



United States Transportation Command



**2002
Annual Command
Report**



Exercises, Operations, and Contingencies FY02 Time Line

Operation ENDURING FREEDOM:
 Oct 01 - Sep 02; Afghanistan, Cuba, Philippines
 9,564 A/C: 238,466 PAX; 318,283 S/T; 3,199 Refuel
 Sealift: 96,050 S/T

Operation NOBLE EAGLE:
 Oct 01 - Sept 02; USA
 578 A/C: 288 PAX; 235 S/T; 6,388 Refuel

September 2002

ULCHI FOCUS LENS 02:
 Aug 02; Republic of Korea
 24 A/C: 5,340 PAX; 425 S/T
 Sealift: 1,200 S/T

August 2002

Western Wildfires:
 Jul - Aug 02; USA
 8 A/C: 652 Sorties

July 2002

Typhoon Relief Support:
 Jul 02; Guam
 11 A/C: 388 S/T

June 2002

DYNAMIC MIX 02:
 May - Jun 02; Europe
 62 A/C: 8,960 PAX; 1,240 S/T
 Sealift: 12,140 S/T

COBRA GOLD 02:
 May 02; Thailand
 46 A/C: 8,000 PAX; 620 S/T
 Sealift: 16,000 S/T

Presidential Support Trip:
 May 02; Berlin, Moscow, Paris, Rome
 64 A/C: 1,929 PAX; 1,777 S/T; 7 Refuel

May 2002

JLOTS 02:
 Mar - Apr 02; United States
 8 A/C: 1,700 PAX
 Sealift: 17,000 S/T

April 2002

RSOI/FE 02:
 Mar 02; Republic of Korea
 30 A/C: 4,600 PAX; 800 S/T
 Sealift: 1,400 S/T

Presidential Support Trip:
 Mar 02; Mexico, Peru, El Salvador
 19 A/C: 597 PAX; 494 S/T

March 2002

STRONG RESOLVE 02:
 Mar 02; Norway
 Sealift: 7,000 S/T

Operation AVID RECOVERY:
 Feb 02; Nigeria
 1 A/C: 48 PAX; 51 S/T

February 2002

Presidential Support Trip:
 Feb 02; Japan, Republic of Korea, China
 25 A/C: 1,076 PAX; 746 S/T; 35 Refuel

January 2002

2002 Winter Olympics Support:
 Jan - Feb 02; Salt Lake City
 29 A/C: 3,781 PAX; 154 S/T

December 2001

November 2001

BRIGHT STAR 02:
 Oct - Nov 01; Egypt
 247 A/C: 27,900 PAX; 5,200 S/T
 Sealift: 59,200 S/T

Presidential Movement Support:
 Oct 01; Shanghai
 16 A/C: 295 PAX; 414 S/T

October 2001

Operation DEEP FREEZE:
 Oct 01 - Feb 02; Antarctica
 43 A/C: 3,255 PAX; 1,100 S/T
 Sealift: 6,000 S/T

LEGEND

A/C = Aircraft missions
 PAX = Passengers moved
 Refuel = Tanker missions
 S/T = Short tons, cargo

All Dark Blue Text = JCS Directed Exercises
 All Light Blue Text = Airlift
 All Red Text = Sealift
 All Purple Text = Operations and Contingencies

Commander's Statement

America's Warfighting Pipeline – Responsive, Decisive, Incomparable

The war on terrorism has dramatically shifted the logistics paradigm for today's warfighter. Afghanistan, Korea, Homeland Defense—today's hotspots are global, occur simultaneously, and are almost unimaginably demanding. Afghanistan highlighted that our base of operations can be increasingly austere, and we do not always have assured access to operational bases. Regardless of the scenario, the uniquely equipped and postured United States Transportation Command (USTRANSCOM) provides air, land, and sea transportation for the Department of Defense. It can move the nation's military might any time, any place, on a moment's notice. We move it every day in peace and war, and we accept no outcome but complete success. Our bottom line plays out on the front line of America's defense. In our world of constrained resources and escalating demands, the command has a commitment to constant improvement. Our return on investment for America must be incomparable—and it is!



*General John W. Handy
Commander, United States
Transportation Command*

USTRANSCOM is dynamic and certainly one of the largest transportation enterprises in the world. Its trains, planes, trucks, and ships provide tremendous capability. The power of our amazing people fuels them, and the intensive array of information technology enables them. In a world where the unexpected is the expected, maximized agility and speed in critical decision-making are key to success. Admittedly, meeting the challenge ahead depends on an increasingly seamless link among our component commands: Air Mobility Command, Military Sealift Command, and Military Traffic Management Command, as well as the other combatant commands, Services, defense agencies, and our commercial partners. We are boldly embracing that challenge today!

