
Supply Support Of Major Weapons Systems Acquisition

By

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The Naval Supply Systems Command plays an active role in providing supply support for major USN FMS weapons systems acquisitions. It is the policy of the U.S. Department of Defense to process Security Assistance Program (SAP) weapons system sales and transfers using U.S. systems, organizations, and standards. This is most evident in major weapons systems acquisition. Program managers, functional experts, accounting systems, administrative services, and testing and material requirements processors are utilized to the fullest extent. Economies of scale, pools of resources, proven procedures and practices, and a large body of experience are some of the tangible benefits.

Coinciding with this policy of maximum use of existing resources is the very real need to provide foreign customers with tailored options. This is especially true in the supply support area.

While no one would disagree that both the U.S. Navy and the foreign customer should have a maintenance plan for major weapons systems, few would agree that the plans should be identical. There are too many variables. Operational concepts, missions, organizational structures, inventory ownership and management, industrial capabilities, organic and commercial repair capabilities, sources of support, data processing systems, and funds available are never the same and are seldom similar.

In addition to the standardization and unique requirements, there are other program variables—both diverse and complex. There are new construction ships and new production aircraft made in the United States. There are new construction end items made in the foreign country containing major weapons systems and equipment purchased in the United States. There are transfers to foreign nations of major items from the active USN fleet and from the inactive fleet which have major maintenance requirements. Systems and equipment are added, modified, or removed, each with spares and repair parts support considerations. There are sales and leases, each with specific conditions.

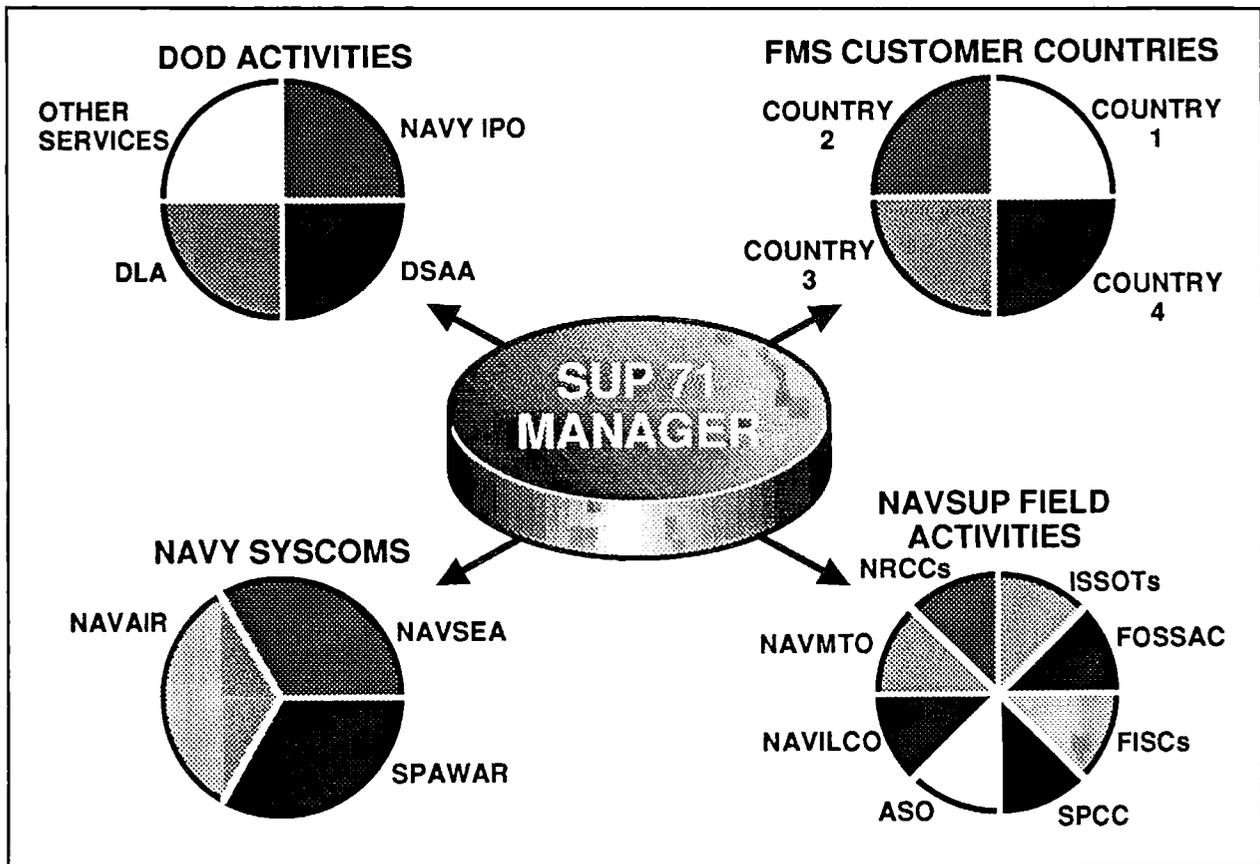
Each process differs from the others. Provider responsibilities change as the type of acquisition changes. Some are more time sensitive than others. Some require emphasis on the short term, others on the long term. The extent of customer participation and sophistication will vary. Knowledge of each other's system differs in degree or doesn't exist at all. One thing is constant: all involve some degree of customer trust and USN commitment to provide logistics support. This is the challenge of the logistics managers and supply specialists in the Operations Division of the Security Assistance Directorate—to integrate a myriad of supply support factors.

