

DOD Freight Forwarder

By

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INTRODUCTION

Foreign Military Sales (FMS) as a program within Security Assistance has served the defense and foreign policy needs of the United States as well as the participating countries for a number of years. As FMS has evolved into one of the most important foreign policy tools available to the U.S. Government (USG), the interest in "how" it is conducted has resulted in an increased complexity of governing procedural rules and regulations. Because of these regulations and the concern for attending to the policy of providing the best articles and services to the purchasing countries, there is some concern that the FMS process has become unwieldy. Many feel that it is possible for the USG to provide for purchaser country needs, both in quality and quantity of articles and services, while doing so more efficiently.

Approximately three years ago the military departments were tasked with generating a plan for "streamlining" the FMS process. This streamlining effort included consideration of the initiation of the purchaser's request through the preparation of the Letter of Offer and Acceptance (LOA), to implementation and logistical and financial support of the case, to final case closure.

A number of initiatives arose from this joint endeavor, not the least of which was the change to the *Security Assistance Management Manual* (SAMM) (DOD 5105.38-M) which allowed Letters of Request (LORs) to come directly to the cognizant military department for initial processing. There are many more ideas that have been promulgated by the military department managers of security assistance programs which have found their way into procedural changes which, in turn, have enhanced the effectiveness of FMS programs.

This article will explore the idea of establishing a DOD freight forwarder as a way to streamline the FMS process. We will address the background of the issue and then describe the joint military position from the original "Concept Paper" under the headings: Concept of Operations, the Operational Tasks and Requirements of the DOD Freight Forwarder, and the Advantages and Disadvantages of the Concept.

BACKGROUND

FMS transportation policy is couched in the term self-sufficiency. This means that the purchaser country is responsible both logistically and financially for the transportation of all articles acquired under an FMS case. In this regard, the Delivery Term Code (DTC) would normally be a "4" for each line on the DD Form 1513, and delivery of articles would occur at origin. Other Delivery Term Codes dictate that the USG, through the Defense Transportation System (DTS), will be responsible for the transportation to some point of delivery other than the point of origin. However, in all instances it is generally the purchaser country which is required to pay for the transportation even when the USG sponsors that transportation.

The majority of purchaser countries employ the services of a freight forwarder to fulfill the necessary functions of providing timely delivery of articles purchased through the FMS system. The freight forwarder is assigned numerous tasks to meet the specific requirements of the country

which uses his services. (These responsibilities are discussed in the *Security Assistance Management Manual*, Chapter 7, Section III.) The freight forwarder is an employee of the purchaser country and must meet the specific transportation requirements of each country as those needs are expressed in various contracts.

The use of a freight forwarder can be an expensive undertaking. In addition, since the freight forwarder is an agent of the purchaser country, the USG has little influence over its activities as long as U.S. law is not violated. It is difficult for some countries to afford hiring a freight forwarder and to administer the activities of that agent to the satisfaction of the country. As a result of these conditions, the suggestion arose that the USG might establish and maintain a freight forwarder operation specifically for those countries experiencing difficulty in attaining adequate transportation services.

The U.S. Air Force International Logistics Center first articulated the idea of setting up a contractor under contract to the USG to perform the freight forwarder functions for those countries who were having transportation difficulties. This idea was presented at a joint service meeting to discuss ways to streamline the FMS process. The military department representatives, although supporting the idea in principle, wanted to explore the concept through a series of discussions and planning sessions before making a final commitment to the concept. After a number of those discussions, we find the essence of that idea contained in this paper.

CONCEPT OF OPERATION

Certain established policies and procedures will remain the same:

- Title to equipment and materiel will transfer to the purchaser at the initial point of shipment unless otherwise specified in the LOA.
- Delivery Term Code (DTC) "4" will be the normal Delivery Term Code for FMS transactions. DTC "8" will continue to be used when the transfer involves specific commodities which are considered to be sensitive and/or hazardous. Other DTCs which obligate the Defense Transportation System (DTS) will be negotiated on an as-required basis.
- The normal offer/release code will be "A," with shipments being processed automatically. Offer/release codes "Y" and "Z" will continue to be negotiated to cover certain applicable requirements.

