
EDUCATION AND TRAINING

Worldwide Warehouse Redistribution Services' Ten Year Anniversary

By

Pete Heron

Air Force Security Assistance Center

Ten years ago an article titled, "The Worldwide Warehouse Distribution Program", was featured in the *DISAM Journal*, Volume 2 No. 3, Spring 1998, pp. 118-124. The article introduced the Worldwide Warehouse Redistribution Services (WWRS) program to the security cooperation community. The author, Lieutenant Colonel William C. Lee, USAF, described the program as:

Basically, this system splits the third party transfer of non-major defense equipment (non-SME) into two separate two-party transfers: one country returns excess items to the USG which, as the intermediary, then sells the items to a third country. The WWRS provides FMS customers with an orderly method to transfer materiel with a minimum of the "red tape" associated with normal third party transfers.

Lieutenant Colonel Lee further indicated the WWRS program has four major goals:

- Reduce foreign military sales (FMS) customers excess inventories
- Reduce materiel costs for purchasers
- Reduce lead times through redistribution of assets instead of new procurement
- Enable sellers to purchase needed FMS assets with proceeds from WWRS sales

Ten years later, how has WWRS performed in meeting these four goals?

- Twenty-four nations have transferred over 19,000 line items of serviceable, excess materiel and recouped over \$61M.
- Fifty nations have purchased materiel and saved, on average, 29.1 percent of the Department of Defense (DoD) stock list price. Purchasers have saved over \$29M. Materiel quality has proven excellent with a validated supply discrepancy report (SDR) rate of less than 1 percent.
- WWRS logistics response time, from requisition input to arrival at the buyer freight forwarder, averages 73.3 days.
- Selling countries have reinvested sales proceeds back into FMS. For many nations, WWRS has proved an effective tool to recycle no-longer-needed FMS materiel and reinvest the proceeds into current requirements.

Worldwide Warehouse Today

The WWRS sales inventory has grown from \$5M in the early days to \$1.4B and 249,000 line items today. What began as an Air Force program is now a tri-service program. The Army and

Navy have approved participation for their FMS customers. In addition to Army, Navy, and Air Force FMS sellers and buyers, the U.S. is participating as well. The U.S. Army, Navy, and Air Force have all located and purchased critically needed materiel via WWRS. A number of USAF activities have incorporated WWRS into their critical item search process. The U.S. Navy offers a portion of their FMS reserve materiel for sale in WWRS. The WWRS has become a small but useful source of supply for the U.S. as well as our allies and coalition partners.

Sellers

In order to participate as a seller, FMS customers must request an FMS case or line for WWRS services. The case serves as the government-government agreement setting terms and conditions of participation. Additionally, WWRS program fees are paid from the case funds. Sales proceeds are deposited into a country's WWRS holding account with disposition at the selling countries discretion, within Defense Finance and Accounting Services/Defense Security Cooperation Agency (DFAS/DSCA) guidelines.