Major Weapons System Acquisition. Primary responsibility for major weapons systems acquisition in the U.S. Navy rests with specific program managers in the Naval Air Systems Command (NAVAIR), Naval Sea Systems Command (NAVSEA), and the Space and Naval Warfare Systems Command (SPAWAR). Assisting in the management effort are various Participating Managers (PARMs) who are responsible for integrated logistics support elements.

One of these PARMS is the Naval Supply Systems Command (NAVSUP), responsible for supply support. NAVSUPHQ Security Assistance action officers act as a conduit for functional matters requiring coordination between the external Security Assistance infrastructure and the "domestic" directorates at NAVSUPHQ.

NAVSUPHQ action officers also coordinate the efforts of NAVSUP field activities performing initial support functions for the systems command program managers. NAVSUP field activities include: Navy Regional Contracting Centers (NRCCs); Fleet and Industrial Supply Centers (FISCs); the Ships Parts Control Center (SPCC); the Aviation Supply Office (ASO); the Navy International Logistics Control Office (NAVILCO); the Navy Material Transportation Office (NAVMTO); the Fitting Out and Supply Support Assistance Center (FOSSAC); and the Intra-Fleet Supply Support Operations Teams (ISSOTs). Figure 3 depicts the relationship of the NAVSUP Security Assistance manager with the Security Assistance infrastructure.

FIGURE 3



Management Process. The management process is a team approach, consisting of a series of events, such as planning meetings, price estimating exercises, quality review of estimates, dialogue with fleet and shore activities and customer counterparts, an in-country site survey, management plans, and program management reviews. To address the unique features of the program, special considerations are made and products are refined.

Supply Support. In the narrow view, supply support of the Security Assistance Program's major weapons systems is limited to spare and repair parts replenishment, as well as non-standard item procurements, repair of repairables, follow-on publications, critical material expediting, material staging, and foreign liaison services. Planning and execution of Foreign Military Sales (FMS) cases to provide these material, services, and documentation requirements are the responsibility of the NAVSUP PARM.

One of the most popular elements of follow-on support is Cooperative Logistics. Under this stock replenishment system, customers invest in the U.S. supply system, become a co-owner of inventory, and have access to the supply system similar to U. S. fleet requirements. An article in the Spring 1993 issue of *The DISAM Journal* addresses the Navy's Cooperative Logistics Program in detail.

Because of the lack of time, shortage of funds, and other constraints, supply support management normally evolves into a creative, pro-active mode. Some examples of innovations are: development of tailored allowance lists, special equipment validations, time-saving procedures to process equipment configuration changes, unique efforts to obtain repair data from equipment manufacturers, joint USN/customer quality reviews of products, special material requisition procedures, processing repair parts support for contractor-furnished material, exploration of commercial buying services potential, access to reutilization assets, customer liaison officers at supply system organizations, etc. In the short term, these efforts save time and money and improve support. In the long term, many will become standard operating procedures.

While it is difficult to provide quality supply support under short-fused circumstances, it is personally rewarding and satisfying. The NAVSUP supply and logistics managers are quite enthusiastic about participating in a dynamic process that generates real improvements and provides quality support to their customers.

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.

