

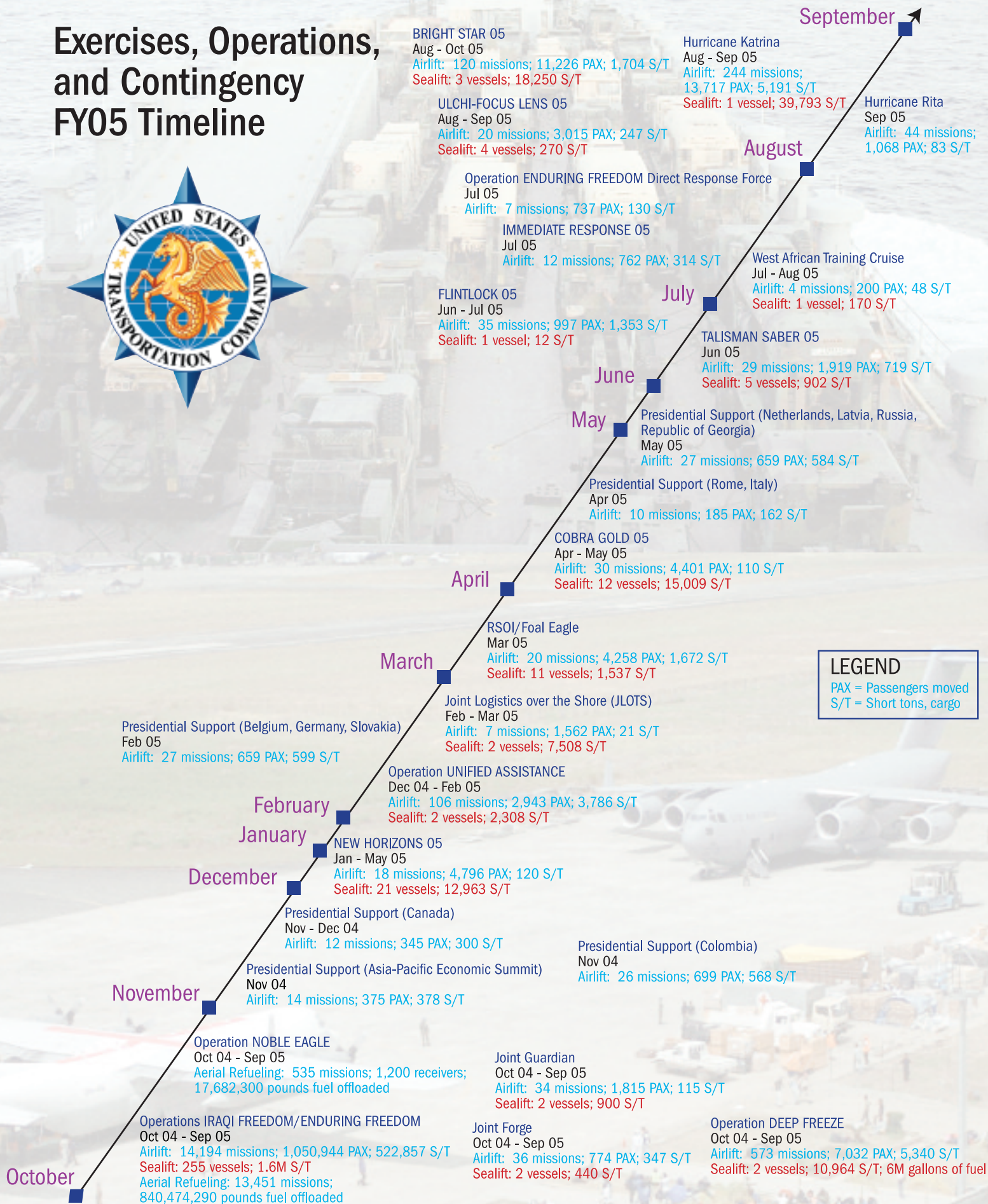


United States Transportation Command



2005
Annual Command
Report

Exercises, Operations, and Contingency FY05 Timeline



LEGEND

PAX = Passengers moved
S/T = Short tons, cargo

Commander's Statement

The operational tempo of our nation's mobility forces remains high as we support the regional combatant commanders who are winning the Global War on Terrorism. But, even while United States Transportation Command's (USTRANSCOM) component commands, national partners and commercial industry teammates help us execute joint deployment and distribution missions that are unmatched in effectiveness, we must raise the bar further.

Enemy threats, battle space environments and unpredictable humanitarian crises require a transformation in logistics planning and execution. Meeting these needs requires a dynamic planning climate, including: fully integrated, end-to-end distribution processes; experimentation; responsive technology development; realistic logistical modeling and simulation, and information sharing.



As in any consistently successful organization, the foundation begins with people. It is through individual professionalism, expertise and dedication that we will continue providing world class support to our combatant commanders. USTRANSCOM shall champion the quality of our 156,000 people because we must maintain the intellectual and technical resources needed to meet future challenges. We will accomplish this through continuous improvement of key logistical processes, leveraging information technology and by maintaining the readiness of our mobility assets through modernization. We will ensure that USTRANSCOM is ready to perform our global distribution and mobility missions, whenever and wherever required.

I am very pleased this year that – through Distribution Process Owner initiatives – USTRANSCOM and our national partners contributed to warfighter effectiveness and – simultaneously – achieved more than \$500 million in cost avoidance. Future readiness and modernization initiatives will ensure that a combatant commander's ability swiftly to engage America's enemies at a distance remains a distinct advantage and force multiplier. As Portfolio Manager for distribution information technology systems, for example, we are responsible for developing, integrating and implementing a flexible logistics architecture that will further those successes. We are moving out smartly to execute that charge.

