



DEFENSE SECURITY ASSISTANCE AGENCY

WASHINGTON, D.C. 20301

1 December 1980

In reply refer to:
Transmittal No. 5
DOD 5105.38-M

MEMORANDUM FOR RECIPIENTS OF DOD 5105.38-M, MILITARY ASSISTANCE AND SALES
MANUAL - PARTS I, II, AND III

SUBJECT: MASM I, II, and III Transmittal

The attached revised pages incorporate previously issued guidance. Highlights of this transmittal include chapters on (Part I) Military Articles and Services List (MASL) Guidance, Machine Readable Codes; (Part II) Articles and Services, Military Education and Training, Program Submission and Management, Transportation Procedures for MAP Materiel; (Part III) Eligibility for FMS, FMS Policies Guidelines and Restrictions, General Procedures, Preparation and Processing of FMS Transactions, Direct Charges to FMS Cases, Implementation of FMS, Financial Procedures, Financing Reports of Discrepancy (ROD) When the U.S. Government (USG) is Liable, FMS - Commercial Availability, FMS Training (FMST), FMS Reporting System, Management of the Ceiling on Weapons and Weapons Related Items, Transportation Procedures for FMS Materiel, Export License and Customs for FMS Customers, and Processing FMS Letters of Offer Which Must be Reported to Congress.

Update the portions of your current MASM in accordance with the List of Changes. Specific changes are indicated by a broken line in the margin of the chapter.

Ernest Graves
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Lieutenant General, USA
Director,
Defense Security Assistance Agency

Attachments

- (1) List of Superseded
Correspondence and Messages
- (2) List of Changes
- (3) MASM Update Materiel

LIST OF SUPERSEDED CORRESPONDENCE AND MESSAGES

Correspondence:

- DSAA Memorandum I-1083/80, 4 April 1980, subject: Part III, Chapter D - Preparation and Processing of FMS Transactions (Memorandum Change No. 19)
- DSAA Memorandum I-1619/80, 14 May 1980, subject: Part III, Chapter C - General Procedures (Memorandum Change No. 21)
- DSAA Memorandum I-5876/80, 26 May 1980, subject: Part III, Chapter D - Preparation and Processing of FMS Transactions, Appendix 1-D - Direct Charges to FMS Cases (Memorandum Change No. 22)
- DSAA Memorandum I-6084/80, 7 July 1980, subject: Part II - Chapter C - Articles and Services, Part III - Chapter C - General Procedures, Appendix B - Processing FMS Letters of Offer Which Must be Reported to Congress (Memorandum Change No. 23)
- DSAA Memorandum I-731/80, 18 July 1980, subject: Part II, Chapter K - Transportation Procedures for MAP Materiel, Part III, Chapter F - Implementation of FMS, Chapter N - Transportation Procedures for FMS Materiel, Chapter O - Export License and Customs for FMS Customers (Memorandum Change No. 25)
- DSAA Memorandum I-6109/80, 29 July 1980, subject: Part III, Chapter G - Financial Procedures, Appendix 1-G - Financing Reports of Discrepancy (ROD) When the U.S. Government (USG) is Liable (Memorandum Change No. 24)
- DSAA Memorandum I-6421/80, 7 August 1980, subject: Part III, Chapter C - General Procedures, Chapter H - FMS - Commercial Availability (Memorandum Change No. 26)
- DSAA Memorandum I-7025/80, 29 August 1980, subject: Part III, Chapter C - General Procedures, Chapter D - Preparation and Processing of FMS Transactions, Chapter N - Transportation Procedures for FMS Materiel (Memorandum Change No. 27)
- DSAA Memorandum I-5872/80, 29 August 1980, subject: Part III, Chapter C - General Procedures (Memorandum Change No. 28)
- DSAA Memorandum I-7132/80, 15 September 1980, subject: Part III, Chapter D - Preparation and Processing of FMS Transactions, Chapter F - Implementation of FMS (Memorandum Change No. 29)

Messages:

- SECDEF 4944/DTG 211645Z MAR 80, subject: Part III, Chapter M - Management of the Ceiling on Weapons and Weapons Related Items
- SECDEF 7923/DTG 071435Z APR 80, subject: Part III, Appendix B - Processing FMS Letters of Offer Which Must be Reported to Congress
- SECDEF 1569/DTG 102316Z APR 80, subject: Part III, Chapter D - Preparation and Processing of FMS Transactions (Transmitted Memorandum Change No. 19)
- SECDEF 7518/DTG 281346Z MAY 80, subject: Part III, Chapter C - General Procedures (Transmitted Memorandum Change No. 21)
- SECDEF 5587/DTG 071938Z JUL 80, subject: Part III, Chapter C - General Procedures
- SECDEF 1509/DTG 011423Z AUG 80, subject: Part II, Chapter E - Military Education and Training

SECDEF 4669/DTG 262037Z AUG 80, subject: Part III, Chapter A - Eligibility for FMS

SECDEF 5404/DTG 301343Z AUG 80, subject: Part II, Chapter E - Military Education and Training

SECDEF 7040/DTG 130101Z SEP 80, subject: Part III, Chapter C - General Procedures, Chapter D - Preparation and Processing of FMS Transactions, Chapter N - Transportation Procedures for FMS Materiel (Transmitted Memorandum Change No. 27)

SECDEF 1040/DTG 201719Z SEP 80, subject: Part II, Chapter E - Military Education and Training

SECDEF 2148/DTG 300003Z SEP 80, subject: Part III, Chapter D - Preparation and Processing of FMS Transactions, Chapter F - Implementation of FMS (Transmitted Memorandum Change No. 29)

<u>Chapter</u>	<u>Page Number</u>
5. Programming Guidance and Procedures	C-7
Procedures	C-7
New Program Recipients	C-8
Administration and Support Costs	C-8
Programming Instructions	C-9
6. Execution Procedures	C-15
Maintenance of Records	C-15
Requisitioning Control	C-15
7. Implementing Procedures	C-16
Reporting to Congress Those MAP Items Costing \$25 Million or More to be Provided From Inventories of Active U.S. Forces, or From Current Production	C-16
Review of Major Items in Undelivered Programs	C-16
Management of Dollar Program Lines Funded Under Annual MAP Appropriation	C-17
MILSTRIP Backorder Reconciliation	C-17
Responsibility for Delivery and Forecast Information	C-17
Development of Delivery Forecasts for MAP/MASF Program Lines	C-19
Diversions	C-20
Certification of Recipient's Capability	C-20
Suspension or Cancellation of Programs	C-20
Delivery and Transfer of Title	C-21
Required Availability Dates	C-21
Logistic Support of Equipment	C-21
Retention and Transfer Policy	C-22
MAP Repairable Returns	C-23
8. NATO Standardization Agreement on Supply Forms	C-24
 D. CONSTRUCTION	 D-1
1. General	D-1
2. Responsibilities	D-2
Unified Command and MAAG Responsibility	D-2
Construction Agents and Field Office Responsibility	D-3
Procedural Responsibilities (See Construction Flow Diagram, Figure D-1)	D-3
Administration of MAP Contract Construction	D-4
3. Planning and Programming	D-5
General Rules	D-5
Supporting Data for Plans and Programs	D-7
Distribution	D-8
4. Approval and Funding	D-8
Approval	D-8
MAP Orders and Funding	D-8
Continuing Resolution Authority (CRA)	D-9
Certification	D-9

<u>Chapter</u>	<u>Page Number</u>
5. Changes to Funded Construction Programs	D-9
6. Reporting	D-11
Construction Status Reporting	D-11
MAP Order Performance Reporting	D-11
E. MILITARY EDUCATION AND TRAINING	E-1
1. Purpose	E-1
2. Objectives	E-1
3. Areas of Emphasis	E-1
4. Resources Management	E-1
5. English Language Training	E-2
6. Selection and Utilization of Trainees	E-3
7. Constraints	E-3
8. Program Development and Execution	E-4
Guidance	E-4
Submission	E-4
Execution	E-5
9. Student Training	E-5
Scope	E-5
U.S. Military Services School	E-5
U.S. Civilian Schools	E-5
Specialized English Language Training	E-6
Orientation Training	E-6
On the Job Training	E-8a
Minimum Duration Limits for CONUS Student Training	E-8a
Instructor Training	E-9
Country Liaison Personnel	E-9
Fifth Quarter Training	E-9
Student Security Screening	E-9
Visits to Canada and Mexico	E-10
Dependents of Trainees	E-10
Uniforms and Personal Clothing	E-10
Disposition in Event of an Emergency	E-10
Transportation and Accommodations for FMTs	E-10
Living Allowances for FMTs	E-11
Baggage Weight Allowance for FMTs	E-12
10. Mobile Training Teams (MTT)	E-12
11. Field Training Services	E-13
DOD Engineering and Technical Services Specialists (ETSS)	E-13
Contract Field Services Personnel (CFS)	E-13
12. Extraordinary Expenses	E-14
13. Other Training Support	E-14
14. Training Materials	E-14
15. Programming	E-15
General	E-15
Requirements	E-15

Chapter

Page Number

22.	CRA Code - 1000 System	App A-14b
23.	Credit Arrangement Number - 1100 System	App A-14b
24.	Customer Within Country Code - 1000 System	App A-14b
25.	Delivery Commitment Date - 1100 System	App A-15
26.	Delivery Forecast Date - 1100 System	App A-15
27.	End Use Code - 1000 System	App A-15
28.	Excess Offer Number Code - 1000 System	App A-15
29.	Execution Agency Identifier Code - 1000 System	App A-15
30.	Fiscal Code	App A-16
31.	Footnote Code - MASL	App A-16
32.	Funding Priority Code - 1000 System	App A-17
33.	Generic Code - All Systems	App A-17
34.	Implementation Date - 1100 System	App A-23
35.	Implementing Agency Code	App A-23
	1000 System	App A-23
	1100 System	App A-23
36.	Issue Priority/Required Delivery Date Code - 1000 System	App A-24
37.	Lead Time Code - 1000 System	App A-24
38.	Letter of Request - 1100 System	App A-24
39.	Major Defense Equipment Code - 1100 System	App A-24
40.	MAP Element Code - 1000 System	App A-24
41.	Method of Funding Code - 1000 System	App A-26
42.	MILSTRIP Routing Identifier Code - 1000 System	App A-26
43.	National Stock Number - All Systems	App A-27
44.	Offer Date - 1100 System	App A-27
45.	Offer Expiration Date - 1100 System	App A-27
46.	Program Originator Code - 1000 System	App A-27
47.	Program Year Code - 1000 System	App A-27
48.	Reason for Change Code	App A-27
	1000 System	App A-27
	Reason for Change - 1100 System	App A-29
49.	Record Control Number - 1100 System	App A-29
50.	Record Serial Number - 1100 System	App A-29
51.	Selected Item Description Number/Sequence Number and Quantity Control - All Systems	App A-29
52.	Source of Supply Code - 1000 System	App A-30
53.	Spare Parts, AGE, and Equipment Attachment Codes - All Systems	App A-30
54.	Special Supply Procedures Code - 1000 System	App A-31
55.	Status Code	App A-31
	1000 System	App A-31
	1100 System	App A-31
56.	Student Availability Code - 1000 System	App A-32
57.	Student Code - 1000 System	App A-32
58.	Sub-Area Code - 1100 System	App A-32
59.	System Code - 1100 System	App A-32
60.	System Identifier Code - 1000 System	App A-32
61.	Training Course Duration Code - 1000 System	App A-32
62.	Type of Assistance Code	App A-33
	1000 System	App A-33
	1100 System	App A-33

Chapter

Page Number

63. Unified Command Code - All Systems	App A-34
64. Unit of Issue - All Systems	App A-34
65. Worksheet Control Number (WSCN) - 1000 System	App A-34

PART II—GRANT AID

A. ELIGIBILITY	A-1
1. General Authority	A-1
2. Conditions of Eligibility	A-1
3. General Information	A-2
4. Prohibitions Against Furnishing Assistance	A-2
B. UTILIZATION, REDISTRIBUTION AND DISPOSAL OF MAP MATERIEL . . .	B-1
1. General	B-1
Applicability	B-1
Waivers	B-1
2. Supervision of End-Item Use	B-1
Reports Submitted by Foreign Country	B-2
3. Reporting and Screening MAP Materiel Declared Excess	B-2
Action by Chief of MAAG	B-2
Action by Military Department	B-3
4. Transfer of MAP Excess Materiel	B-3
Submission of Requirements	B-3
Accessorial Charges and Rehabilitation Costs	B-4
5. Cannibalication and Retention	B-4
6. Disposal of MAP Property	B-4
Methods of Disposal	B-4
Demilitarization of Disposable MAP Property	B-5
FAA Regarding Disposal	B-5
7. Reporting MAP Property Redistribution and Disposal	B-6
Action by Chief of MAAG	B-6
Action by Military Department	B-6
C. ARTICLES AND SERVICES	C-1
1. Purpose	C-1
2. Master Program File	C-1
3. MAP Element Description Data	C-1
MAP Element Structure	C-1
MAP Element Code	C-1
MAP Element Coding Instructions	C-2
4. General Programming Guidelines	C-4
General Principles	C-4
Materiel	C-5
Loan of Equipment	C-5
Construction	C-6
Technical Assistance	C-7
Police and Related Programs	C-7

Chapter

Page Number

Formal Training, United States (U.S.) (Generic Codes N1A-N1J)	E-15
Formal Training Overseas (O/s) (Generic Codes N1N-N1W)	E-18
Mobile Training Teams (Generic Codes N2A-N2V)	E-19
Field Training Services (Generic Codes N3A-N3J)	E-20
Extraordinary Expenses (Generic Code N6A)	E-21
Other Training Support (Generic Code N7A-N7F)	E-21
16. Annual Training Report	E-21

APPENDIX 1 -- Chapter E -- Format for Invitational Travel Orders (ITO) for Formal Schooling, OJT, Familiarization/Qualification and Observer Training

App 1E-1

F. PROGRAM SUBMISSION AND MANAGEMENT	F-1
1. Purpose	F-1
2. Submission of Data	F-1
Method of Submission	F-1
Channels of Submission	F-6
Confirmation	F-7
3. Changes of Funded Programs	F-7
Responsibilities	F-7
Method of Submission	F-7
General Procedures	F-7
Exchange Transactions	E-8
Fiscal Year Identity of Program Changes	F-9
Delegation of Approval Authority	F-9
Types of Changes to Current Year Funded Programs	F-10
4. Programming of MAP Owned Materiel (MAPOM)	F-15
Purpose and Scope	F-15
Programming of Materiel to MAPOM Account	F-15
Processing Requested or Directed Cancellations	F-15
Records of MAPOM Assets	F-15
Utilization of MAPOM Assets	F-16
Custody of MAPOM Assets	F-16
5. Programming of Transferable Assets	F-16
Authority	F-16
Types of Procedures	F-17
MIMEX Procedures	F-17
MAPEX Procedures	F-18
6. Excess Defense Articles (EDA) General Programming Instructions	F-19
Major Items	F-19
7. MAP Orders	F-19
Purpose	F-19
MAP Order Procedure	F-20
MAP Order Recipients	F-20

