
FMS Hybrid Case Reinvention Initiative

By

Carol Shepherd
Naval Inventory Control Point, Philadelphia

The Defense Security Cooperation Agency (DSCA), Navy International Programs Office (IPO), and the Naval Inventory Control Point (NAVICP) International Programs Directorate have developed procedures for an experimental foreign military sales (FMS) case that will include characteristics of FMS and commercial procurement. The FMS hybrid case will be a new vehicle that provides international customers access to the DoD supply system and the option of using a commercial buying service (CBS) via a single FMS case. It is not intended to replace existing supplemental buying service procedures, but to create additional customer options.

Over the past three years, Defense Logistics Agency (DLA) statistics show non-Cooperative Logistics Supply Support Arrangement (CLSSA) follow-on support requisitioning has dropped by 50 percent. The statistics depicted in Figure 1 indicate that FMS customers are going elsewhere for their consumable material requirements. DoD supplies the majority of FMS requirements within a few days. However, requirements subject to backorder or spot procurement often age beyond time frames acceptable to our customers. Currently, 28 percent of Navy FMS requirements are on backorder. Figure 2 depicts this problem. Note that most of the backorders are under \$25,000. DoD spends inordinate manhours to support these low dollar value requirements.

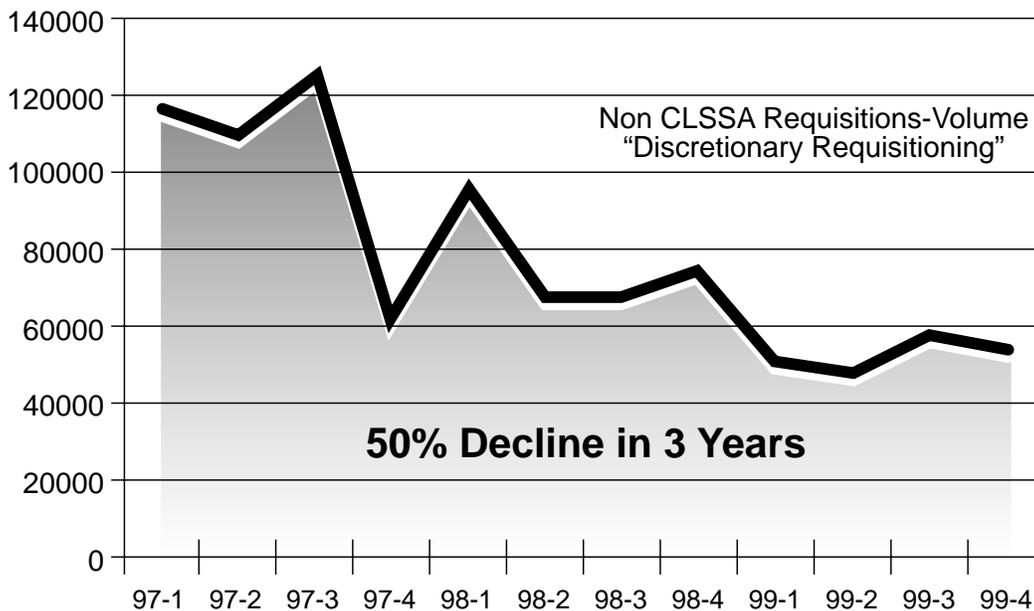
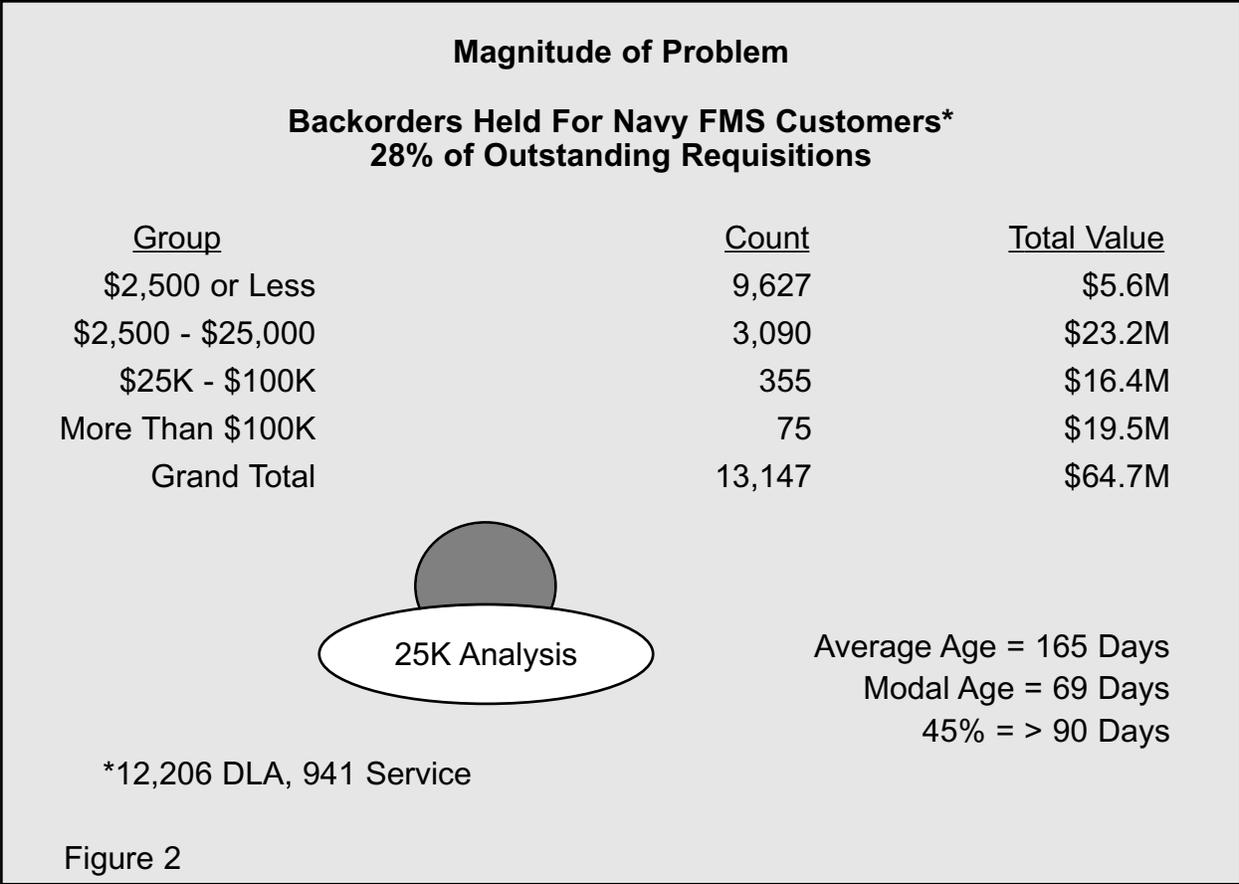


Figure 1