The new concept will include the following additional considerations:

- A freight forwarder will provide standard services, as specified in a DOD-managed contract, for specified customer countries in support of items purchased through the FMS program.
- A freight forwarder will operate at locations necessary to provide worldwide support. The freight forwarder will effect movement per items supplied from both CONUS and overseas sources, to include retrograde materiel.
- A freight forwarder will have the capability to use state-of-the-art computer and communications equipment that is compatible with current and projected DOD data and communications systems.

OPERATIONAL TASKING AND REQUIREMENTS

The following 22 items were taken verbatim from the "Concept Paper" and are a list of provisional requirements which will be specifically defined during the development of the final statement of work. The last three are specifically staging requirements for those countries which would request this service.

1. Provide and maintain all materiel handling equipment (MHE) required to operate the freight forwarder facility.
2. Receive shipments and pay collect commercial bills of lading (CCBL); maintain paid invoices to obtain reimbursement from the USG.
3. Annotate shipping discrepancies on CCBL and file claims with carriers on behalf of customer country.
4. Process "receipt" notices into the in-transit visibility system. (The in-transit visibility system refers to automated tracking used by a freight forwarder to maintain and pass data to the services/countries.) This remains the property of the USG.
5. Consolidate shipments and book space for movement to customer country via commercial air and surface modes. The forwarder(s) will pay all onward transportation costs and provide paid invoices to obtain reimbursement from the USG.
6. Perform the full range of export/import brokerage, to include all license and U.S. customs requirements.
7. Provide advance notification of shipment to the customer country.
8. Process "lift" notices to the in-transit visibility system. Advise country of mode of shipment and carrier (if known), itinerary, and estimated date of arrival.
9. Obtain appropriate Defense Investigative Service (DIS) clearances.
10. The forwarder(s) will report to the U.S. Departments of State and Commerce all FMS materiel exported as required by federal statute.
11. The forwarder(s) will receive and respond to Notices of Availability (NOAs). This will include arranging for interface with the DTS [Military Airlift Command (MAC) or Military Traffic Management Command (MTMC)] for movement of specific commodities being shipped under Defense Transportation Code "8" conditions. Additionally, it includes arranging for pickup of materiel by purchaser-owned/operated aircraft (pilot pick up) or by country-owned military naval vessels.
12. Respond to transportation interrogation from the FMS customer and/or USG; trace shipments in response to follow up on shipping status.
13. Maintain complete visibility control over each shipment from the date of receipt from the carrier until and including actual shipment to and receipt by the purchaser.
14. Maintain "evidence of shipment" documents for the specified period of time.

15. Perform necessary research related to unidentifiable freight. This tasking includes redirecting misdirected shipments after confirmation from appropriate USG military service.
16. The forwarder(s) will employ security "cleared" personnel, maintain security "cleared" facilities, and when appropriate will select those modes of transportation that provide the required transportation protective service.
17. Obtain and maintain commercial insurance coverage for the protection of all purchaser-owned FMS materiel while in custody of the freight forwarder.
18. Process customer-returned materiel through US customs and arrange necessary movement to the designated consignee. Submit paid invoices for reimbursement of prepaid transportation costs.
19. Is responsible directly to the FMS customer country for any damages/losses occurring to customer-owned items while under the auspices of the freight forwarder.
20. Opening shipping containers and perform an inventory inspection (quantity count), along with verification of proper accompanying documentation and shipment marking; prepare replacement documents for shipments received without documentation or with improper documents.
21. Document materiel discrepancies on Standard Form 364 and provide copies to the FMS customer and the USG.
22. Receive all requisition data (AO_), "BA" supply and shipment status (AS_) transactions. The forwarder will keep the purchaser advised of the current status of shipments. This will include notice of shipments due in, receipt of shipment, processing status, anticipated forwarding date, mode of shipment and carrier (if known), itinerary, and estimated arrival at port of discharge.