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
G. MAP ADMINISTRATION AND SUPPORT COSTS	G-1
1. General	G-1
2. Responsibilities	G-1
3. Military Assistance Program Semi-annual Review Cycle	G-1
4. Development and Submission of Budget Estimates	G-2
5. General Instructions for Completion of Formats	G-2
6. Instructions Applicable to Individual Formats for September Financial Plan/Budget Review	G-3
7. Instructions Applicable to Formats for March Financial Plan/Budget Review	G-9
H. FUNDING OF PROGRAMS	H-1
1. Financial Resources	H-1
2. Annual Appropriations	H-1
3. Reappropriations	H-1
4. Reimbursements	H-1
5. Recoupments	H-2
6. Transfers	H-2
7. Administrative Authority	H-2
8. Method of Funding Reservation	H-2
Direct Obligation or Direct Citation	H-2
Section 108 Reservation	H-3
9. MAP Order Funding	H-3
10. Allocation of Funds	H-3
11. Special Authorization	H-3
12. Continuing Resolution Authority	H-4
J. MAP REPORTS	J-1
1. Purpose	J-1
2. Structure of the MAP Data Base	J-1
3. Categories of MAP Reports	J-1
Weekly Update Products	J-1
Item Detail Listings	J-1
Summaries by Category	J-1
Country Summaries	J-1
Other Summaries	J-1
4. Requests for MAP Reports	J-1
5. MAP Reports	J-2
Availability of Reports	J-2
Report Descriptions	J-2
6. Abbreviated Titles	J-5
K. TRANSPORTATION PROCEDURES FOR MAP MATERIEL	K-1
1. Introduction	K-1
2. Accessorial Costs	K-1
3. Shipment	K-1

<u>Chapter</u>	<u>Page Number</u>
F. AUDITS AND INSPECTIONS	F-1
1. Purpose	F-1
2. Types of Audits/Inspections	F-1
GAO Audits	F-1
DOD Internal Audits	F-1
IGA Inspections	F-1
3. Notification of Audits and Inspections	F-1
4. Policy Concerning Releasability to GAO of DOD Records Relating to MAP, MASF, and FMS	F-1
5. Relationship with Audit/Inspection Agency	F-2
6. Exit Conference	F-2
7. Action on GAO Audit Draft Reports	F-2
8. Action on GAO Final Reports	F-2
9. Action on IGA Reports	F-3
10. Action on IGA Reports	F-3
11. Corrective Action Follow-on	F-3
G. SECURITY CLASSIFICATION AND RELEASE OF INFORMATION	G-1
1. Purpose and Scope	G-1
2. Security Classification Guidelines	G-1
General Guidelines	G-1
Specific Guidelines	G-1
3. RCS: DSAA(AR)1100 FMS Report Submissions	G-3
Entry of Data	G-3
Declassification	G-3
Codes: Card Columns	G-3
4. Release of Information to Foreign Governments, International Organizations, and the Public	G-3
Unclassified	G-3
Classified	G-4
Approval of Chief of Diplomatic Mission	G-4
H. MILITARY ARTICLES AND SERVICES LIST (MASL) GUIDANCE	H-1
1. General	H-1
2. MASL Content	H-1
Materiel	H-1
Training	H-2
Services	H-2
3. Definitization Policy	H-2
4. DSAA MASL Files	H-2
5. Assignment of Footnote Codes	H-3
General	H-3
Footnote Code "NN"	H-3
6. MASL Relationship to DSAA Program Data Files	H-3
MAP/IMETP	H-3
FMS	H-4
MAP/IMETP/FMS	H-4

<u>Chapter</u>	<u>Page Number</u>
7. Maintenance of the MASL	H-4
Changes	H-4
Inquiries	H-4
8. Submission of MASL Data	H-4
General	H-4
Additions	H-5
Changes	H-7
Deletions	H-7
MASL Conversion (Card E)	H-7
Appendix A -- MACHINE READABLE CODES	App A-1
1. Acceptance Date - 1100 System	App A-1
2. Acceptance Fiscal Year/Quarter - 1100 System	App A-1
3. Action Code	App A-1
1000 System	App A-1
1100 System	App A-3
4. Area Code - All Systems	App A-3
5. Calendar Dates - 1100 System	App A-3
6. Card Code	App A-4
1000 System	App A-4
1100 System	App A-4
MASL	App A-5
7. Case Description - 1100 System	App A-5
8. Case Designator - 1100 System	App A-5
9. Case Identifier/Case Number - 1100 System	App A-5
10. Case Suffic Code - 1100 System	App A-5
11. Ceiling Account - 1100 System	App A-5
12. Ceiling Percentage - 1100 System	App A-5
13. Change Originator Code	App A-5
1000 System	App A-5
1100 System	App A-6
14. Classification Code	App A-6
MASL	App A-6
1100 System	App A-6
15. Commercial Item - 1000 System	App A-6
16. Commitment Code - 1000 System	App A-6
17. Communication/Ancillary Item/CSP Code - 1000 System	App A-6a
18. Completed Line Item Code - 1100 System	App A-7
19. Condition Code - 1000 System	App A-7
20. Cost Code - 1000 System	App A-8
21. Country/Activity Code - All Systems	App A-9
Alphabetic	App A-9
Countries	App A-9
Activities	App A-11
Alphabetic by Country/Activity Code	App A-11
Area Listing	App A-14

CONTENTS

<u>Chapter</u>	<u>Page Number</u>
LETTER OF TRANSMITTAL	iii
FORWARD	v
TABLE OF CONTENTS	xi

PART I—GENERAL INFORMATION

GLOSSARY OF TERMS AND ABBREVIATIONS

DOD DIRECTIVES AND INSTRUCTIONS

A. PURPOSE, AUTHORITY AND SCOPE	A-1
1. Purpose of Security Assistance	A-1
2. Nature of Security Assistance	A-1
3. Legislative Authority	A-1
4. Leases	A-2
Establishment and Revocation	A-2
Loss, Destruction, or Damage of Articles Leased	A-2
Ship Transfers	A-2
Loans	A-2
5. Distribution of the MASM	A-2
6. Reports Control Symbol	A-2
B. RESPONSIBILITIES AND RELATIONSHIPS	B-1
1. Executive Branch	B-1
2. Department of Defense	B-1
3. Relationships	B-3
C. POLICY	C-1
1. Purpose and Scope	C-1
2. Administration	C-1
3. Planning	C-1
4. Economic Considerations	C-1
5. Emphasis on Sales	C-2
6. Personnel	C-2
7. Excess Defense Articles	C-2
8. Commitments	C-3
9. Incendiary Items and Riot Control Agency	C-3
10. MAP (Grant Aid) Price and Availability Data	C-3

<u>Chapter</u>	<u>Page Number</u>
D. PLANNING	D-1
1. Military Security Assistance Projection (MSAP)	D-1
2. Foreign Country Participation	D-1
3. Coordination at Country Level	D-2
4. Continuous Appraisal	D-2
5. Coordination	D-2
6. Projection Period	D-2
7. Planning Cycle	D-2
JSOP Vol II Guidance (including Book III, "Allied and Friendly Forces")	D-2
JSOP Vol I (Military Strategy and Force Planning Guidance)	D-2
Defense Policy and Planning Guidance	D-3
JSOP Volume II, Book III, "Allied and Friendly Forces" Input	D-3
JSOP Volume II, Book III, "Allied and Friendly Forces" Formulation and Issuance of Military Security Assistance Policy Guidance	D-3
Defense Planning and Programming Guidance	D-3
Integrated Security Assistance Planning Data	D-3
Joint Force Memorandum ("Support to Other Nations" (JFM) Military Security Assistance Projection (MSAP)	D-3
Identification of Security Assistance Issues Within DOD Program Decision Memorandum (PDM)	D-4
Interagency Security Assistance Program Review	D-4
Budget Formulation and Submission	D-4
Presidential Budget Decision (PBD)	D-4
Congressional Presentation Document (CPD) Baseline Guidance	D-4
Congressional Presentation Document Preparation and Congressional Hearings	D-5
Program Adjustment	D-5
8. Preparation of the MSAP	D-5
Content	D-5
Instructions for Preparation	D-5
Distribution	D-6
Administrative Instructions	D-6
E. SHIP TRANSFERS	E-1
1. Purpose	E-1
2. General Policy	E-1
3. Sale	E-1
4. Loan	E-1
5. Lease	E-1
6. Transfer Plan Development	E-1
7. Approval Procedures	E-2

LIST OF EFFECTIVE PAGES

<i>Chapters</i>	<i>Page Numbers</i>	<i>Date of Latest Revision</i>
Table of Contents	xi through xxx	1 December 1980
PART I—GENERAL INFORMATION		
Glossary of Terms and Abbreviations	1 through 13	1 May 1980
DOD Directives and Instructions	1 through 7	15 December 1979
A	A-1 and A-2	1 August 1978
B	B-1 through B-4	1 August 1978
C	C-1 through C-3	15 December 1978
D	D-1 through D-11	1 August 1978
E	E-1 and E-2	1 August 1978
F	F-1 through F-3	1 August 1978
G	G-1 through G-4	1 May 1980
H	H-1 through H-24	1 December 1980
Appendix A	App A-1 through App A-34	1 December 1980
PART II—GRANT AID		
A	A-1 through A-4	1 June 1979
B	B-1 through B-6	15 December 1978
C	C-1 through C-27	1 December 1980
D	D-1 through D-14	1 August 1978
E	E-1 through E-43	1 December 1980
Appendix 1E	App 1E-1 through App 1E-7	1 August 1978
F	F-1 through F-22	1 December 1980
G	G-1 through G-24	15 December 1979
H	H-1 through H-4	1 August 1978
J	J-1 through J-22	15 December 1978
K	K-1 through K-4	1 December 1980
PART III—FOREIGN MILITARY SALES		
A	A-1 through A-7	1 December 1980
B	B-1 through B-6	1 December 1980
C	C-1 through C-24	1 December 1980
Appendix 1-C	App 1C-1 through App 1C-5	15 December 1979
D	D-1 through D-46	1 December 1980
Appendix 1-D	App 1D-1 through App 1D-4	1 December 1980
E	E-1 through E-8	1 August 1978
F	F-1 through F-8	1 December 1980
G	G-1 through G-17	1 December 1980
Appendix 1-G	App 1G-1 through App 1G-4	1 December 1980
H	H-1 through H-4	1 December 1980
J	J-1 through J-6	1 December 1980
K	K-1 through K-13	1 December 1980
L	L-1 through L-21	15 December 1978
M	M-1 through M-7	1 December 1980
N	N-1 through N-18	1 December 1980
O	O-1 through O-2	1 December 1980
Appendix A	App A-1 through App A-3	1 May 1980
Appendix B	App B-1 through App B-11	1 December 1980
Appendix C	App C-1 through App C-12	1 August 1978

LIST OF CHANGES

Remove and insert the following portions of your current MASM:

REMOVE

Table of Contents -

pages xi - xxx

PART I -

H-5 - H-7
H-10 - H-13
H-20 - H-21

App A-33 - App A-34

PART II -

C-15 - C-18
C-25
E-11 - E-16
F-1 - F-4

PART III -

A-7
B-1 - B-2
C-1 - C-4
C-7 - C-10
C-13 - C-14
C-17 - C-18a
C-21 - C-22
D-1 - D-4
D-7 - D-11a
D-14 - D-14a
D-19a
D-21 - D-22

F-3 - F-13
G-13 - G-14

Chapter H
J-3 - J-4
K-3 - K-4
M-1 - M-3

App B-1 - App B-3

INSERT

List of Effective Pages

Table of Contents -

pages xi - xxx

PART I -

H-5 - H-7
H-10 - H-13
H-20 - H-21
App A-22
App A-33 - App A-34

PART II -

C-15 - C-18a
C-25
E-11 - E-16
F-1 - F-4
Chapter K

PART III -

A-7
B-1 - B-2
C-1 - C-4a
C-7 - C-10
C-13 - C-14a
C-17 - C-18a
C-21 - C-22
D-1 - D-4
D-7 - D-11a
D-14 - D-14a
D-19a
D-21 - D-22

Appendix 1 - Chapter D
F-3 - F-7
G-13 - G-14a

Appendix 1 - Chapter G
Chapter H
J-3 - J-4
K-3 - K-4
M-1 - M-3
Chapter N
Chapter O
App B-1 - App B-3

In addition to the above, post the following pen and ink changes:

PART I -

(1) Appendix A - pages App A-10 and App A-14a - "St Christopher-Nevia" should read "St Christopher-Nevis". Pages App A-11, App A-12, and App A-14b - "NATO Maintenance and Supply Agency--Euro NATO Nike Training Center (NAMS-ENTC)" should read "NATO Maintenance and Supply Agency--Nike Training Center (NAMS-NNTC)", "NATO Maintenance and Supply Agency--HAWK (NAMS-HAWK)" should read "NATO Maintenance and Supply Agency--HAWK and NATO HAWK Production & Logistics Office (NAMS-HAWK & NHPLO)". Page App A-21 - change Generic Code J6Z to read "Other Communications Equipment Including Modifications".

PART II -

(1) Chapter E - pages E-6 and E-7 - paragraph 9e(1)(b)3 - eliminate in its entirety, paragraphs 9e(1)(b)4 through 9 - renumber 3 through 8.

PART III -

(1) Chapter A - page A-2 - add Somalia under "Africa", change the footnote to read "As of 1 December 1980". Page A-5 - add "Somalia STATE STATE NO NO" under "African Countries".

(2) Chapter F - page F-14 - change the page number to "F-8".

(3) Appendix B - page App B-5 - add "n. Action officers name, office, and telephone number:" before "NOTE:". Page App B-7 - add "o. Action officers name, office, and telephone number:" after paragraph "n.". Page App B-10 - add "i. Action officers name, office, and telephone number:" after paragraph "h.", and add "NOTE: See MASM III, Chapter C, paragraph 16d for exception to submission of this report." after last paragraph.

