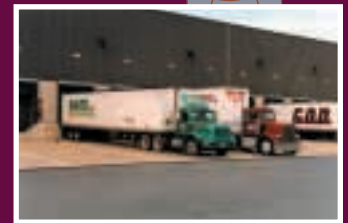
	FY 2004	FY 2003
Revenue:		
Gross Sales	\$8,040.6	\$8,966.1
Operations	\$7,845.5	\$8,715.7
Cash Surcharge	\$0.0	\$50.0
Depreciation	\$195.1	\$200.4
Other Income	\$19.4	\$18.7
Refunds/Discounts	\$0.0	\$0.0
<b>Total Income</b>	<b>\$8,060.0</b>	<b>\$8,984.8</b>
Expenses:		
Salaries and Wages:		
Military Personnel Compensation & Benefits	\$37.2	\$55.0
Civilian Personnel Compensation & Benefits	\$271.4	\$257.3
Travel and Transportation of Personnel	\$280.8	\$276.6
Materials and Supplies	\$990.0	\$992.5
Equipment	\$27.4	\$123.1
Transportation of Things	\$1,117.0	\$685.3
Depreciation - Capital	\$195.1	\$200.4
Printing and Reproduction	\$1.0	\$0.6
Rent, Communications, Utilities, and Misc Charges	\$130.8	\$145.5
Other Purchased Services	\$4,993.7	\$5,319.5
<b>Total Expenses</b>	<b>\$8,044.4</b>	<b>\$8,055.8</b>
Net Operating Result	\$15.6	\$929.0
Beginning AOR	\$1,911.1	\$982.1
Prior Year Adjustments	\$0.0	\$0.0
Accumulated Operating Result	\$1,926.7	\$1,911.1





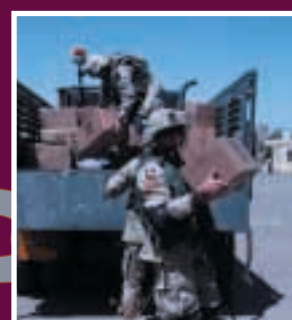
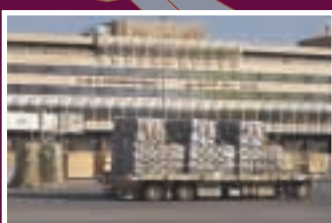
*“Looking at the commercial market, everyone realizes that managing suppliers and the entire supply chain is a big business.*

*But the DOD supply chain, with a multitude of ways to get to a theater of operations, is still a very complicated network, a spider web of activity.*



*Ownership of this process will provide clarity to both the distribution and sustainment systems.”*

*General John W. Handy*



# United States Transportation Command (USTRANSCOM)

**General John W. Handy, U.S. Air Force**  
Commander, United States Transportation Command  
Commander, Air Mobility Command



**Lieutenant General Gary H. Hughey, U.S. Marine Corps**  
Deputy Commander, United States Transportation Command



**Vice Admiral David L. Brewer III, U.S. Navy**  
Commander, Military Sealift Command



**Brigadier General Charles W. Fletcher II, U.S. Army**  
Commander, Military Surface Deployment and Distribution Command