I am proud to be a member of the USTRANSCOM team. With our partners, the transformational changes we seek in deployment and distribution processes will ensure our nation's ability to project military power rapidly, when and where needed. USTRANSCOM will remain at the forefront as a combatant command, supporting our war fighters, performing our nation's business worldwide and at home, and – most importantly – keeping the trust of those we serve.

Norton A. Schwartz
General, USAF
Commander

Our Mission

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

USTRANSCOM
Mission Statement

When combatant commands, Services, or other government agencies require strategic distribution, they rely on USTRANSCOM. The command synchronizes global deployment, execution, and distribution processes to move and sustain forces and project national power. As the Distribution Process Owner, USTRANSCOM develops and directs the Joint Deployment and Distribution Enterprise to globally project national security capabilities, accurately sense the operating environment, provide end-to-end visibility, and rapidly respond to support joint logistics requirements. USTRANSCOM executes its mission through three component commands: the Military Surface Deployment and Distribution Command (SDDC), the Air Mobility Command (AMC), and the Military Sealift Command (MSC).

Military Surface Deployment and Distribution Command

SDDC serves as the single surface deployment and distribution provider through the surface movement of all DOD cargo traffic and freight management, household goods, privately owned vehicles, and operation of 24 worldwide seaports. SDDC is the provider of adaptive and flexible solutions that deliver capability and sustainment on time. Working with industry partners, military services, and combatant commands, SDDC provides global surface deployment command and control and distribution operations to meet National Security objectives in peace and war. SDDC's focus is the warfighter, touching every Soldier, Sailor, Airman, and Marine in the United States military.

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

SDDC
Mission Statement



Air Mobility Command

AMC serves as the single DOD manager for the nation's airlift services and maintains the worldwide airlift system in a constant state of readiness.

AMC provides common-user and exclusive use airlift, aerial refueling, and aeromedical evacuation transportation services to deploy, employ, sustain, and redeploy US 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 205,982 passengers and 379,285 short tons of cargo during fiscal year 2005. Charter airlift requirements (Special Assignment Airlift Missions and contingency) more than doubled from the President's budget. Additionally, AMC's military aircraft over flew the Transportation Working Capital Fund flying hour program by 56,500 hours.

Military Sealift Command



MSC provides ocean transportation via organic and chartered commercial ships to deliver combat equipment, vehicles, fuel, supplies, and ammunition to sustain US forces worldwide during peacetime and in war for as long as operational requirements dictate. During any contingency, more than 95 percent of all the equipment and supplies needed to sustain the military forces are carried by sea. MSC provides both common-user strategic sealift capability and theatre-specific prepositioned support through its four distinct business areas (Tanker Operations, Dry Cargo, Strategic Surge and Afloat Prepositioned Force-T).

"Provide airlift, air refueling, special air mission, and aeromedical evacuation for US forces."

AMC
Mission Statement



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

MSC
Mission Statement

Shaping Distribution Transformation

“For the first time in the history of DOD, somebody has been given the responsibility to manage and own the distribution process.”

General John W. Handy (Ret)

In September 2003, the Secretary of Defense designated the Commander, USTRANSCOM as the DOD Distribution Process Owner. This designation gave USTRANSCOM the authority to coordinate and develop processes, doctrine, business rules, information technology tools, and procedures to make the DOD distribution pipeline more efficient and effective in meeting warfighter needs.



USTRANSCOM's efforts to improve joint logistics support continue to expand and produce results. Working with the DOD, regional combatant commands, joint agencies, and the Services, USTRANSCOM is leading the collaborative effort to make joint logistics a reality—leveraging experience and using information technology to consolidate logistics requirements in real time, compress the decision cycle, and empower smarter decisions. USTRANSCOM is synchronizing the deployment, distribution, and sustainment of forces to achieve maximum efficiency and interoperability by eliminating duplication and nonstandard practices. Together with its national partners, USTRANSCOM is building a truly seamless, end-to-end defense logistics enterprise.

In conjunction with its national partners, USTRANSCOM determined the most important distribution transformation issues, identified appropriate leads for each of them, and began

building a defense logistics enterprise through a series of joint improvement teams to drive deployment and distribution process enhancements. USTRANSCOM organized these transformation efforts into six “pillars” of action that have already produced results:

- Execution—synchronizes deployment and distribution of forces and materiel from origin to final distribution point during execution.
- End-to-End Process—establishes a framework for developing the optimal distribution processes to support the rapid, effective, and efficient projection of resourced requirements.
- Information Technology (IT)—develops the enterprise architecture and performs DOD distribution portfolio management functions.
- Financial—improves and standardizes key financial resources, processes, and systems.
- Human Realm—develops a joint professional community of logisticians to effectively support Distribution Process Owner objectives.
- Integrated Distribution—integrates and synchronizes distribution processes and segments of the global supply chain.

Execution – Linking with the Warfighter

Within United States Central Command (USCENTCOM), the Execution Pillar is eliminating seams between strategic and theater distribution through implementation of the USCENTCOM Deployment and Distribution Operations Center (CDDOC). The CDDOC enables USCENTCOM to improve operational effectiveness while avoiding costs to Service components. This is made possible through a national partnership supported by USTRANSCOM, the Defense Logistics Agency, and the Services. The CDDOC provides increased visibility over deployment and distribution flow.

The CDDOC also redirected shipments from air to surface, realizing a \$312.8 million aviation operating cost avoidance. By identifying and canceling redundant and unnecessary requests, the CDDOC avoided more than \$46 million in materiel costs and transportation fees. Additionally, this joint group of logistics experts was able to locate and return misplaced logistics support equipment to the supply system for cost avoidance of \$1.0 million.

