



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
EXECUTIVE DIRECTOR FOR CONVENTIONAL AMMUNITION
9301 CHAPEK ROAD
FT. BELVOIR, VA 22060-5527
02 June 2004

AMXED

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Fiscal Year 2003 (FY03) Annual Report, Single Manager for Conventional Ammunition (SMCA)

1. The Draft SMCA Charter, which is currently in final coordination, requires the Executive Director for Conventional Ammunition (EDCA) to furnish a fiscal year annual report to the Military Services and OSD staff on execution of the SMCA mission, with emphasis on measurable accomplishments, problem areas, and required actions. The first annual report to be completed since 1994 is enclosed and focuses on FY03 accomplishments of the SMCA. Future reports will use performance metrics that are currently being developed to objectively identify problem areas and recommend areas for improvement.
2. In preparation for the report, the Office of the EDCA (O/EDCA) queried the Military Services for topics, most of which have been covered in the report. Those topics for which objective data was not available were not included, but will be considered for future reports as actual performance data becomes available.
3. Following is a synopsis of the topics covered in the FY03 Annual Report:
 - a. Conventional Ammunition Working Capital Fund (CAWCF) Closure. For the period of this annual report, the CAWCF closure position is very favorable. As of 30 September 2003, the projected CAWCF closure bill was \$34.9M, 84% less than the original 1998 projected closure cost.
 - b. Single Manager for Conventional Ammunition Performance Metrics. In an effort to provide better managerial oversight of the SMCA mission, the O/EDCA worked in concert with the SMCA Executor, the Field Operating Activity and the Military Service customers to identify key performance metrics. Implementation of the metrics is expected to begin in time for their use in the FY04 Annual Report.
 - c. Delegation of Authority for SMCA Executor. On 28 January 2003, the Secretary of the Army delegated the authorities conferred by DoD Directive 5160.65 to the Assistant Secretary of the Army for Acquisition, Logistics and Technology [ASA(ALT)]. On 16 April 2003 the ASA(ALT) delegated the SMCA Executor authority to the Program Executive Office for Ammunition (PEO AMMO). The authority is to remain in effect until 27 January 2006 or unless sooner rescinded.
 - d. Review and Update of DoD Directive 5160.65 and DoD Instruction 5160.68. At the request of both the Deputy Director, Strategic and Tactical Systems, Office of the Under

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Secretary of Defense for Acquisition, Technology and Logistics [OSD(AT&L)/DS/LW&M], and the Chairman of the Joint Ordnance Commanders Group (JOCG), the O/EDCA facilitated a Special Study Group to update the mission functions of SMCA and O/EDCA and the governing DoDD 5160.65 and the DoDI 5160.68. Both documents were released on 14 April 2004 and are available on the DoD Website (<http://www.dtic.mil/whs/directives/>).

e. Army SMCA Charter Development. On 17 December 2002 the PEO AMMO asked the Deputy Program Manager Joint Services and the JMC to lead an integrated process team (IPT), which included members from each Military Service, to update the SMCA Charter. The Charter was still in staffing as of 31 May 2004.

f. Ammunition Stratification and Cross-Leveling. Stratification is an annual process that assesses the adequacy of the ammunition inventory to meet stated requirements. In addition, it ensures assets above requirements are retained if warranted or offered for cross-leveling to meet other Military Services requirements. At the March 2003 cross-leveling meeting the Military Services tentatively agreed to cross-level assets which could result in cost avoidance of \$8.2M in their FY05 budgets.

g. Review of the SMCA Procurement Process. During their 19 June 2002 meeting, the JOCG Quality Assurance Subgroup determined that a review of the process used by the SMCA to plan a procurement action through the point of awarding the contract should be conducted. O/EDCA led the process review, providing the results to JMC. Both JMC and PEO AMMO are using the results for process improvement efforts and Six-Sigma reviews.

h. Ammunition Demilitarization Program. On 8 July 2003, the PEO AMMO representative to the SMCA Pricing Review indicated the Army would only expend funds to demilitarize SMCA managed or Army owned ammunition. In early August 2003 representatives from Headquarters, Department of the Army, G4, met with the OUSD(AT&L)/DS/LW&M to discuss demilitarization funding. As a result of the meeting, the Army, in its SMCA role, agreed to accept and fund demilitarization of all Services' munitions (SMCA and non-SMCA managed) and OSD agreed to adjust the wording in the draft DoDD 5160.65 and DoDI 5160.68 accordingly.

i. Small Arms Ammunition Status. Requirements for small caliber ammunition have grown since the advent of the global war on terrorism. As a result, production of small caliber ammunition has grown from roughly 350M rounds per year in FY00 to approximately 1.5B planned for order in FY04. PEO AMMO and JMC are pursuing near- mid- and long-term strategies to obtain alternate/second sources to supplement production.

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SUBJECT: Fiscal Year 2003 (FY03) Annual Report, Single Manager for Conventional Ammunition (SMCA)

j. Trinitrotoluene (TNT) Acquisition. Due to increased tactical bomb requirements, there is insufficient virgin or recycled TNT in the SMCA stockpile to fill the requirements. JMC awarded an Indefinite Delivery/Indefinite Quantity contract for supply of TNT over a five-year period, under a multi-year contractual arrangement, on 12 September 2003 to Alliant Ammunition and Powder Company. Key requirements of the contract include a future supply of virgin TNT from a National Technology and Industrial Base production facility that can be later modified to produce other energetic material.

Encl


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Lieutenant General, USA
Executive Director
for Conventional Ammunition

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SUBJECT: Fiscal Year 2003 (FY03) Annual Report, Single Manager for Conventional Ammunition (SMCA)

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**FY 2003 Annual Report
Single Manager for Conventional
Ammunition**

By

The Executive Director
For
Conventional Ammunition

Fiscal Year 2003 Annual Report
Single Manager for Conventional Ammunition

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1. Conventional Ammunition Working Capital Fund (CAWCF) Closure.

a. The CAWCF was the financial mechanism used by the SMCA for SMCA procurements from 1982 to 1998 and was used to receive and consolidate orders from the Military Services and other DoD and government agencies for the procurement of common ammunition items. The CAWCF was a unique revolving fund and operated on the basis of fixed standard prices and adjusted annual gain/loss surcharges to achieve a zero Accumulate Operating Result (AOR) each year. Joint Service management mechanisms were in place to provide oversight and resolve issues. During the FY94 and FY95 Appropriation process, Congress criticized the CAWCF for its financial management system and backlog of orders. Although improvements were initiated, in 1996 the OSD Comptroller directed the CAWCF to stop accepting new orders at the end of FY98. The OSD-led Ammunition Procurement Improvement Team (APIT) was established in 1996, and developed the CAWCF closeout plan.