Fleet and Industrial Supply Centers Join the Security Assistance Team

By

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The Fleet and Industrial Supply Centers (FISCs) are the newest members of the Naval Supply Systems Command (NAVSUP) team to undertake a significant role in the Navy's Security Assistance operations. The FISCs emerged from the previous Naval Supply Centers (NSCs), with FISC San Diego being established as the prototype FISC in August 1992. With the exception of the warehousing and physical distribution functions, the FISC performs almost all of the same services as the previous NSC did. In addition, the FISC has absorbed procurement and a myriad of other logistics functions from nearby activities. The FISC concept evolved from both a Vice Chief of Naval Operations (VCNO) logistics infrastructure study and a Commander-in-Chief, U.S. Pacific Fleet (CINCPACFLT) area supply consolidation study. These studies found numerous opportunities for the Navy to eliminate infrastructure redundancies in fleet concentration areas. The remainder of the Navy's Supply Centers and Depots became FISCs in March of 1993.

The FISC concept envisions full customer service sites collocated at area fleet and industrial concentrations, with a host or headquarters site that supports all of its regional sites by providing coordinated technical and administrative help. Thus, the FISC places primary emphasis on close partnerships with its customers. To achieve that goal, FISC San Diego has moved personnel and resources into local sites of customer concentration. Every fleet, industrial, and shore-based customer has a full service supply support organization close by, under the

command of the local site commander, that acts as its husbanding agent for one-stop shopping for supply and logistic requirements. FISC San Diego currently has four local sites at Naval Air Station North Island, Naval Station San Diego, Naval Station Long Beach, and the Naval Submarine Base Point Loma. A fifth site is planned at Naval Air Station Miramar. The FISC host functions do not duplicate those functions performed at the local sites, and the host's mission is focused on funds administration, information management, systems support, etc.

An example of this effective structuring of functions is the FISC's small purchase operations which exist at each local FISC site, under the supervision of the local Site Director. However, planning and implementation of procurement for all of these sites is done by the consolidated procurement staff, which is a headquarters/host function.

FISC San Diego has been involved in the consolidation of various Navy logistics "stovepipes" in the Southern California area. Force downsizing, Defense Management Review decisions, and the resulting budget cuts have increased the need for efficiency and the reduction of redundant capabilities. Budget realities have forced operational commands to carefully re-evaluate their core functions and to transfer these non-core functions to other commands where economies of scale will result in savings and efficiencies. For example, in the San Diego area, there were twenty six small procurement departments at various commands outside of the FISC. Today, that number is less than 20 and will be further reduced. FISC San Diego has co-located these consolidated small purchase shops close to their former commands and has promised the same level of performance as was provided before the consolidation. FISC San Diego has used Joint Quality Management Boards (JQMBS) and Joint Process Action Teams (JPATS), consisting of representatives from both the "customer" activities and the FISC, to consolidate many of these stovepipe functions. Some of the other functions being consolidated under the FISC are: Area Inventory Management, Human Resources, Local Transportation, Packaging and Preservation, and Personal Property operations.

Now that you have an idea of what a FISC is, you may be asking what the FISC will do for the Security Assistance community. FISC San Diego was also used as the prototype for Foreign Military Sales (FMS) business opportunities for the other FISCs. The two FISC sites at the Naval Stations each have full-time personnel dedicated to ship transfer programs (Taiwan and Turkey) currently being conducted at these sites. The FISC serves as a one-stop shopping service for the prospective ship's crew, assisting them in outfitting their ships. The foreign crews can walk into the local FISC and submit a requisition for material. If the material is available, the FISC will issue a referral for material from the DLA-run warehouse, or refer the requisition into the supply system. The FISC can also offer its procurement services if needed. The FISC also acts as the husbanding agent for the foreign crew if other supply or logistics requirements emerge, such as berthing and fueling issues. The FISC also serves as the single point of contact for the Naval Sea Systems Command (NAVSEA) ship transfer program manager. FISC North Island also supports the Kuwaiti F/A-18 program with a dedicated small purchase operation at that site. There is an overall FMS coordinator at the FISC Headquarters, who is responsible for the proper execution and administration of the security assistance business and also serves as the liaison between the Navy's Systems Commands and the local FISC sites.

In summary, the Navy has streamlined its fleet infrastructure to better serve both its domestic customers and its FMS customers. In an era of domestic downsizing and declining resources, the FISC is the right answer for growth in our FMS business opportunities.