

THE PRINCIPAL STEPS IN A
FOREIGN MILITARY SALE OF A
MAJOR WEAPON SYSTEM

By

DR. R. H. SHUTTE
Professor
Defense Institute of Security Assistance Management

PURPOSE

This is the second of a two-part series describing the basic steps followed in the acquisition and delivery of a major weapon system for a foreign military sale. There are two basic objectives for presenting this series. First, it serves as a review for those of DISAM's earlier students who may benefit by a quick refresher of the foreign military sales process; secondly, for those who lack familiarity with the process, the series will illustrate some of the more significant considerations that apply in the delivery of a major U.S. weapon system to a foreign country.

Part one of the series, published in the Winter 1981-1982 issue of this Newsletter, presented an overview of the sequential actions involved in effecting a foreign military sale, and the management interrelationships that are required. Although the interrelationship may appear to be disjointed events, they follow a logical and consistent pattern, as described herein. The second part, which follows, examines the FMS Management Plan of time oriented FMS milestones, and provides a checklist of information for use in the preparation of the DD Form 1513, Letter of Offer and Acceptance.

The material presented in this series is liberally based on information synthesized from AFR 400-3 and related publications of other military departments. The synthesis is designed for ease of reading and comprehension; the basic essence of the official directives remains unchanged.

PART II

FMS MANAGEMENT PLAN

Introduction:

An FMS Management Plan presents the flow of events through a series of check points based on a time-phased schedule. The plan reflects compatible dates and integrated actions required of the military departments, the contractor, and the purchaser country in order to efficiently activate a program. When the plan is applied to specific country programs, milestones for program review should be adjusted to reflect the date of first equipment arrival in the country.

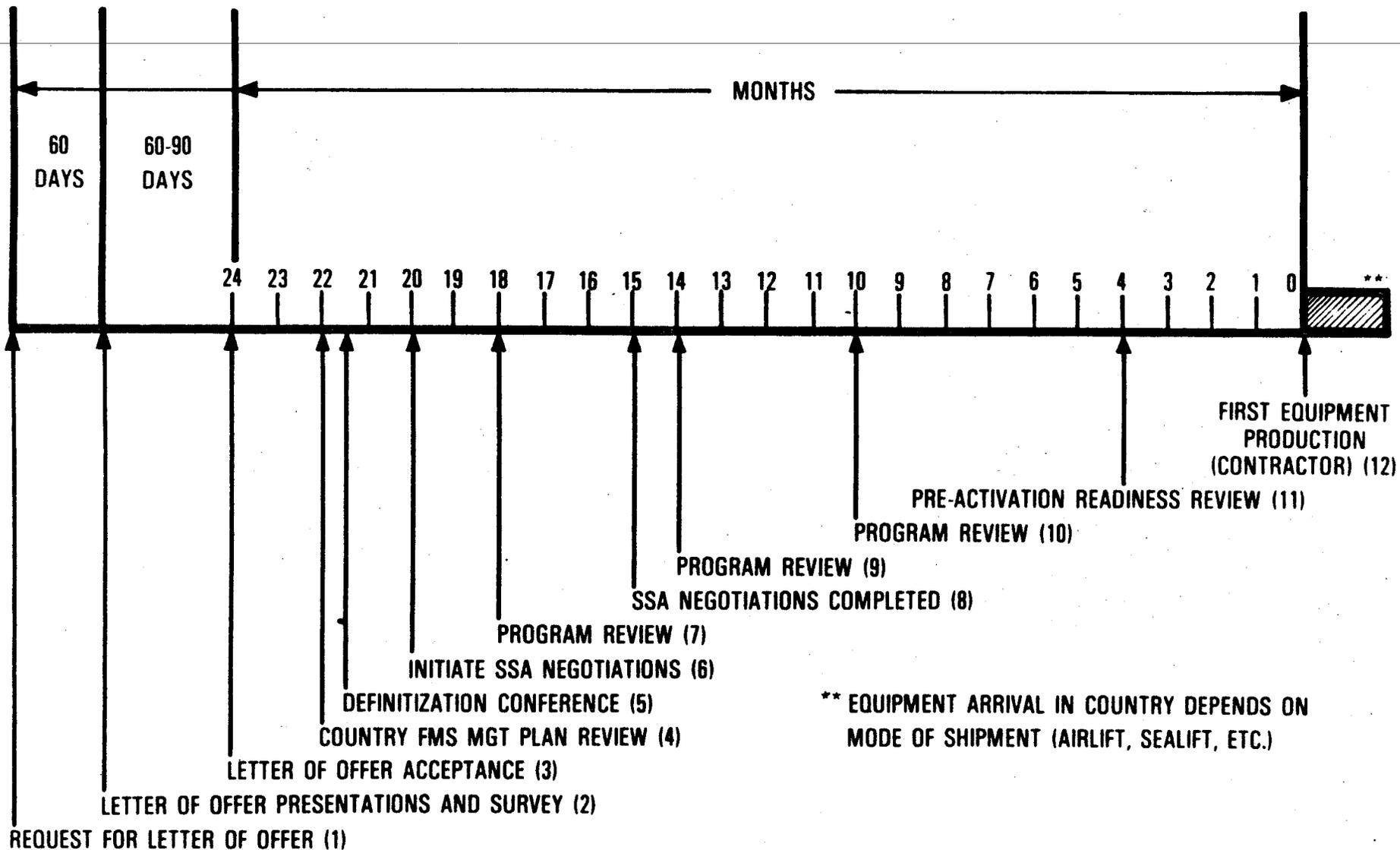
The responsibilities of the country, the military departments, and the contractor in following the management plan are identified, and adverse effects of deviating from the planned milestones are highlighted. This plan is applicable to all agencies (military departments, industry, and purchaser country) participating in the programming, materiel acquisition, and logistics support of the program. The times, sequencing, organization, dollar thresholds, and participants provide a representation and not exhaustive listings of matters to be considered in formulating a meaningful FMS Management Plan.