b. The APIT currently oversees the closure process of the CAWCF. A major concern of the APIT has been the solvency of the fund until the last order is completed in approximately FY05. In 1998, a loss of \$224M was predicted at CAWCF closeout. The OSD Comptroller, working with the APIT, developed a resolution to this loss and issued PBD 432 in November 1999. This PBD identified CAWCF liabilities by Service and totaled \$132M, (the liability increased to \$153M in PBD 432 of November 2000). In 2002, the APIT re-evaluated the CAWCF loss status and requested the OSD Comptroller revise the Services' liability. The CAWCF loss had decreased by 72% since 1998, creating an excess in the PBD. This decrease was caused in part by resolution of litigation. The OSD Comptroller directed the return of excess FY00 and FY01 funds to the Services and waived the FY02 liability, resulting in a \$81.2M reduction from the PBD. This PBD realignment enabled the Military Services to reuse procurement funds for ammunition or other priorities.

c. For the period of this annual report, the CAWCF closure position is very favorable. JMC's management and closeout initiatives are evident in the current estimated closure bill. As of 30 September 2003, the projected CAWCF closure bill was \$34.9M, which is 84% less than the original 1998 projected closure cost. This bill includes estimates for outstanding litigations and the cost of CAWCF operations until closure in FY05. At the end of FY03, approximately 2,350 CAWCF orders were still open for delivery or final billing. These open orders include both standard orders (priced at standard prices) and non-standard orders (priced at actual cost). Of these open orders, 13% are non-standard and require extensive administrative workload, particularly with Foreign Military Sale (FMS) orders. Many of the old FMS orders do not have financial data available at the Service level to settle billing closeout. JMC has initiated a resolution of this issue with Army FMS and is working with the other Service FMS sponsors to recommend a similar process.

d. The CAWCF financial position is positive. However, the delta between what the Services paid to satisfy the CAWCF closure and the projected closure costs has increased. As of 30 September 2003, the delta reached \$36.9M, and these funds have expired for obligation purposes (funds are FY01 and older). However, future litigation rulings and FMS order closeouts may change this delta from month to month. In July 2003, the APIT was tasked to address this delta. The CAWCF financial closeout tracking is provided at Figure 1.

2. Single Manager for Conventional Ammunition (SMCA) Performance Metrics.

a. In an effort to provide better managerial oversight of the SMCA mission, the Office of the Executive Director for Conventional Ammunition (O/EDCA), in concert with Military Service customers, worked to identify key performance metrics. The metrics initially addressed three major categories; procurement management, stockpile management, and distribution management. As the process evolved, a production and industrial base management category was added.

b. O/EDCA met with SMCA customers during the months of February, March and April 2003 in order to obtain input on metrics to measure the performance of the SMCA. Customers interviewed included: Naval Surface Warfare Center, Crane, Indiana; NAVAIR at Patuxent River, MD; Navy Special Operating Force (NAVSOF) San Diego, CA; Air Force ammunition managers at Ogden Air Logistics Center, Hill Air Force Base, UT; Headquarters, U.S. Air Force, ILMW; Army Program Executive Officer for Ammunition (PEO AMMO); Army Joint Munitions Command (JMC); and Marine Corps Program Manager for Ammunition, Marine Corps Base, Quantico, VA. Information gained from those visits was used to develop proposed metrics.

c. During the 4th quarter of FY03, members of the O/EDCA, JMC and PEO AMMO reviewed the metrics to determine which were currently being used and estimate resources needed to initiate gathering of information for new metrics. The purpose was to minimize the impact on organizations that provided the metrics and to be fiscally responsible by using as many available metrics as possible. The metrics are used as the key indicators that roll up into the ten mission areas identified by the SMCA customers (Figure 2). Metrics reporting is projected to begin in time for their use in the FY04 Annual Report.

3. Delegation of Authority for Single Manager for Conventional Ammunition (SMCA) Executor.

a. On 1 October 2002, the Assistant Secretary of the Army for Acquisition, Logistics and Technology [ASA(ALT)] and the Commanding General, Army Materiel Command (AMC) were briefed on Army Ammunition Management. As a result of the briefing, the ASA(ALT) stated in a 1 November 2002 memo that he would ask the Secretary of the Army to delegate full SMCA responsibility to the ASA(ALT) and that the ASA(ALT) would then delegate SMCA Executor authority to the PEO AMMO vice the CG AMC who was the current SMCA Executor.

b. The Secretary of the Army delegated the authorities conferred by DoD Directive 5160.65 to the ASA(ALT) in a 28 January 2003 memo (Enclosure 1). The memo stated the authority may be redelegated or subdelegated, though the ASA(ALT) would retain responsibility for issuing policy and providing oversight of the SMCA.

c. In a 16 April 2003 memo (Enclosure 2) the ASA(ALT) delegated the SMCA Executor authority to PEO AMMO. The authority is to remain in effect until 27 January 2006 unless sooner rescinded.

4. Review and Update of DoD Directive 5160.65 (Single Manager for Conventional Ammunition [SMCA]) and DoD Instruction 5160.68 (Single Manager for Conventional Ammunition [SMCA]: Responsibilities of the SMCA and the Military Services).

a. On 16 November 2001 the Deputy Director, Strategic and Tactical Systems, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics requested the Joint Ordnance Commanders Group (JOCG) commission their Executive Committee (EXCOM) "...to re-evaluate the SMCA of today to ensure that it meets our needs of tomorrow." In April 2002 the JOCG Chairman, on behalf of the JOCG Principals, requested that the O/EDCA facilitate a Special Study Group (SSG) to update the mission functions of the SMCA and the O/EDCA. A twenty-one member SSG comprised of representatives from each of the Military Services, the SMCA Field Operating Agency, O/EDCA and OSD was formed, with the Assistant Deputy Director, O/EDCA, as the facilitator.

b. The objectives of the Study were twofold: (1) To review and update the current mission functions of the SMCA and the O/EDCA to ensure they meet the needs of customers now and into the future; and (2) To update the governing DoD Directive 5160.65 (8 Mar 95) and the DoD Instruction 5160.68 (3 Mar 95). To meet the objectives, the SSG held six intensive, day-long sessions between May and September 2002. Both the DoDD 5160.65 and DoDI 5160.68 were reviewed line-by-line.

c. The JOCG EXCOM completed its review of the DoDD 5160.65 and DoDI 5160.68 on 10 February 2003 and forwarded the documents to the JOCG for endorsement to OSD. On 20 April 2003, the JOCG Principals endorsed the draft documents in a memo to the Deputy Director, Land Warfare and Munitions, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (Enclosure 3). The Deputy Director made two unilateral changes to the Directive: (1) Removing the requirement for the EDCA to be a 3-star or civilian equivalent; and (2) Removing the requirement for the O/EDCA to be in the National Capital Region; both of which were later added to the draft SMCA Charter by the Military Services.

d. On 23 May 2003, the Principal Deputy Under Secretary of Defense for Acquisition, Technology and Logistics released the Directive and Instruction for coordination. The Instruction was signed on 22 December 2003. Subsequently, the Washington Headquarters Service (WHS) required OUSD(AT&L)/DS/LW&M to coordinate the Directive and Instruction with the Joint Staff, because during the initial coordination of these documents they had been coordinated with the Special Operations Command. As of November 2003, the Special Operations Command reports to the Chairman of the Joint Chiefs of Staff. This new requirement delayed the signing of the Directive and the release of the Instruction. The Directive was signed on 14 April 2004 and both documents are now available on the DoD Website (<http://www.dtic.mil/whs/directives/>).

