

COVER FEATURE

THE DEFENSE LOGISTICS AGENCY'S ROLE IN THE INTERNATIONAL SECURITY ASSISTANCE PROGRAM

BACKGROUND

The Defense Logistics Agency (DLA) is a major participant in the US Department of Defense (DoD) logistics system, providing support to all US military forces and to foreign nations under the Foreign Military Sales (FMS) program.

The Defense Logistics Agency has diverse logistics responsibilities. Its overall missions are to:

- provide US forces with troop support items and spare parts;
- administer contracts after they are awarded; and
- manage various technical and logistics programs for the Department of Defense.

These missions are performed through 25 DLA primary field activities and their subordinate offices.

Six commodity-oriented supply centers are responsible for the procurement, management, and inventory control of more than half of the 4.5 million line items in the Federal Supply Catalog.

DLA has six depots which receive, store and issue materiel as directed by the supply centers. Four are independent depots and two are collocated with the centers. In addition, DLA utilizes many of the military service's depots to position stocks.

Nine contract administration regions, each responsible for administering defense contracts within an assigned geographical area, utilize a network of offices located in or near contractors' plants. DLA contract administration personnel are stationed in or near contractor plants throughout the United States. They monitor contractors' performance after contracts are awarded by the military services, DLA, and certain civil agencies, and provide a variety of technical services. Contracts serviced include major contracts for weapons systems.

Four DLA service centers manage specialized DoD programs. The Defense Logistics Services Center operates the Federal Catalog System. Worldwide management of DoD excess materiel is performed by the Defense Property Disposal Service. The Defense Industrial Plant Equipment Center manages the DoD inventory of industrial plant equipment, and the Defense Technical Information Center serves as a repository for scientific and technical data generated by DoD and its contractors.

Editor's Note: DISAM appreciates this contribution from Vice Admiral E. A. Grinstead, SC, USN, and his staff at the Defense Logistics Agency.

Two other service centers provide internal systems automation and administrative support to DLA only.

DLA support of foreign nations is rendered in four major areas:

1. Supply support of DLA-managed materiel.
2. Federal Supply Catalog-related services and publications.
3. Contract administration services for FMS and direct procurements.
4. The sale of DoD/Military Assistance Program (MAP) excess property generated by the FMS country and sale of excess property generated from all sources.

In the first area, supply support, DLA must act through the sponsoring US military department holding the individual FMS case and coordinating the country's supply requirements. In the other three areas -- cataloging, contract administration, and excess property sales -- DLA deals directly with the foreign country.

Total FY 1983 Foreign Military Sales

	<u>FMS \$</u> <u>(Millions)</u>	<u>Total DLA</u> <u>Sales \$</u> <u>(Millions)</u>	<u>Percentage</u>
Hardware	394.0	2,823.8	13.9
Clothing, Textiles and Medical	<u>57.5</u>	<u>1,541.7</u>	<u>3.7</u>
TOTAL	451.5	4,365.5	10.3

SUPPLY SUPPORT OF DLA-MANAGED MATERIEL

Foreign Military Sales supply support is a significant part of DLA's business, particularly at our four hardware supply centers: Defense Construction Supply Center, Defense General Supply Center, Defense Electronics Supply Center, and Defense Industrial Supply Center. Of the more than \$2.3 billion dollars of supplies and spare parts that these centers provided during FY 83, about 10.5 percent went to allied nations. To a smaller extent, DLA's Defense Personnel Support Center provides clothing and textile items and medical equipment to our allies.

Supply support is the one area in which the Defense Logistics Agency does not deal directly with the allied nation. The customer country submits its requirements to the sponsoring US military department, which acts as the country's agent in dealing with the Department of Defense supply system. The military department which is responsible will respond to letters of request, prepare planning and review data, if required, and price and availability data to be used in preparing the Letter of Offer and Acceptance. After receipt of the Letter of Offer and Acceptance, the sponsoring military department is responsible for managing the flow of requisitions to the appropriate Department of Defense inventory manager. The DoD inventory manager

reports the status of contracts and directs shipment of the materiel to the sponsoring service. DLA processes 73 percent of the requisitions reaching the wholesale level in the DoD supply system.