Program Management:

A program consists of the implementation of the Foreign Military Sales (FMS) cases accepted by the customer country. These cases include but are not limited to: the basic equipment (e.g., a tank), maintenance and handling equipment (e.g., support equipment), spares, follow-on support, contractor engineering, technical services, technical publications, training, and other support. The success of a program is dependent upon aggressive, sustained attention to management of the actions required to activate and support the country program. The USG and the contractor use program review policies and procedures for FMS cases similar to those established for USG programs. Country participation in reviews is solicited. At the conclusion of each program review, minutes should be prepared and action items assigned to appropriate agencies. It is incumbent upon all participants to complete the action items properly.

Hereafter, "AF/PRI, OP 63, and USASAC/M," as appropriate, are designated by the term "SA Headquarters."

FMS MANAGEMENT PLAN MILESTONE CHART



MILESTONE 1 - Request for Letter of Offer and Acceptance (LOA):

Purpose: To identify the initial start point of a country program. This occurs when a country requests a LOA for the procurement of a major weapons system.

- LOA Request (see the LOA checklist at the conclusion of this article.)
 - MILDEP acknowledges country request and obtains clarification of LOA details. If necessary, advise country that assistance is available to complete the FMS checklist.
 - MILDEP initiates Price and Availability (P&A) request within five working days.
 - MILDEP advises estimated date of LOA presentation and recommend in-country survey concurrent with LOA presentation.

Actions Required:

- Purchaser Country - Prepare a definitized request for formulating LOA data.
- SA Headquarters will request P&A from the appropriate command, with information copies to country, SAO, Program Manager, Logistics Manager and AFPRO/NAVPRO/COTR.
- For cases of \$50 million or more, or Major Defense Equipment of \$14 million or more, SA Headquarters will request impact statements from appropriate staff agencies, (e.g., Air Force/XO, /RD, /PR, /AC) for submission to OSD/DSAA, with P&A data for Congressional Review.
- If request for LOA is insufficiently defined, SA Headquarters will:
 - Inform appropriate agencies that more definitized information will follow.
 - Advise requesting country that initial P&A has been requested; however, more definitive data is necessary before an accurate LOA can be developed, and request that LOA Checklist be completed as soon as possible.
- Obtain additional available information from the SAO and/or Industry to amplify the LOA request information submitted by the country.
- Determine training requirements.