This command is indeed busy, doing what only it is uniquely organized to do. By leaning forward continuously improving our processes, it has allowed us to meet challenges never dreamed of a few short years ago. My total force team is talented and committed to the future, delivering solutions every hour of the day.

A handwritten signature in black ink that reads "John W. Handy". The signature is written in a cursive, flowing style.

*John W. Handy
General, USAF
Commander*

Defense Transportation System

Our Mission: “To provide air, land, and sea transportation for the DOD, both in time of peace and time of war.”

When the unified commands, Services, or other government agencies require strategic transportation, they rely on USTRANSCOM. The command functions as a single integrated team, bringing the total synergy of the U.S. military and commercial transportation resources to bear. Because of its responsiveness and global reach, it is always in motion. At every moment of every day, around the globe, the command’s superb force of soldiers, sailors, airmen, marines, coast-guardsmen, merchant mariners, civil servants, contractors, and commercial partners is accomplishing a wide array of joint mobility missions, through its Transportation Component Commands: Air Force’s Air Mobility Command (AMC), Navy’s Military Sealift Command (MSC), and Army’s Military Traffic Management Command (MTMC). These subordinate commands provide mobility forces and assets in a force structure continuum designed to provide a seamless transition from peace to war.

For these team members, the single focal point for execution of ongoing operations is the Joint Mobility Operations Center. The integrated command, control, communications, and computer systems, which provide visibility of Defense Transportation System cargo and passenger movements, link the Joint Mobility Operations Center to the Transportation Component Commands.



“To provide airlift, air refueling, special air mission, and aeromedical evacuation for U.S. forces.”

AMC Mission Statement

Air Mobility Command

Headquartered at Scott Air Force Base, IL, AMC enables the “global” in the Air Force’s “global vigilance, reach, and power,” providing matchless support to the warfighter. Plainly put, the mission during conflict has three objectives: get the warfighter to the fight, sustain the warfighter during the fight, and bring the warfighter home after the fight. AMC provides common-user and exclusive-use airlift, aerial refueling, and aeromedical evacuation transportation services to deploy, employ, sustain, and redeploy U.S. forces worldwide. Additionally, this command is the worldwide aerial port manager and, where designated, operator of common-user aerial ports.

AMC	
Personnel	Total
Military	129,840
Civilians	8,213
Total	138,053

“The Pony Express of the Air”

General John W. Handy

AMC is also the single point of contact with the commercial airline industry for procurement of DOD domestic and international airlift services, and it administers and executes the Civil Reserve Air Fleet.

The Defense Courier Service, headquartered at Fort Meade MD, has been a part of AMC since Oct 1998. It provides secure delivery of classified documents and materials to DOD and other government agencies worldwide.

Military Sealift Command

Headquartered at the Washington Navy Yard, MSC provides the ocean transportation of equipment, fuel, supplies, and ammunition to sustain U.S. forces worldwide during peacetime and in war for as long as operational requirements dictate. It also provides common-user and exclusive-use sealift transportation services to deploy, employ, and redeploy U.S. forces around the globe. In addition, the command operates both government-owned and chartered U.S.-flagged commercial ships that provide combat logistics support to U.S. Navy ships at sea, special mission support to U.S. government agencies, and the prepositioning of U.S. military supplies and equipment at sea. Recent crises have underscored the vital role of MSC as a major contributor in the execution of the national strategy.

MSC	
Personnel	Total
Military	2,225
Civilians	4,956
Total	7,181

“To provide ocean transportation of equipment, fuel, supplies and ammunition to sustain U.S. forces worldwide during peacetime and in war, as long as operational requirements dictate.”

MSC Mission Statement



Military Traffic Management Command

Headquartered at Alexandria, VA, MTMC provides surface distribution services for the warfighter around-the-globe, around-the-clock. Services include deployability engineering, freight/cargo shipments, planning, passenger movements, personal property and privately owned vehicle shipments, and port operations. MTMC moves the service member, the member’s family, and the member’s equipment wherever and whenever surface transportation is needed to support national security objectives in peace and war. With their transportation command partners, MTMC deploys, sustains, maintains, and redeploys forces worldwide. MTMC uses trucks, railcars, ships, barges, pipelines, containers, and buses provided by their industry partners to accomplish their diverse missions.

MTMC	
Personnel	Total
Military	3,010
Civilians	1,961
Total	4,971

“To provide global surface distribution management and services to meet National Security objectives in peace and war.”