Improving the Process from End-to-End



The End-to-End Process Pillar is laying the foundation for all Distribution Process Owner efforts by developing a joint distribution process architecture. Working with its national partners, USTRANSCOM is mapping the DOD deployment and distribution process from end-to-end—from the point of origin for a commodity, the “factory,” to the forward-most point of distribution or point of effect where materiel travels its last mile to the “foxhole.” This initiative will allow USTRANSCOM to identify organizational, process, and information technology gaps to enable process improvement through joint solutions.

Managing Information Technology

Designated as the Distribution Portfolio Manager by a joint memorandum signed in July 2004 by the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Director of Logistics, Joint Staff, USTRANSCOM is implementing portfolio management controls over DOD deployment and distribution IT systems. The objective is to focus DOD IT investments to deliver required force movement and sustainment IT capabilities to the Combatant Commanders using accepted DOD portfolio management methodologies. USTRANSCOM is collaborating with the Office of the Secretary of Defense, the Combatant Commanders, the Services, agencies, and other organizations to develop an overarching IT backbone for DOD deployment and distribution. This important initiative is on track to provide the warfighters with more effective IT support that allows them to see what is coming, to meter the flow, and to make more informed decisions.



“In the future, commercial partners will be more tightly integrated into our processes in the joint mobility operations center and, eventually, in support of the emerging requirement to synchronize distribution overseas.”

Lieutenant General
Robert T. Dail

Shaping Distribution Transformation

“While the DOD environment introduces complexities, challenges, and issues that are distinctly and uniquely “military” in nature, the commercial and DOD logistics worlds are not isolated from one another. Rather, they are significantly intertwined in commercial business and operational supply chain relationships.”

General John W. Handy (Ret)

Financial Management

Distribution Process Owner transformation initiatives garnered over \$213 million in cost avoidances in fiscal year 2005. Since inception, the DPO validated savings in excess of \$500 million: \$431 million was averted by shifting transportation of goods from airlift to sealift; \$15 million of excess equipment transportation was averted through order cancellation; \$29 million of transportation equipment was returned to the supply system negating the need for new equipment; and \$31 million was avoided by canceling redundant storage contracts subsequent to Defense Logistics Agency building the new Defense Distribution Center Kuwait.

In another initiative, the Financial Pillar, in partnership with the Air Force and the Defense Finance and Accounting Service, is transforming business and financial processes and systems to improve warfighter support. As part of the DOD Business Management Modernization Program, USTRANSCOM launched the Defense Enterprise Accounting and Management System. The objective is to provide a single, integrated financial system that enables distribution processes, produces accurate and timely financial data for decision makers, and supports strategic and operational flexibility in planning and execution.

Human Realm – Creating Joint Logisticians

Significant progress was made toward development of a community of joint professional logisticians. USTRANSCOM partnered with the Defense Logistics Agency to catalog the available supply chain and distribution courses within DOD’s educational institutions and academia. The resultant directory forms the basis for logistics education and training. The Human Realm Pillar briefed many of the institutions, teaching USTRANSCOM’s DPO mission to a variety of faculty members and students. These outreach efforts have opened doors to other possibilities. The Industrial College of the Armed Forces is well suited to develop a program that is responsive to educating military

and civilian logisticians for operations in the emerging distribution environment.

Integrated Distribution

The Integrated Distribution Pillar is closing seams with USTRANSCOM’s commercial partners. Approximately ten percent of all DOD cargo movement is managed directly by commercial suppliers or vendors through a process known as direct vendor delivery. In the majority of scenarios, direct vendor delivery offers significant cost-saving to DOD by leveraging the efficiencies of the marketplace and more effectively combining total acquisition and transportation requirements.

Direct vendor delivery is an important component of the total supply chain, but these purely commercial and often free-flowing supply chains must be thoroughly integrated with the defense distribution system, especially during contingency operations when distribution may be affected by hostilities, delivery congestion at the destination, limited lift within theater, or other constraints.

This past year, USTRANSCOM initiated two programs to integrate information systems and standardize business practices in handling direct vendor delivery shipments. First, under the government purchase card process improvement pilot, USTRANSCOM designed an alternative process to bring together four DOD purchasing and transportation systems with merchant-ordering processes, generating standard data and documentation for individual government purchase card shipments. Secondly, USTRANSCOM tested active performance management, a program designed to fix problem shipments already within the distribution system.

A key enabling capability to execute and manage USTRANSCOM’s Distribution Process Owner responsibilities is DOD’s delegation of authority for procurement of commercial transportation services to USTRANSCOM. This tool provides the needed authority to manage acquisition programs, develop successful acquisition strategies, and execute emerging Distribution Process Owner requirements.

Looking to the Future

USTRANSCOM is active in defining future warfighting concepts and needs. USTRANSCOM partnered with the Army to develop a joint integration concept on joint deployment and distribution. Developing a rapidly deployable, early-entry, theater-opening capability is critical to future operations. Joint Task Force-Port Opening will provide this capability to future USTRANSCOM commanders. Similar to air operations benefits offered by the Tanker Airlift Control Elements, the Joint Task Force-Port Opening concept envisions an operational construct to receive follow-on forces. Focusing on the entire transportation and distribution infrastructure from a truly joint perspective, Joint Task Force-Port Opening will connect surface reception with air operations. Rather than weeks, this capability could be deployed within days or hours, readily accepting follow-on forces. After four to six weeks, the joint task force would be prepared either to hand over operations to Air Expeditionary Forces, a Marine Corps landing support battalion, or an Army theater support command; or to contract the mission. Joint Task Force-Port Opening will set the stage for establishing joint theater logistics and will offer another bridge in the gap between the strategic and operational levels.