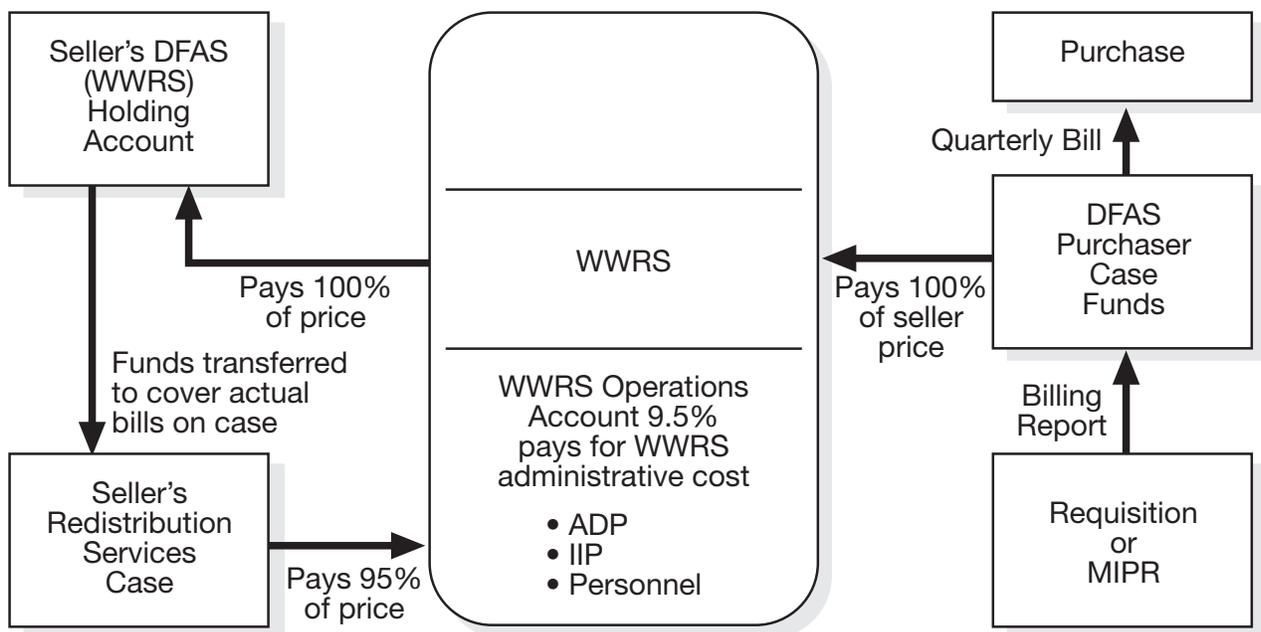


Figure 1. Worldwide Warehouse Redistribution Services' Financial Flow

In-transit Inspection

A key feature of this program is an in-transit inspection point (IIP) between FMS seller and buyer. In-transit inspection provides an important quality control as well as a guard against inadvertent transfer of materiel outside the scope of the WWRS charter. The IIP accomplishes the following:

- Receives shipments from the seller
- Verifies that the item matches the national stock number description of the item to be redistributed
- Visually inspects the item for appearance of serviceability
- Documents item appearance with digital photography

- Ships to the buyer's freight forwarder.

The above list is accomplished in accordance with the terms and conditions of the seller's letter of offer and acceptance (LOA), title transfers to the United States Government (USG) upon positive inspection by the IIP. Title transfers to the buying country upon onward movement from the IIP. The IIP is charged with removing any tags or markings that identify the source country. The FMS seller and buyer anonymity is preserved. As the WWRs process consists of dual two party transfers with the USG as buyer and seller, selling countries are not privy to the final destination and buyers are not informed of the materiel source. A five year follow-on IIP contract was recently awarded to Baker & Associates in Centerville, Ohio following a competitive contract selection effort.

Buyers

FMS buyers can order using any appropriate (Army, Navy, or USAF) FMS blanket order case. No WWRs-specific case or line is required. Requisitions with the routing identifier code of "FWW" are passed to WWRs. A liaison officer stationed at the Air Force Security Assistance Center (AFSAC) saved his country over \$1.1M by using WWRs. USG buyers are required to provide a financial instrument i.e., Military Interdepartmental Purchase Request (MIPR) or miscellaneous obligation reimbursement document (MORD) to purchase WWRs materiel. WWRs features an Urgent Broadcast Board. Buyers with an urgent requirement not listed for sale in WWRs can post the requirement on the WWRs web site and instantly generate an e-mail to all sellers. If any sellers can make the materiel available, an e-mail is generated to the prospective buyer.