MTMC Mission Statement

MTMC has four subordinate commands to help accomplish its global mission. One conducts studies and analyses to improve the deployability of present and future military forces. The other three provide port management and surface transportation support.

Defense Transportation System

Our Commercial Partners

USTRANSCOM depends heavily upon its commercial transportation industry partners to deploy and support military forces. Several programs, developed by USTRANSCOM and executed by the Transportation Component Commands, are the basis for much of the participation by commercial transportation providers in the Defense Transportation System. Major programs include:

Civil Reserve Air Fleet

The U.S. airline industry, through the Civil Reserve Air Fleet partnership, provides aircraft and crews to support DOD in emergencies when requirements exceed available military aircraft. When DOD activates the Civil Reserve Air Fleet, it

“Commercial aircraft flew 2 million humanitarian daily rations to Europe in support of Afghanistan.”

*General
John W. Handy*

can provide over 50 percent of DOD's strategic airlift requirements. The Civil Reserve Air Fleet has three main segments: international, national, and aeromedical evacuation. The international segments include the long-range and short-range sections, and the national segment includes the domestic and Alaskan sections.

Airlines voluntarily pledge aircraft through the annual AMC contract to the various Civil Reserve Air Fleet segments for DOD use upon activation. Civil Reserve Air Fleet participants receive incentives through the AMC peacetime airlift contract program and the General Services Administration City Pairs program. AMC hosts two groups to promote the partnership

between DOD and the civilian airline industry.

The Civil Reserve Air Fleet Select Working Group centers on eliciting open discussion on potential challenges facing the Civil Reserve Air Fleet and on obtaining advice on ways to improve the process for the betterment of the DOD/Civil Reserve Air Fleet partnership.

The Air Mobility Command Passenger Charter Focus Group exchanges information regarding passenger issues to improve the overall quality of AMC charter service, to enhance business opportunities, and to increase the efficiency and ridership in various programs.





Voluntary Intermodal Sealift Agreement

The Voluntary Intermodal Sealift Agreement, through contingency contracts, provides DOD with assured access to militarily useful, U.S.-flagged dry cargo sealift capacity; mariners; the global infrastructure; and the intermodal capability required to augment organic sealift capabilities during conflict. The agreement allows DOD to use ships and shore-based transportation systems of ocean shipping companies, which, in turn, receive priority when competing for peacetime defense sealift cargo movement contracts. All major U.S.-flagged carriers (90 percent of the U.S.-flagged dry cargo fleet) are in the Voluntary Intermodal Sealift Agreement and provide Roll-On/Roll-Off ships, Lighter Aboard Ship vessels, combination Roll-On/Roll-Off and container ships, breakbulk 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 develop the partnership with industry to operate current technology, anticipate trends, and develop future capabilities.

The 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. The network consists of nine agencies: USTRANSCOM, MSC, MTMC, U.S. Joint Forces Command, U.S. Army Corps of Engineers, U.S. Forces Command, Maritime Defense Zone, Maritime Administration, and U.S. Coast Guard.

In summary, it is the command's task to link the pieces to form a seamless transportation system. This effort has no value if it does not support the needs of customers; thus the Defense Transportation System 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 shipping cycle.



Defense Transportation System

Our Customers

“The ‘customer wait time’ in Southwest Asia is now [14.5 percent less than] two years ago.”

*Lt. General
Daniel G. Brown*

The 1992 expansion of USTRANSCOM’s mission to include peacetime operations has resulted in an increase in the number and variety of its customers. Each customer has unique requirements. For example, the combatant commanders maintain a focus on readiness and quick response, while the Military Exchange Services want consistent, reliable, and cost-effective service. Therefore, a one-size-fits-all Defense Transportation System is not possible.

USTRANSCOM provides services to the following customers:

Joint Chiefs of Staff

Military Postal Service

Military Services
(e.g., U.S. Army, U.S. Navy, U.S. Marine Corps, U.S. Air Force)

Department of State

Federal Agencies
(e.g., Central Intelligence Agency, Federal Emergency Management Agency)

Defense Logistics Agency

United Nations

Exchange Services
(e.g., Army and Air Force Exchange Service and Navy Exchange Service Command)

North Atlantic Treaty Organization

Defense Commissary Agency

Defense Threat Reduction Agency

“On any given day, the command can be found providing critical strategic transportation to a host of U.S. and international agencies.”