5. Single Manager for Conventional Ammunition (SMCA) Charter Development

a. In December 2002 the PEO AMMO asked the Deputy PM JS and JMC to lead an integrated process team (IPT) in the development of a revised/updated SMCA Charter. The current SMCA Charter is dated 1983.

b. The PM JS approach was a Joint Service effort and began with the active IPT participation of all the Military Services on 22 January 2004. The initial plan of action was to conduct periodic meetings (every 2-3 weeks depending on issues and availability) to discuss and resolve issues. Between meetings, the IPT members would work the details, language, etc., by e-mail, teleconference or VTC. Guidance from the Army Acquisition Executive was to develop and staff the Charter with the Military Services by 31 March 2003. The SMCA Charter IPT completed a Draft SMCA Charter for flag level input from the Military Services in April 2003.

c. The IPT consensus in June 2003 was that the SMCA Charter should not conflict with the Draft DoDD 5160.65 and Draft DoDI 5160.68, which define the roles and responsibilities of the SMCA. Neither the DoDD nor DoDI had been released as of 1 March 2004.

d. The IPT did not meet again in FY03 because the DoDD and DoDI had not been signed. The IPT did meet in October 2003 to prepare the Draft Charter for staffing. As of May 2004 the Draft Charter was still in staffing.

6. Ammunition Stratification and Cross-Leveling.

a. The O/EDCA continued in its role as defined in DoD 5160.65-M, Single Manager for Conventional Ammunition (Implementing Joint Conventional Ammunition Policies and Procedures), by serving as the secretariat of the annual Quad Service Cross-Leveling and Stratification in March 2003 and March 2004. The sponsors of this annual review are OUSD (AT&L)/DS/LW&M and the Deputy Under Secretary of Defense (Logistics and Materiel Readiness). The primary focus of the cross-leveling is to review ammunition long supply in the Services' Class V stratification reports as compared to planned procurements. Stratification is an annual process that assesses the adequacy of the ammunition inventory to meet stated requirements and ensures that assets above the requirements are retained only if warranted. This process optimizes the DoD ammunition posture, avoids unnecessary procurements, and prevents unnecessary demilitarization. The preliminary review allows each Service to identify potential cost avoidances to its budget by receiving, as free issue, ammunition that had been previously identified as long supply inventory in other Services' annual stratification reports. Policies and guidance for stratification and cross-leveling are contained in Chapter 9 of DoD 4140.1-R, DoD Supply Chain Materiel Management Regulation, with more detailed procedures contained in Chapter 7 of DoD 5160.65-M.

b. At the March 2003 meeting, fifty-six primary Department of Defense Identification Codes that represented a cost avoidance potential of \$19.6M in FY05 budget buys were reviewed. As a result of the QSR, the Services tentatively agreed to cross-level assets that could

result in an \$8.2M cost avoidance to their FY05 budgets. Final FY02 cross-leveling transactions resulted in ammunition transfers between the Services valued at \$18.6M (Figures 3 and 4). The final results of these transactions from FY02 were available during the March 2003 meeting.

c. Final FY03 cross-leveling transactions resulted in ammunition transfers between the Services valued at \$7.0M (Figures 5 and 6). The FY03 cross-leveling actions brought the total cost avoidance realized to \$290.5M since the first meeting in 1997.

d. The O/EDCA initiated action to develop a web-based tool to improve information sharing and aid in decision making during future cross-leveling efforts. The tool, which was suggested by the Air Force and endorsed by the other Services, was developed as a thesis project by students from the Naval Post Graduate School under the direction of the O/EDCA. Fielding of the tool was put on hold pending changes to the SMCA Integrated Conventional Ammunition Procurement Plan (ICAPP). The ICAPP is the key file used to link the cross-leveling database; therefore, a change to the ICAPP will necessitate modification of the tool.

e. One benefit already realized from the Naval Post Graduate School web-based tool was an analysis and breakout of the costs associated with conducting Class V stratification and cross-leveling across the Services. Based on time and labor estimates provided by the Service representatives, and using a 2.5 factor for overhead, the stratification and cross-leveling efforts cost less than \$.3M per year to perform.

7. Review of the SMCA Procurement Process.

a. During the 19 June 2002 meeting of the JOCG Quality Assurance Subgroup, discussions led to the initiation of a review of the processes used by JMC from planning a procurement action to the point of awarding a contract.

b. The review, led by the O/EDCA, was conducted during FY 2003. The method used to conduct the review involved interviews with most of the Acquisition Integrated Product Teams that handle SMCA procurements at JMC. Comparisons of the processes used by each of the teams revealed differences and possible gaps that could result in an inability to meet customer requirements in contract preparation, support coordination, or product delivery. Additionally, different source selection team composition procedures were used by each team in regard to inclusion of non-Army representatives on the teams, resulting in inconsistencies. The process review results (Enclosure 4) were provided to JMC. Both JMC and PEO AMMO are using the results of the review in their process improvement efforts and Six-Sigma reviews.

8. Ammunition Demilitarization Program.

a. On 8 July 2003, the PEO AMMO representative to the SMCA Pricing Review indicated the Army position on funding for demilitarization of non-SMCA assigned conventional ammunition had changed. Specifically, the representative stated that the Army would only expend funds to demilitarize SMCA-managed or Army-owned ammunition. All other demilitarization would be conducted on a reimbursable basis. This was a change from long-standing demilitarization policy.

b. In early August 2003 representatives from HQDA G-4 met with OUSD(AT&L)/DS/LW&M to discuss demilitarization funding policy. As a result of the meeting, the Army agreed to accept and fund demilitarization of all Services' munitions regardless of whether the munitions were SMCA-assigned or not. Based on input from the Army, OSD agreed to adjust the wording in the draft DoDD 5160.65 and DoDI 5160.68 to remove any doubt that the SMCA is responsible for funding demilitarization of all conventional ammunition for all Services.