<u>Chapter</u>	<u>Page Number</u>
4. Shipment of MAP Materiel by Mail	K-1
5. MAP Shipments From US/Commands Outside the United States .	K-2
6. Sensitive Materiel	K-2
7. Discharge of MAP Materiel	K-2
8. Port Charges and Related Costs	K-2
9. Transfer of Title to MAP Materiel	K-3

PART III—FOREIGN MILITARY SALES

A. ELIGIBILITY FOR FOREIGN MILITARY SALES	A-1
1. General Authority	A-1
2. Conditions of Eligibility	A-1
3. Eligible Countries and International Organizations	A-1
4. Special Approval Requirements	A-1
B. FOREIGN MILITARY SALES POLICIES, GUIDELINES, AND RESTRICTIONS .	B-1
1. Purpose	B-1
2. Basic Sales Policy and Guidelines	B-1
Basic Sales Policy	B-1
Guidelines	B-1
3. Major Restraints and Significant Recurring Reports to the Congress	B-3
Major Restraints	B-3
Significant Reports to the Congress	B-5
C. GENERAL PROCEDURES	C-1
1. Introduction	C-1
2. Buyer-Seller Relationships	C-1
3. Purpose for Sale of U.S. Military Equipment Abroad	C-1
4. General Criteria Regarding Sale of Military Equipment	C-2
5. Channels Used in the Sale of Military Equipment	C-2
6. Basic Foreign Military Sales Procedures	C-3
7. Furnishing Information on Price, Availability and Condition of Military Equipment to Foreign Governments	C-4a
Importance of Accurate Estimates	C-4a
Discussions with Foreign Governments	C-5
Foreign Government Requests for FMS Data	C-5
Format for Response to Requests for "P&R" and "P&A" Data	C-5
Estimates Are Not Commitments	C-6
Requests for P&R Data, P&A Data or LOA Which Involves a Less than Economic Order Quantity (EOQ)	C-6
Coordination of Requests for P&R Data, P&A Data, or a LOA	C-6
8. Pricing of FMS Transactions	C-7
Items From Defense Stocks	C-7
Items From New Procurement	C-7

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
9. Authorized Surcharges	C-7
Accessorial Costs	C-7
Administrative Charges	C-8
Nonrecurring Cost Recovery	C-8
Asset Use Charge and Rental Charge for Government-owned Tooling	C-8b
Termination Liability Reserve	C-8b
10. Diversion of DOD Materiel	C-9
11. Insurance	C-9b
12. Source Selection for Procurement for Foreign Governments	C-9b
13. U.S. Response to Requests for "Offset" Procurement	C-10
DOD Participation in Offset Procurement	C-11
Interdependent Research and Development	C-12
DOD Procedures in Offset Agreements	C-12
14. Release of U.S. Technical Data	C-14
Approval to Release Technical Data	C-14
Sale of TDPs for Maintenance and Operational Purposes	C-14a
Sale of TDPs for Production Purposes	C-14a
Internal Monitoring of Royalty Fee Payments	C-16
15. Principles Regarding Coproduction Projects	C-16
16. Processing Letters of Offer for \$25 Million or More or For Major Defense Equipment of \$7 Million or More	C-17
Price and Availability (RCS: DSAA(Q)1138)	C-17
17. Sales Commissions and Fees	C-18
Prior Notification to Purchasing Government	C-18
Ex-Post Facto Notification to Purchasing Government	C-18a
Coordination with DSAA	C-18a
Disallowance of Agent's Fees	C-18a
Exceptions	C-18a
Proprietary Information	C-19
Projects Provided or Financed Under Security Assistance Commercial Communications Projects	C-19
18. Engineering Review of U.S. Provided Foreign Communications Systems	C-19
Projects Provided or Financed Under Security Assistance Commercial Communications Projects	C-19
19. Patent Rights	C-20
20. DOD P&A Versus a Commercial Proposal	C-20
21. Translation Services	C-20
22. Appointment of an Agent	C-20
23. Foreign Military Sales (FMS) Customer Procedures Guide	C-21
24. Cooperative Projects	C-21
25. Major Defense Equipment	C-22
APPENDIX 1 -- Chapter C -- Defense Requirements Survey Teams	App 1C-1
D. PREPARATION AND PROCESSING OF FOREIGN MILITARY SALES TRANSACTIONS	D-1
1. Introduction	D-1
2. DD Form 1513--Offer and Acceptance	D-1

<u>Chapter</u>	<u>Page Number</u>
3. Processing Requests for Letters of Offer and Acceptance	D-2
4. Duration of Letters of Offer	D-2
5. Information Conveyed by Letters of Offer	D-3
6. Supplemental Information for Letters of Offer	D-3
Transportation Instructions	D-3
Delivery Schedules of Items	D-4
Personnel Movement to and from Country	D-4
Qualifications Regarding Price and Availability Data Furnished on the DD Form 1513	D-4
Agreements to Safeguard Status or Provide Facilities for USG or Contractor Personnel While in Host Country	D-4
Statement of Facilities, Services, or Personnel to be Provided by the Purchasing Nations	D-5
Memorandum of Understanding or Statement of Work	D-5
Schedules of Personnel Training	D-5
Logistical Information	D-5
Explanation of Condition of Equipment	D-6
Identification of Equipment Supportables Under Requisition of Cases	D-6
Description of Services to be Provided	D-6
Description of Components of Pricing	D-7
Responsibility for Initiation of Requisitions	D-7
Indemnification and Assumption of Risk	D-7
7. Absence of Specific Information	D-7
8. Pricing Data to be Included with Selected Letters of Offer	D-8
9. Termination Liability Reserve Data to be Included With Selected Letters of Offer	D-9
10. Direct Charges to FMS Cases	D-9
11. DOD Form 1513-1--Amendment to Offer and Acceptance	D-9
12. Pen & Ink Changes	D-10
13. DD Form 1513-2--Notice of Modification of Offer and Acceptance	D-10
14. Letters of Intent (LOI)	D-11a
15. Financial Annexes	D-11a
16. Obligational Authority	D-11a
 APPENDIX 1 -- Chapter D -- Direct Charges to FMS Cases	 App 1D-1
 E. LOAN FINANCING	 E-1
1. Purpose	E-1
2. General	E-1
3. Policy Guidance	E-1
Foreign Military Sales (FMS)	E-1
Loan Financing	E-1
4. Types of Loans	E-1
Loans Guaranteed by the DOD	E-1
DOD Direct Loans	E-1
Eximbank Loans or Guaranties	E-2

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
5. Channels for Credit Requests	E-2
Purchasing Country Request	E-2
U.S. Country Team Review	E-2
Washington Agency Coordination and Approval	E-2
Implementation of Direct or Guaranty Request	E-3
Commercial Military Exports	E-3
6. Utilization of FMS Loans	E-3
Basic Policy	E-3
Exceptions and Procedures	E-3
7. Financial Standards and Criteria	E-4
8. FFB Credit Procedures	E-5
General	E-5
Procedures	E-5
9. DOD Direct Loan	E-7
The Annexes	E-8
F. IMPLEMENTATION OF FMS	F-1
1. Purpose	F-1
2. Policies	F-1
FMS Delivery Commitments	F-1
Use of U.S. Military Logistics System	F-1
Follow-on Logistic Support	F-1
3. Standard Foreign Military Sales Cases	F-1
Defined Order Cases	F-2
Blanket Order FMS Cases	F-2
Supply Support Arrangement Sales Cases	F-2b
4. Requisition Procedures	F-4
Use of MILSTRIP	F-4
UMMIPS	F-4
Delivery Commitment Date (DCD)	F-4
Delivery Forecast Date (DFD)	F-5
Order Quantities	F-5
5. Management Review	F-5
6. Delivery Performance	F-6
7. Supply Management	F-6
Materiel Standards	F-6
Condition of Aircraft	F-6
8. Suspensions/Cancellations	F-7
9. Management Reports	F-7
G. FINANCIAL PROCEDURES	G-1
1. Purpose	G-1
2. Basic Principles	G-1
Recovery of Costs	G-1
Administration of Cash Sales Program	G-1

Chapter

Page Number

Administration of FMS Credit Program	G-2
Preparation and Implementation of DD Form 1513 Letters of Offer	G-2
3. Terms of Sale; Type of Assistance Codes	G-2
General	G-2
Type of Assistance Codes and Terms of Sale (Refer also to Table G-1)	G-2
4. Financial and Billing for Foreign Military Sales Under Credit Agreements Executed Subsequent to March 1972 . . .	G-5
Applicability	G-5
Execution of Credit Agreements	G-5
Processing DD Form 1513 Letters of Offer and Purchase Agreements for Credit Sales	G-6
Processing and Routing Billings	G-6
Processing Promissory Botes	G-6
Processing of Payments of DOD Direct Credit Funds . . .	G-6
Processing Billings for Repayment of Principal and Interest	G-7
5. Financing and Billing for Military Sales Guaranties	G-7
General Explanation	G-7
Procedures for Processing FMS Cases	G-7
6. Commercial Contracts Financed From DOD Direct Credit Funds	G-7
Applicability	G-7
Approval Process	G-7
Processing Billings and Promissory Notes	G-8
Processing Payments and Billings for Repayments of Principal and Interest	G-8
Reporting of Transactions	G-8
7. Commercial Contracts Financed by Guaranty of Private Credit	G-8
8. Processing Foreign Military Sales Under Credit Agreements Executed Prior to April 1972	G-9
General Explanation	G-9
Execution of Credit Agreements	G-9
Processing DD 1513 Letters of Offer and Acceptance and Obtaining Financing	G-9
Processing of Payments of DOD Direct Credit Funds . . .	G-9
Processing of Promissory Notes and Billings for Repay- ment of Principal and Interest	G-10
9. Closing Foreign Military Sales Cases Financed Under Credit Agreement Executed Prior to April 1972	G-10
Applicability	G-10
Purpose	G-10
Procedures for Closing Cases	G-10
Processing Discrepancy Report Credits	G-11
10. Multiple Sources of Financing	G-11
Reasons for Using Multiple Sources of Financing	G-11
Type of Assistance Coding Required for Cases Financed Under Credit Agreements	G-11

Chapter

Page Number

Criteria for and Routing of Billings for Cases Financed Under Credit Agreements Executed Subsequent to March 1972	G-11
Criteria for and Routing of Billings for Cases Financed Under Credit Agreements Executed Prior to April 1972	G-11
11. Overdue Billings and Delinquent Accounts	G-12
FMS Cash Sales	G-12
12. Billing for Payments of Principal and Interest for the DOD Direct Credit Program	G-13
Basis for Calculating and Submitting Billings	G-13
Overdue Payments	G-13
13. Reporting Collections of DOD Direct Credit Funds From DSAA and From Private Guaranty Credit Funds	G-13
14. Sale of MAP Owned Property Under FMS	G-13
15. Financing Reports of Discrepancy (ROD) When the U.S. Government (USG) is Liable	G-14
General	G-14
Specific	G-14
FMS Administrative Fund Budget Approval	G-14
16. Address of the Central Collection and Billing Office	G-14
17. Addresses of Military Department Central Activities Responsible for Preparation and Issuance of Letters of Offer	G-14
 APPENDIX 1 -- Chapter G -- Financing Reports of Discrepancy (ROD) When the U.S. Government (USG) is Liable	 App 1G-1
 H. FOREIGN MILITARY SALES - COMMERCIAL AVAILABILITY	 H-1
1. Purpose	H-1
2. Legislative Provisions	H-1
3. Department of Defense Policy	H-1
4. Guidelines for Determining Commercial Availability	H-1
Response to Such Requests	H-2
5. Guidelines for Sale Through FMS Procedures	H-2
6. Special Exception - Federal Republic of Germany	H-3
7. Procedures for Processing Requests for Sale or for Pricing and Availability Data	H-3
8. Documents Rescinded	H-4
 J. FOREIGN MILITARY SALES TRAINING (FMST)	 J-1
1. Purpose and Scope	J-1
2. General Guidance	J-1
FMST Initiating and Programming Sequence	J-2
Training Requirements Related to the Purchase of Major Equipments	J-3
3. English Language Training	J-3
4. FMST Tuition Rates	J-3

<u>Chapter</u>	<u>Page Number</u>
5. Cancellation of Training--Penalty Charge	J-4
6. Training at Civilian Institutions	J-4
Training by Contractors	J-4
7. Transportation and Travel	J-4
8. Living Allowances/Privileges	J-4
Living Allowances	J-5
Subsistence	J-5
Quarters	J-5
Privileges	J-5
Medical Care	J-5
9. Training of Civilians Under FMS	J-5
10. FMS Orientation Training Courses and Visits	J-5
11. Mobile Training Teams (MTTs), and Field Training Services (FTS)	J-5
12. Training Relations	J-5
13. Restrictions on Transfer of Training	J-6
14. Intelligence Training	J-6
 K. FOREIGN MILITARY SALES REPORTING SYSTEM	 K-1
1. Purpose	K-1
2. Concept	K-1
3. Reporting Frequency	K-1
4. Master File Update	K-2
5. Major Features	K-2
6. Military Articles and Services List (MASL)	K-2
7. Preparation of FMS Data Cards	K-2
8. Control Fields	K-11
Letter of Request (LOR) System	K-11
FMS 1100 System	K-11
9. Changing Field to Blank	K-11
10. Increase or Decrease of Numbers	K-11
11. Inter-Relationship of Card Fields	K-12
12. Card Processing	K-12
13. FMS Administrative Surcharges	K-13
14. Special Characters	K-13
 L. FMS REPORTS	 L-1
1. Purpose	L-1
2. Source of FMS Data	L-1
3. Categories of FMS Reports	L-1
Letter of Request Reports	L-1
Item Detail Level	L-1
Item Detail Data Summarized into Categories	L-1
Case Level	L-1
Summary Management and Credit Reports	L-1
4. Requests for FMS Reports	L-2

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
5. FMS Reports	L-2
Availability of Reports	L-2
Report Descriptions	L-2
6. Abbreviated Titles	L-5
 M. MANAGEMENT OF THE CEILING ON WEAPONS AND WEAPONS RELATED ITEMS	 M-1
1. Purpose	M-1
2. Policy Guidance	M-1
3. Description of the Ceiling	M-1
4. Purpose of Allocation Accounting System	M-1
5. Allocation Accounting System Procedures	M-1
6. Estimated Ceiling Activity	M-3
 N. TRANSPORTATION PROCEDURES FOR FOREIGN MILITARY SALES (FMS)	
MATERIEL	N-1
1. Introduction	N-1
2. Foreign Military Sales (FMS) Shipment Policies and Pro- cedures	N-2
Point of Delivery	N-2
Transfer of Title	N-2
Consolidation	N-2
Packaging and Marking	N-3
Cost of Transportation Materiel to the Freight Forwarder	N-3
Codes A, Y, and Z Shipments	N-3
Discrepancies	N-4
Package Shipments	N-4
Exceptions to Delivery Policy	N-5
Government Bill of Lading (GBL)	N-6
Commercial Bill of Lading (CBL) or Prepaid to CONUS	
Port of Exit	N-7
Prohibition Against Section 10721 Rates	N-7
3. Responsibilities of the U.S. Government	N-7
Initiation of Shipments	N-7
Evidence of Shipment	N-7
Proof of Delivery	N-7
Materiel Shipment	N-8
Processing of Claims	N-8
Liaison Assistance	N-8
4. Responsibilities of the Customer	N-8
Employment of a Freight Forwarder	N-8
Receipt, Handling, and Processing of Materiel	N-8
Export License	N-8
Title Transfer	N-8
Export Declaration and Customs Clearance	N-9
Transportation	N-9
Carrier Selection	N-9
Overseas Customs Clearance	N-9