*General
John W. Handy*



Defense Transportation System

Our Rates: Development

The Transportation Component Commands develop and propose Transportation Working Capital Fund rates to use in charging customers. The Office of the Under Secretary of Defense, Comptroller approves and issues composite rate changes through Program Budget Decisions. Application of composite rate changes is in the aggregate and will not always reflect actual rate increases or decreases for individual routes and commodities. Once the Office of the Under Secretary of Defense, Comptroller approves the rates, they remain fixed during the year of execution and are unchangeable. This stabilized rate policy protects appropriated fund customers from unforeseen cost changes and thereby enables customers to more accurately plan and budget for Defense Transportation System support requirements. This policy also reduces disruptive fluctuations in planned Transportation Working Capital Fund workload levels and permits better use of the Defense Transportation System resources. Accurate workload forecasts and projected costs are imperative for the fiscal health of the Transportation Working Capital Fund since they are the foundation of financial assumptions in rate setting and budget builds. Rates for each Transportation Working Capital Fund business area recover all operating costs associated with the service provided. The operating costs include direct costs (e.g., contract carrier cost, stevedores, material, fuel, direct labor), indirect costs (e.g., supervisory costs), and overhead costs (e.g., headquarters general/administrative costs).



Performance

Operation ENDURING FREEDOM

Operation ENDURING FREEDOM, the dominant U.S. military operation conducted in fiscal year 2002, and the Global War on Terrorism represented the third largest airlift operation in history. Only the Berlin Airlift in 1948-1949 and Desert Shield/Desert Storm in 1990-1991 demanded more airlift. In a dramatic visit to USTRANSCOM at Scott AFB IL, Secretary of Defense Donald H. Rumsfeld saluted this incredible achievement, praising the USTRANSCOM capability and its superb execution.

Humanitarian Support

Daily Rations Delivered*	2,400,000
Blankets Delivered	78,000
Wheat (short tons)*	816

*Averted potential famine in Afghanistan during winter of 2002

USTRANSCOM's effort in humanitarian support was key in convincing the Afghan people that the U.S. and its allies sought to free them from the Taliban government and its al-Qaeda associates.

Sealift Support

Ammunition Containers	373
Ready Reserve Force Vessels	1

With Afghanistan being landlocked, use of sealift assets was minimal. However, USTRANSCOM used the MV Maj Bernard F. Fischer, an MSC prepositioning ship, to transport ammunition containers to Diego Garcia, and activated the SS Cornhusker State to deliver critical ammunition and equipment.

Airlift Support

Missions	9,564
Sorties	35,088
Passengers	238,466
Cargo (short tons)	318,283
Aerial Refueling Missions	3,199

Tactical urgency and geographic limitations demanded significant use of organic airlift assets to provide materiel and equipment to sustain deployed forces.



Special Operations

During Operation ENDURING FREEDOM, the two most dynamic operations supported by USTRANSCOM were ANACONDA and FUNDAMENTAL JUSTICE.

ANACONDA: Using C-17s, USTRANSCOM transported Apache helicopters from Fort Campbell, Kentucky to U.S. Central Command warfighters in Afghanistan.

FUNDAMENTAL JUSTICE: Flying over 22 airlift missions, USTRANSCOM prepositioned 400 Marines and their associated equipment at Guantanamo, Cuba. The Marine's mission was clear: receive and hold 600 of the most dangerous al-Qaeda and Taliban detainees captured in Afghanistan. Because of legal and political considerations that limited landing between the theater and Cuba, AMC flew these missions with the support of an aerial refueling bridge.



Other Accomplishments

USTRANSCOM supported significant accomplishments in other areas to include peacekeeping and combat support.

Peacekeeping: USTRANSCOM assisted in the movement of peacekeeping forces into Afghanistan and the deployment of approximately 600 U.S. personnel to the Philippines to train and assist Philippine troops combating the Abu Saya terrorist group.

Combat Support: In response to the Global War on Terrorism, USTRANSCOM also participated in Joint Exercise Balikatan in the Philippines, where over 300 U.S. engineers deployed to repair roads, bridges, seaports, and landing strips.

U.S. Pacific Command: USTRANSCOM rounded out its support of Operation ENDURING FREEDOM for U.S. Pacific Command with 98 additional missions (assisted by 20 tanker missions) that deployed more than 1,550 passengers and 3,000 short tons.

Redeployment

Redeployment airlift also became a major part of Operation ENDURING FREEDOM in 2002. Total redeployment airlift for all supported commands as of Sep 2002 is as follows:

Missions	1,480
Passengers	50,250
Cargo (short tons)	36,840

This incredible effort, conducted concurrently with deployment and sustainment missions, required great finesse in scheduling and movement of scarce assets.

Performance

USTRANSCOM's Transportation Working Capital Fund

USTRANSCOM's Transportation Working Capital Fund for fiscal year 2002 reflected a more favorable Net Operating Result (NOR) than planned. The positive NOR, illustrated in the table below, was a result of the increased workload in support of Operation ENDURING FREEDOM.

