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## THE TRANSPORTATION COST LOOK-UP TABLE

An Innovative Development in the Assessment of Transportation Costs  
for Major Foreign Military Sales (FMS) Items Moving Within the  
Defense Transportation System (DTS)

[Submitted by Ms. Diane S. Okun, Naval Supply Systems Command, O732E.]

The Transportation Cost Look-Up Table is an alternative FMS transportation accounting system developed by the Defense Security Assistance Agency (DSAA) as a solution to an audit report finding by the Department of Defense Inspector General that the current transportation rate structure does not accurately assess transportation costs for FMS material moving within the DTS [Audit Report 85-091, 31 May 1984]. The Transportation Cost Look-Up Table more closely aligns transportation charges with actual transportation costs.

In 1977, DOD prescribed standard percentage rates to be applied to the selling price of FMS material moving within the DTS. The percentage rates vary according to the mode of shipment and the location where the physical movement is transferred from DOD to the purchasing country. The customer is assessed a transportation charge based on the applicable percentage rate. This payment is deposited into the Transportation Cost Clearing Account, an FMS Trust Fund transportation account [administered by the Security Assistance Accounting Center (SAAC)] from which the Transportation Operating Agency (TOA) is reimbursed for actual shipping costs.

Although U.S. law requires the Security Assistance Program to be a "no-profit, no-loss" operation, the Transportation Cost Clearing Account has amassed considerable excess funds. The implementation of the Transportation Cost Look-Up Table is intended to arrest the build-up of funds which have been accumulating since the percentage rate accounting system became effective in 1978. A significant contributor to this build-up is the disparity between percentage rate assessments and actual costs. This is most evident when applied to high-cost items since assessed shipping costs are based on item price and actual shipping costs are based on item weight. The Transportation Cost Look-Up Table removes this disparity by providing "estimated actual" costs for selected items, using item weight, for the most common shipping modes and locations; and for such selected items, the Transportation Cost Look-Up table provides an alternative to standard percentage rate assessments. The "estimated actual" costs are derived from information provided to DSAA by each service for high-cost items expected to move within the DTS in the future. Upon approval and editing by DSAA, a revised listing of high-cost items with accompanying "estimated actual" shipping costs is submitted to SAAC for incorporation into the Transportation Cost Look-Up Table. SAAC will then disseminate the approved Look-Up Table costs to the applicable DOD components who will use them when preparing Price and Availability data for items that are cited on the table. Commands that prepare the DD-COMP(M) 1517 (FMS Detail Billing Report) will apply a code that directs SAAC to bill a Look-Up Table transportation cost to the customer.

As the cost of major items continues to accelerate due to the rapidly growing field of advanced technological development, the Transportation Cost Look-Up Table should provide a more equitable assessment of FMS transportation costs.