Chapter

Page Number

Notice of Availability (NOA)	N-9
Payment for Transportation Services	N-9
Follow-up on Shipping Status	N-10
Claims for Loss or Damage	N-10
Claims Against the DOD for Incorrect Shipments	N-10
Reparable Return Materiel	N-10
Insurance	N-10
Military Assistance Program Address Directory (MAPAD), DOD 5105.38-D	N-10
5. Responsibilities of the Freight Forwarder	N-11
Export License	N-11
Warehousing and Storage Facilities	N-11
Receipt and Staging of Materiel	N-11
Processing Materiel for Transshipment	N-11
Containerization	N-12
Transportation Arrangements	N-12
Customs Clearance	N-12
Payment for Transportation Services	N-12
Claims	N-13
Return of Reparable Materiel	N-13
Insurance	N-13
Notice of Availability (NOA)	N-13
Tracer Action	N-13
Multiple Delivery Addressees	N-13
Discrepancy Reporting	N-13
Pilot Pick-up of Materiel	N-13
Administrative Responsibility	N-14
Reporting System	N-14
Control of Shipments	N-14
Military Assistance Program Address Directory	N-14
0. EXPORT LICENSE AND CUSTOMS CLEARANCE FOR FOREIGN MILITARY SALES CUSTOMERS	0-1
1. Export License Requirement	0-1
2. Application for Export License	0-1
3. FMS Customer Responsibility	0-1
Export License	0-1
Export Custom Clearance	0-1
Movement Requiring Export Customs Clearance	0-2
Overseas Customs Clearance	0-2
Reporting of Export Traffic	0-2
4. US/DOD Responsibility	0-2
US/DOD Exemption From Export Clearance	0-2
Annotation of Transportation Documents	0-2
Reporting of FMS Export Shipments	0-2
Appendix A - MAJOR DEFENSE EQUIPMENT LIST	App A-1
Category I - Firearms	App A-1
Category II - Artillery and Projectors	App A-1

MILITARY ASSISTANCE AND SALES MANUAL

<u>Chapter</u>	<u>Page Number</u>
Category III - Ammunition	App A-1
Category IV - Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs, and Mines	App A-1
Category V - Propellants, Explosives, and Incendiary Agents . .	App A-1
Category VI - Vessels of War and Special Naval Equipment . . .	App A-1
Category VII - Tanks and Military Vehicles	App A-2
Category VIII - Aircraft, Spacecraft, and Associated Equipment	App A-2
Category IX - Military Training Equipment	App A-2
Category X - Protective Personnel Equipment	App A-2
Category XI - Military and Space Electronics	App A-2
Category XII - Fire Control, Range Finder, Optical, and Guidance and Control Equipment	App A-3
Category XIII - Auxiliary Military Equipment	App A-3
Appendix B - PROCESSING FMS LETTERS OF OFFER WHICH MUST BE REPORTED TO CONGRESS	App B-1
1. Section 36(b), Arms Export Control Act (AECA) FMS Case Reporting Criteria	App B-1
2. Section 813 FMS Case Reporting Criteria Under the DOD Appropriation Authorization Act, 1976	App B-2
3. State/Defense Section 36(b), AECA Staffing Agreement . . .	App B-2
4. Submission of Supporting Data	App B-2
5. Classification	App B-3
Appendix C - FINANCIAL ANNEXES TO LETTERS OF OFFER	App C-1
1. Introduction	App C-1
2. Purpose of Financial Annexes	App C-1
3. Policies	App C-1
4. Preparation of Payment Schedules	App C-2

MILITARY ASSISTANCE AND SALES MANUAL—PART I

be provided by DSAA upon request, where the volume of changes warrants.

columns in accordance with the following instructions.

b. Additions

For new items recommended for addition to the MASL, complete all appropriate card

(1) Card 1—Materiel and Services other than Training (all generic codes except generic code N).

Card Column	Data	Explanation										
1	Card Code -----	The card code is used to signify the type of card being processed. A "1" in this column signifies that the card is a MASL card (materiel and services other than training). Codes G through O in this column identify "trailer cards" used to amplify the description of the item. (Trailer cards contain only NSN and Generic Code, and a continuation of the description.)										
2-3	Footnote Code -----	This column provides footnote code used in the MASL to provide significant information on availability of military articles and services. See Appendix A, Part I, for explanation of footnote codes.										
4-6	MILSTRIP Routing Identifier -----	MILSTRIP routing identifier is the abbreviation for military standard requisitioning and issue procedures routing identifier, commonly referred to as the "MRI". The MRI identifies the headquarters within the Military Departments which has provided the MASL data. A complete listing of MRI's (except FA0 which is used for US Air Force MASL lines and identifies Headquarters US Air Force) is contained in the Military Department implementation of Department of Defense Manual, Military Standard Requisitioning and Issue Procedures (MILSTRIP) as follows: <div style="text-align: center;"> <p>Army—Army Regulation AR 725-50 Navy—NAVSANDA Publication 437 Air Force—AFM 67-1, Vol. 1</p> </div> For most dollar value lines, the MRI entry is blank and the MASL line has a "K" in the footnote code column. See footnote code K, Appendix A, for explanation of how to determine the correct MRI.										
7	Action Code -----	Leave blank.										
8-20	National Stock Number -----	GP CL NCB ITEM-ID is the abbreviation for federal stock group (FSG), class (FSC), National Codification Bureau Code (NCB) and item identification number (NIIN). Where cards are submitted ensure that O's are punched as numeric zeroes and I's are punched as numeric ones. In generic code G where the DOD ammunition code is used in lieu of NIIN, right justify and punch zeros in unused columns.										
21-23	Generic Code -----	A description of each generic code is contained in Appendix A, Part I.										
24	Classification -----	The code appearing in this column indicates the security classification of the item for guidance in complying with national disclosure policy and Military Department security regulations. <div style="text-align: center;"> <table border="0"> <tr> <td>Code</td> <td>Classification</td> </tr> <tr> <td>T</td> <td>Top Secret</td> </tr> <tr> <td>S</td> <td>Secret</td> </tr> <tr> <td>C</td> <td>Confidential</td> </tr> <tr> <td>U</td> <td>Unclassified</td> </tr> </table> </div>	Code	Classification	T	Top Secret	S	Secret	C	Confidential	U	Unclassified
Code	Classification											
T	Top Secret											
S	Secret											
C	Confidential											
U	Unclassified											
25-26	Unit of Issue -----	The abbreviation in this column represents the standard unit of issue to be used for programming the related MASL item. Appendix A, Part I, contains the abbreviations appearing in the unit of issue column of the MASL.										
27-52	Description -----	The entry in this column is the description of the item. It is necessary for mechanical reasons, that the description be 26 characters or less. For this reason, numerous abbreviations and mnemonic words have been used. Where an item in the MASL is described by a National Stock Number (NSN), reference to the appropriate catalog will provide a more detailed description.										

MILITARY ASSISTANCE AND SALES MANUAL—PART I

		Where more than 26 characters are required, trailer cards may be submitted (see entry in column 1).
53	Control Code -----	Enter K. Must be filled.
54-58	Blank -----	Leave blank.
59	Quantity Control -----	Leave blank. The code in this column will be entered by DSAA to determine quantity count for summarizing data. See Appendix A, Part I, for explanation of codes.
60	Major Defense Equipment Indicator Code -----	The MDE indicator code must be filled in for all major items. A code of Y should be used to indicate that an item is MDE and a code of N to indicate that a line is non-MDE. Leave dollar lines blank.
61	Blank -----	Leave blank.
62-64	SIDN -----	Leave blank. The Selected Item Description Number (SIDN) will be entered by DSAA to provide a means for identification and rollup of detail records into standard groups or categories for the preparation of summary documents and Congressional data. See Appendix A, Part I.
65-80	Blank -----	Leave blank.

(2) Card 2—Training (Generic Code N)

Card Column	Data	Explanation
1	Card Code -----	The Card Code is used to signify the type of card being processed. A "2" in this column signifies that the card is a MASL card (training).
2-3	Duration -----	Enter duration of course, expressed in number of weeks. Leave blank for all categories of training except individual courses. Precede significant digits with a zero, e.g. 09. For courses in excess of 99 weeks, see Appendix A, Part I. Where duration is variable because the training line has a non-specific variable duration which should be determined separately, enter the code VA.
4-6	Execution Agency Identifier	Enter the execution agency identifier code as described in Appendix A, Part I, and Chapter E, Part II.
7	Action Code -----	Leave blank.
8-13	Blank -----	Leave blank.
14-20	Item Identification Number --	A seven-digit number used to identify each specific training item available for military assistance. The first four digits are prescribed by DSAA and are listed in Chapter E, Table E-5. These four digits will be used as a "root" by the Military Department who adds the last three digits to complete the seven digit identification number.
21-23	Generic Code -----	Enter the appropriate generic code prescribed in Appendix A, Part I.
24	Classification -----	Enter the appropriate classification code prescribed in Appendix A, Part I. Classified training requires security clearance prior to execution.
25-26	Unit of Issue -----	Enter "EA" (each) for student training (formal training, mobile training teams—detachments and field training services). Enter "XX" (dollars) for training support, personnel training and extraordinary expenses.
27-52	Description -----	Enter the description in 26 spaces or less. Insure that descriptions are as uniform as possible.
53	Control Code -----	The control code is used to designate the program year to which the MASL entry applies. DSAA will specify this code annually.
54-60	Prerequisite English Comprehension Level (ECL) -----	Assigned by the Military Department based on pertinent regulations. Leave blank if prerequisite ECL is not required.
61-72	Services Identification Number	Assigned by the Military Department to identify the item for its own internal processing.

73-80 Unit Price -----

An amount entered in this field represents the unit or contract cost for an individual course to be charged by the Military Department. "N/C" entered in this column signifies that no charge is made by the Military Department. "EST" entered in this field signifies that unit price must be estimated. The basis for estimating the unit price is contained in Military Department publications.

c. Changes

(1) To submit changes to existing MASL lines, the following fields must be completed:

<i>Column</i>	
1	Card Code
7	Action Code "S"
8-20	National Stock Number (Materiel Only)
14-20	Item Identification (Training Only)
21-23	Generic Code
53	Control Code

Entries in data fields other than the above are required only where a change in data is intended, e.g. unit price, duration, etc. Where a change is made, enter the new data.

(2) When changing a MASL line you may desire to blank certain fields. The fields listed below may be blanked by entering an asterisk(*) in the right most column of the fields.

(a) Materiel MASL Lines

<i>Column</i>	
2-3	Footnote Code

(b) Training MASL Lines

<i>Column</i>	
2-3	Duration
54-60	Prerequisite course number
61-72	Service Identification Number

d. Deletions

To delete an existing line from the MASL, the following fields must be completed:

<i>Column</i>	
1	Card Code
7	Action Code "D"
14-20	Item identification Number (Training)
8-20	Item Identification Number (Materiel)
21-23	Generic Code
53	Control Code (Training only)

Leave all other columns blank. Submit a conversion card where a substitute or replacement item is known.

e. MASL Conversion (Card E)

Paragraph 6.b. explains the use of MASL conversion data in the DSAA program/MASL Match procedures. Following is an explanation of card layout and instructions for submitting conversion data:

<i>Card Column</i>	<i>Data</i>	<i>Explanation</i>
1	Card Code -----	An "E" is used to indicate a conversion card for materiel, services and training.
2-7	Blank -----	Leave blank.
8-20	National Stock Number -----	Punch the group, class, NCB code (materiel and services only) and item identification number of the new program line as it appears in the MASL.
21-23	Generic Code -----	Punch the generic code of the new program line as it appears in the MASL.
24-27	Blank -----	Leave blank.
28-40	National Stock Number -----	Punch the group, class, NCB code (material and services only) and item identification number of the old program line being converted, as it appears in the MASL. In generic code G, where the DOD ammunition code is used in lieu of NIIN, right justify and punch zeros in unused columns.
41-43	Generic Code -----	Punch the generic code of the old program line as it appears in the MASL.
44-52	Blank -----	Leave blank.
53	Control Code -----	Identifies the MASL file of the program line being converted (reference para 4).
54-80	Blank -----	Leave blank.

Figure H-2

DEFINITION GUIDE—MATERIEL
(Generic Codes A through K)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A	AIRCRAFT				
1	<i>Combat Aircraft</i>				
A	Attack -----	FSC 1510 -----	X		
B	Bomber -----	FSC 1510 -----	X		
F	Fighter -----	FSC 1510 -----	X		
S	Anti-Submarine -----	FSC 1510 -----	X		
V	VTOL & VSTOL -----	FSC 1510 -----	X		
2	<i>Airlift Aircraft</i>				
C	Cargo Transport -----	FSC 1510 -----	X		
3	<i>Trainer Aircraft</i>				
T	Trainer -----	FSC 1510 -----	X		
4	<i>Helicopters</i>				
A	Attack -----	FSC 1520 -----	X		
C	Cargo Transport -----	FSC 1520 -----	X		
H	General Purpose -----	FSC 1520 -----	X		
L	Observation -----	FSC 1520 -----	X		
S	Anti-Submarine -----	FSC 1520 -----	X		
T	Trainer -----	FSC 1520 -----	X		
U	Utility -----	FSC 1520 -----	X		
5	<i>Other Aircraft</i>				
E	Special Electronic Installation -----	FSC 1515 -----	X		
G	Glider -----	FSC 1540 -----	X		
K	Tanker -----	FSC 1510 -----	X		
L	Observation -----	FSC 1510 -----	X		
P	Patrol -----	FSC 1510 -----	X		
U	Utility -----	FSC 1510 -----	X		
X	Research -----	FSC 1510 -----	X		
Z	Airship -----	FSC 1530 -----	X		
6	<i>Modification of Aircraft</i>				
A	Class IV -----			X	
B	Class V -----		X		

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
A					
7	<i>Aircraft Support Equipment</i>				
A*	Ground handling equipment -----	FSC 1730, 4920 -----		X	
B*	Arresting, barrier and barricade equipment ---	FSC 1710 -----		X	
C*	Launching equipment -----	FSC 1720 -----	X		
D*	Specialized Trucks and Trailers -----	FSC 1740 -----		X	
* One dollar line provided for initial stockage, one for follow on.					
9	<i>Aircraft Spares and Spare Parts</i>				
A	Gasoline Reciprocating Engines, Complete ----	FSC 2810 -----		X	
B	Gas Turbines & Jet Engines, Complete -----	FSC 2840 -----		X	
C	Aircraft Components, Parts & Accessories ----	FSG 16 (except 1670) and FSC 1270, 1280, 1290, 1377, 1560, 2620, 2810 (Components), 2840 (Components), 2915, 2925, 2935, 2945, 2950, 2995, 6340, 6605, 6610, 6615, 6620 and CSP for all FSG 15		X	May include other FSG when supplied for aircraft.
B					
MISSILES					
1	<i>Ground Launched Missiles</i>				
	Missiles, Major Components, Class V Mods -----			X	See list below for specific missiles.
	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----			X	See list below for specific missiles.
2	<i>Air Launched Missiles</i>				
	Missiles, Major Components, Class V Mods -----			X	See list below for specific missiles.
	Missiles Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----			X	See list below for specific missiles.
3	<i>Sea Launched Missiles</i>				
	Missiles, Major Components, Class V Mods -----			X	See list below for specific missiles.