	FY03 PB FY02	ACTUALS FY02	\$ DELTA	% DELTA
Total				
Revenue	\$4,602.5	\$6,328.3	\$1,725.8	37.5%
Cost	\$4,602.2	\$5,648.2	\$1,046.0	22.7%
NOR	\$0.3	\$680.1	\$679.8	

(Dollars in Millions)

Fiscal year 2002 revenue of \$6,328M (million) was the highest revenue year in the command's history with a \$2,109M improvement to fiscal year 2001 revenue of \$4,230M. If USTRANSCOM were a company, it would have ranked 278th on the list of the top Fortune 500 companies in the U.S. for calendar year 2002.

During fiscal year 2002, a significant number of initiatives, worked by USTRANSCOM, brought about an improvement to its financial reporting and systems. The command continued the development of the Transportation Financial Management System (TFMS). TFMS will provide real-time visibility of all USTRANSCOM financial data by processing daily interfaces of financial transactions from the three components. Also, the command continued to work with the Office of the Secretary of Defense and the Defense Finance and Accounting Service (DFAS) to implement PowerTrack for the Transportation Working Capital Fund in order to provide visibility of transportation charges and improve timeliness of collections. Efforts to finalize a concept of operations, define return on investment, and design system changes continued in fiscal year 2002. In addition, USTRANSCOM worked with DFAS to discuss preliminary requirements for the implementation of the General Accounting Fund System–Rehost (GAFS-R). GAFS-R is a DFAS initiative to improve financial data and integrate its accounting system with a Commercial-Off-the-Shelf (COTS) general ledger.

In fiscal year 2002, USTRANSCOM, in partnership with the Air Force and DFAS, worked to define requirements and to determine solutions for integrating AMC's billing and accounting data. AMC began determining alternatives for replacing its legacy billing system, the Airlift Services Industrial Fund Integrated Computer System (ASIFICS), developed in the 1980s.



MSC remained at the forefront in the financial arena. With approval from the Office of the Secretary of Defense, MSC upgraded its former financial management system to a more powerful version of the Oracle federal financial application suite. The new version gave MSC a head start on reaching full operational capability in managing day-to-day and strategic planning financial functions. Moreover, the upgrade supported the full bi-directional integration of the financial management system with the DOD-mandated contracting management system. The new system also made MSC more capable of processing invoices in a timely manner and provided additional controls to preclude the payment of unauthorized charges. In addition, MSC also established a financial data mart with two major functional areas: ad-hoc and end-of-month reporting.

MTMC completed development of the Transportation Financial Management System-MTMC (TFMS-M) in fiscal year 2002, gaining Financial Management Modernization Program approval to implement the system for fiscal year 2003 business. TFMS-M will use COTS software and will require minimal integration with existing financial systems. This COTS implementation will replace an approximately 25-year-old legacy system and will improve significantly the reliability of financial data at MTMC. Also, MTMC implemented the Cargo and Billing System to replace four legacy billing systems. This implementation will improve the flow of billing data processed by TFMS-M.



*Fiscal year
2002 revenue
was the highest
revenue year in
the command's
history.*

United States Transportation Command...



**...at a
moment's
notice...**





**...we are there
when needed...**



**...projecting
America's
power...**

Performance

Summary of the Air Mobility Command's Financial Performance

In fiscal year 2002, AMC posted a banner year for its Transportation Working Capital Fund Net Operating Result, finishing significantly higher than planned at more than \$657M. AMC's unprecedented support to Operations ENDURING FREEDOM and NOBLE EAGLE in the Global War on Terrorism was the key reason for this great achievement and also the driver behind the fiscal year 2002 Transportation Working Capital Fund success story.

The scheduled airlift portion of AMC's mission, which included channel passenger and channel cargo, showed a positive effect on the overall Net Operating Result; however, the charter airlift portion of AMC's mission, including Special Assignment Airlift Missions, contingencies, and Joint Chiefs of Staff exercises, impacted its fiscal position the most. The extraordinary operations tempo of fiscal year 2002 resulted in a prodigious increase over AMC's usual organic flying program (13,981 hours over plan). This dynamic increase in AMC's overall airlift missions would not have been possible without the overwhelming support of its commercial carrier partners. Commercial augmentation made up over 50 percent of all Continental United States outbound missions for fiscal year 2002. In addition, the complete transformation of the passenger rate structure to a common set of business rules and the standardization of cargo business rules and rates by the Transportation Working Capital Fund financial managers allowed AMC to offer commercially competitive rates for the first time.