- If response to the above procedures is insufficient for preliminary LOA preparation, SA Headquarters will dispatch a survey team to the requesting country to obtain necessary information. Use of a survey team at this point will be on an exceptional basis only, and is generally discouraged if avoidable. Requests for survey approval must be submitted in writing to SA Headquarters, and concurrence received prior to initial scheduling and foreign clearance solicitation.

MILESTONE 2 - LOA Presentation/Survey (Prime Responsibility: SA Headquarters)

Purpose: Deliver the Letter of Offer and fully explain the pricing, schedules, and overall FMS program plan.

Briefing Content: Include as a minimum the following:

- Review FMS procedures.
- Review financial management procedures.
- Reaffirm item configuration, operations concept, maintenance concept, and basic factors used to generate LOA (see LOA Checklist).
- Outline procedures for time-phased delivery of O&M Ground Support Equipment (GSE) and spares; Intermediate Maintenance, GSE and spares; and depot GSE and spares.
- Review FMS Management Plan.
- Discuss the Supply Support Arrangement (SSA) follow-on support requirements, and explain impact of non-participating or delaying decision to participate.
- Discuss the Component Improvement Program (CIP), where applicable.
- U.S. participants:
 - LOA Presentation Team:
 - SA Headquarters (One Team Chief + one if Survey Team accompanies LOA Presentation Team)
 - SPO/Prog. Office (One or as required)
 - Logistics Command (One or as required)
 - Contractor (One or as required)

- Survey Team:
 - SA Headquarters One (Team Chief)
 - SPO/Prog. Mgr. One
 - Log Command/MRC/
Systems Command One
 - Logistics Center Three-Five
 - Contractor/Weapon
System Two
 - Training Command One
 - Power Plant Contractor One
(where applicable)

Actions Required: SA Headquarters:

- Insure LOA is coordinated within appropriate Staff and appropriate OSD agencies.
- Forward cost data and impact statements necessary for Congressional Review to OSD/DSAA before LOA presentation.
- With appropriate commands and industry, jointly review LOA and prepare in-country presentation to insure adequacy of all cost breakouts and final review of LOA for accuracy and correlation with supporting data.
- With appropriate commands and industry, jointly review FMS Management Plan that is to be presented to purchaser country for accuracy and completeness.
- During LOA presentation, reinforce the suggestions to the purchaser country of the necessity of an in-country survey, to include training survey requirements, at the earliest time if survey team recommendation has not been accepted up to this point.
- With appropriate commands, explain impact of not participating or delaying decision to participate in SSA, and discuss follow-on support in detail.

MILESTONE 3 - LOA Acceptance (24 months prior to first equipment being available for delivery to the purchaser country)

Purpose: Signature signifies that the purchaser country has accepted the system sale as defined in the LOA.

Actions Required:

- SAO, or country CONUS representative advise USG that LOA has been signed and delivered, and that it is enroute to Washington, DC.
- MILDEP advises all agencies and contractors immediately by priority message that LOA has been signed and accepted by country.
- MILDEP requests funding authority required for implementation.
- SA Headquarters advises country that the purpose of the survey team is to assess in-country capabilities so that a more complete definitization can be better accomplished.
- SPO/Program Manager initiate procurement upon receipt of funds (A/C, development testing, etc.).
- Logistics Command initiate spares and GSE procurement actions immediately upon receipt of SA Headquarters notification LOA has been signed and accepted by country.
- Implement Systems and Logistics Command Component Improvement Program (CIP), where applicable, and the effort of participation.

MILESTONE 4 - Country FMS Management Plan Review (Host: Military Command involved, e.g., DARCOM.)

Purpose: To present the FMS Management Plan as tailored to the specific country. The plan will integrate the milestones from the "FMS Milestone Chart" into the specific country program plan which will subsequently be used in managing the country program. This detailed FMS management plan will be a joint effort of the country managers in the SPO, Program Manager, and Implementing and Logistics Commander, with each assuming full responsibility to include all necessary activities leading to the on-time completion of the "FMS Management Plan Milestones." The presentation will include review of the weapons system configuration and the finalized integrated logistics support plan, with emphasis on the production and delivery plan, operational concept, maintenance concept, training plan, maintenance plan, supply plan, publication plan, and follow-on support (SSA) requirements.

