
Security Assistance for Iran: The U.S. Navy Reconciliation Program

By

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In 1979, the Iranian Foreign Military Sales Program totaled nearly twelve billion dollars—\$4.5B of this program was managed by the U.S. Navy. The major Navy-managed items included F-14 aircraft, AH-1J Helicopters, P-3 Aircraft, new construction destroyers, overhauled Sumner Class destroyers, submarines, and an assortment of missile systems and torpedoes.

These major weapons systems, equipment, and related support efforts were in various stages of production, repair, and delivery when, in November 1979, the Iranian Program was suspended. At the time of suspension, there were many military activities and contractor plant sites that held material. There were assets that had originally been shipped to Iran and were back in the United States being repaired; these are referred to as "titled assets," since title or ownership had already been transferred to Iran. There also were assets that had not yet been shipped to Iran, referred to as "untitled assets," and therefore title or ownership remained in the United States. These two categories of material had to be identified, dealt with, and reported separately.

Naval Supply Systems Command Involvement. For the past decade, the Naval Supply Systems Command (NAVSUP) has been increasingly involved in the reconciliation and reporting of Iranian suspended material. The effort has been especially challenging for many reasons: program size and complexity, multiple government and contractor participants, categories of material, diversion of assets for U.S. customer utilization, intensive reporting requirements, tremendous Department of Defense (DoD) and State Department visibility, and the special considerations of the Iran-United States Claims Tribunal at the International Court, in The Hague, the Netherlands.

Some of the significant program milestones include:

- 1980 - U.S. Navy Chief of Naval Material directed NAVSUP to consolidate information on diversions of Iranian material and report the diversions to higher authority.
 - NAVSUP established a central storage facility for all NAVSUP-managed material.
 - NAVSUP also consolidated information for non-centrally stored material managed by other Navy activities.
- 1981-1983 - NAVSUP focused on diverting Iranian material for U.S. use. Approximately 12,000 items valued at \$300 million were diverted during this period.
 - NAVSUP involvement expanded to the disposing of Iranian material for which further retention was not considered appropriate. More than 10,000 line items were sent to disposal.
- 1984-1987 - Beginning in May, 1984, DoD and U.S. State Department officials met with Iranian officials to discuss specific claims brought before the Claims Tribunal. These were the first meetings of the two governments at the working level and included an exchange of information regarding the status of material under repair, a detailed breakout of charges, alleged overcharges, the dollar value of material in storage, and other technical information.
- 1988 - Final consolidation of material at the central storage site facility (in Trevoze, Pennsylvania) from decentralized locations (e.g. Naval Supply Center, San Diego; Naval Air Station Alameda, CA; Naval Supply Center Cheatham Annex VA; and McDonnell Douglas contractor sites).
- 1991 - Technical Experts Meetings were established between Iran and the U.S. NAVSUP has provided the Navy representative at the February, May, and November 1991 and February 1992 meetings.
 - The Claims Tribunal continued to adjudicate specific claims, dismissing some, partially awarding other settlements, and ordering the return of funds from the U.S. Treasury to the Iranian Trust Fund in selected cases.

NAVSUP has a Plan of Action and Milestones (POA&M) to close-out the Iranian Program for the U.S. Navy in the next three years. Of the 239 FMS cases that were open cases in February 1979, only nine cases remain open today. There are still 40 open contracts that cross over several of these cases.

Current efforts are being focused on the "Brief and Evidence of the U.S. concerning responsibility for the Termination Costs due to Iran's cancellation and reduction of its Foreign Military Purchases".

The U.S. Navy has 39 FMS cases that have been reviewed by the detailed line item deliveries in the SAAC (DFAS-Denver) history file. The majority of the Iranian disputed line items can be documented by one or more of the following forms: DD250, Contractor's invoice, Navy sub-voucher, DD-1348-1, DD 1149, DD 1155, SF 1080/NC 2277, SF 1034/NC 2119, NC 2275, NC 140, NC 634, MIPR, travel vouchers, and IDBs. In addition, Navy utilizes the Management Information System International Logistics (MISIL) requisition transaction history files. A Navy case is being filed as the joint service "sample case" to show the Tribunal that the vast majority of our documentation is in agreement with the Iranian freight forwarder information that has been provided to the State Department and approved by the Court.

While there have been many Security Assistance Programs canceled or suspended in the past, none had the size, importance, or visibility of the Iranian Program. Army, Navy, and Air Force Technical Experts continue to assist the State Department legal advisors, DSAA, DCAA auditors, and the Army, Navy, and Air Force JAG lawyers assigned to this effort. Although tedious, these efforts will ultimately resolve the long-standing claims and will certainly have an impact on our sensitive relations with Iran and other countries in that region.