Change 4, 1 May 1980

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
B					
3	Missile Shop Sets, test equipment, trailers, vans, mod kits, other components and support equipment -----			X	See list below for specific missiles.
The following codes will be used by the Military Departments when submitting MASL data for ground launched missiles or associated dollar lines:					
A.	Nike	G. Pershing	N. Lance		
B.	Redeye	H. Entac	P. Stinger		
C.	Hawk	J. Tow	R. Chaparral		
D.	Mauler	K. Dragon	S. Shillelagh		
E.	Jupiter	L. Lacrosse	V. Viper		
F.	Sergeant	M. Thor			
The following codes will be used by the Military Departments when submitting MASL data for air launched missiles or associated dollar lines:					
A.	Shrike	N. Falcon	W. Sparrow		
B.	Harm	R. Sidewinder	Y. Matador		
C.	Standard Arm	S. Bullpup			
D.	Standard	T. Phoenix			
F.	Aerial Target Missile	V. Corporal			
The following codes will be used by the Military Departments when submitting MASL data for sea launched missiles or associated dollar lines:					
	K. Polaris				
	P. Terrier				
	Q. Tartar				
	R. Harpoon				
	W. Seasparrow				
4	Q Drones -----	FSC 1520 & 1550 -----	X		
6	A Modification of Missiles -----			X	
8	<i>Multipurpose Missile Equipment</i>				
A	Multipurpose Missile Equipment (includes FAAR) -----		X	X	
B	Multipurpose Missile Equipment Parts (includes FAAR) -----			X	
9	<i>Missile Spares and Spare Parts</i>				
A	Guided missile parts -----	FSG 14 & FSC 1190, 1195, 4935 -----		X	
B	Guided missile warhead components -----	FSC 1336, 1337, 1338 -----		X	
C	Free missile parts -----	FSC 1055, 1190, 1195, 1340 -----		X	

Change 5, 1 December 1980

H-12

MILITARY ASSISTANCE AND SALES MANUAL-PART I

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
C SHIPS					
1	<i>Warships</i>				
A	Destroyer (DD) -----	FSC 1905 -----	X		
B	Submarine (SS) -----	FSC 1905 -----	X		
C	Ocean Escort (DE) -----	FSC 1905 -----	X		
D	Light Aircraft Carrier (CVL) -----	FSC 1905 -----	X		
E	Light Cruiser (CL) -----	FSC 1905 -----	X		
F	Guided Missile Frigate -----	FSC 1905 -----	X		
2	<i>Amphibious Ships</i>				
A	Tank landing ship (LST) -----	FSC 1905 -----	X		
B	Medium landing ship (LSM/LSSL) -----	FSC 1905 -----	X		
C	Medium landing ship, rocket (LSMR) -----	FSC 1905 -----	X		
D	Utility landing craft (LCU) -----	FSC 1905 -----	X		
E	Transport (AKA/AP/APA/APC/APD) -----	FSC 1910 -----	X		
3	<i>Mine Warfare Ships</i>				
A	Coastal minelayer (MMC) -----	FSC 1905 -----	X		
B	Ocean minesweeper (MSO) -----	FSC 1905 -----	X		
C	Coastal minesweeper (MCS) -----	FSC 1905 -----	X		
D	Inshore minesweeper (MSI/MSB) -----	FSC 1905 -----	X		
E	Fleet minesweeper (MSF) -----	FSC 1905 -----	X		
G	Mine countermeasure support (MCS) -----	FSC 1905 -----	X		
H	Auxiliary mineplanter (YMP) -----	FSC 1905 -----	X		
4	<i>Patrol Ships</i>				
A	Patrol frigate (PF) -----	FSC 1905 -----	X		
B	Patrol craft (PC) -----	FSC 1905 -----	X		
C	Patrol craft escort (PCE) -----	FSC 1905 -----	X		
D	Patrol gunboat (PGM) -----	FSC 1905 -----	X		
E	Seaward defense craft (SDC) -----	FSC 1905 -----	X		
F	Fast patrol boat (FPB) -----	FSC 1905 -----	X		
G	Patrol torpedo boat (PT) -----	FSC 1905 -----	X		

Change 4, 1 May 1980

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
G					
Q	2.36 inch rockets -----	FSC 1340 -----	X		
R	2.75 inch rockets -----	FSC 1340 -----	X		
S	3.5 inch rockets -----	FSC 1340 -----	X		
T	5 inch rockets -----	FSC 1340 -----	X		
U	7.2 inch rockets -----	FSC 1340 -----	X		
Y	Asroc rockets -----	FSG 1356 -----	X		
W	Honest John rockets -----	FSG, 10, 11 & 13 -----	X	X	
Y	Rocket components -----	FSC 1340 -----	X	X	(1)
Z	Other rockets -----	FSC 1340 -----	X		
6	<i>Pyrotechnic and Chemical Munitions</i>				
A	Chemical munitions -----	FSC 1365 -----	X		Agents Articles other than agents in FSC 1365.
B	Pyrotechnics -----	FSC 1370 -----	X	X	(1)
7	<i>Other Ammunition</i>				
A	Ammunition raw materials -----	FSC 9999 -----		X	
B	Fuzes and primers -----	FSC 1390 -----	X	X	(1)
C	Ammunition containers -----	FSC 8140 -----		X	
D	Miscellaneous ammunition tools, and specialized equipment -----	FSC 1385, 1386, 1395, 1398 -----		X	
H	COMMUNICATIONS EQUIPMENT				
1*	<i>Telephone and Telegraph Equipment</i> -----	FSC 5805 -----	X	X	(1)
2*	<i>Radio and Television Communications Equipment</i> -----	FSC 5820, 5821, 5985 -----	X	X	(1) Installation units will be programmed under dollar lines provided by DSAA.
3*	<i>Radio Navigation Equipment</i> -----	FSC 5825, 5826 -----	X	X	(1)
4*	<i>Radar Equipment</i> -----	FSC 5840, 5841 -----	X	X	(1)
5*	<i>Underwater Sound Equipment</i> -----	FSC 5845 -----	X	X	(1)
6*	<i>Other Communications Equipment</i> -----	FSC 1810, 5810, 5815, 5830, 5831, 5835, 5850, 5855, 5860, 5865, 5895 -----	X	X	(1), (2) Installation units for equipment in FSG 58 (other than 5820 & 5821) will be programmed under appropriate dollar line provided by DSAA.

Figure H-2 (continued)

Generic Code	Description	Federal Supply Classification	Program as:		Remarks
			Major Item	Dollar Line	
H					
* The following alphabetic will be used by the Military Departments as the third character of the Generic Code to identify the type of installation:					
	A Airborne		P Pack or portable		
	F Fixed		V Ground, vehicular		
	G Ground, general ground use		W Water, surface and underwater		
	K Amphibious		Z Other communications equipment including modifications		
9	<i>Communications Equipment Spare Parts and Electronic Supplies</i>				
A	Communications equipment spare parts and electronic supplies -----	FSG 58, 59 -----		X	
J					
SUPPORT EQUIPMENT					
1	<i>Chemical Equipment</i>				
A	Decontaminating and impregnating equipment -----	FSC 4230 -----		X	
2	<i>Construction Equipment</i>				
A	Full track tractors -----	FSC 2410 -----		X	
B	Wheeled tractors -----	FSC 2420 -----		X	
C	Earthmoving and excavating equipment -----	FSC 3805 -----		X	
D	Cranes and crane-shovels -----	FSC 3810 -----		X	
E	Road clearing equipment -----	FSC 3825 -----		X	
F	Military bridging -----	FSC 5420 -----		X	
Z	Miscellaneous construction equipment -----	FSC 3815, 3830, 3895 -----		X	
3	<i>Materials Handling Equipment</i>				
A	Conveyors, cranes and derricks -----	FSC 3910, 3950 -----		X	
Z	Other materials handling equipment -----	FSG 39 (except 3910 and 3950) -----		X	
4	<i>Photographic Equipment</i>				
A	Cameras -----	FSC 6720 -----		X	
B	Projection equipment -----	FSC 6730 -----		X	
C	Developing and finishing equipment -----	FSC 6740 -----		X	
Z	Other photographic equipment, supplies and spare parts. -----	FSG 67 (except 6720, 6730 and 6740) -----		X	

Change 5, 1 December 1980

MILITARY ASSISTANCE AND SALES MANUAL—PART I

3. Field Training Services

- A. Aircraft Engine/Airframes
- B. Communications/Electronics
- C. Radar Systems

- D. Armament
- E. Maintenance
- G. English Language
- H. Missiles
- J. Other

When the duration in the MASL card 2 is code "VA" (variable), it signifies that the training line item has a non-specific variable duration which should be determined separately.

62. Type of Assistance Code

a. 1000 System

This code is used in the MILSTRIP system to distinguish between various types of U.S. Military Assistance transactions. In MAP the code is used to distinguish the various types of Military Assistance, as well as to identify certain Military Assistance requirements programmed under special financing (e.g., Code "C" and "H") or supply (e.g., Codes "K", "L", and "N") arrangements.

- 1 ----- Grant Aid rendered under the authority of the Foreign Assistance Act of 1961, as amended, for which the United States receives no reimbursement.
- 2 ----- Grant Aid rendered under special Presidential Determination.
- 9 ----- Used to identify PCH&T for IMET Publications and Training Aids in Budget project N9.
- C ----- Presidential Determination to order defense articles from stock and performance of defense services to satisfy Grant Aid requirements with reimbursement from subsequent military assistance appropriations. (Section 506 FAA of 1961, as amended.)
- D ----- Military Assistance Service Funded. Grant Aid programs transferred to the Department of Defense budget, which were not controlled and implemented through the MAP documentation and ADP system.
- H ----- Grant Aid share of cost sharing agreements.
- K ----- Grant Aid of MAP-owned assets obtained through barter arrangements with Federal Republic of Germany (used in conjunction with Source of Supply Code "B" only).
- L ----- Grant Aid provided through the NATO Hawk Production and Logistics Organization (NHPLO) for maintenance support of Hawk Missile System (used

in conjunction with Source of Supply Code "N" only).

- N ----- Grant Aid of articles or services available as a result of liquidation of MAP's investment in the spare parts stock of the NATO Maintenance Supply Organization (NAMSO).
- P ----- Grant Aid Programs transferred to the Department of Defense budget which were controlled and implemented through the MAP documentation and ADP system.
- R ----- Grant Aid of U.S. recovered material resulting from liquidation of NAMSA excess stockage.
- S ----- Assigned to all records in the Republic of Korea Equipment Transfer program authorized by Public Law 95-384 at no charge to MAP. This code is also assigned to all PY 71 & 72 equipment transferred to the ROK under Public Law 91-652 at no cost to MAP. This code is also assigned to ammunition transferred to the Royal Thai Government from Army FMS Case UEB. Transfer at no cost to MAP was authorized by Section 24, Public Law 96-92, 29 October 1979.

Type of Assistance Codes used in other than Military Assistance transactions:

- F ----- Training provided as a part of an FMS case. This data is maintained in the DSAA Grant Aid data base purely as a service to assist the Military Departments in accounting for students/spaces provided under FMS. Not used in MILSTRIP.

b. 1100 System

This code distinguishes various types of Foreign Military Sales agreements for MILSTRIP requisitioning purposes. The Implementing Agency enters one or more of the following symbols as appropriate in the "Terms" block of the Letter of Offer, in accordance with the instructions in Part III, Chapter G. paragraph 3:

- 3 ----- Cash Sale for Stock with Payment in Advance
- 4 ----- Source of Supply not Predetermined
- 5 ----- Cash Sale from Procurement with Payment in Advance
- 6 ----- Cash Sale from Stock with Payment on Delivery

MILITARY ASSISTANCE AND SALES MANUAL—PART I

- 7 ----- Cash Sale from Procurement with 120 Day Payment to Military Assistance:
- 8 ----- Cash Sale from Stock with 120 Day Payment
- U ----- Foreign Military Sales Order (FMSO) No. 1
- V ----- Foreign Military Sales Order (FMSO) No. 2
- Z ----- DOD Direct or Guaranteed FMS Credit

BT ----- Bottle
DR ----- Drum
CN ----- Can
EA ----- Each
PR ----- Pair
CY ----- Cubic Yard
FT ----- Foot
RE ----- Reel
DM ----- Dram
LB ----- Pound
SE ----- Set

63. Unified Command Code—All systems

Unified Command codes are not contained in cards but are assigned as supplemental data in DSAA records for use in selecting and sorting program data by Unified Command. This code identifies the Unified Command having responsibility for each recipient, except non-regional, and is the key for segregating ADP listings and feedback card data by Unified Commands. Unified Command Codes are:

E ----- European Command
P ----- Pacific Command
S ----- Southern Command
N ----- Non-Regional

64. Unit of Issue—All systems

The following unit of issue abbreviations in the Federal Supply catalog are applicable

In addition, the following (exception codes) are used:

MX ----- Thousands of Rounds (ammunition)
XX ----- Dollars

65. Worksheet Control Number (WSCN)—1000 System

The worksheet control number is a 5 position alpha numeric code in columns 61-65 of program cards 4, Q and R which designates a single item or sequence of training for the Military Departments. The unit position is used to identify cross training which is entered in alphabetical sequence, i.e., 1234Z, 1234A, etc. Where no cross training is programmed, the units position is blank.

item or a reasonable substitute on the local market.

3. Specific time period for which the exception is requested and at the end of which the foreign country will assume responsibility for supplying the item from sources other than MAP.

4. Concurrence of the Director of the AID Mission in-country and of the U.S. Ambassador.

(d) Punch commercial type item code "1" in column 53 to indicate prior approval has been obtained (see Appendix A, Part I).

(10) Ammunition—

(a) Ammunition for operational requirements and training will be programmed by the supply manager under attrition/ammunition MAPELs as an operating (O) cost.

(b) War reserve ammunition, when authorized, will be programmed under attrition/ammunition MAPELs as an investment (I) cost. (Costs for maintaining war reserve stocks will be programmed as an O cost).

(11) Training—See Chapter E.

6. Execution Procedures

After approval and funding, the MAP will be executed according to instructions contained in this paragraph as supplemented by the Military Department concerned.

a. Maintenance of Records

(1) The Record Control Number is the keystone to continuous identification (or audit trail) through all phases of MAP programming action—from program submission through approval, change, implementation, execution, and performance reporting. The Record Control Number, along with the Country/Activity Code and program year, provides a positive and specific identification of a MAP line when carried over to associated documentation used in MAP execution (e.g., MILSTRIP cards and hard copy forms).

(2) DSAA will utilize the MAP Order, containing the assigned Record Control Number for each line, to authorize and direct shipment of materiel to or performance of services for MAP recipients. Only in emergency circumstances will supply of new program items be directed by any other form of document. When messages or other document forms are used under emergency condition, the instruction will contain the Record Control Number to be used for each line. When emergency instruction procedures are used, confirming MAP Orders will be issued as soon as possible thereafter, with the same Record Control Number for each program line as that in the emergency shipment instruction.

b. Requisitioning Control

(1) Materiel programmed as a dollar value line is supplied to MAP recipients on the basis of requisitions submitted by the recipient, except in those cases where the implementing agency determines that internal preparation of requisitions is the most practical and expeditious way to initiate supply action. This latter procedure is used mainly for shipments of initial issue spares, impact shipments, and special weapons systems where major and secondary items are assembled and shipped as a consolidated package. Therefore, it is essential that the customer within country code (CU) be accurately reflected in submission of program data to ensure that the materiel is shipped to the correct in-country user. Military Departments will issue procedural instructions prescribing circumstances where requisitions will be initiated internally.