Logistics Transformation Near and Far

Future distribution requirements are not limited to contingency operations in distant lands. The Defense Transportation Coordination Initiative is a distribution initiative that contributes to logistics transformation and the goal of the Under Secretary of Defense for Acquisition, Technology, and Logistics to integrate logistics and become more efficient. The Defense Transportation Coordination Initiative concept proposes use of a transportation coordinator to integrate and synchronize movement of freight within the continental United States. The goal is improved reliability, predictability, and efficiency of materiel movement.

USTRANSCOM, in partnership with the Defense Logistics Agency, has responsibility for this effort and is establishing a joint project management office. The distribution transformation work is far from complete. Distribution Process Owner efforts are forging new partnerships and facilitating collaborative, joint solutions to meeting warfighter requirements for today and well into the future, both at home and abroad.



A Year Defined by Global Projection of National Security Capabilities

"...this is the largest natural disaster that this nation, in modern history, has ever had to respond to."

Brigadier General Paul J. Selva

Operation UNIFIED ASSISTANCE – Tsunami Relief Efforts

With a nation at war and executing the largest force rotation experienced since World War II, a devastating earthquake in the Pacific Rim unleashed a tsunami that was responsible for the loss of over 300,000 lives in six pacific nations.

The ensuing global relief effort to speed humanitarian relief to the stricken areas demonstrated the global flexibility and commitment of USTRANSCOM to supporting global deployment and distribution operations under the most extreme circumstances and conditions. With the designation of Operation UNIFIED ASSISTANCE, USTRANSCOM was called upon to support USPACOM efforts to move relief supplies and equipment to the region in an attempt to mitigate human suffering and assist host nations requests for humanitarian aid.



Additionally, MSC, in it's Navy role, deployed the USNS Mercy and her medical crew to augment regional medical assets to mitigate human suffering in the affected areas. USTRANSCOM mobility forces were among the first to deploy to the region – expanding air and seaport capability and providing needed visibility of arriving military and humanitarian supplies.

Upon completion of the mission, USTRANSCOM generated 56 strategic airlift sorties to redeploy the members of Combined

Support Force-536 and their equipment back to their originating stations and bases in the United States and across USPACOM's expansive area of responsibility.

Surface Movements

This past year, SDDC synchronized 212 vessel operations and the related land movement by truck, rail, and barge in support of DOD operations worldwide – to include Operations IRAQI FREEDOM and ENDURING FREEDOM – moving over 22,239,700 square feet of unit cargo. SDDC set up Task Force Marne and Bastogne focusing on end-to-end distribution in keeping with the command's new role as Surface Distribution Process Owner. In addition, the global structure of the SDDC was in full force as two of the command's transportation groups joined together supporting Operation UNIFIED ASSISTANCE in the tsunami devastated areas of Thailand. Finally, the Passenger and Personal Property Section prepared to launch an exciting new initiative next fiscal year called the "Families First" program, which will provide significant improvements to the household goods moving process based on performance measured by the Service Member. These commitments represented only a portion of SDDC's total global workload of surface operations.



Airlift Support

The Global War on Terrorism continues to dominate the airlift landscape. Support for forces and troop rotations engaged in the Central Command area of responsibility generated the largest airlift sustainment effort in history. Additionally, airlift support for global

customers resulted in 709,587 short tons of cargo moved and 483,310 flying hours expended. The C-17 matured into a tactically capable delivery platform, able to conduct operations into hostile areas, giving new flexibility to airlift planners. The use of C-17s in an intra-theater role provided relief to the C-130 fleet while also delivering responsive intra-theater airlift support to the warfighter with planning and command and control from the 18th Air Force's Tanker Airlift Control Center.

Aerial Refueling Support

AMC tankers continued to support national objectives in every region around the globe. AMC is USTRANSCOM's single source manager for providing air refueling support to the regional Combatant Commanders. This effort resulted in 26,148 refueling missions and the offloading of 1,205,939,400 pounds of fuel during fiscal year 2005. AMC KC-135s and KC-10s were heavily involved in regional and airbridge support of Operations IRAQI FREEDOM and ENDURING FREEDOM. In addition, USTRANSCOM tankers flew 535 missions supporting combat aircraft patrolling the skies of the Continental United States in Operation NOBLE EAGLE.

Sealift Support

MSC has been at the forefront in the continuing Global War on Terrorism, supporting the ocean transport needs of US and allied forces around the world. During fiscal year 2005, the command delivered more than 76 million square feet of combat power to Army, Marine Corps, Air Force, and Navy warfighters engaged in Operations ENDURING FREEDOM and IRAQI FREEDOM. At the same time, MSC delivered more than 7.5 billion gallons of fuel for combat vehicles, aircraft, ships, and power generation. The command also operates ships that provide combat logistics support to Navy ships at sea, special mission support to DOD and other US government agencies, and pre-positioning of military supplies and equipment at sea for all four military services.

Hurricanes Katrina and Rita Humanitarian Relief

As the fiscal year closes, USTRANSCOM once again finds itself delivering humanitarian assistance – in the devastating wake of Hurricanes Katrina and Rita along the Gulf coast.

Planners from USTRANSCOM's Deployment and Distribution Operation Center are coordinating with US Northern Command's (USNORTHCOM) Joint Operations Center in Colorado Springs, Colorado. Applying lessons learned in Afghanistan and Iraq, USTRANSCOM deployed an operations center to assist USNORTHCOM in coordinating and synchronizing assistance for evacuating victims and moving relief supplies and special equipment to the areas affected by the hurricanes.