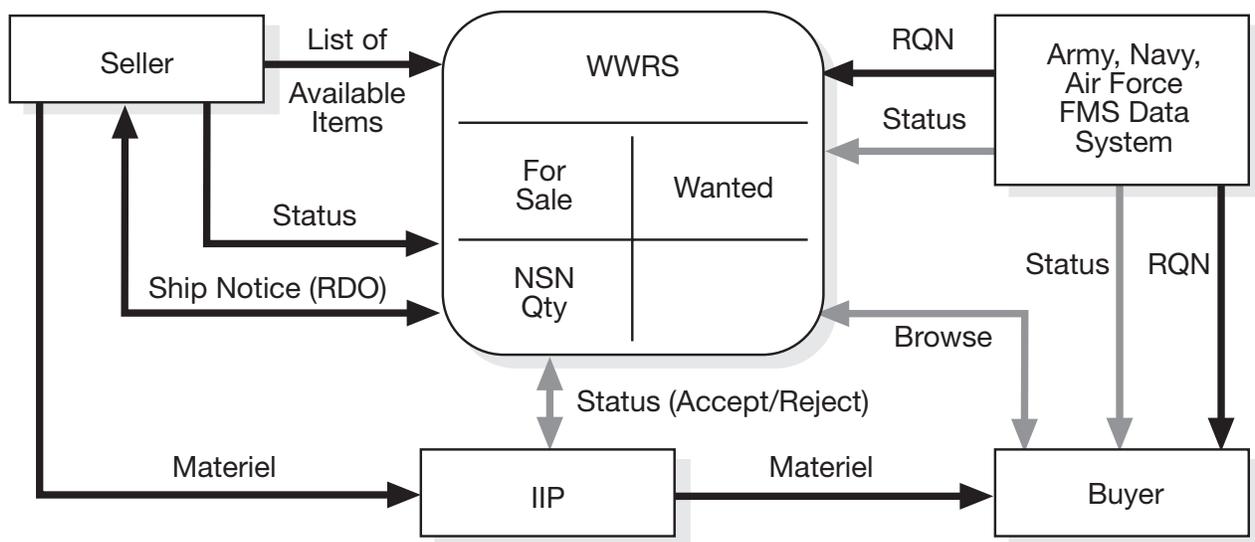


Figure 2. Worldwide Warehouse Redistribution Services' Process Depiction

Worldwide Warehouse Redistribution Services Fees

WWRs services fees, paid by the selling country, fund the six person program office and in-transit inspection. The current fee structure is 9.5 percent of the materiel value for orders (requisitions) with an aggregate value greater than \$2500. The fee is capped at \$50,000. The fee for orders that total less than \$2500 is a sliding scale ranging from \$.01 to \$237.50. Additionally, fees are discounted for seller-arranged lot transfers of at least 20 line items. WWRs protects buyer and seller anonymity. However, some countries have chosen to negotiate large bi-lateral transfers of materiel through

WWRS. Fees are discounted for these lot transfers. Program fees have been reduced three times over the previous ten years. In 2006, WWRS instituted bi-annual program resource and fee reviews to ensure fees are as low as possible. Last year, the average fee percentage was the lowest in program history at 7.37 percent per order.

The Worldwide Warehouse Redistribution Services Web Site

The public domain WWRS web site at: <https://afsac4.wpafb.af.mil/WWRS/> is the key to program management and information. The WWRS handbook, program overview, and “how to” sell and buy information is easily accessed. Sales inventory can be quickly and easily searched by National Stock Number (NSN) or item name. Additionally, “shoppers” can view inventory grouped by end item, federal supply group, or managing activity. The inventory lists the WWRS unit price and DoD price side by side, facilitating comparison. Portions of the web site are password protected enabling FMS buyer and seller program management while protecting their country-specific information.