9. Small Arms Ammunition Status.

a. Requirements for small caliber ammunition have grown since the advent of the global war on terrorism. This has been compounded by Chief of Staff of the Army direction to increase live-fire training for Soldiers. In response, production has been increased at the main production facility at Lake City Army Ammunition Plant (LCAAP). Since 2000, production of small caliber ammunition has grown from roughly 350M rounds per year to approximately 1.5B rounds planned for order in FY04. To meet increased requirements, the LCAAP production capacity has increased from 800M rounds per year to approximately 1.2B rounds per year using a 3-8-6 schedule. PEO AMMO and JMC are also pursuing near-, mid-, and long-term strategies to obtain alternate/second sources to supplement LCAAP production. Contracts were awarded for additional 5.56MM ammunition production. Contracts for 7.62MM and .50 caliber ammunition are in progress.

b. Given Army requirements growth and contract/production lead times, shortages exist. For example, the Army requirement did not train Reserve Component units to Active Duty levels. Since 11 September 2001, the Army has supported unprogrammed training ammunition requirements totaling approximately \$400M from CONUS war reserve stocks. The Army has been able to support training requirements for OIF2 and OIF3 deploying units, which have priority for required training ammunition. This has caused CONUS-based non-deploying units to continue to experience shortfalls for training with small caliber ammunition.

10. Trinitrotoluene (TNT) Acquisition.

a. TNT is used by all the Military Services, but the largest user is the Air Force for general purpose bombs. Since 11 September 2001, the tactical bomb requirements have increased significantly and there is insufficient virgin or recycled TNT in the SMCA stockpile to fill the requirements.

b. TNT will start being replaced in 155MM artillery ammunition and bombs by less sensitive explosive fills in the FY05 – 07 timeframe as a part of the Insensitive Munitions (IM) initiative. These IM fills are not qualified for use in current production.

c. On 16 May 2002, OUSD(AT&L)/DS/LW&M hosted a meeting to discuss the Air Force Bomb Strategy. As a result of the strategy developed during the meeting, JMC issued Request for Proposal (RFP) No. DAAA09-02-R-0069, 28 February 2003, on an other than full and open competitive basis, limiting consideration to producers located within the National

SMCA Annual Report
Fiscal Year 2003

Technology and Industrial Base (NTIB). The NTIB consists of the United States, Canada and Mexico.

d. JMC awarded an Indefinite Delivery/Indefinite Quantity contract for supply of TNT over a five-year period, under a multi-year contractual arrangement on, 12 September 2003 to Alliant Ammunition and Powder Company. Key requirements of the contract include the supply of virgin TNT from a NTIB source, reclaimed, and OCONUS TNT over five program years. In addition, the NTIB virgin TNT production facility will be easily modified to produce other energetic material, notably insensitive explosive material, upon satisfaction of TNT requirements.



SECRETARY OF THE ARMY
WASHINGTON

JAN 28 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY
(ACQUISITION, LOGISTICS AND TECHNOLOGY)

SUBJECT: Delegation of Authority as Single Manager for Conventional Ammunition (SMCA) and Section 806 Authority Under the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (FY99)

Department of Defense (DoD) Directive 5160.65 designates the Secretary of the Army as the Single Manager for Conventional Ammunition (SMCA) for the DoD. Section 806 of the Strom Thurmond National Defense Authorization Act for FY99 vests the SMCA with authority to restrict the procurement of conventional ammunition to sources within the national technology and industrial base in accordance with Title 10, United States Code, Section 2304(c).

The authorities conferred by DoD Directive 5160.65 and Section 806 are hereby delegated to the Assistant Secretary of the Army (Acquisition, Logistics and Technology) ((ASA(ALT))). This authority may be redelegated or subdelegated. Regardless of any delegation, the ASA(ALT) will retain responsibility for issuing policy and providing oversight of the SMCA and Section 806 functions.

This delegation shall remain in effect for three years unless sooner rescinded in writing. This memorandum rescinds the Secretary of the Army's memorandum, dated March 14, 2000, subject: Delegation of Authority under Section 806, Strom Thurmond National Defense Authorization Act for Fiscal Year 1999.

Thomas E. White

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SUBJECT: Delegation of Authority as Single Manager for Conventional Ammunition (SMCA) and Section 806 Authority Under The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (FY99)

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SAAL-PA

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Delegation of Authority for Single Manager for Conventional Ammunition (SMCA) Executor and Section 806, Strom Thurmond National Defense Authorization Act for Fiscal Year 1999

I hereby delegate authority to act as SMCA Executor to the Program Executive Officer (PEO), Ammunition. Department of Defense (DoD) Directive 5160.65 provides that the Secretary of the Army is the SMCA, and it further provides that the SMCA will appoint a SMCA Executor. On January 28, 2003, the Secretary of the Army delegated authority to the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)) to act as the SMCA for a period of three years (Enclosure 1). That delegation included the power to redelegate or subdelegate. The SMCA Executor has the responsibilities outlined in DoD Instruction 5160.68.

I hereby delegate limited Section 806 authority to the PEO, Ammunition for the purpose of making Section 806 Determinations, as described in this delegation of authority. Section 806 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 vests the SMCA with authority to restrict the procurement of conventional ammunition to sources within the national technology and industrial base in accordance with Title 10, United States Code, Section 2304(c). On January 28, 2003, the Secretary of the Army, acting as the SMCA, delegated the authority of Section 806 to the ASA(ALT), with the power of redelegation or subdelegation (Enclosure 1).

This delegation provides the PEO, Ammunition with the authority to sign Section 806 Determinations under appropriate circumstances, but it does not authorize the PEO, Ammunition to direct anyone other than that officer's reportable program managers to change the approach to competition for a particular procurement. The Department of the Army must follow the procedures described in the implementing guidance contained in Enclosure 2. If the PEO, Ammunition disagrees with a planned approach to competition and cannot resolve the issues at his level, he will follow the provisions of paragraph 6.d.2. or 6.d.3., Enclosure 2, to present information to the ASA(ALT) for a decision.

The ASA(ALT) retains responsibility for issuing policy for, and providing oversight of, Section 806 functions. The authorities delegated by this memorandum may not be redelegated or subdelegated.

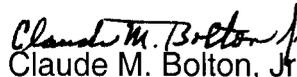
(Enclosure 2)

Within 60 days of the date of this memorandum, the SMCA Executor will provide a draft SMCA Charter to my Acquisition Policy Directorate (SAAL-PA) for service coordination, my signature, and approval by the Under Secretary of Defense (Acquisition, Technology and Logistics). The charter will address the provisions of DoD Directive 5160.65, DoD Instruction 5160.68, plus the guidance at Enclosure 2 for Section 806 determinations.

The delegation of authority issued by this office, dated November 26, 2002, subject: Delegation of Authority under Section 806, Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, is hereby rescinded. The memorandum issued by this office, dated May 15, 2000, subject: Department of the Army Guidance Implementing Section 806 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, is also hereby rescinded.