(2) MAAGs, or recipient countries subject to approval and control of the MAAG, will submit requisitions for materiel items where the implementing agency does not prescribe internal requisition preparation. Requisitions submitted by recipient countries, MAAGs, or other agencies must indicate the Record Control Number of the MAP Order program line authorizing supply. This program identification will be accomplished by completing the Supplementary Address

Field of the MILSTRIP requisition form as follows:

<i>Card Column</i>	<i>Complete as follows:</i>
45	Enter Y
46	Enter program year
47-50	Enter Record Control Number as indicated on MAP Order

(3) Each implementing agency will establish control procedures to insure that recipient country, MAAG, or other agency requisitions accepted by the implementing agency against dollar value lines do not exceed, in cumulative value, the dollar amount authorized by the MAP Order line against which they apply. Requisition control will also be exercised to restrict requisitions to the type of materiel (Federal Supply Groups and Classes) as shown in the MASL for the program lines to which they apply.

7. Implementing Procedures

a. Reporting to Congress those MAP Items Costing \$25 Million or More to be Provided From Inventories of Active US Forces, or from Current Production

(1) The FY 1976 DOD Appropriation Authorization Act, as amended, requires DSAA to report to the Congress any proposed transfer to a foreign country of defense articles from the inventories of active U.S. forces, or from current production, which cost \$25 million or more. Therefore, when a new line item (RCN) for defense articles totaling \$25 million or more, or an increase to an existing line item bringing its total to \$25 million or more, is issued to a military department on a MAP Order, that department must determine the source of supply. Specifically, if the item is to be provided from U.S. active forces' inventories, or from current production, the military department must immediately advise the Comptroller, DSAA, and provide data concerning (a) the impact of such transfer on the current readiness of U.S. Forces; (b) the adequacy of reimbursements to cover, at the time of replenishment to United States inventories, the full replacement costs of those items trans-

ferred; and (c) the impact, if reimbursements are not adequate and the justification for such disparity. A sample format of the memorandum to be used for reporting these data to DSAA is provided in Figure C-1. This action will enable the Comptroller, DSAA to comply with the Congressional reporting requirement.

(2) DSAA will notify the military department concerned when the required report has been submitted to the Congress. Supply action normally taken pursuant to receipt of a MAP Order will be suspended for a period of 15 days following the submission of the report to the Congress. Upon expiration of the waiting period, supply action will resume unless advised otherwise by the Comptroller, DSAA.

(3) If a proposed MAP or other transfer to a foreign government or international organization of defense articles valued at \$25 million or more is proposed to be executed through a procurement contract, no Section 813 report need be made to Congress if no concurrent procurement for the USG's own requirements is expected to be underway at the time supply action against a MAP Order is expected to commence.

b. Review of Major Items in Undelivered Programs

(1) In the implementation of the Military Assistance Program, coordination between supplier/user is required to establish controls which minimize costs associated with procurement, repair or rehabilitation as well as those involved in making shipments to recipient countries for items which may no longer be needed or for which changes in requirements may be anticipated.

(2) Military Departments and MAAGs will continuously review undelivered articles in funded programs and submit program deviations and other change data as prescribed to insure that undelivered programs are revised as necessary to reflect changes in conditions under which they were originally approved and funded.

(3) For major items (with "each" unit

of issue) Military Departments and MAAGs will:

(a) Promptly communicate by message actions regarding cancellations, substitutions, or pending changes of requirements in undelivered programs.

(b) Promptly process EAM data cards reflecting quantitative increases/decreases in undelivered programs through appropriate channels as prescribed.

(c) Coordinate required availability dates and promptly communicate circumstances which could affect planned supply actions.

(d) Insure certification is submitted as prescribed by para 7.h. below.

c. Management of Dollar Program Lines Funded Under Annual MAP Appropriation

(1) Materiel and services programmed in dollar lines to operate and maintain Grant Aid supported country forces is programmed on an annual basis to cover a year's requirements. To insure maximum utilization of these annual dollar program lines, MAAGs and country forces should have specific requirements in mind before receipt of funded MAP Orders. This will insure that requisitions can be submitted and funds obligated without undue delay. Work schedules, work or project orders, and commercial contracts may be used as a basis to obligate funds for services (as apposed to materiel).

(2) Dollar lines in the current fiscal year shall be available for requisitioning until the end of the fiscal year.

(3) Unobligated balances remaining in dollar program lines at the end of the fiscal year will be withdrawn. If the next year's MAP appropriation bill provides authority to carry-over unobligated funds, those amounts will be reissued and will be available for obligation against the prior year dollar lines from which they were withdrawn. If such authority is not provided, the prior year dollar lines will be closed out at the value of obligations recorded during the fiscal year in which the funds became available.

(4) All approved dollar program lines must be reviewed periodically during the

fiscal year to assure obligation before the end of the fiscal year. DSAA will conduct an obligations review of all dollar lines in the third quarter of each fiscal year, and at other times as deemed necessary.

d. MILSTRIP Backorder Reconciliation

Semi-annual validation of materiel requisitioned under grant aid will be accomplished by the Military Departments and MAAG/recipient countries in accordance with instructions contained in MILSTRIP, Chapter 10. Military Departments are responsible to notify MAAGs/Missions of cut-off dates and schedules for accomplishing each reconciliation cycle. The MAAGs/recipient countries will validate the requisitions for continued need or appropriate cancellation actions.

e. Responsibility for Delivery and Forecast Information

(1) Within 120 days after issuance of a MAP Order, Military Departments will advise MAAGs of the forecast delivery date of each major item. No less frequently than monthly thereafter, until deliveries are complete, the MAAGs will be advised by the Military Departments of any change in these forecasts.

(2) MAAGs are responsible for review of delivery forecasts and for advising the Military Departments of any cases where forecasted deliveries will cause significant problems, giving full particulars as to the nature of the problem and recommended solutions. Problems unresolved between MAAGs and the Military Departments should be referred to DSAA.

(3) Delivery and forecast cards will be transmitted to DSAA by the Military Departments by card 8 as portrayed in subparagraph (9) below on a monthly basis. Cards will be transmitted not later than 15 days after the last calendar day of the previous month. Delivery cards will be submitted only for those lines in which a change in deliveries or delivery forecast data (initial entry, improvement, or slippage) has occurred during the previous month. Card columns 66-68 will

MILITARY ASSISTANCE AND SALES MANUAL—PART II

reflect the fiscal year quarter applicable to the shipment month, not the reporting month. All reports of completed deliveries will be based on constructive deliveries by the logistics system, not the completion of related financial transactions. Major items should be reported delivered at the total program value if the actual delivery price is unknown. Adjustments to program values, if required, will be accomplished at the time of final billing. Deliveries against dollar lines will be reported at a value equal to the obligation authority issued against the applicable requisitions.

(4) The Military Departments must submit delivery cards for the following program lines:

(a) All program lines in budget activity A through K, with any method of funding code.

(b) All program lines in budget activities L through T with method of funding code 0, 2 or 5.

(5) All program lines in budget activities L through T with method of funding codes 1, 3, 4 or 6 will be considered delivered when funded (status F). For these lines, the delivered quantities and cost will be obtained from the master file at the time of the monthly delivery update. No Military Department input is required.

(6) When the Military Departments have submitted card 8's for a monthly up-

date and later find a discrepancy, they should submit additional card 8's to correct the erroneous data. These corrections will be submitted en masse 30 days after the initial monthly update. The reporting period shown in these cards must be the most recent month and year.

(7) All delivery cards will be transmitted to DSAA separately from program data (P, Q, and R cards). DSAA will accept cards, tape, or AUTODIN from the Military Departments as long as the input is in card 8 format described in subparagraph (9).

(8) In the DSAA data base, delivery data is maintained by current quarter, current year and total deliveries to date. These fields are updated each month as described in subparagraph (4) and (5). The current quarter deliveries are computed by subtracting the total deliveries already in the data base from the total deliveries reflected in the card 8 being processed. If this computation results in negative current quarter deliveries, the current quarter deliveries are considered zero; no negative values are recorded in the data base. The current quarter deliveries are then added to the current year deliveries. As in the case of the current quarter deliveries, the current year deliveries are never allowed to be negative.

(9) Instructions for preparing card 8 are as follows:

MILITARY ASSISTANCE AND SALES MANUAL—PART II

<i>Column</i>	<i>Date</i>	<i>Footnote</i>	<i>Instruction</i>
1	Card Code	1	Always an 8
2- 5	Record Control Number	1	See Appendix A, Part I
6-24			Leave Blank
25-29	Quantity Delivered	2	Represents the total quantity delivered to date; not the incremental plus or minus change during the reporting period.
30			Leave Blank
31-32	Country Code	1	See Appendix A, Part I
33-35			Leave Blank
36-43	Acquisition Value Delivered	2	Represents the total dollar value of excess materiel delivered at no MAP cost against dollar lines having source of supply K, L, E or R. For all major items, regardless of source of supply, and dollar lines with no excess deliveries this field will be blank.
44			Leave Blank
45-46	Program Year	1	See Appendix A, Part I
47-57			Leave Blank

MEMORANDUM FOR THE COMPTROLLER, DEFENSE SECURITY ASSISTANCE
AGENCY

SUBJECT: MAP Items Costing \$25 Million or More to be Provided from U.S. Active Forces'
Inventories, or from Current Production (Section 813)

The following information is provided in accordance with the reporting requirements of the
FY 1976 DOD Appropriation Authorization Act, as amended (P.L. 95-79, Approved July 30,
1977):

- a. Country:
- b. Military Department:
- c. Generic Code—RCN:
- d. Total Value of RCN:
- e. Type and Quantity of Equipment:
- f. Impact of transfer of article(s) on current readiness of U.S. forces:
- g. Adequacy of reimbursements to cover, at the time of replenishment to U.S. inventories,
the full replacement costs of items to be transferred:
- h. If reimbursements are inadequate, explain impact and justification for such disparity:
- i. (1) The Initial Issue Quantity (IIQ) requirement for U.S. Forces:
(2) Percentage of such requirement already delivered to U.S. Forces or contracted for
at this time:
(3) The timetable for meeting the requirement absent the proposed transfer:
(4) The timetable for meeting the requirement if the transfer is effected:

NOTE: See MASM II, Chapter C, para 7a(3) for exception to submission of this report.

Figure C-1

(b) Transportation for dependents of trainees will not be provided. If the trainee elects to bring his dependents to the U.S. (or to an overseas training installation) he may be allowed the cost of the transportation to which he is entitled as prescribed in his invitational travel orders in order that he may travel with his dependents. When this election is made the student will be encouraged to utilize U.S. flag carriers to the maximum degree possible.

(c) Round trip transportation costs for a trainee returning to his homeland on emergency leave will be paid by the trainee or his government if he is to return to the U.S. for continuation of training.

(d) When a trainee is permitted by his government to deviate from the most direct route for the purpose of visiting other countries, sponsorship will terminate at the point and time of such deviation. Further, should a trainee elect to remain at a point enroute to his homeland beyond the time normally required to make travel connections, funding of allowances during that excess time is not authorized.

(4) Accommodations

Accommodations on U.S. installations provided to foreign students enroute will be commensurate with those provided U.S. personnel of equivalent grade.

q. Living Allowances for FMTs

(1) Trainees from countries for whom the U.S. pays transocean travel are entitled to living allowances in a travel status to include the day of departure from home country through the day of arrival at their first training location. Living allowance in training status will commence the day after arrival at training location. Living allowance in a travel status will resume the day of departure from the last training location and terminate the day of arrival in home country, excluding leave period authorized by trainees government following termination of training.

(2) Trainees whose trans-ocean travel costs are paid by their own governments are entitled to living allowances in a travel status to include the day of departure from the

U.S. entry port enroute to the training location, through the day of arrival at the training location. Living allowance in a travel status will resume the day of departure from the last training location and include the day of arrival at the U.S. departure point.

(3) Living allowances are not authorized for:

(a) Periods of unauthorized absence from duty.

(b) Excess travel time when proceeding by other than government transportation when not authorized by the administrative authority of the Military Department concerned.

(c) Periods of delay not in connection with training, except for hospitalization or outpatient care.

(d) Trainees whose country assumes the payment of all living costs.

(e) Periods of training conducted in the home country of the trainees.

(f) Periods of leave for individuals on orientation tours.

(g) Period of leave authorized by trainee's government following termination of all training courses.

(4) Leave with living allowances may be granted within CONUS as specified below:

(a) During authorized holidays.

(b) Period between consecutive courses. It is not the intent of this provision that leave be given or used indiscriminately to occupy the trainees during period between courses of instruction when appropriate on-the-job training is feasible.

(c) Period of delay while awaiting transportation at port for departure to home country.

(5) Living allowance rates for FMTs are set forth in Table E-1. Living allowance rates for FMTs accompanied by dependents will not be increased over those authorized by Table E-1.

(6) Advance payment of living allow-

MILITARY ASSISTANCE AND SALES MANUAL—PART II

ances not to exceed \$50 may be made to trainees at the port of entry or first training location for U.S. trainees and at the first training activity for overseas trainees. Military Departments may authorize advance payment of allowances to accrue during leave following the termination of training.

(7) No attempts will be made to collect overpayments from trainees after they have departed from the U.S. or overseas training activity.

r. Baggage Weight Allowance for FMTs

(1) Authorized Baggage Weight Allowance.

A baggage weight allowance of 100 pounds is authorized for FMTs when travel costs are paid from U.S. funds. When duration of training is 270 days or longer a baggage allowance of 150 pounds is authorized. Baggage will accompany FMTs. In addition to the baggage allowance, instructional course material not to exceed 50 pounds may be shipped in the case of students attending language training with the exception of instructor-students. For the latter, and for all other students, when the total training time exceeds 26 weeks, the shipping weight allowance for instructional material will be 100 pounds. This material will be packaged and appropriately labeled at the training activity and shipped normally via the most expeditious means to the MAAG/Mission/ODC for delivery to the trainee. In those instances where country pays any portion of student's travel cost, the country/student is responsible to pay total cost for shipment of instructional material direct from training activity to country. IMET funds should pay the cost for shipment of instructional material when student's travel cost is included in the IMET program.

(2) Unauthorized Baggage

Shipment of baggage in excess of the weight allowance contained in (1) above is not authorized. Disposition of unauthorized baggage will be made at the expense of the trainee or his government. Commanding officers of the training or administrative installation should insure that unauthorized

baggage is shipped at the trainee's expense prior to his departure from the installation. Trainees reporting to ports of departure with unauthorized baggage will be requested to forward the unauthorized baggage by commercial means at their expense. If lack of time prohibits this, unauthorized baggage will be taken into custody by the traffic representative, and the trainee will be given a receipt for the baggage. The trainee will remain on the flight or carrier. After departure of the carrier, the traffic representative will deliver the unauthorized baggage to the nearest appropriate foreign consulate.