Attendees:

- SA Headquarters
- Country Desk Officer and Training Manager

- Systems Commands/SPO, Program Manager Country Manager and Program Director
- Logistics Command/MRC/ Systems Commands
- Logistics Centers (e.g., Air Force-ALC) Systems Manager
Country Manager
Technical Services Representative
SAP Manager
- Training Command As Required
- Country Representative
- Contractor/Weapon System
- Contractor/Powerplant, (where applicable)

● Representatives above should be management level personnel authorized to modify the management plans as necessary.

Note: Although key country actions and decision points are to be identified in the Country FMS Management Plan, it is recognized that timeliness of purchaser country actions will not always ensue. When key milestones are not met, cognizant command action officers and contractor personnel are encouraged to promptly identify such deficiencies to SA Headquarters for the purpose of formal notification to the country. Typically, notification will take the form of a letter released at SA Headquarters level. Criteria for such a letter are necessarily subjective. However, when normal correspondence and review channels do not elicit a response to requirements which, if delayed, will preclude timely delivery of equipment or support, the country desk officer should be so advised. The propriety of a notification letter will be determined by SA Headquarters.

MILESTONE 5 - Definitization Conference (Host Air Logistics Center, Comparable Navy, Army Commands)

Purpose: To allow the purchaser country logistics technician review of the USG recommended quantities of Ground Support Equipment (GSE), spares, training equipment, and associated technical data, and to select the support equipment to be procured.

Attendees:

- AF/PRI, OP63, USASAC/M
- Logistics Command - Program Activation Monitor

- Logistic Center - Systems Manager
Country Manager
Technical Services Representative
SAP Manager
Munitions Specialist
- Other Logistic Centers - One International Logistics Representative
- In addition, the "prime Logistics Center" will provide a complete definitization team.
- SPO - GSE Manager
Logistics Manager
- Weapon System Contractor - Three to five people to participate in support of the USG and country definitization team.
- Purchaser Country - Sufficient maintenance and supply technicians to select items and quantities to be procured.
- Training Command - Representation will include at a minimum those individuals responsible for the acquisition of the required GSE, spares, and technical data. The procuring country should provide their most experienced maintenance and supply technicians to select the most effective combination of GSE, spares, and support equipment for their country program. The country representatives must possess decision authority to implement procurement.

Note: The first item of business will be for the Logistics Center and the SPO-Program Manager to present documentation which validates that all items which were to be placed on procurement upon receipt of notification of LOA acceptance at Milestone 2 are in fact on procurement.

Logistics Centers will place all definitized equipment [spares and aerospace ground equipment (AGE)] on procurement within seven duty days after definitization/conference. Upon completion, Logistics Command and AF/PRI, OP63, and USASAC/M, will be advised of completed action.

Logistics Centers will insure that the Required Activation Date (RAD) is not adjusted without approval of the Logistics Centers and Logistics Command. Further, if RAD is to be adjusted, the Item Manager is to forward a program impact assessment with submission of RAD change request. The appropriate Logistics Center will include (with the impact assessment) a recommended work around procedure and "get well" plan.

MILESTONE 6 - Initiate Supply Support Arrangement (SSA) Negotiations

Purpose: To establish a start date, not later than twenty months prior to activation in-country, to commence SSA negotiations with the country.

- Logistics Command will provide the customer country representatives with sufficient data to enable establishment of stock level and requisition case value proposals prior to final negotiations of SSA at Milestone 8.

- The Logistics Command will emphasize the importance of the SSA. Impacts will be identified if negotiation of the SSA is delayed or not accepted.

Actions Required:

- Logistics Centers will describe in detail the SSA concept and its limitation to spares and spare parts. In coordination with the country, Logistics Command will definitize the spares and repair parts required for in-country stock levels. Logistics Centers should emphasize the value of good initial support and its effect on the successful operation of the weapon system throughout its operational life. Additionally, Logistics Command should stress the importance of providing the System Manager usage data (spares consumption data), "Not Mission Capable Supply" and "Not Mission Capable Maintenance" information. Finally, Logistics Command should describe the advantages of the Cooperative Logistics Program.