The delegations and authorities conferred by this delegation shall remain in effect through January 27, 2006, unless sooner rescinded in writing.

My point of contact is Mr. Chip Woody, FCI support to the Acquisition Policy Directorate. He may be reached at commercial (703) 604-7012, DSN 664-7012, or e-mail: leonard.woody@saalt.army.mil.


Claude M. Bolton, Jr.

Assistant Secretary of the Army
(Acquisition, Logistics and Technology)

Enclosures

DISTRIBUTION:

Under Secretary of Defense (Acquisition, Technology and Logistics)
Assistant Secretary of the Navy (Research, Development and
Acquisition)
Assistant Secretary of the Air Force (Acquisition)
Assistant Secretary of the Army (Financial Management and Comptroller)
General Counsel
Administrative Assistant to the Secretary of the Army
Deputy Chief of Staff, G-4
Commanding General, Army Materiel Command, ATTN: AMCRDA-A,
5001 Eisenhower Avenue, Alexandria, VA 22333-0001
Director, Army Contracting Agency

(Enclosure 2)

DEPARTMENT OF THE ARMY
US Army Joint Munitions Command
Rock Island, IL 61299-6000
Program Executive Officer for Ammunition
Picatinny Arsenal, NJ 07806-5000

DEPARTMENT OF THE NAVY
Office of the Chief of Naval Operations
Washington, DC 20350-2000
Naval Sea Systems Command
Arlington, VA 22242-5160
Marine Corps Systems Command
Quantico, VA 22134-5010



DEPARTMENT OF THE AIR FORCE
U.S. Air Force Air Armament Center
Eglin AFB, FL 32542-6844

JOINT ORDNANCE COMMANDERS GROUP

Office of the Chairman

20 APR 2003

**MEMORANDUM FOR Mr. Anthony Melita, Deputy Director, Land Warfare & Munitions,
Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics)**

SUBJECT: Updated DoD Directive 5160.65 and DoD Instruction 5160.68

- 1. On 16 November 2001, your Office tasked the Joint Ordnance Commanders Group (JOCG) to conduct a special study of the Single Manager for Conventional Ammunition (SMCA) to update DoD policy and related documents that govern SMCA operations.**
- 2. The JOCG convened a SMCA Special Study Group (SSG) to perform this task and assigned CAPT Robert Birdwell (Assistant Deputy, Office of the Executive Director for Conventional Ammunition (OEDCA)) to lead the effort. Representatives from each of the Military Services, OUSD(AT&L), and OEDCA participated in a bottom-up review of the SMCA mission and functions. The SSG deliberations resulted in major improvements and other changes to DoD Directive 5160.65 "Single Manager for Conventional Ammunition (SMCA)" and DoD Instruction 5160.68 "Single Manager for Conventional Ammunition (SMCA): Responsibilities of the SMCA and the Military Services."**
- 3. The JOCG concurs with SMCA SSG recommendations and submits proposed policy documents for official OSD staffing and approval. Draft documents are provided at enclosures 1 and 2; JOCG Joint Agreement is provided at enclosure 3.**
- 4. The Joint Ordnance Commanders extend their appreciation to CAPT Birdwell for leading this effort and to the SMCA Special Study Group for their outstanding contributions in performing this important task. Job well done by all!!**

A handwritten signature in black ink, appearing to read "Wade H. McManus, Jr.", written in a cursive style.

WADE H. MCMANUS, JR.
Major General, USA
Chairman, Joint Ordnance Commanders Group

3 Encls
as

(Enclosure 3)

DEPARTMENT OF THE ARMY
US Army Joint Munitions Command
Rock Island, IL 61299-6000
Program Executive Officer for Ammunition
Picatinny Arsenal, NJ 07806-5000

DEPARTMENT OF THE NAVY
Office of the Chief of Naval Operations
Washington, DC 20350-2000
Naval Sea Systems Command
Arlington, VA 22242-5160
Marine Corps Systems Command
Quantico, VA 22134-5010



DEPARTMENT OF THE AIR FORCE
U.S. Air Force Air Armament Center
Eglin AFB, FL 32542-6844

JOINT ORDNANCE COMMANDERS GROUP

JOINT AGREEMENT

We, the principal members of the Joint Ordnance Commanders Group concur with the changes made to the DoD Directive 5160.65 "Single Manager for Conventional Ammunition (SMCA)" and DoD Instruction 5160.68 "Single Manager for Conventional Ammunition (SMCA): Responsibilities of the SMCA and the Military Services". We recommend that the revised documents be submitted to OSD for official staffing and approval.

Handwritten signature of Wade H. McManus, Jr.

WADE H. MCMANUS, JR.
Major General, USA
Chairman/Principal Army Member

Handwritten signature of Robert W. Chedister.

ROBERT W. CHEDISTER
Major General, USAF
Principal Air Force Member

Handwritten signature of L. J. Bird.

L. J. BIRD
Rear Admiral, SC, USN
Principal Navy Member

Handwritten signature of Michael G. Mathis.

MICHAEL G. MATHIS
Rear Admiral, USN
Principal Navy Member

Handwritten signature of William D. Catto.

WILLIAM D. CATTO
Brigadier General, USMC
Principal Marine Corps Member

Handwritten signature of Paul S. Izzo.

PAUL S. IZZO
Brigadier General, USA
Principal Army Member

Date Signed 20 April 2003

(Enclosure 3)

SMCA Annual Report
Fiscal Year 2003

SMCA Procurement Process Improvement Recommendations

Source Selection Team Composition: Recommend all Acquisition Integrated Product Teams (AIPTs) receive training on this subject so non-Army representatives can be included when appropriate and requested.

Annual Military Interdepartmental Purchase Request (MIPR) Clause Letter Distribution: Provide a distribution list to the Military Service Liaison Offices to ensure their annual letter is distributed to all production managers, procurement specialists, procurement contracting officers, and product quality managers. Assign someone to keep the distribution list up-to-date. Provide copies of existing guidance letters to new employees.

Written Procedures: Most of the AIPT members did not have written procedures for their work efforts in support of preparation of solicitations for procurement of ammunition. The exceptions were the Product Quality Managers who have the detailed online Quality Assurance Operating Procedures and a few production manager interns who indicated they used Production Operating Procedures as guides and procedures they had developed as a learning tool. Also no detailed, current written guidance exists on conduct of the AIPT process. Having this would be helpful for participants who work on multiple AIPTs and would aid when someone transfers from one office to another. Development of a matrix comparing types of contracts and related AIPT procedural differences might be helpful.

Electronic MIPR (eMIPR) Clause Distribution: A consistent method of sharing the content of eMIPR and Air Specification requirements with all AIPT members should be developed. An electronic file format would simplify distribution and allow members who cannot attend in person to see the eMIPR clauses.