The FMS hybrid initiative will be implemented on a test basis by the Naval Inventory Control Point (NAVICP) for specific Navy FMS customers that have agreed to participate. The test will allow FMS customers to submit secondary item follow-on support requirements via a FMS blanket order case that will process through the Department of Defense (DoD) supply system and issue if available from DoD stocks. If not available for issue from DoD stocks, the Navy will electronically forward the requirement to a CBS for procurement administered by the CBS and customer and monitored by the Navy. The requirement passed to the CBS remains a FMS requisition for export purposes, and carries with it the FMS case export approval. The FMS test cases will be initially structured with separate lines allocating 80 percent of the test case value to the traditional FMS process and 20 percent to the hybrid process. The total of the two lines comprises the case export value.

Once the requisition is forwarded to the CBS, it is still a procurement within an FMS case, but with certain differences (hence the term, “hybrid”). Under FMS hybrid, both the Navy and the customer establish an agreement with a CBS, and funding is executed via a commercial banking institution escrow account or line of credit. The CBS fees and performance requirements are negotiated by the customer based on country specific goals and objectives. Best commercial procurement practices will apply. Any discrepancies in material procured by the CBS are to be resolved between the customer and the CBS. DoD’s only roles after referral to the CBS are to ensure CBS transactions are within the FMS case, maintain visibility of CBS procurement dollar value to insure FMS export is within case financial limitations, and confirm that material procured was as cited in the requisition.