MILESTONE 7 - Program Review (Host: Systems Command, SPO/ Program Manager)

Purpose: To enable the USG and purchaser country to assess the overall program status so that appropriate management actions can be exercised to fulfill the overall objective of the FMS program. The program reviews are oriented toward identifying problems as early as possible so that resolution can be completed before program milestones are impacted or compromised. The review also provides update and exchange of information between all action agencies. Discussions will include but not be limited to weapons system configuration, development status, performance, schedule, contracting, finance, spares procurement, GSE, technical data, training programs and training hardware, status of in-country facilities/construction problems, action items, and any special subjects deemed necessary. During this and subsequent program reviews, it is mandatory to identify those items which have not been placed on procurement in accordance with this FMS Management Plan. In addition, if there are known or anticipated late procurement actions, "work around plans" will be established.

Attendees:

- Purchaser Country Representatives
- Training Command (as required)
- SA Headquarters Country Desk Officer, and Training Officer
- SPO/Program Manager Contractor/Weapon System
- Logistics Command Contractor/Power Plant (where appropriate)
- Logistics Centers

Personnel attending Program Reviews must represent both managerial and technical disciplines, and possess the authority necessary to make decisions which will implement corrective actions.

Actions Required:

- SA Headquarters will selectively review each Logistic Center procurement status from the listing of support equipment and spares identified for procurement at the definitization conference.
- Logistics Command will insure that appropriate representatives attend these reviews from supporting Logistic Centers (responsible managers).
- Following approval by SA Headquarters and the Systems Command, in coordination with Logistics Command, will notify all agencies at least thirty days in advance of all program reviews with accompanying detailed agenda.
- Logistics Command will insure that RAD is not adjusted without approval of Logistics Center and Logistics Command. Further, if RAD is to be adjusted, Item Manager is to forward a program impact assessment with submission of RAD change request. Included with impact assessment, the appropriate Logistics Center will forward recommended "work around" procedure and "get well" plan.

MILESTONE 8 - Supply Support Arrangement Established

Purpose: This milestone is established to indicate that fifteen months before first equipment production is the latest date that the SSA should be finalized. Delay of this milestone will result in a month-for-month slip in the effective follow-on support of the program.

Action Required:

- Logistics Command will finalize the stock level case and requisition case with the customer country.

MILESTONES 9 & 10 - Program Reviews (same as Milestone 7)

- One of these two reviews, preferably at Milestone 9, is to be convened in-country. That review should include, at the option of SA Headquarters, survey personnel to validate host country logistics receipt and accountability procedures. Inclusion of such personnel at this point is intended to preclude major surprises at the Pre-Activation Review which are lead time oriented.

MILESTONE 9 - (Hosted by Purchaser Country or SA Headquarters)

Action Required:

- SA Headquarters will conduct in-depth review of program. Key representatives designated at Milestone 7 will be present.

MILESTONE 10 - (Hosted by Weapon System Contractor)

Action Required:

- SA Headquarters will conduct in-depth review of program. Key representatives designated at Milestone 7 will be present.

MILESTONE 11 - Preactivation Readiness Review (In-Country)

Purpose: To review the status of all items being procured to insure that they will be in place prior to the activation date and to identify and correct any problems which would preclude establishing the initial operating capability. Additionally, conduct a survey of the status of the basing and depot facilities, GSE, spares, technical data, personnel, and planning in the country, and activate Mobile training teams and survey team, if required. Corrective actions and direction will be established to resolve problems. Finally, review mode of transportation and delivery schedule of weapon system.

Attendees:

- Same agencies as Program Reviews with appropriate technician substitutions as necessary.

Actions Required:

- Logistics Command will insure that visits are made to each of the country's operating bases and maintenance support activities to identify and solve all problems which will impact the initial operating capability.

- The survey should include follow-on review of production lead time oriented deficiencies identified at Milestones 9 and 10.