Training on eMIPR System: Ensure all production managers are fully trained on the eMIPR system capabilities and on its data accessibility. Training needs to include how to download eMIPR report information into electronic files that can be shared with others.

Service Requirements Prior to Funding: In coordination with the Customer Service organizations, determine the proper way to address clause and technical requirements prior to receipt of funding. Once identified, write a procedure and ensure all AIPTs are trained on the new process.

Verification that Service Clause Requirements are Included in Contract Solicitation: Develop a process that ensures the contract is reviewed by SMCA representatives for inclusion of all Service requirements from the eMIPR prior to customer review and offering of the solicitation for bids. Assure Services with buys planned in any of the years of a multi-year contract are part of the review process and that their quality requirements are addressed in the Basic Ordering Agreement. Once this process is identified, write a procedure and ensure all AIPTs are trained on the new process.

SMCA Annual Report
Fiscal Year 2003

Software Modification for Technical Data Package (TDP) Update: Develop a software modification that notifies Standard Operation and Maintenance Army Research and Development System (SOMARDS) when the Army Armament Research, Development and Engineering Center (ARDEC) Tracker System does not receive notice of a request for update of the TDP. This might be a modification to ARDEC Tracking System to have it return a message to SOMARDS acknowledging receipt. If SOMARDS does not receive the notification, it could be modified to provide a flag or notice that a transmission was incomplete.

TDP Update and Service Technical Requirements: Ensure eMIPR information is forwarded to the configuration manager so the configuration manager can verify whether the customer has included a technical requirement that is different than the one(s) in the TDP. The technical detail can then be clarified in the solicitation so no question will arise on which criteria is contractually binding.

Teamwork Communication: No single item in this report leads directly to this suggestion, but communication appears to be a continuing challenge throughout the process. One possible avenue for long-term improvement might be the use of a Collaborative Center such as the Army Knowledge Collaborative Center. This would allow for a collaborative work environment where team members can maintain a single process, collaborative work environment to eliminate duplication and more easily share information. Non-Army AIPT members or other interested parties should be able to be invited or sponsored into the Army Knowledge Collaborative Center.