USTRANSCOM evacuated approximately 2,600 people from areas in the path of Hurricane Rita - 1,200 were patients requiring medical care while en route. Additionally, USTRANSCOM pre-positioned forward deployment officers and air planners to support logistics as well as basic supplies such as water, food and medical personnel; and established joint military operations teams that worked together to quickly respond to post hurricane requests. Through MSC, USTRANSCOM provided 13 ships (5 organic and 8 Maritime Administration) to the Gulf Coast region providing fuel and electricity.

As Hurricane Rita came ashore, USTRANSCOM was prepared to establish aerial and sea ports as necessary to assist in the aftermath of the hurricane's relief efforts. This rapidly deployable port opening capability is a relatively new concept that was recently demonstrated in Exercise Bright Star in Egypt.



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.

Civil Reserve Air Fleet Support	
Passenger/Cargo Aircraft	1,143
Commercial Companies (<i>CRAF Partners</i>)	40
Troops Carried	1,367,847
Cargo (<i>short tons</i>)	245,657
CRAF Missions	10,978

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 US forces during contingencies. Meeting AMC's overall airlift requirements was achieved with the support of its Civil Reserve Air Fleet commercial carrier partners. USTRANSCOM's commercial carriers again were invaluable as they supported the increased workload due to the Global War on Terrorism moving a significant amount of people and cargo to the fight.



Voluntary Intermodal Sealift Agreement



The Voluntary Intermodal Sealift Agreement (VISA), through its contingency contracts, provides the DOD with assured access to militarily useful, US-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 US-flagged carriers participate in the VISA. Of the total US-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, US Joint Forces Command, US Army Corps of Engineers, US Forces Command, Maritime Defense Zone, Maritime Administration, and the US 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 Transportation Command...



...implementing world
class deployment and
distribution solutions...

...globally projecting
national security
capabilities...



...and responding rapidly
to deliver humanitarian
relief at the greatest
time of need



Performance

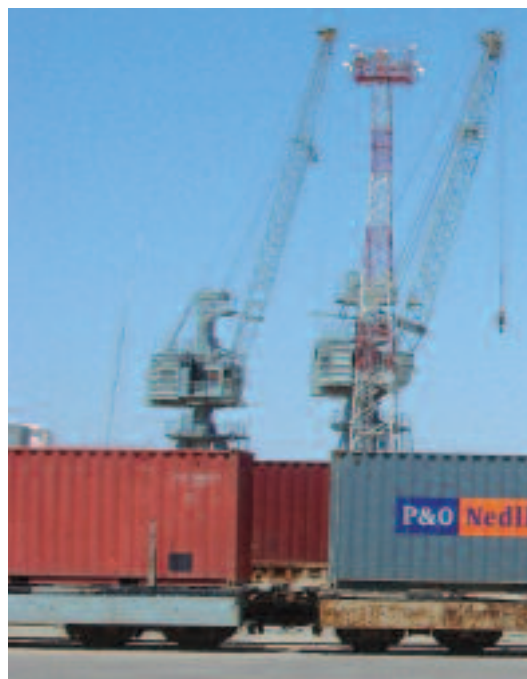
“We need to fulfill our obligations to be good stewards, to operate our activities in ways that are fiscally smart, rational, and of course-back the promise of improving the way DOD does its work, over time.”

General Norton A. Schwartz

USTRANSCOM's Transportation Working Capital Fund

USTRANSCOM Transportation Working Capital Fund ended fiscal year 2005 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 \$8,921 billion in fiscal year 2005 revenue would place USTRANSCOM 250th on the United States' Fortune 500 companies' list.

Net Operating Result			
	Actual FY 2005	Planned FY 2005	Variance FY 2005
Revenue	\$8,921.2	\$7,752.8	\$1,168.4
Expense	\$9,034.4	\$7,917.9	\$1,116.5
NOR	(\$113.2)	(\$165.1)	\$51.9
(Dollars in Millions)			



SDDC's Financial Performance



In fiscal year 2005, SDDC began fielding its Activity Based Costing program throughout the Command and linking it with performance and cost activities, processes, and business areas. This program will provide a holistic approach to resource management and programming, using data that is oriented around SDDC's core business activities. The Activity Based Costing model assists managers in allocating and adjusting manpower and funding resources and in documenting requirements. It also provides cost and performance information to managers. When fully integrated with SDDC's strategic planning and balanced scorecard, this Activity Based Costing program will greatly enhance long-term planning and programming.

Net Operating Result			
	Actual FY 2005	Planned FY 2005	Variance FY 2005
Revenue	\$1,608.6	\$1,477.8	\$130.8
Expense	\$1,613.0	\$1,421.3	\$191.7
NOR	(\$4.4)	\$56.5	(\$60.9)
(Dollars in Millions)			

AMC's Financial Performance



Fiscal year 2005 was another challenging year for AMC's Transportation Working Capital Fund as the Global War on Terrorism continued.

AMC continued to satisfy customer requirements to move large amounts of cargo both efficiently and economically by relying heavily on the scheduled channel missions. Fiscal year 2005 marked the transition for airlift channel cargo rates from a point-to-point to a region-to-region rate. The rates remain commercially competitive and do not change during the fiscal year. Setting rates by region aligns AMC's business practices with commercial processes and enables the DOD distribution transformation goal of providing intermodal end-to-end support to the warfighter. The regions are modeled from commercial regions and can be easily realigned to accommodate contingencies. Rates by zone accomplish USTRANSCOM's goal of simple, flexible, and fair rates.