MILESTONE 12 - First Production Delivery

Purpose: To identify the date of delivery of first equipment and establish the start of the delivery phase.

Actions Required:

- SA Headquarters will review the transportation plan prepared to deliver the equipment.
- Logistics Command will insure that all aspects of delivery are included and planned for the delivery mode selected.

LOA CHECKLIST

COUNTRY FURNISHED DATA REQUIRED FOR THE OFFER

- A. Basic Configuration - refer to specification (if possible) _____
1. Quantity _____
 2. Desired delivery (first item/equipment at plant _____
 3. Desired monthly production rate _____
- B. Changes to Basic Configuration (attach list)
- _____ Included in item/equipment cost
- _____ Optional item
- C. Operational Concept
1. Number of units _____
 2. Number of main operating bases _____
 3. Number of units at each main base _____
 4. Number of forward operating bases (FOB) _____
 5. Number of items/equipment to be supported at the FOB _____
 6. Time length item/equipment to be supported at the FOB _____
 7. Number to be co-located with other of the same item/equipment _____
- D. Maintenance and Logistics Concept
1. _____ Organization and intermediate maintenance in-country
 2. _____ Depot maintenance level in-country
 - (a) Depot Overhaul
 - (1) Supplement to in-country depot capability
 - a. Facilities
 - b. Ground Support Equipment (GSE)

- c. Repair parts
- d. Training
- e. Tech data

(2) Initial establishment in-country depot capability

- a. Facilities
- b. GSE
- c. Repair parts
- d. Training
- e. Tech data

(3) Repair and return to CONUS repair facility

(b) Supply support arrangement

- 3. _____ Initial spare parts for one year operation required
- 4. _____ Special requirements for spare parts are required (attach list)
- 5. _____ Planned usage (hours, etc.) each item/equipment each month _____
- 6. _____ Years initial spares required
- 7. Follow-on support to be negotiated by milestone date

E. Contractor Technical Services

- 1. _____ Persons, item/equipment, _____ year
- 2. _____ Persons, power plant, _____ year
- 3. _____ Persons, _____, _____ year

F. USG Technical services

- 1. _____ Persons, WSLO, _____ year
- 2. "On call", \$ _____
- 3. Logistics-Commodity Commands (including travel) \$ _____

G. Munitions - furnish definitive list or make line item subject to provisioning conference.

H. Transportation

1. Freight Forwarders
2. Aggregation

I. Training

1. Number to be trained in CONUS (pilots, weapon system operator, navigator, flight engineer, etc.) as appropriate.
 - (a) Experience or background, include item/equipment operated, total number of hours, etc.
 - (b) English language capability
 - (c) Type mission to be qualified for, (e.g., aircraft: in-flight refueling, air-to-ground, air-to-air, all weather intercept, etc.)
2. Number of maintenance personnel to be trained in CONUS.
 - (a) Breakout by trade or U.S. military department speciality code and number of each
 - (b) Background or experience, by type item/equipment system
 - (c) Desired level of training, organization, intermediate, or depot
 - (d) Date CONUS training is to be completed
3. USG instructor crew and maintenance instructor Mobil Training Team are normally programmed to assist country cadre establish the in-country program. Will these be required? _____ For what duration? _____ What composition is recommended _____?

J. Training Devices (show quantity)

1. _____ Weapon system simulators
2. _____ Mobile training sets (maintenance)
3. _____ Other (attach description)

K. Insurance

1. _____ Country will be self-insured
2. _____ Insurance desired
3. _____ Third party insurance desired
4. _____ Surface delivery insurance desired
5. _____ Country will arrange own insurance

L. Overview of facilities

1. Bases, airports, etc. (location, capabilities, etc.)
2. Power supply
3. Special Requirements

Other pertinent remarks

ABOUT THE AUTHOR

Dr. Richard H. Shutte has been a DISAM faculty member since 1977, and serves as the Program Manager for Core Studies. A veteran of the U.S. Marine Corps, Dr. Shutte holds LLB and LLD degrees from Northern Kentucky State University. He has an extensive background as a contract negotiator and contract administrator for the U.S. government and defense industry, as well as extended faculty experience as the former Director of the Logistics Management Program at Ohio State University.