CAWCF Closeout Costs

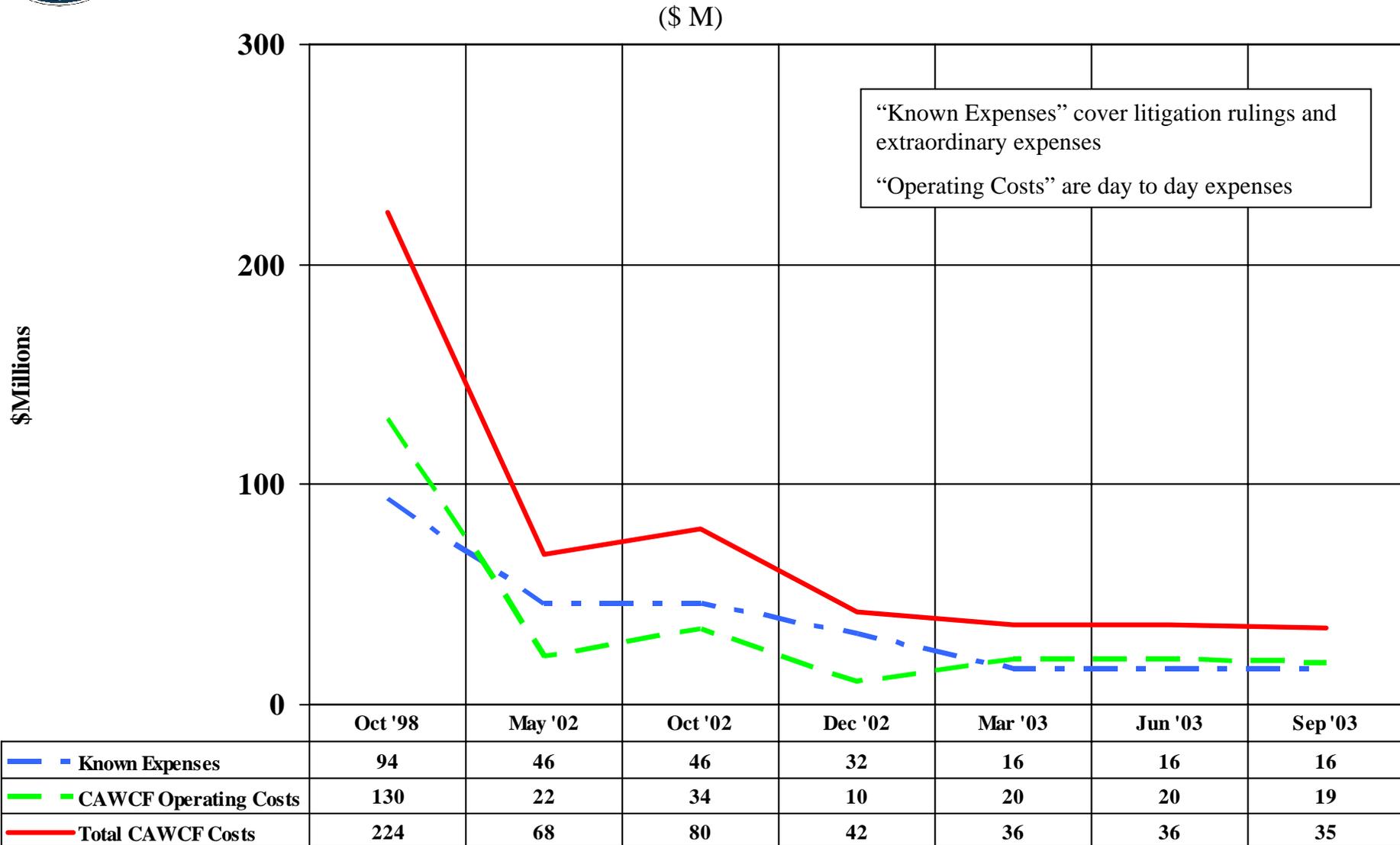


Figure 1

Key Performance Indicators

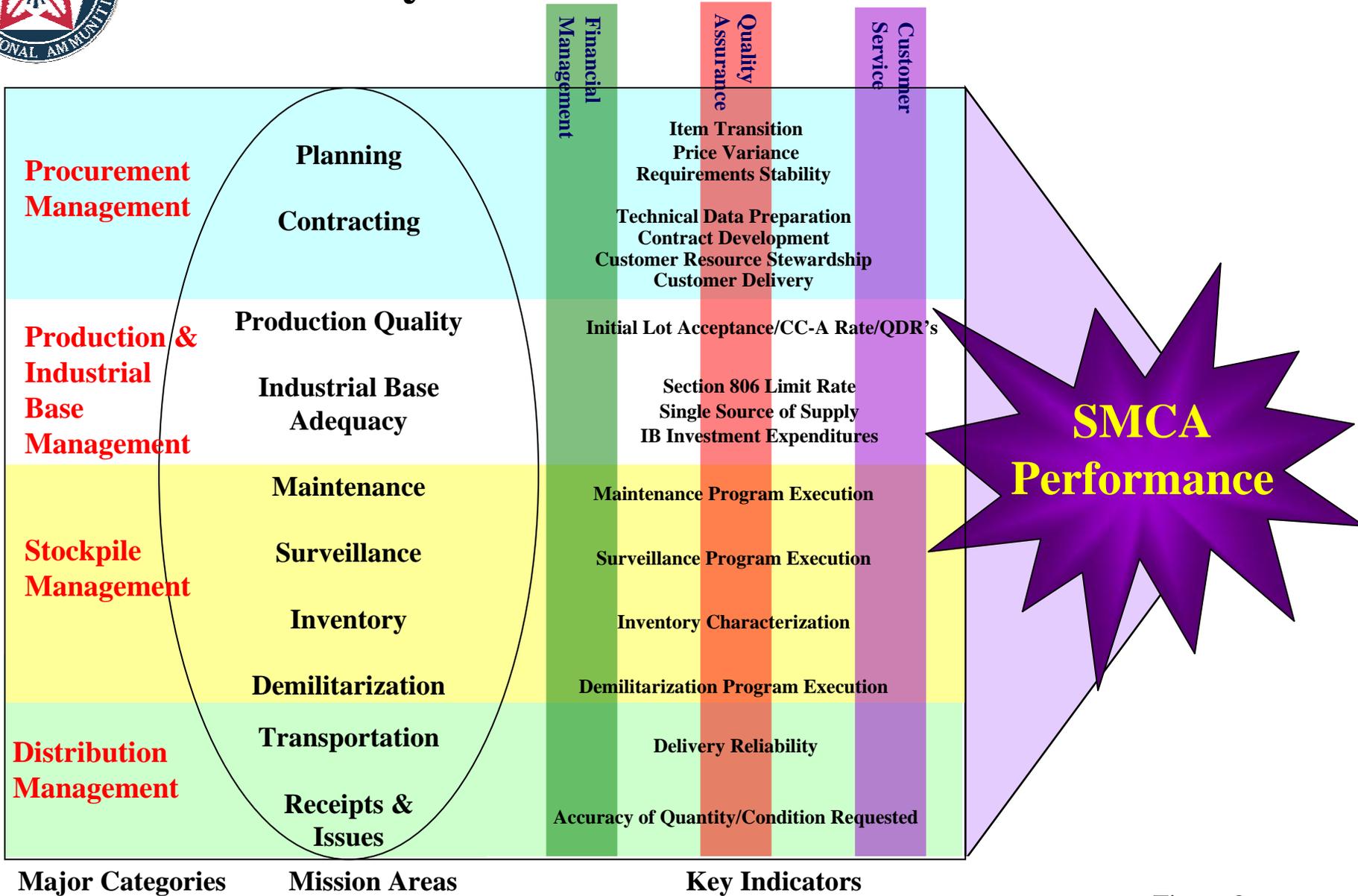


Figure 2



FY02 Cross-Leveling Accomplishments

**Total Recipient Cost Avoidance-
\$18.6M**

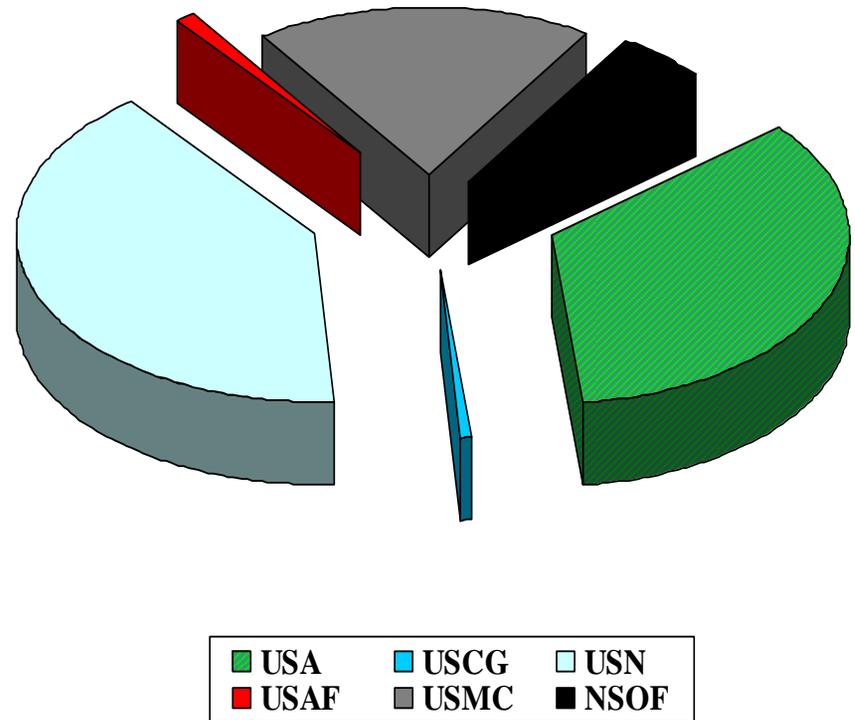
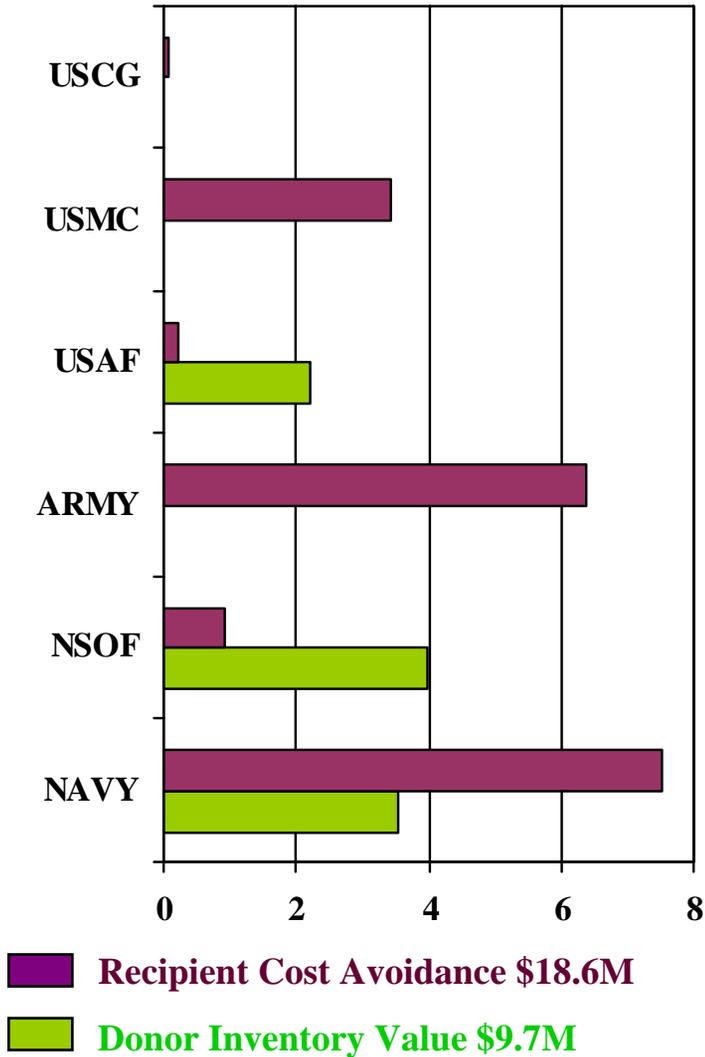