Upon receipt of a requisition, the DLA Supply Center validates the transaction in accordance with the Military Standard Requisition and Issue Procedures (MILSTRIP), performing standard edits to ensure that all the required data is available and correct.

After an FMS requisition is validated, it is processed either under the Cooperative Logistics Supply Support Arrangement (CLSSA) concept or under the direct FMS case (non-CLSSA) concept.

CLSSA requisitions are processed and assets issued by the same rules applied to US customers. These arrangements entitle the country to support equal to that provided US forces assigned the same priority designator in accordance with the Uniform Materiel Movement and Issue Priority System (UMMIPS).

Direct FMS case (non-CLSSA) requisitions are released for issue only when on-hand stocks are available above the reorder point level, or the requisition has been placed on backorder for the average procurement lead time. In some cases, such as a "non-stocked" item, the requisition will be procured for direct delivery to the customer.

The Defense Supply Center involved will furnish supply status to the International Logistics Control Office (ILCO) of the sponsoring military department.

When the decision is made to issue stocks, a materiel release order is sent to the depot. This can be either a DLA or a military service depot. The depot picks the stock, packs and marks it, then offers it to depot transportation, which informs the Supply Center that the materiel has been released. When required, a Notification of Availability is provided the freight forwarder. Title to the materiel from US stock will normally transfer at the US depot, regardless of the mode of shipment. The customer is billed for the materiel via the Security Assistance Accounting Center (SAAC) by the Supply Center upon receipt of a Materiel Release Confirmation from the depot.

CATALOGING SERVICES

The Federal Catalog System provides a common language of supply by assigning a National Stock Number (NSN) to each item of supply. It is also the basis for the NATO Codification System as well as for methods of cataloging adopted by many other countries. Cataloging services provided to eligible countries fall into three categories: Federal Catalog data, catalog-related publications, and services related to codification of items. All catalog-related services are provided by the US National Codification Bureau at DLA's Defense Logistics Services Center (DLSC).

Eligible nations submit requests for cataloging services to DLSC, which initiates an FMS case by preparing a Letter of Offer and Acceptance stating terms and estimated costs. DLSC can screen manufacturers' part numbers to

determine if a part has been assigned a National Stock Number, interrogate catalog files to determine whether a stock number is valid, or prepare a new item identification for an item that a country wants which has not been assigned a National Stock Number.

One example of catalog-related publications provided FMS customers is the Identification List, which contains word and pictorial descriptions of items, identifies the inventory manager of an item, and provides the FMS customer the National Stock Number.

Sophisticated cataloging tools allow communication between countries without regard to national language by describing the characteristics of an item through the International Identification Guide program. The Guide permits uniform encoding of an item's characteristics. Thus, characteristics data encoded from a document in French can be transmitted to another country, such as the United Kingdom, and encoded into English.

Emphasis on development and production of systems for use by nations besides the United States, such as the Airborne Warning and Control System (AWACS), highlights the need to introduce cataloging early in the logistics cycle to insure effective supply support.

CONTRACT ADMINISTRATION SERVICES

After a contract is awarded by one of the US military services or other DoD element, it is administered to assure that terms and specifications are fulfilled. DLA administers most DoD contracts, including those for materiel delivered under the FMS program. Functions performed by DLA on FMS items are the same as those performed for US forces. Those contracts which are assigned to one of the 32 plants assigned to the Army, Navy and Air Force are administered by the applicable military services.

DLA, through a central control point, processes requests from foreign governments and international organizations for performance of contract administration services on contracts which the FMS customer awards directly to American firms. Defense Contract Administration Services Region (DCASR) New York is the DoD Central Control Point. It determines which DoD element should manage the contract and assigns it, collects cost information, and obtains reimbursement through the Security Assistance Accounting Center.