(3) Guest Instructors at Panama Canal Area Military Schools (PACAMS).

Shipment of household goods from Panama Canal area to their home country is authorized for Latin American guest instructors who have completed a tour of duty at PACAMS. The weight allowance for married and single guest instructors is 2,000 and 200 pounds, respectively. A weight allowance of 4,000 pounds is authorized for married Latin American guest instructors assigned as Deputy Commandant at PACAMS. Shipment of household goods in excess of authorized weight will be at the expense of the guest instructor or his government. Shipment will be by surface common carrier. Air freight may be used only when surface common carrier is not available.

(4) Country Liaison Personnel

Foreign personnel on duty at U.S. training installations as liaison officers are authorized a baggage allowance of 150 pounds.

10. Mobile Training Teams (MTT)

a. See para. 7.b, above.

b. MTTs provided under budget project N20 are composed of Military Department personnel on temporary duty for the purpose of training foreign personnel.

(1) MTTs are authorized for (1) a specific training requirement in-country which is beyond the capability of the MAAG/Mission/ODC and for which it is more expeditious, practical, and economical to bring the training to the country, (2) training associated with equipment transfers wherein the

recipient country may be assuming ownership of MAP furnished equipment at other than a U.S. facility, and (3) the purpose of conducting in-country training surveys to determine specific country training needs, determine capability and quantity requirements which are beyond the country capability to assess, and are associated with equipment deliveries or assistance leading to self-sufficiency.

(2) MTTs may also be programmed for the purpose of providing training to foreign personnel at U.S. installations and facilities in those instances when the equipment used for training is either owned or allocated for delivery to the foreign recipient.

(3) MTTs are implemented by the Military Department concerned and may be drawn from service resources in the U.S. or overseas.

(4) Grant aid MTTs are authorized on a temporary duty basis for a period not to exceed six months. MTT assistance required for a period in excess of six months or identical follow-up teams are not authorized. Requirements for long term assistance exceeding six months should be met by training country personnel in the skills required, re-arrangement of skills represented on the MAAG JTD and/or programming of engineering and technical services specialists.

(5) Subsistence expenses, or per diem allowance in lieu thereof, obligated in a current fiscal year for MTTs cannot be extended into the succeeding fiscal year. Therefore, personnel on MTT duty must terminate their TDY and return to home station prior to 30 June unless action has been taken to reprogram the team in the new fiscal year subject to the six month restriction contained in paragraph (4) above. Transportation costs for round trip team travel programmed in one year may be carried over to the next fiscal year.

(a) Use of MTTs requires special coordination and preparation with country personnel prior to team arrival. Establishment of team mission in precise terms to include availability of training equipment by type, student availability, capability, ECL, training facilities, transportation, communications and team living arrangements should

be the subject of /country-MAAG/Mission/ODC discussions prior to programming and finalized prior to team's arrival.

(b) MTTs are not authorized for the purpose of providing "technical assistance". Technical assistance teams are normally included in the country materiel programs under budget project M10.

11. Field Training Services

Budget project N30 provides funds for services specified below.

a. DOD Engineering and Technical Services Specialists (ETSS)

ETSS are DOD military and civilian personnel technically qualified to provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems.

(1) ETSS will be attached to the MAAG rather than assigned and carried on the Joint Table of Distribution (JTD). They will not be provided as an augmentation to the MAAG/Mission/ODC staff for assistance normally the responsibility of that staff. They will not be used to follow-in retraining or in advisory roles, except in rare instances when the recipient country is not capable of providing qualified personnel from its own resources or of hiring qualified personnel from non-indigenous sources and the MAAG/Mission/ODC recommends it in the interest of the U.S.

(2) ETSS may be provided for periods up to but not exceeding one year unless specifically approved by DSAA. In those few cases where the technical services are required for periods in excess of one year, these personnel will be attached to the MAAG/Mission/ODC for operational control and administrative and logistical support.

(3) ETSS provided as English language instructors, supervisors or advisors on detached duty status from the Defense Language Institute (DLI), will be attached to the MAAG/Mission/ODC as specified for ETSS paragraph 11a.(1) and (2) above.

b. Contract Field Services Personnel (CFS)

MILITARY ASSISTANCE AND SALES MANUAL—PART II

(1) CFS are furnished under contract with private industry. They provide advice, instruction, and training in the installation, operation, and maintenance of weapons, equipment, and systems. CFS will be utilized only when necessary for accomplishment of a military mission, provided that it can be clearly shown that personnel of the required skill are not available from DOD resources and the Military Department involved determines that satisfactory provision of services by DOD personnel is not practicable.

12. Extraordinary Expenses

a. For purposes of this chapter, Extraordinary Expenses (budget project N60) are defined as those expenses incident to representation activities for FMTs. They include costs of commandant's-welcome, receptions, civilian-military sponsor banquets, class/seminar dining-ins, faculty-student luncheons, graduations and other similar activities which bridge cultural differences and enhance the relationship between school officials, local community supporting participants and foreign students while attending courses of instruction in U.S. and overseas facilities.

b. Extraordinary Expense funds may also be used for activities described in paragraph 12a above in connection with IP and Orientation Tours. Conditions contained Paragraph 9e.(1)(b)(5) and 9e.(3)(g) will guide such arrangements. The expenditures of N60 funds for other than students sponsored by this program is not authorized.

c. In determining the amount of N60 funds intended to be used for representation type activities, the following guidelines pertain:

(1) Basic Allowance. An amount of \$1.00 for each officer and .50 cents for each enlisted trainee per course/week is allowed.

(2) Senior Officers (Lt Colonel-Commanders and above). When Senior and non-distinguished visitors are on an orientation tour or IP activity, the allowable N60 expenditure will not exceed \$9.00 per individual per installation per activity not to exceed \$18.00 per day per individual.

(3) For each foreign individual member of an Orientation Tour/DV, as described in Paragraph 9e(1)(c)(1) the expenditure of representation funds is authorized at a rate not to exceed \$18 per individual per installation per activity visited and not to exceed \$36 per day per individual.

(4) N60 funds may also be used to finance the cost of certain contingency expenditures when they clearly support overall training objectives and are within the legislative constraints contained in the Foreign Assistance Act. Disbursement of funds under these circumstances is authorized only after approval of DSAA.

d. Programming of dollar requirements will be accomplished by Military Departments as prescribed in paragraph 16h. Legislative restriction of \$300,000 on extraordinary expense funds requires that ceilings for representation expenses be provided to military departments by DSAA once worldwide requirements are measured against the legislative limitation.

13. Other Training Support

a. Budget project N70 provides funds for costs, U.S. military guest officers, supplies and materials used exclusively for IMET (excluding training aids), and student support costs. (See paragraph 15i.)

b. Costs related to constructing, extending, refurbishing or maintaining of U.S. training facilities used for both IMET and FMS training will be shared between the IMET and FMS customer countries on a pro rata basis. Such costs should be financed initially by the appropriate military department and the course costs charged for training at these facilities will be adjusted to provide reimbursement to the military department appropriation.

14. Training Materials

a. Training aides and devices, books, and other publications, to include training films, for use in establishing or supporting in-

country English language training programs may be programmed and funded under Budget Project N9 as part of the IMET program of eligible countries. Based on the Federal Supply Classification System (Cataloging Handbook H2-1), requisitioning of training aids and devices will be limited to Group 69 and books and other publications to Group 76.

b. Other training aids and devices and books, maps, and other publications should be obtained through FMS channels. Requests for exceptions to this policy will be considered on a case-by-case basis upon receipt of complete written justification. The justification must include statements as to why the provision of training materials under the IMET program is necessary, why it is in the US interest and the impact on the country training program (i.e., specific courses and training that will be deleted and how this training will be accomplished). Exceptions will be granted on a one-time basis and will not apply automatically to similar future requirements.

c. This policy is effective with the FY 81 IMET program.

15. Programming

a. General

(1) In addition to individual courses of instruction available from Military Departments for foreign students, other categories of training assistance which may be required in developing the program are contained in the MASL in line-item detail. A summary of all categories of training N10 through N70 is shown in Table E-5. This summary provides a reference for identifying specific training contained in the MASL.

(2) Detail identification and explanation of the requirement(s) involved will be provided for each of the following line items when submitted for programming under

IMET. When support is associated with type aircraft, specific support details included in these items must be identified.

(a) Observer Training.

(b) On-the-job training not in conjunction with formal course of instruction.

(c) MTTs—where description does not adequately identify team as to specific type (e.g. MTT—other).

(d) Services.

(e) Other Training Support/Costs

(f) Supplies/Materials

(g) Field Training Services

b. Requirements

For use in submitting requirements Table E-6 prescribes the execution agency (EXA) identifier codes to be used to identify the agency responsible for providing the service, the funded command or agency and the school or training activity at which services are expected to be performed.

c. Formal Training, United States (U.S.) (Generic Codes N1A-N1J)

Two elements of cost are involved in determining the Total Cost entry to be entered in columns 73-80 of cards 4 or Q for students who will train at U.S. schools and facilities. These cost elements are the Unit Price and Travel and Living Allowance (TLA). Each of these two cost elements is computed on a "per personnel space" basis. The Total Cost entry columns 73-80 of cards 4 or Q is obtained by multiplying the sum of Unit Price in columns 36-43 and the TLA in columns 51-56 by the quantity (number of personnel spaces) in columns 26-29, i.e., $((\text{Unit Price} + \text{TLA}) \times \text{Quantity} = \text{Total Cost.})$ Following is cost factor guidance in deriving the two elements of cost involved in the Total Cost:

MILITARY ASSISTANCE AND SALES MANUAL—PART II

(1) Unit Price (columns 36-43).

(a) The unit price, where listed in the Military Articles and Services List (MASL), will be entered in columns 36-43.

(b) Where the MASL indicates "N/C" (no charge), no charge is made by the Military Department for the course. Leave columns 36-43 blank for these courses.

(c) Where the MASL indicates "EST" (Estimate), a unit price estimate is to be made by the program originator, and entered in columns 36-43. A number of variables normally are related to unit price determination such as the number of personnel spaces or the length of on-the-job training (OJT). The basis for estimating the unit price will be provided in supplementary guidance furnished by the Military Departments.

(2) Travel and Living Allowance (columns 51-56)

The unit (per personnel space) TLA cost is comprised of three cost elements—travel, living allowance while in a training status and special factors. These are computed as follows:

(a) Travel

1. In no case will the program pay travel costs of trainees traveling within their own country.

2. Where the first training destination in United States is known at the time of programming or can be provided by the Military Department at or prior to the annual training workshop, travel costs will be calculated in accordance with para 3, a and b, below; otherwise, a composite travel cost factor provided by the Military Departments in their supplementary guidance may be used.

3. Travel includes the cost of transportation to and from United States, within United States, excess baggage and living allowances during travel. Transportation by military or commercial aircraft, (when authorized), ship, bus, rail or other conveyance will be paid when the United States provides the transportation as indicated in paragraph 9p(2). The following specific guidance is pro-

vided for calculating travel costs to and from United States and within United States.

a. To and From United States. Round trip travel between the embarkation point in the recipient country and the gateway terminus (point of debarkation) in the United States will be programmed for all trainees, unless otherwise directed. Table E-2 will be used to determine the amount to be programmed for round trip transportation, excess baggage and living allowance while in a travel status.

b. Within CONUS. Round trip travel between the gateway terminus and city nearest the training facility at which the initial training is to be conducted will be programmed for all trainees unless otherwise directed. Table E-3 will be used to determine the amount to be programmed for round trip travel, excess baggage and living allowance while in a travel status from gateway terminus to first training facility and return. When the first destination is not known, a program factor of \$130.00 per trainee will be added to cover the round trip travel, excess baggage and living allowance while in a travel status. See paragraph (c)1 below for additional cost to be programmed where cross training is involved.

SPECIAL NOTE: Tables E-2 and E-3 contain programming factors only. In all cases students are required to travel over the least cost route regardless of the routing indicated in the tables.

(b) Living Allowances While in a Training Status

A living allowance will be programmed for all trainees in a training status, unless otherwise directed, as indicated in paragraph 9g.

1. For programming purposes, a standard factor of \$70.00 per week for officers and \$39.00 per week for enlisted personnel will be used on the assumption that quarters are available, mess not available for officers; quarters and mess available for enlisted personnel. All of the \$39.00 per week for enlisted personnel is not paid to the trainee. Enlisted personnel are paid \$28.00 per week (\$4.00 per day) for the purchase of personal items of health and comfort; the

CHAPTER F
PROGRAM SUBMISSION AND MANAGEMENT

1. Purpose

The purpose of this Chapter is to provide guidance and instructions governing the preparation and submission of detailed program data, including changes thereto, and the conversion of these data into approved and funded programs authorized for implementation by the Military Departments. These instructions apply to programs for articles and services and for training; they do not apply to programs categorized as "general costs" (e. g., supply operations, administrative support).

2. Submission of Data

a. Method of Submission

MAAGs will submit program data by punch card, transcript sheet, message or letter communication in the ADP card format portrayed in Figure F-1. This includes

changes submitted through Military Departments to reduce or delete items from the funded program. Submission of final current year program changes for MAP requirements must arrive in DSAA not later than September 15 in order to be considered during the end-of-year closeout of that program on September 30. The cut-off date for receipt of training increases and/or additions to the IMET program is August 15 (see Chapter E). Changes justified only on the basis of urgent military necessity, will be considered after these cut-off dates provided there is sufficient time to process the change and obligate the funds by the end of the fiscal year. Following are detailed preparation instructions for each type of transaction and medium of submission.

(1) Additions

(a) Card 3 (MAP—Materiel and Services Other Than Training)

<i>Card Column</i>	<i>Data</i>	<i>Instruction</i>
1	Card Code -----	Punch "3".
2-5	RCN -----	Punch Record Control Number.
6	Method of Funding Code -----	Leave blank.
7	Action Code -----	Leave blank.
8-20	National Stock Number -----	Punch the group, class, NCB Code Materiel and Services only) and item ident numbers as they appear in the MASL.
21	Generic Code -----	Punch, 1st position only, the generic code exactly as it appears in the MASL.
22	Commitment -----	Punch appropriate Commitment Code. See Commitment Code in Appendix A, Part I.
23-24	Reason Code -----	Punch appropriate Program Change Reason Code. See Program Change Reason Code in Appendix A, Part I.
25-29	Quantity -----	Dollar Lines—Leave blank. Excess defense articles actual value card—Leave quantity field blank. Major Item—Punch total quantity. Right justify (units position in Column 29, ten position in Column 28, etc.).
30	Program Originator -----	Punch Program Originator Code. See Program Originator Code in Appendix A, Part I.