In addition to Channel missions, the Special Assignment Airlift Missions/Contingency missions are key components to ensuring the warfighter gets to the fight.

Providing airlift customers with first-rate service has always been AMC's focus. Exhibiting flexibility and creativity, AMC is working hard to effectively employ their resources to meet changing readiness and mission requirements.

MSC's Financial Performance

MSC continued to upgrade and fine tune its Financial Management System as part of process alignment and transformation in fiscal year 2005. Expanded training and improved processes led to accepting paperless receipts from government purchase cards, the first step in electronic invoicing. Electronic receipting will achieve wider use throughout fiscal year 2006.



Net Operating Result			
	Actual FY 2005	Planned FY 2005	Variance FY 2005
Revenue	\$6,171.8	\$5,320.0	\$851.8
Expense	\$6,264.7	\$5,542.3	\$722.4
NOR	(\$92.9)	(\$222.3)	\$129.4
(Dollars in Millions)			

Net Operating Result			
	Actual FY 2005	Planned FY 2005	Variance FY 2005
Revenue	\$1,130.7	\$917.7	\$213.0
Expense	\$1,145.7	\$917.0	\$228.7
NOR	(\$15.0)	\$0.7	(\$15.7)
(Dollars in Millions)			

Component Performance by Business Area

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	(Known as Global Privately Owned Vehicle Contract) Booking and movement of privately owned vehicles
Liner	Ocean movement of DOD cargo by scheduled commercial ocean carrier service
Charter	Surface movement of DTS dry cargo
Reimbursable	Fees for non-specific business areas and underutilized capacity
Other	Non-operational revenue and cost due to conversion to new financial system

SDDC Net Operating Result

	Revenue	Expense	NOR
Port Ops	\$302.3	\$299.4	\$2.9
TFC Mgt	\$94.9	\$100.3	(\$5.4)
GPC	\$302.2	\$239.3	\$62.9
Liner	\$820.1	\$873.7	(\$53.6)
Charter	\$8.0	\$13.0	(\$5.0)
Reimbursable	\$68.3	\$68.3	\$0.0
Other	\$12.8	\$19.0	(\$6.2)
TOTAL	\$1,608.6	\$1,613.0	(\$4.4)

(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	\$250.7	\$342.1	(\$91.4)
Cargo	\$1,823.5	\$2,376.6	(\$553.1)
SAAM	\$3,692.6	\$2,990.8	\$701.8
Exercise	\$96.0	\$117.3	(\$21.4)
Training	\$308.9	\$437.8	(\$128.9)
TOTAL	\$6,171.8	\$6,264.7	(\$92.9)

(Dollars in Millions)

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 received from the Navy to buy tankers and from the Defense Emergency Relief Fund
Other	Undistributed Write-off

MSC Net Operating Result

	Revenue	Expense	NOR
Cargo	\$375.8	\$363.8	\$12.0
Tanker	\$119.7	\$144.6	(\$24.9)
Surge	\$298.8	\$289.9	\$8.9
Prepo	\$306.4	\$259.4	\$47.0
Reimbursable	\$34.4	\$34.4	\$0.0
Other	(\$4.4)	\$53.6	(\$58.0)
TOTAL	\$1,130.7	\$1,145.7	(\$15.0)

(Dollars in Millions)



Technology and Transformation

"The business of TRANSCOM is indeed information. We have other systems that help us ... but the thing that really moves TRANSCOM is our information access. Without it, we're just pushing things around the world and nobody knows about it."

General John W. Handy (Ret)

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 IT, supportive processes, and organizational facilitators.

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

In November 2004, the National Security Agency awarded the prestigious Frank B. Rowlett Trophy for Organizational Excellence to USTRANSCOM's Information Assurance Branch. This trophy is awarded each year to the US Government organization recognized as making the most significant contribution to the improvement of national information systems security, operational information assurance readiness, or the defensive information operations posture of the United States. In citing USTRANSCOM's achievements, the National Security Agency noted the Information Assurance Branch enhanced operational readiness and established a new standard for information assurance capabilities. This was USTRANSCOM's third win in six years, an unprecedented record of excellence within the US government.

Defense Enterprise Accounting and Management System (DEAMS)

The United States Air Force (USAF) awarded a \$22.7 million task order to Oracle for the commercial software to build DEAMS. DEAMS is a joint initiative between USTRANSCOM, USAF, and the Defense Finance and Accounting Service under the Business Management Modernization Program Office. Under the direction of the Office of the Secretary of Defense Financial Management Transformation Team, the goal of DEAMS is to develop a modern and integrated financial management system for the DOD.

The DEAMS initiative will transform business and financial management processes and systems, incorporate the Standard Financial Information Structure, improve combat support for the warfighting forces, and provide real-time information for leadership decision making. USTRANSCOM, USAF, and DFAS will use DEAMS. This initiative is an important step toward achieving full compliancy under the Chief Financial Officer's Act, and the Government Management Reform Act.

DEAMS will serve as the financial management system for the Transportation Working Capital Fund and General Fund operations for USTRANSCOM and USAF. MSC will continue to use their current Oracle-based financial system for their non-working transportation capital fund operations. SDDC plans to use DEAMS to account for their Army General Fund in addition to using the system for the Transportation Working Capital Fund.

DEAMS will be released incrementally. The first version will be implemented at Scott Air Force Base, Illinois. This location allows for implementation across USTRANSCOM, and AMC, as well as a variety of base and tenant organizations. DEAMS has the potential for expansion throughout the DOD.