In addition, AMC, in an effort to modernize the communications infrastructure across the command, funded \$3.8M for the wing Local Area Network, engineering and installation projects, and basic communications infrastructure upgrades (router modernization, building wiring, and cable projects). Fulfilling the Narrowband Compliance Mandate brought the command up to DOD's fiscal year 2005 narrowband compliance standard. AMC also provided \$51,000 for Air Mobility Operations Squadron, Air Traffic Control Landing System, and Programmed Depot Maintenance to modernize the force.

Finally, ingenuity and information technology upgrades provided critical visibility of Mobility Air Force (MAF) resource allocation/utilization and assets associated with Northern Command (USNORTHCOM) missions. The AMC/MAF/USNORTHCOM/NORAD (North American Aerospace Defense Command) Systems Data Exchange afforded this visibility to AMC, USTRANSCOM, and USNORTHCOM.

Summary of the Military Sealift Command's Financial Performance

MSC ended fiscal year 2002 with revenue of \$796M, 16.9 percent more than planned and costs of \$722.8M, 11.8 percent more than planned. This contributed to a fiscal year 2002 Net Operating Result of \$73.2M, \$38.6M or 111.5 percent higher than planned.

The \$38.6M more favorable Net Operating Result was a result of the following:

Afloat Prepositioning: The \$1.6M favorable outcome resulted from lower workloads and the variance of both the operations schedule and the operating tempo from that originally envisioned, causing lower costs for maintenance and repair, fuel, and other port expenditures.

Cargo: The \$7.3M favorable result came primarily from ship redeliveries and an increased number of Operation ENDURING FREEDOM lifts.

Surge: The \$6.3M favorable result was a consequence of increased revenue from a higher than usual number of fully operational ships offset slightly by higher maintenance and repair costs associated with the four older, converted, large, medium-speed, Roll-On/Roll-Off ships in the MSC fleet since 1997.

Petroleum, Oils, and Lubricants: The \$23.4M favorable outcome primarily resulted from a higher workload attributable to Operation ENDURING FREEDOM lifts.



Performance

Summary of the Military Traffic Management Command's Financial Performance

Fiscal year 2002 began with MTMC having a positive \$77M Accumulated Operating Result in its Transportation Working Capital Fund budget. In the fiscal year 2003 President's Budget, MTMC showed a programmed \$892M in revenue, \$873M in cost, and \$19M in Net Operating Result for the fiscal year. The actual fiscal year 2002 year-end revenue and cost numbers compared favorably to the budget with a revenue of \$904M, which was 101 percent of budget, and a cost of \$901M, which was 103 percent of budget. The Net Operating Result was a positive \$3M for the fiscal year. Even though the overall financial position was favorable, considerable variation occurred within MTMC's five business areas. Each of the five business areas had the following impact:

Port Operations Program: The Port Operations business area budgeted revenue was \$90M; the cost was \$97M; and the Net Operating Result was a negative \$7M. The actual year-end revenue of \$100M was 111 percent of the budget, and the cost of \$104M was 107 percent of the budget. The reallocation of overhead costs and the expanded workload associated with Operation ENDURING FREEDOM and the MV Carter fire at MTMC's Military Ocean Terminal in Southport NC were responsible for these increases. The ending Net Operating Result was a negative \$4M, and the ending Accumulated Operating Result was \$50M for the business area.

Traffic Management Program: The Traffic Management business area budgeted revenue was \$69M; the cost was \$80M; and the Net Operating Result was a negative \$11M. The actual year-end revenue of \$69M was 100 percent of the budget amount, a fixed amount each year in Program Budget Decision 410, and the cost of \$82M was 102 percent of the budget. Historically, the Program Budget Decision was underfunded revenue in relation to cost. Consequently, an \$8M Net Operating Result transfer from the Liner business area resulted in an ending Net Operating Result of a negative \$5M and an ending Accumulated Operating Result of a negative \$11M for the business area.

Cost Reimbursable Program: The budgeted revenue and cost for the cost reimbursable business area were both \$57M, giving a Net Operating Result of zero. The fiscal year 2002 year-end cost reimbursable business was \$90M, 157 percent of the budget estimate. Cost reimbursable services, which MTMC provided for Operations NOBLE EAGLE and ENDURING FREEDOM, increased both revenue and cost by \$25M. These services primarily included Port Security and Secure Escort Vehicle operations within the Continental United States. The container-leasing program, scheduled for phase-out during the fiscal year, added \$11M to revenue and cost in the business area.