Figure 3 depicts the overall FMS hybrid process. Figure 4 summarizes the anticipated benefits.

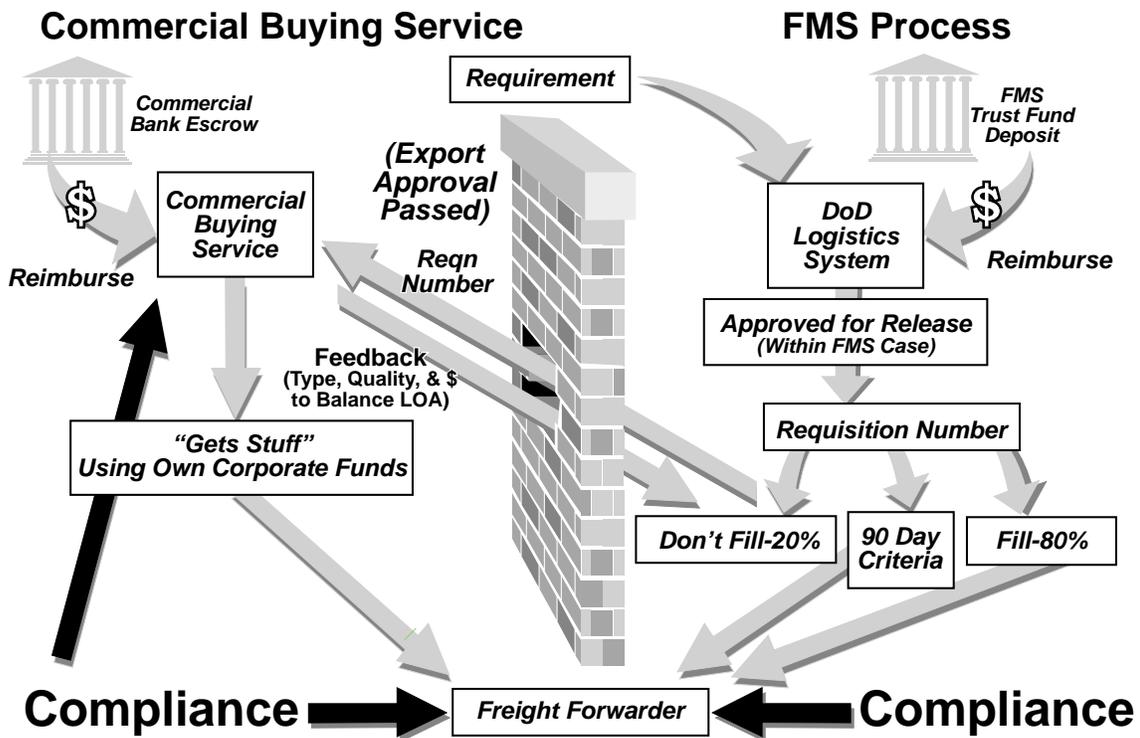


Figure 3

FMS hybrid represents a distinct new direction in security assistance. If the test proves successful, we will have the ability to provide interested customers a single portal to DoD inventories and electronic commerce. We will reduce backorders, improve FMS logistics response time, and provide options for tailored FMS customer support. We will reduce FMS infrastructure costs through streamlined overhead and internal management requirements. Equally important for future supply chain solutions, we will obtain capability to capture all weapon systems demand, sales from FMS stock, and commercial buying service procurements for platforms operated by our allies.



Figure 4

About the Author

Carol Shepherd is currently the Director of the FMS F/A-18 Division at the Naval inventory control point. She holds a BA from Temple University and completed graduate work in Business Administration at Rider College. Mrs. Shepherd is a member of the Department of the Navy acquisition professional community and has over 20 years of experience in FMS and Naval aviation logistics.