ADVANTAGES AND DISADVANTAGES

To outline the advantages and disadvantages of any issue certainly involves one's opinions, perceptions, and perspectives regarding that issue. The joint military department effort in delineating both the positive and negative considerations of the DOD freight forwarder concept offered no exception to the above axiom. It is notable that these positive and negative aspects are complete and relevant to the issue. It must also be noted that if the concept is adopted, it will initially apply to the 26 countries currently authorized to receive articles through the DTS. The following advantages and disadvantages are reprinted verbatim from the "Concept Paper."

Advantages

- This concept will replicate a commercial freight forwarder effort while still affording USG protection and oversight to the customer. It will foster self-sufficiency on the part of the FMS customer and less reliance on the USG. This concept will benefit private enterprise as we move a service currently provided by the USG (on an exception basis) into a competitive environment.
- Since a DOD freight forwarder would operate in a fully automated mode, utilizing state-of-the-art equipment, in-transit visibility will improve significantly. This concept will effectively interface the supply and transportation arenas through identification of an item

at the "requisition" number level. The envisioned system will provide visibility for all segments of transportation. This would have a positive impact on mission planning and reduction of lost material.

- The collection of transportation bills by a freight forwarder for payment will facilitate line item transportation cost visibility which is not available in any of our present transportation billing systems.
- The arrangement could improve the "policing" effort presently utilized by Defense Investigative Services (DIS), thereby expanding their authority not only to the facility and personnel clearance phases, but the actual movement phase to the FMS customer country. This will give a greater degree of protection for classified shipments and greater visibility over technology transfer.
- Priority shipments would receive better treatment with the proper mode identified by a single source.
- The process of obtaining reliable freight forwarder services is often a complicated and frustrating process for the FMS customer. This is particularly true for "developing" nations. The DOD freight forwarder concept will simplify the process because of the preestablished contract conditions.
- This could benefit both the USG and the customer countries by providing an FMS specific alternative to a direct commercial contract, without necessitating major system changes or mission changes to the DTS.
- Standardized freight forwarder operating procedures will simplify the movement interface between the shipping/receiving points and the FMS purchaser and can serve as a baseline for other FMS country negotiated commercial freight forwarder contracts.
- The level of service a country receives is usually directly related to the contract. USG expertise can be utilized in the development and enforcement of contract terms and conditions to ensure a high standard of service.
- This arrangement will provide the USG the capability for direct intervention with a freight forwarder should it become necessary. Visibility over in-transit assets is significant.

Disadvantages

- Redirecting those shipments, that previously moved via the DTS, to a DOD freight forwarder will reduce "outside" revenue to the DTS.
- This standardized freight forwarder operation would minimize "customized" transportation arrangements for individual FMS customer countries.
- The DOD freight forwarder concept will likely generate resistance from the private sector since it will compete directly with private businesses if it expands beyond the 26 countries currently using DTS.
- The enhanced service could result in increased cost to the FMS customer.

SUMMARY

It would seem that the idea of establishing a DOD freight forwarder has arrived. Although not a new idea, current security assistance situations would dictate more DOD oversight of the FMS transportation effort. The military departments, under the chairmanship of the U.S. Air Force and with the valued input of the Defense Security Assistance Agency (DSAA) and the Defense Logistics Agency (DLA), have drafted a concept paper which clearly presents the idea. Certainly, there are disadvantages to the establishment of a DOD freight forwarder; but, it would seem that the advantages far outweigh the disadvantages.

Each participant in the various meetings brought their unique perspectives and experience to the final document, a document which is clear and candid in presenting the proposal. The important thing about the final concept, beyond the fact that it addresses in practical terms a perceived need, is that it is an example of how the services can work together to produce a solution to a common problem.

ABOUT THE AUTHOR

Mr. Farnell has been with DISAM since 1980 and is an Associate Professor specializing in logistics. He has a B.S. degree from Auburn University, an M.A. from Wayne State University, and is presently a doctoral candidate at Ohio State University.