Global Privately Owned Vehicles (POV) Contract (GPC) Program: The GPC business area budgeted revenue was \$218M; the cost was \$214M, and the Net Operating Result was \$4M. The actual year-end revenue of \$214M was 98 percent of the budget, and the cost of \$234M was 109 percent of budget. The reallocation of overhead cost and the direct cost exceeding the budget amount caused the cost increase. The Net Operating Result was a negative \$20M, resulting in an ending Accumulated Operating Result of \$6M for the business area.

Liner Ocean Transportation Program: The Liner business area budgeted revenue was \$458M; the cost was \$426M, and the Net Operating Result was \$32M. The actual year-end revenue of \$431M was 94 percent of the budgeted amount, and the cost of \$391M was 92 percent of budgeted amount. The Direct Booking initiative (payment by the customer directly to the contract carrier without involving the Transportation Working Capital Fund) had a negative \$25M impact on revenue and direct contract cost. An \$11M rebate to the Defense Commissary Agency and a prior year \$20M downward adjustment contributed to the Liner revenue decrease. Operations NOBLE EAGLE and ENDURING FREEDOM revenue partially offset these revenue decreases. In addition to the Direct Booking reduction to cost, the prior year direct contract cost adjustments; the reallocation of overhead cost; and the lower than expected fiscal year 2003 Universal Sealift contract cost also contributed to the decrease. After an \$8M Net Operating Result transfer to Traffic Management, the ending Net Operating Result was \$32M. This adjustment resulted in a fiscal year 2002 ending Accumulated Operating Result of \$34M for the business area.

In conclusion, the cumulative impact of all revenue and cost adjustments to MTMC's overall financial position during fiscal year 2002 resulted in a positive \$3M Net Operating Result, as noted above. This Net Operating Result increase translated into a year-end Accumulated Operating Result of \$80M for MTMC's Transportation Working Capital Fund budget.



*"To be the provider of choice
for innovative, value-added, surface
distribution solutions for the Warfighter...
anytime, anyplace, on time...every time."*

*MTMC
Vision Statement*

Technology and Transformation

Command, Control, Communications and Computer Systems

USTRANSCOM's Global Command, Control, Communications, and Computer Systems Coordination Center has evolved and matured into a continuous, around-the-clock operation to effectively manage the entire Defense Transportation System information architecture. The center provides the command's key decision makers vital information for assessing the operational availability of Global Command, Control, Communications, and Computer Systems affecting the Defense Transportation System. It also brings together the personnel, systems, and equipment necessary to gather, process, and graphically depict performance and availability information for the commands information systems. Thus, overall Command, Control, Communications, and Computer Systems performance has improved across the Defense Transportation System enterprise.

In addition to improving and developing the integrity of Command and Control as well as transportation systems, USTRANSCOM has also procured and prepositioned commercial satellite bandwidth over the Continental United States and Outside the Continental United States to support training and contingency operations globally. The Continental United States bandwidth serves a critical role in the training and preparation of Transportation Component Command forces for deployments in support of Operation ENDURING FREEDOM and the



Global War on Terrorism. The Outside the Continental United States bandwidth extends to the Transportation Component Commands the ability to reach back to the Defense Transportation System, provides near real-time, in-transit visibility information to the Global Transportation Network, and fills a vital Command and Control role in the United States Central Command Theater of Operations.

During fiscal year 2002, the command completed a life-cycle upgrade to its unclassified network providing a more robust and resilient network resulting in less downtime for the command.

In addition, the command's NIPRNET and SIPRNET users now utilize a state-of-the-art operating system that supports the latest office automation software. Bringing about a common look and feel to both the unclassified and classified environments, the team has migrated over 1,400 NIPRNET and 600 SIPRNET clients to Windows 2000 software.

Another effective USTRANSCOM initiative implemented the TRANSCOM Regulating and Command and Control Evacuation System. This single global patient movement automated information system for DOD matches the patient to optimal bed destination via the most expeditious transport.

Furthermore, USTRANSCOM is upgrading intra-site Command and Control connectivity at selected ports to support significantly higher operations tempo. The command has developed a Command, Control, Communications, and Computers infrastructure management tool to track and report infrastructure status and deficiencies.



*“If information doesn’t move, we don’t move.
We simply would not be able to support the warfighter.”*

*General
John W. Handy*

Technology and Transformation

The Way Ahead

The first Defense Science Board Task Force on Logistics Transformation reported its findings in 1998, which focused on the critical importance of logistics to the success of U.S. military operations. It re-emphasized that a properly reformed logistics system would reduce a combatant commander's operational footprint, cost less money, and effectively support U.S. military strategy. Since that time, numerous other studies have highlighted the need for transformation of logistics processes and organizations.