Figure 3



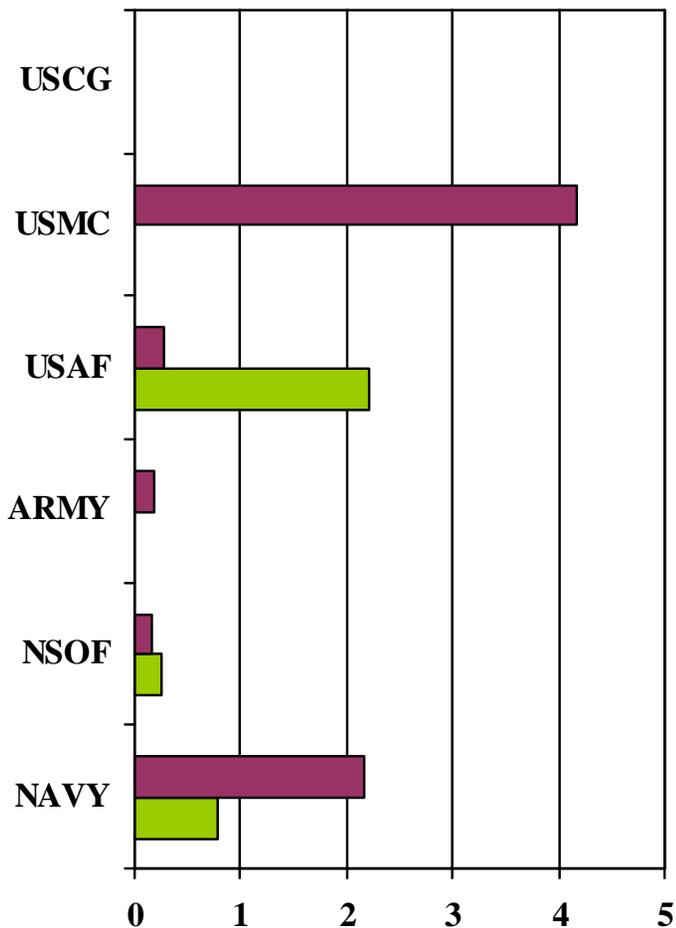
FY02 Cross-Leveling Accomplishments

Top 10 Cross-Leveling Events (\$M)

DODIC	NOMENCLATURE	FROM	TO	\$M
B546	Ctg 40mm HEDP M433	Navy	USMC/NSOF/ Army	7.7
A974	Ctg 25mm APDS-T M791	NSOF	Navy	7.5
A475	Ctg Cal .45 Ball M1911	Navy	USMC	1
M028	Demo Kit Bangalore Torpedo M1A2	Navy	Army	0.9
L312	Signal Illum Gnd WS Para M127A1	Navy	USMC/NSOF/ Army/USCG	0.5
A063	Ctg 5.56mm Tracer M856 F/M16A2	Navy	NSOF	0.2
M997	Charge Demo Assy MK88-0	Navy	USAF	0.2
L307	Signal Illum Gnd WS Cluster M159	Navy	NSOF/Army	0.1
G955	Gren Hand Smoke Violet M18	Navy	Army	0.1
G940	Gren Hand Smoke Green M18	Navy	Army	0.1
	TOTAL:			18.3



FY03 Cross-Leveling Accomplishments



Recipient Cost Avoidance \$7.0M

Donor Inventory Value \$13.5M

Total Recipient FY05 Cost Avoidance-\$7.0M

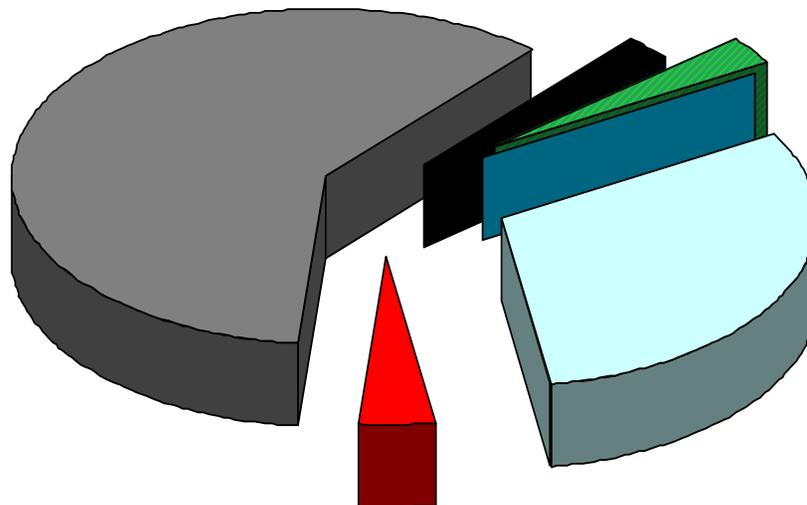


Figure 5



FY03 Cross-Leveling Accomplishments

Top 10 Cross-Leveling Events (\$M)

DODIC	NOMENCLATURE	FROM	TO	\$M
B546	Ctg 40mm HEDP M433	USAF	USMC	2.26
B546	Ctg 40mm HEDP M433	USAF	Navy	2.07
A475	Ctg Cal .45 Ball M1911	Navy	USMC	1
M130	Cap Blasting Elec M6	USAF	USMC	0.9
B576	Ctg 40mm Practice M385A1	NSOF	USAF	0.27
M456	Cord Detonating Type 1	USAF	Army	0.18
M457	Cord Detonating PETN Wtrprf	Navy	NSOF	0.12
ML03	Firing Device Multipurpose M142	Navy	USAF	0.08
L305	Signal Illum Gnd GS Para M195	Navy	NSOF	0.04
ML03	Firing Device Multipurpose M142	Navy	NSOF	0.01
	TOTAL:			6.93