The DoD Central Control Point prepares and manages FMS cases, arranging for the performance of specific contract administration services by the appropriate contract administration services office. A blanket order FMS case specifies a dollar ceiling against which requests for contract administration services on contracts may be placed over a one or two year period. If contract administration services are required on a contract of significant dollar value and/or for which production is expected to be lengthy, a specific FMS case for the individual contract may be implemented.

The DCASR New York currently supports requirements of 28 foreign governments and four NATO buying offices.

DOD EXCESS PROPERTY SALES TO FMS COUNTRIES

DLA's Defense Property Disposal Service (DPDS) is authorized to make sales directly to FMS customers. DPDS is a worldwide organization that disposes of DoD property that has become excess. This is property which: (1) US forces have declared excess to their requirements, (2) has become obsolete through technological change, or (3) is no longer required by foreign governments when such materiel was received under the Military Assistance Program.

The program provides maximum utilization of excess materiel and offers foreign governments another source of supply besides new procurements. It provides foreign governments with an option to prolong the life cycle of existing equipment or replace it with new equipment.

Excess materiel is generally available overseas, often in the same country that wants to utilize it. Materiel ranges from major weapon systems and equipment to maintenance support items. Condition of the materiel varies widely from unused items in the original packaging to items suitable only as a source for parts. Excess property is purchased on an "as-is, where-located" basis, with no follow-on support responsibility.

ASSETS AVAILABLE TO FMS CUSTOMERS

Since materiel is processed at more than 200 property disposal offices throughout the world, the materiel available for sale at any given time is varied and constantly changing. To make assets visible to FMS customers, DPDS publishes weekly the Excess Personal Property List describing high-value items. This list is available for distribution to authorized FMS customers. In addition, the availability of an item may be determined by interrogating the DPDS automated data base containing a complete list of available material.

As a further service, FMS customers may register their requirements with DPDS. Using foreign nations' "want lists," DPDS matches requirements against worldwide disposable assets weekly and notifies the FMS customer when a desired item becomes available.

For effective support and response, DLA strongly recommends that foreign countries project their requirements and provide DPDS with "want lists" of needed items. This is an efficient way for the FMS customer to utilize the program. A country's "want list" is generally kept current by updating it annually.

ADVANTAGES TO FMS CUSTOMERS

The major advantage to the customer of the excess property program is that excess materiel is generally sold at a fraction of the original acquisition cost. Items are sold either at fair market value or, if this cannot be determined, at a percentage of the acquisition value based on its condition. For example, an item in new, unused, condition would normally be sold at 50

percent of its acquisition cost, whereas an item suitable only for "cannibalization" would be sold at five to ten percent of its acquisition cost.

DLA recently was granted a change in pricing policy for items sold under the FMS program which would have had to be demilitarized (and sold as scrap) if not sold to FMS customers. For such material, DPDS is authorized to negotiate a price that takes into account cost savings from not having to pay for demilitarization.

The excess property program cannot supply many of an FMS customer's needs; however, it does offer a low-cost alternative by which a foreign government can supplement its defense requirements.

DLA is involved in the FMS program in additional ways.

The Defense Logistics Standard Systems Office (DLSSO) was established by the Office of the Secretary of Defense (OSD) to administer DoD-wide systems and programs. Although assigned to DLA, it is an independent DoD function responsible for administering DoD Military Standard Logistics Systems (DoD MILS) and other standard logistics systems/programs referred to collectively as Defense Logistics Standard Systems (DLSS). Some of the standard logistics procedures developed by DLSSO relate to the international logistics customer's interface with the US DoD logistics system. The proper use of these standard procedures is essential in meeting the commitments which are binding upon the US Government and foreign governments.

DLA also provides a relatively new and valuable service to foreign nations through its International Logistics Communication System (ILCS), which establishes direct computer-to-computer connection between FMS countries and the United States. ILCS reduces the time required for receipt of requisitions and expedites the exchange of logistics information. The ILCS interfaces with the US AUTODIN system in Dayton, Ohio and, when authorized, can interface with contractors and freight forwarders.