The President and Secretary of Defense have also created an environment where transformation is encouraged. To support these efforts, we have made continuous and significant strides in improving our internal transportation processes and organization. For example, we've strengthened our Strategic Distribution program, providing synchronized and scheduled service to our warfighting customers. We've dramatically improved in-transit visibility of deploying forces and equipment as well as their follow-on supplies. We've leveraged the commercial industry in developing worldwide sustainment routes to support our deployed forces, such as establishing rail support through the former Soviet Union. And we've reorganized our headquarters, streamlining our staff, and eliminating duplicative functions.

*“What really matters
and [what] all of
us here today
are signed up
to do is to
provide exquisite
support to our
warfighters in
the service of
this great nation.”*

*General
John W. Handy*



Time for Transformation

Although we've transformed, there is still more to do. Our goal is to pursue revolutionary transformation in both our own internal processes, as well as in overall DOD logistics processes.

Collectively, we believe revolutionary changes will enable DOD to better provide customers what they want, where and when they want it. We've established a strategic initiatives division to pursue transformational initiatives with the goal of providing seamless, synchronized movement of forces, equipment, and their supplies, both in peace and in war, supported by an enhanced information technology backbone. We will continue to aggressively pursue revolutionary changes, focusing on providing the best possible support to our customers.



*“Today,
I can look at
aircraft anywhere
in the world,
and know
what’s in them.”*

*General
John W. Handy*

Appendix

Department of Defense
United States Transportation Command
Statement of Financial Condition
(Dollars in Millions)

	FY 2002	FY 2001
Assets:		
Cash	\$859.9	\$361.9
Available for Operations	\$669.1	\$153.8
Required for Capital Purchases	\$190.8	\$208.1
Accounts Receivable	\$866.2	\$616.3
Advances Made	\$9.7	\$1.8
Inventories	\$47.8	\$50.0
Capital Property (Net)	\$1,236.4	\$1,424.2
Total Assets	\$3,020.0	\$2,454.2
Liabilities:		
Accounts Payable	\$1,004.0	\$964.6
Accrued Liabilities	\$35.2	\$57.1
Other Liabilities	\$9.8	\$3.0
Total Liabilities	\$1,049.0	\$1,024.7
Government Equity:		
Paid-in-Capital	\$988.9	\$1,158.5
Accumulated Operating Results	\$982.1	\$271.0
Total Government Equity	\$1,971.0	\$1,429.5
Total Liabilities and Equity	\$3,020.0	\$2,454.2

Department of Defense
United States Transportation Command
Statement of Financial Condition
(Dollars in Millions)

	FY 2002	FY 2001
Revenue:		
Gross Sales	\$6,289.6	\$4,241.7
Operations	\$6,091.3	\$4,040.0
Capital Surcharge	\$0.0	\$13.5
Depreciation excluding Major Construction	\$198.3	\$188.2
Major Construction Depreciation	\$0.0	\$0.0
Other Income	\$50.0	\$0.0
Refunds/Discounts(-)	(\$11.3)	(\$12.2)
 Total Income:	 \$6,328.3	 \$4,229.5
Expenses:		
Salaries and Wages:		
Military Personnel Compensation & Benefits	\$46.4	\$55.0
Civilian Personnel Compensation & Benefits	\$260.4	\$254.7
Travel and Transportation of Personnel	\$196.1	\$83.8
Materials and Supplies (For Internal Operations)	\$1,053.7	\$894.8
Equipment	\$5.3	\$7.6
Other Purchases from Revolving Funds	\$136.4	\$352.9
Transportation of Things	\$21.4	\$13.9
Depreciation - Capital	\$198.3	\$188.2
Printing and Reproduction	\$0.9	\$1.1
Advisory and Assistance Services	\$18.2	\$14.7
Rent, Communications, Utilities, and Misc Charges	\$36.7	\$28.2
Other Purchased Services	\$3,674.4	\$2,305.4
 Total Expenses	 \$5,648.2	 \$4,200.3
 Net Operating Result	 \$680.1	 \$29.2
 Beginning AOR	 \$271.0	 \$241.8
Prior Year Adjustments	\$31.0	\$0.0
 Accumulated Operating Result	 \$982.1	 \$271.0

*“All that matters,
and what each of us
in USTRANSCOM are pledged
to do, is to provide absolute,
complete, and total support
to the warfight or humanitarian
disaster. We will be there
when needed, at a moment’s
notice, without equivocation,
projecting America’s power
with rapid global mobility
and sustainment.”*

General John W. Handy, USAF



Pictured Left to Right:

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

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

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

Major General Ann E. Dunwoody, U.S. Army
Commander, Military Traffic Management Command