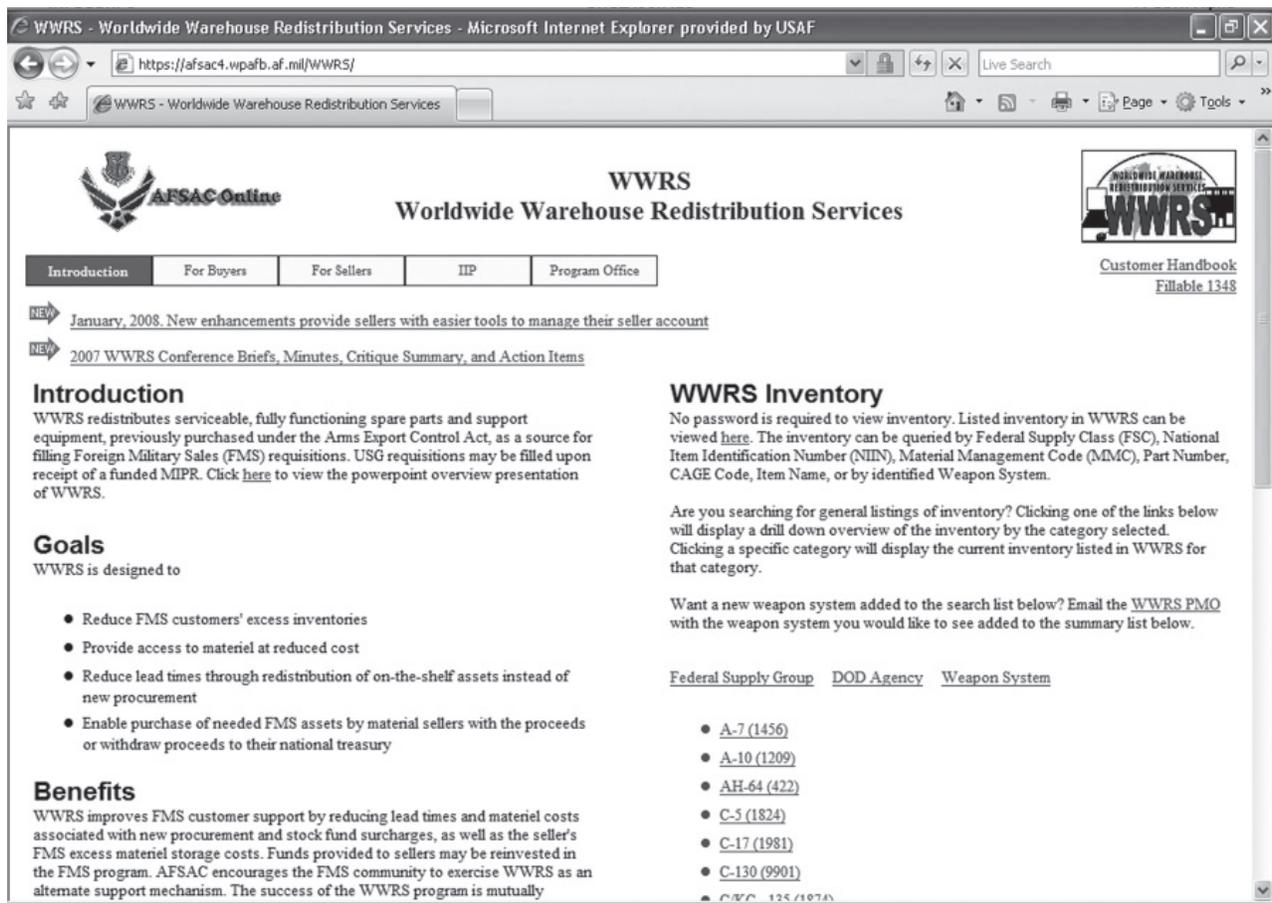


Figure 3. Worldwide Warehouse Redistribution Services Web Site

The Future

The WWRS is now established as a viable, self supporting, permanent program. There is a number of active selling countries that will likely provide long term program stability. However, sales to date have barely rippled the surface of the worldwide FMS excess pool. The challenge for the WWRS program office is to continue to enlist new sellers and buyers. Despite the inclusion of FMS from

Navy in 2001 and Army in 2006 into WWRS, the program remains primarily aviation-based. Nearly all materiel listed and redistributed has been for fixed and rotary wing aircraft. Air Force FMS remains the majority customer. The task ahead is to expand WWRS to better serve ground and sea-based FMS needs. Additionally, we can best serve our FMS sellers, as well as the DoD, by increasing WWRS visibility and use as a “niche” source for critical requirements. Our allies and coalition partners can assist DoD with requirements that, while critical to us, are excess to their needs. During 2008 and beyond, WWRS will intensify program propagation efforts to ground and sea activities as well as domestic procurement activities.

About the Author

Pete Heron, (AFSAC) 555 ILS, is the program manager for Worldwide Warehouse Redistribution Services. He has 25 years experience in FMS, with assignments in FMS policy and as a USAF Command Country Manager.