

**Department of the Navy
Navy Working Capital Fund
FY 2005 President's Budget
Research and Development
Naval Undersea Warfare Center**

A. MISSION STATEMENT

The mission of the Naval Undersea Warfare Center (NUWC) is to operate the Navy's full spectrum research, development, test and evaluation, engineering and fleet support center for submarines, autonomous underwater systems and offensive and defensive weapon systems associated with Undersea Warfare.

B. ACTIVITY GROUP COMPOSITION

The Naval Undersea Warfare Center was established in January 1992, and is composed of two divisions, located in Newport, RI and Keyport, WA, and several detachments. The NUWC Headquarters organization is located at Newport RI.

C. BUDGET HIGHLIGHTS

(\$ In millions)

Summary	FY 2003	FY 2004	FY 2005
New Orders	\$1,085.2	\$854.5	\$866.2
Revenue	\$1,006.9	\$891.8	\$911.9
Cost of Goods/ Services	\$998.4	\$894.1	\$916.2
Operating Results	\$8.5	(\$2.3)	(\$4.3)
Accumulated Operating Results	\$6.6	\$4.3	-0-
Civilian End Strength	4,339	4,323	4,323
Civilian Workyears (Straight time)	4,260	4,290	4,338
Military End Strength	32	48	49
Military Workyears	36	33	34
Capital Program	\$18.8	\$19.0	\$19.6

**Naval Undersea Warfare Center
FY 2005 President's Budget**

1. Management Statement

The Center's FY 2003 reimbursable funding levels were higher than those reflected in the FY 2004 President's budget. NUWC exceeded its FY 2003 budgeted Net Operating Results (NOR) (actual NOR was \$8.5 million versus President's budget goal of \$3.9 million). We currently project that we will meet our FY 2004 NOR estimate of \$-2.3 million.

The NAVSEA Warfare Centers are aligning to focus on Product Areas. This is being done to provide a broader view of all the capabilities and solutions available to quickly respond to fleet needs. NUWC and the Naval Surface Warfare Center (NSWC) will operate in-place with our respective Commanders and Technical Directors, under this new alignment.

NUWC met its budgeted Strategic Sourcing savings goal in FY 2003. We have not changed our savings estimates from the FY 2004 President's Budget. NUWC is implementing additional initiatives to achieve \$26.9 million in FY 2004.

NUWC expects to convert to the Navy/Marine Corps Intranet (N/MCI) no earlier than the third quarter of FY 2004.

During the first Installation Claimant Consolidation (ICC I in 1999), NUWC was relieved of most of its host support responsibilities. For ICC II, NUWC Divisions negotiated the transfer of remaining host support responsibilities to the Commander, Naval Installations (CNI). NUWC will be required to provide reimbursement for all NWCF related (non-common support) services. These transfers became effective on 1 October 2003 and are reflected in the budget.

2. Workload

(\$ In millions)

Workload	FY 2003	FY 2004	FY 2005
New Orders	\$1,085.2	\$854.5	\$866.2

The Center's budget has been balanced to customer workload estimates.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

3. Financial Profile

(\$ In millions)

	FY 2003	FY 2004	FY 2005
Revenue	\$1,006.9	\$891.8	\$911.9
Cost of Goods/Services	\$998.4	\$894.1	\$916.2
Operating Results	\$8.5	(\$2.3)	(\$4.3)
Accumulated Operating Results	\$6.6	\$4.3	-0-

Revenue and Cost of Goods/Services

Our Revenue and Cost estimates for FY 2004 and FY 2005 have increased slightly over the previous President's budget estimates to reflect updated customer workload information.

Operating Results

As noted above, NUWC did exceed its FY 2003 NOR goal, which was set in the FY 2004 President's Budget. The current estimate for FY 2004 operating results is \$-2.3 million.

4. Overhead

(\$ In millions)

Overhead	FY 2003	FY 2004	FY 2005
Current Estimate	\$161.2	\$159.8	\$162.8

NUWC overhead expenditures will remain fairly constant over the budget period.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

5. Manpower

Manpower	FY 2003	FY 2004	FY 2005
Civilian End Strength	4,339	4,323	4,323
Civilian Workyears (Straight time)	4,260	4,290	4,338
Military End Strength	32	48	49
Military Workyears	36	33	34

Civilian End Strength/Workyears

The civilian end strength and workyear numbers remain constant over the budget period. Effective October 1, 2003, NUWC transferred 18 civilian End Strength and Workyears to local Installation Commands as part of ICC II. Our budget includes a small number of SIPs each year of the budget period to facilitate efforts to balance workforce to workload. NUWC overtime for FY 2003 was approximately 2.9% of the total workyear effort (130 overtime workyears and 4,262 straight time workyears). We estimate that our overtime effort for the budget years will be approximately 2.2% of the total workyear effort.

Military End Strength/Workyears

Military workyears will remain stable over the budget period.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

6. Capital Purchase Program (CPP)

(\$ In millions)

CPP	FY 2003	FY 2004	FY 2005
Equipment	\$ 7.8	\$ 7.6	\$7.5
ADP	\$ 9.4	\$ 9.4	\$9.6
Minor Construction	\$ 1.4	\$ 2.0	\$ 2.0
Software Dev	\$.22	-0-	\$0.5
Total CPP	\$18.8	\$19.0	\$19.6

CPP

NUWC's Capital Purchase Program for FY 2004 is unchanged from the FY 2004 President's Budget submission.

7. Stabilized Rates

	FY 2003	FY 2004	FY 2005
Stabilized Rate	\$83.21	\$82.64	\$85.98
Billing Rate Change %		(0.7%)	+4.0%
Composite Customer Rate Change		+0.4%	+2.7%

Stabilized Rate

The Center's FY 2005 stabilized billing rate will increase by 4.0% over the FY 2004 rate and includes the impact of pay raise and inflation. This follows the reduced FY 2004 rate that was established to return excess AOR to customers.

**Naval Undersea Warfare Center
FY 2005 President's Budget**

8. Unit Cost

Unit Cost	FY 2003	FY 2004	FY 2005
Stabilized Cost (\$M)	\$450.6	\$466.6	\$483.5
Direct Labor Hours (000)	5,589	5,575	5,639
Unit Cost	\$80.63	\$83.68	\$85.75

Unit Cost

Direct labor hours will increase over the budget period. The increase in direct labor cost and fixed overhead cost, impact the Center's unit cost trend over the budget period.

9. Cash

(\$ In millions)

Net Outlays	FY 2003	FY 2004	FY 2005
Collections	\$988.7	\$897.7	\$911.1
Disbursements	\$968.8	\$898.8	\$913.5
Net Outlays	(\$19.9)	\$1.1	\$2.4

Net Outlays

Disbursements and Collections will remain fairly even over the budget years. We are not aware of any events that may have a significant impact on the Center's Cash position during the budget years.

10. Performance Indicators

NUWC's outputs are scientific and engineering designs, developments, tests, evaluations, analyses, and fleet support in NUWC's assigned mission areas. The primary performance indicators are Direct Labor Hours, Unit Cost, Net and Accumulated Operating Results, which are found in various tables throughout the narrative.