Global Transportation Network

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. Development of the intended follow-on Global Transportation Network for the 21st Century (GTN 21) experienced two delays in the past year due to technical and programmatic issues. Furthermore, the additional responsibilities assigned to USTRANSCOM in September 2003 prompted an August 2005 senior level review that decided to discontinue GTN 21 since "the original transportation focus of GTN 21 no longer serves the strategic needs of USTRANSCOM in this evolving Distribution Process Owner environment. Currently, USTRANSCOM and DLA are exploring the requirements similarity between GTN and Integrated Data Environment, a DLA logistics system, and the potential of bringing these programs together under the same acquisition management framework.

Joint Deployment and Distribution Architecture

The Defense Transportation System Enterprise Architecture continues to be the leader for architecture development and governance within the DOD. In 2005, the architecture was substantially expanded to become the Joint Deployment and Distribution Architecture. The Joint Deployment and Distribution Architecture is now the principal tool for supporting the Commander's designation as the Distribution Process Owner. Throughout 2005, the USTRANSCOM staff worked closely with counterparts from other combatant commands to examine the potential for implementing USTRANSCOM's architectural framework within their own organizations. Additionally, architecture staff from USTRANSCOM, the Air Force, and the Army developed and demonstrated a method for aligning the disparate logistics architectures of the three organizations. In early 2005, the Under Secretary of Defense for Acquisition, Technology, and Logistics tasked USTRANSCOM to explore the potential of integrating the DOD Business Management Modernization Program Electronic Business Process Model into the USTRANSCOM Corporate Resource Information Source architecture metadata repository. The integration of the Electronic Business Process Model will make the USTRANSCOM Enterprise Architecture the central source for logistics related information across DOD.

Technology and Transformation

"[We] look forward to working with [DOD] and our national partners to take this necessary step. It will provide much-needed horizontal integration among the disparate distribution processes, systems, and data architectures and is critical to improving warfighter distribution."

General John W. Handy (Ret)

The Way Ahead Improving DOD Distribution IT Capabilities

On 28 July 2004, the Under Secretary of Defense for Acquisition, Technology, and Logistics, and the Director of Logistics, Joint Staff jointly designated the Commander, USTRANSCOM as the Distribution Portfolio Manager. As the Distribution Portfolio Manager, the Commander, USTRANSCOM will manage the logistics systems that provide key capabilities in support of distribution (sustainment and force movement) activities.

USTRANSCOM will improve DOD Distribution IT capabilities by taking a "process first, then systems" approach – focusing IT investments to improve distribution support for the Combatant Commanders. USTRANSCOM will ensure the distribution processes are right first – providing the warfighters with their requirements at the right time and place, each time, every time. The key elements to accomplish this are development of the Joint Deployment and Distribution Architecture, and implementation of Distribution Portfolio Management.

The Joint Deployment and Distribution Architecture is the Distribution Process Owner's framework to capture all the distribution processes used to meet warfighter force movement and sustainment requirements. USTRANSCOM is working with DOD stakeholders and other national partners to develop a comprehensive Joint Deployment and Distribution Architecture that incorporates all warfighter and customer distribution requirements. USTRANSCOM:

- Continues to work with US Joint Forces Command, the Joint Deployment Process Owner, to capture, define, and refine their force movement processes and integrate them into the Joint Deployment and Distribution Architecture.

- Expanded the award-winning Defense Transportation System Enterprise Architecture into the Joint Deployment and Distribution Architecture.
- Is collaborating with the Defense Logistics Agency to analyze the processes for distribution of all classes of supply, and incorporating those processes into the Joint Deployment and Distribution Architecture.

As the Joint Deployment and Distribution Architecture continues to mature, USTRANSCOM will use it as the framework to manage the Distribution Portfolio. Prior to designation of Commander USTRANSCOM as the Distribution Portfolio Manager, IT system development was in an essentially unconstrained environment, which gave rise to today's myriad stove piped systems that perform various facets of distribution but are not integrated or interoperable. Implementation of a successful Distribution Portfolio Management program is absolutely essential to focus IT investments so they provide improved, interoperable, and integrated distribution support for the Combatant Commanders. Distribution portfolio management, supported by the Joint Deployment and Distribution Architecture, is key to eliminating outdated business practices and fulfilling USTRANSCOM's net-centric goals. Distribution portfolio management will ensure that USTRANSCOM has the appropriate IT capabilities available to perform its mission and conduct effective distribution operations to reach the ultimate goal – providing the warfighters with the 21st Century support they need and so richly deserve!

USTRANSCOM Deployable Command and Control Capabilities

USTRANSCOM is leading the way in developing joint deployable command and control capabilities in support of its mission as the DOD's global transportation and distribution provider. The development and subsequent implementation of the Joint Deployment Distribution Operations Center (JDDOC), the Joint Task Force-Port Opening and the Director, Mobility Forces-Surface (DM4-S) organizational constructs will provide regional Combatant Commanders with a flexible and scaleable capability tailored to seamlessly execute transportation and logistic requirements to meet the full spectrum of assigned operations.

The JDDOC exists today. Each Combatant Commander maintains a standing command JDDOC to synchronize execution of deployment and distribution in their respective theaters. Upon Combatant Commander request, USTRANSCOM, Defense Logistics Agency, and the Services augment the JDDOC capability. The JDDOC, acting under the command of the regional Combatant Commander, directs, coordinates, and synchronizes deployment, redeployment, and distribution operations and enhances the Combatant Commander's ability to execute logistics plans with national partners and assigned forces.