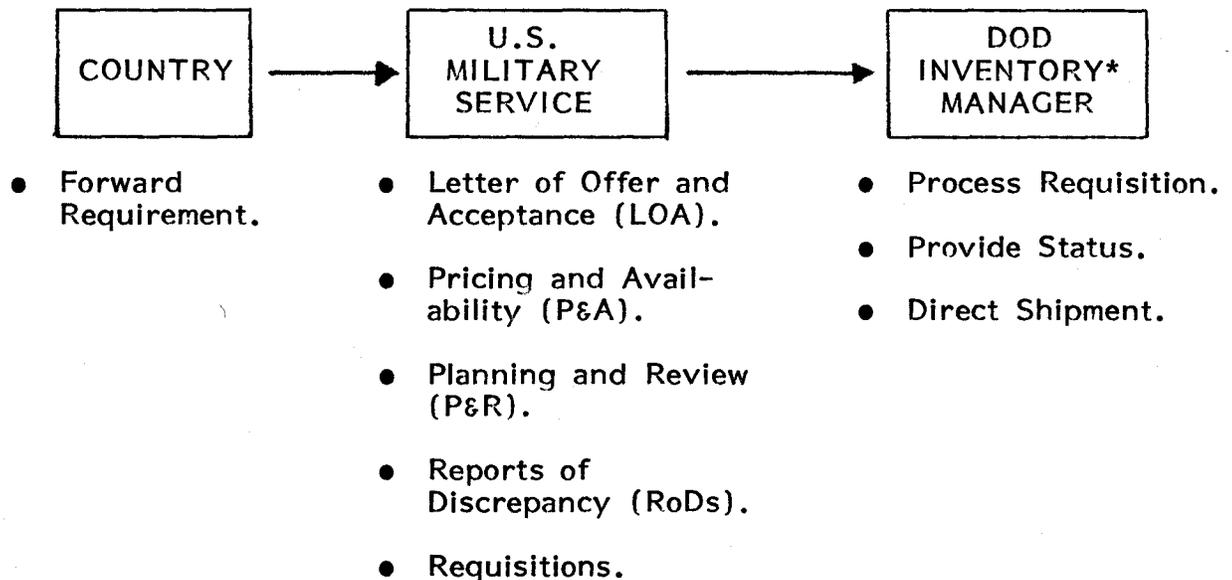
Buying offices and FMS customers can help to make the FMS program work more effectively in several ways.

Buying offices should try to ascertain that contractors are reliable, and assure that contracts clearly define materiel requirements and specifications. Product-related requirements, such as preservation and packaging, should not be overlooked. Whether government source inspections are required should be determined, and DLA contract administration offices should be informed of any potential weaknesses disclosed by a contractor's past performance or from a pre-award survey.

FMS customers should arrange for catalog-related services early in the logistics cycle to insure efficient support for their weapon systems. The advantages to foreign nations of investment in the US military supply line by negotiating cooperative logistics supply support arrangements should be considered. Both the United States and the FMS user countries benefit from sales of excess equipment: The United States gets some measure of return on its acquisition dollar, and the FMS user country reduces its support costs for FMS equipment. "Want lists" for excess materiel offer FMS countries the most effective means of utilizing US excess property.

From the onset of the procurement process through the sale of excess materiel, DLA is engaged in supporting the international community's security assistance requirements. Outlined herein is the means by which these efforts are coordinated with those of the US military departments; and, in some instances, directly with other countries to help provide allied and friendly nations with the military equipment they consider necessary to preserve their national integrity.

COUNTRY/MILITARY SERVICE/DLA RELATIONSHIP



* 60% of the time, it is DLA.

DLA SUPPLY CENTER

- Validates Requisition (Military Standard Requisition and Issue Procedures).
 - Standard Edits.
 - Maximum Release Quantity (MRO) Edit.
- FMS Issue Criteria.
 - Cooperative Logistics Agreements.
 - Same as United States.
 - Direct FMS Cases.
 - Stocks Available above Reorder Point.
 - Average Procurement Leadtime.
 - Direct Delivery.
- Supply Status Provided.

FMS PROCESSING SUMMARY