The Joint Task Force-Port Opening currently is designed to combine specific Army and Air Force capabilities to provide Commander USTRANSCOM with a joint capability for opening the deployment and distribution network. This capability includes: Air/Sea Ports of Debarkation assessment, opening, and initial operation; cargo and passenger processing operations; establishment of joint in-transit visibility and radio frequency identification network; intermodal platform management; and, initial movement control. These units will bridge the gap between the initial occupation or seizure of an Air/Sea Ports of Debarkation and the arrival of

follow-on logistic support forces. Joint Task Force-Port Opening was successfully demonstrated recently in Exercise BRIGHT STAR 05. The DMS-4 synchronizes and directs the movement of surface transportation resources above the tactical level to ensure uninterrupted throughput at air and sea ports of debarkation to the theater level as described by the Combined/Joint Force Land Component Commander. The DM4-S operates under the operational control of the Combined/Joint Force Land Component Commander and includes MSC representatives who execute the requisite tasks involved in supporting Navy and Marine Corps movements and Joint Reception, Staging, Onward Movement, and Integration efforts, as well as employment and scheduling of intra-theater watercraft.

USTRANSCOM's expeditionary theater opening capabilities ensure that "end-to-end" deployment and distribution processes are defined and executed by a joint force with standards applied uniformly. This joint force will possess the trained leadership, standard processes, and integrated information technology to ensure strategic, operational, and tactical levels of DOD logistics operations are bridged across DOD Logistics Enterprise by these new expeditionary theater opening capabilities. This ultimately will improve the readiness and responsiveness of America's fighting forces.

For more information on USTRANSCOM and an electronic version of this publication, visit us on the web at <http://www.transcom.mil>.

"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 (Ret)

Appendix

Department of Defense

United States Transportation Command

Statement of Financial Condition

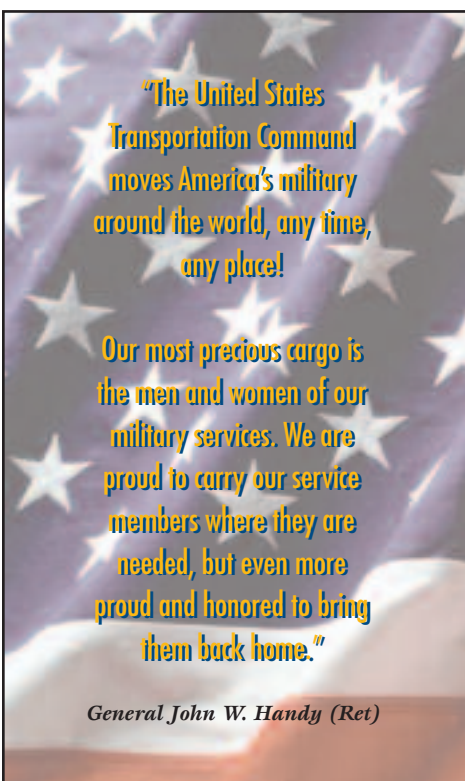
(Dollars in Millions)

	FY 2005	FY 2004
Assets:		
Cash	(\$125.6)	\$652.7
Available for Operations	(\$297.6)	\$465.2
Required for Capital Purchases	\$172.0	\$187.5
Accounts Receivable	\$829.7	\$826.0
Advances Made	\$15.8	\$27.6
Operating Material and Supplies	\$3.2	\$42.1
Capital Property (Net)	\$1,089.9	\$1,135.8
Total Assets	\$1,813.0	\$2,684.2
Liabilities:		
Accounts Payable	\$1,255.2	\$1,228.5
Accrued Liabilities	\$31.3	\$35.3
Other Liabilities	\$262.8	\$111.8
Total Liabilities	\$1,549.3	\$1,375.6
Government Equity:		
Paid-in-Capital	(\$1,549.7)	(\$618.1)
Accumulated Operating Results	\$1,813.4	\$1,926.7
Total Government Equity	\$263.7	\$1,308.6
Total Liabilities and Equity	\$1,813.0	\$2,684.2

Statement of Revenue and Expenses

(Dollars in Millions)

	FY 2005	FY 2004
Revenue:		
Gross Sales	\$8,952.7	\$8,040.6
Operations	\$8,734.8	\$7,845.5
Cash Surcharge	\$0.0	\$0.0
Depreciation	\$217.9	\$195.1
Other Income	\$8.3	\$19.4
Refunds/Discounts	(\$39.8)	\$0.0
Total Income	\$8,921.2	\$8,060.0
Expenses:		
Salaries and Wages:		
Military Personnel Compensation & Benefits	\$37.5	\$37.2
Civilian Personnel Compensation & Benefits	\$278.9	\$271.4
Travel and Transportation of Personnel	\$142.1	\$280.8
Materials and Supplies	\$1,323.2	\$990.0
Equipment	\$24.3	\$27.4
Transportation of Things	\$1,021.6	\$1,117.0
Depreciation - Capital	\$217.9	\$195.1
Printing and Reproduction	\$0.9	\$1.0
Rent, Communications, Utilities, and Misc Charges	\$39.3	\$130.8
Other Purchased Services	\$5,948.8	\$4,993.7
Total Expenses	\$9,034.5	\$8,044.4
Net Operating Result	(\$113.3)	\$15.6
Beginning AOR	\$1,926.7	\$1,911.1
Prior Year Adjustments	\$0.0	\$0.0
Accumulated Operating Result	\$1,813.4	\$1,926.7



United States Transportation Command (USTRANSCOM)

General Norton A. Schwartz

U.S. Air Force

Commander, United States Transportation Command



General Duncan J. McNabb

U.S. Air Force

Commander, Air Mobility Command



Vice Admiral David L. Brewer III

U.S. Navy

Commander, Military Sealift Command



Major General Charles W. Fletcher, Jr.

U.S. Army

Commander, Military Surface Deployment and Distribution Command





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