MILITARY ASSISTANCE AND SALES MANUAL—PART II

Card Column	Data	Instruction
31-32	Country/Activity Code	Punch Country/Activity Code. See Country/Activity Code in Appendix A, Part I.
33	Customer	Dollar Lines—Leave blank. Major Items—Punch Customer Within Country Code required for entry in Column 33 of MILSTRIP requisitions. Refer to Customer Within Country Code in Appendix A, Part I, for explanation and Military Department directive containing the codes.
34	Special Supply Procedure	Punch appropriate code. See Special Supply Procedure Code in Appendix A, Part I. See paragraph 5 below for Excess Defense Articles.
35	Type of Assistance	Punch Type of Assistance code. See Type of Assistance/Financing Code in Appendix A, Part I.
36-43	MAP Unit Price	Obtain from the Military Department. Must reflect Repair & Rehabilitation costs (as applicable) for Excess Defense Articles (Source of Supply E).
44	Cost Code	Punch Cost Code. See Cost Code in Appendix A, Part I.
45-46	Program Year	Punch last two digits of fiscal year in which the item is programmed or to be programmed.
47-50	MAP Element	Punch MAP Element Code. See MAP Element Code in Appendix A, Part I.
51	Lead Time	Major Items—Obtain Lead Time Code from the Military Department. Dollar Value Line Items—Leave blank.
52	Spare Parts	Punch "N" for concurrent spare parts (CSP). Punch "A" for initial aerospace ground equipment (AGE). Punch "E" for concurrent equipment attachments in FSC 3810 and 3830 (item identification number 383ZATCHMNT).
53	Condition Code/Commercial Item Code	Punch Condition Code for Excess Defense Articles. See Condition Code in Appendix A, Part I. Punch numeric "1" for Commercial Items.
54	Communications/Ancillary Code	Punch Communications/Ancillary Code. See Communications/Ancillary Item Code in Appendix A, Part I.
55	Implementing Agency	Leave blank. Implementing Agency Code to be assigned by DSAA.
56	Blank	Leave blank.
57	Status	Leave blank. Status Code to be entered by DSAA only.
58-59	Funding Priority	Punch funding priority code on all articles and services program lines in budget year program. See Funding Priority Code in Appendix A, Part I.
60-61	Issue Priority	Punch Issue Priority. Issue Priority Codes are those prescribed in MILSTRIP regulations.
62-64	Required Delivery Data	Punch Required Delivery Date, as appropriate. See Issue Priority/Required Delivery Date Code in Appendix A, Part I.
NOTE: Columns 60-64 may also be used to identify Military Department MIMEX offer number or DPDS listing/flyer number for Excess Defense Articles. See Excess Offer Number Code in Appendix A, Part I.		
65	Source of Supply	Obtain applicable Source of Supply Code in Appendix A, Part I, from the Military Department. Do not leave unpunched.
66-68	MILSTRIP Routing Identifier	Punch from MASL, except as follows: A change from the MASL entry may be necessary when a change in Source of Supply Code, as in the case of codes B, E, F, J, N, O, R, S, or T, is effected. Punch appropriate MRI Code in all cases as determined

MILITARY ASSISTANCE AND SALES MANUAL—PART II

Card Column	Data	Instruction
		from the MASL or Appendix A, Part I.
		MASL Footnote Code K (See Footnote Code in Appendix A, Part I) requires a determination of the appropriate MILSTRIP RI code from Appendix A, Part I.
69	Change Originator -----	Punch appropriate Program Change Originator Code. See Change Originator Code in Appendix A, Part I. Note that this code may be different from the Program Originator Code in column 30.
70	System Identifier -----	Punch System Identifier Code, if appropriate. See System Identifier Code in Appendix A, Part I.
71	Fiscal Code -----	Leave blank. Data will be entered by DSAA.
72	CRA -----	Punch appropriate CRA Code. See CRA Code in Appendix A, Part I.
73-80	Total Cost -----	Leave blank for major items (unit of issue other than XX) with Source of Supply other than E or R. For Source of Supply E or R items, punch Acquisition Unit Price. For dollar lines (unit of issue XX), punch appropriate dollar value. Right justify.

(b) Card 4 (IMETP—Training)

Card Column	Data	Instruction
1	Card Code -----	Punch "4".
2-5	RCN -----	Punch Record Control Number.
6	Method of Funding -----	Leave blank.
7	Action Code -----	Leave blank.
8-13	Blank -----	Leave blank.
14-20	Item Ident Number -----	Punch data exactly as they appear in the same columns of the MASL.
21	Generic Code -----	Punch "N", 1st position only, of the generic code.
22	Commitment -----	Punch appropriate commitment code. See Commitment Code in Appendix A, Part I.
23-24	Reason Code -----	Punch appropriate Program Change Reason Code. See Program Change Reason Code in Appendix A, Part I.
25	Student Code -----	Punch appropriate Student Code. See Student Code in Appendix A, Part I.
26-29	Quantity -----	Dollar Lines—Leave blank. Major Items—Punch the number of students, or in the case of teams, the number of personnel on the team. Right justify (units position in Column 29, ten position in Column 28, etc.).
30	Program Originator -----	Punch Program Originator Code. See Program Originator Code in Appendix A, Part I.
31-32	Country/Activity Code -----	Punch Country/Activity Code. See Country/Activity Code in Appendix A, Part I.
33-34	Duration -----	Punch duration from the MASL where listed. Where duration in the MASL is VA (variable), punch duration as follows: Students—weeks. Team—man weeks. Field Training Services—man months.

MILITARY ASSISTANCE AND SALES MANUAL—PART II

<i>Card Column</i>	<i>Data</i>	<i>Instruction</i>
35	Type of Assistance -----	Right justify and punch "Ø" in unused columns. Punch Type of Assistance Code. See Type of Assistance/ Financing Code in Appendix A, Part I.
36-43	IMETP Unit Price -----	Dollar Value Lines—Leave blank. Defined Courses—Punch unit price per student from the MASL where listed. Where the MASL indicates "EST", enter unit price as determined by Military Department. Where an entry is required by the above, right justify.
44	Cost Code -----	Punch Cost Code. See Cost Code in Appendix A, Part I.
45-46	Program Year -----	Punch last two digits of fiscal year in which the item is programmed or to be programmed.
47-50	MAP Element -----	Punch MAP Element Code. See MAP Element Code in Appendix A, Part I.
51-56	Travel and Living Allowance Code -----	Punch travel and living allowance code for each student or team member. See Chapter E. Where cross training is programmed, punch the travel and living cost on the "A" sequence line.
57	Status -----	Leave blank. Status Code to be entered by DSAA only.
58	Waiver -----	Punch "A" for training lines for which constraints were waived by DSAA.
59	Reman Training -----	Punch "R" in Column 59 to identify resources manage- ment courses.
60	TLA Command -----	Punch command receiving funding for travel and living allowance cost based on Military Department guidance.
61-65	Worksheet Control Number -----	Punch worksheet control number (WSCN) assigned to the item in the training requirements worksheet. Leave the units position blank where no cross training is programmed. Enter cross training in alphabetical sequence in the units position. Following is an example in descending order of sequence in which the training is to be concluded: 1234A 1234B 1234C
66-68	Execution Agency Identifier -----	Punch execution agency identifier from the MASL ex- cept where cross training is involved. Where cross training is involved, punch the identifier of the Mili- tary Department who will conduct the majority of the training. The same execution agency identifier will be used for all training lines in the cross training sequence.
69	Change Originator -----	Punch appropriate Program Change Reason Code. See Program Change Reason Code in Appendix A, Part I.
70	Availability/Reporting Data -----	Punch numeric 1, 2, 3, 4 or 5 to indicate quarter in which student availability/reporting date occurs.
71	Fiscal Code -----	Leave blank. Data will be entered by DSAA.
72	Requirements Priority Code -----	Punch "A", "B", "C", or "D" as appropriate. See Chap- ter E, Part II.
73-80	Total Cost -----	Punch total code to the nearest dollar. Total code is com- puted by multiplying the sum of the entries in Columns 36-43 (MAP unit price) and 51-56 (travel and living allowance cost) times the entry in Columns 26-29 (quantity). Right justify. Punch dollar position in Column 80.

CHAPTER K

**TRANSPORTATION
PROCEDURES FOR MAP
MATERIEL**

1. Introduction

The following Department of Defense policies and procedures apply to shipment of Military Assistance Program (MAP) Materiel, including MAP-owned redistributable materiel.

2. Accessorial Costs

a. United States MAP funds will be used to pay packing, crating and handling costs incurred at the US source, transportation costs within the United States, and port loading costs at the United States port of embarkation.

b. United States MAP funds will be used to pay transocean transportation costs but MAP funds will not pay port charges for unloading MAP materiel at the recipient government's port of debarkation or, in the case of materiel destined for land-bound countries, overseas inland transportation costs.

3. Shipment

a. Materiel will be shipped by the most economical satisfactory means in accordance with policies and priorities prescribed by DOD Directive 4500.9 and DOD Instruction 440.6

b. It is Department of Defense policy that MAP materiel will be transported on US flag ships (this includes the reparable items referred to in paragraph e below), except when such ships are (1) not available, or (2) available only at prices higher than private persons are charged.

c. When MAP materiel is to be afforded air transportation, US flag aircraft will be

used, except when such aircraft are not available or not capable of satisfying the transportation requirement.

d. When the receiving nation contemplates using a foreign flag ship, the DOD component concerned will assure that the Commander, Military Sealift Command, approves the use of such a ship as not having called at a North Vietnam port on or after January 25, 1966; unless an exception has been made by the Secretary of Commerce.

e. Transportation of reparable items from the recipient MAP country to the point of overhaul designated by the DOD component concerned normally will be performed at the MAP country's expense.

(1) Upon determination by the Country Team that country funds are not available, the Military Assistance Advisory Group (MAAG) shall notify the DOD component concerned, and the reparable items may then be returned to the DOD component designated point of overhaul at MAP expense, if the country is currently eligible to receive MAP pursuant to Section 504(a), FAA.

(2) The Country Team determination will be made annually prior to the beginning of each US fiscal year.

(3) The MAAGs will make every effort to minimize MAP cost for reparable return transportation.

(4) The DOD component concerned shall assure expeditious return of the programmed reparable item.

4. Shipment of MAP Materiel by Mail

For all practical purposes, the use of the Military Post Office (MPO) system for de-

livery of MAP materiel is not authorized. DOD Directive 4525.5 contains limited exception to user policy vested in the DOD components.

a. Shipments to foreign countries may be made through the use of the International Mail Service on a reimbursable basis when authorized by the consignee. Postage and Fee Paid Indicia are authorized, provided shipment is entered into the US Postal Service.

b. When mail shipments are not acceptable to the MAAG, materiel will be forwarded by regular freight procedures as prescribed in DOD Regulation 4500.32-R.

5. MAP Shipments from US/Commands Outside the United States

US commanders outside the CONUS who have responsibility for the shipment of MAP materiel shall:

a. Arrange for the shipment under applicable internal regulations notifying the MAAG and the recipient country's designated agent (if the country agent has been designated) of each proposed shipment.

b. Advise the recipient country to accept title to the materiel at point of origin and arrange for transportation as soon as possible, but no later than 30 days after notification of availability. For the recipient country which advises that it cannot accept equipment and materiel at point of origin, request the MAAG to obtain a Country Team evaluation and recommendation as to that country's ability to absorb costs, and forward them such evaluation, together with recommendation to the Director, Defense Security Assistance Agency (DSAA), for guidance.

6. Sensitive Materiel

a. Normally, Class A, B and C explosives (other than small arms ammunition) and other hazardous cargo will be shipped on US Military Sealift Command controlled (i.e., owned or chartered) ships. When such ships are not available, and within the other provisions of this Chapter, commercial ships

will be used under the provisions of DOD Directive 4500.9.

b. Due to their sensitive nature, when Class A, B and C explosives are shipped to designated ports of embarkation by commercial carrier, such explosives will be forwarded under US Government, bills of lading (GBL) and only after obtaining appropriate release authority. Loading and storage of ammunition will be in accordance with DOD Standard 5154.4-S.

7. Discharge of MAP Materiel

a. The recipient government is responsible for discharge at destination of equipment and materiel provided by the United States at MAP expense.

b. Where there are US military forces positioned or deployed in areas that are receiving MAP materiel, and where these forces are supported by US Military Terminal Units or Support Activities, agreements initiated by the MAAG will designate these units to act as the agent or representative of the MAAG to accomplish the functions incident to the delivery of MAP materiel to the recipient country.

c. In the absence of capability in meeting the provisions of b above, the responsible DOD components will amend all agreements and programs for MAP materiel to provide that (1) title and custody shall pass within CONUS, and (2) transportation support beyond CONUS will be the responsibility of the recipient country.

8. Port Charges and Related Costs

a. Each MAP recipient government is responsible for defraying both port entry charges (if any) and port loading and unloading costs.

b. All taxes and duties incident to the entry of MAP materiel into a recipient country will be borne by the recipient government.

c. Demurrage, port handling, and storage charges on MAP materiel incurred at MAP

recipient country ports or terminals resulting from failure of the recipient country to provide agreed shipping, unloading or handling service will be borne by that country, unless specifically exempted by the Director, DSAA.

d. In no case will MAP bear any cost or expense, including transportation costs incurred by or for the account of vessels, aircraft or vehicles, provided by the recipient government in connection with the Military Assistance Program.

e. Positioning costs are chargeable to MAP funds in accordance with paragraph V.A.4 of DOD Instruction 7510.4.

f. MAP funds will not be used to pay any accessorial costs incurred as a result of providing materiel from a foreign source when delivery is in the same country as it is being procured.

9. Transfer of Title to MAP Materiel

a. The Secretaries of the Military Departments shall ensure that authorized agents of the recipient country acknowledge acceptance of title for their governments by affixing their signature following the last entry on one copy of the ocean manifest or shipping document. Such documents will be maintained as permanent records by the DOD components.

b. Title to materiel transported on ships provided by the United States will pass to the recipient government when the materiel is accepted by that government. This acceptance will be made by an agent of the recipient government no later than when the delivery is effected at the end of ship's tackle at the port of discharge. When equipment and materiel are destined for a land-bound country, title will pass to the recipient country upon acceptance of the materiel by an agent of that country at the end of the ship's tackle at the point of discharge.

c. Title to materiel shipped by aircraft provided by the United States will pass to the recipient government when materiel is

accepted by an agent of that government from the MAAG or other agent of the US Government.

d. Title to materiel shipped by mail or parcel post will pass to the recipient government when materiel is accepted by an agent of that government from the MAAG or other agent of the US Government.

e. Title to materiel shipped from US sources (depot or vendor) on ships provided by the recipient government will pass to that government when delivery is accepted by its designated agent, but in no case later than when delivered free-on-board and stowed in the vessel provided.

(1) When delivery of materiel (other than explosives and other dangerous articles, excluding small arms ammunition) is accepted at a U.S. supply source (depot or vendor) by an agent of the recipient government for shipment via an inland carrier, title to such equipment and materiel will pass upon acceptance of the materiel by the agent of the recipient government at inland origin.

(2) Due to safety factors requiring special handling, title to explosives and other dangerous articles (excluding small arms ammunition) shipped from a US supply source (depot or vendor) will not pass to the recipient government until it is stowed on board a ship provided by the recipient government at a DOD facility in a US port of exit, or free-alongside (f.a.s.) ship when loaded at anchorage, unless other arrangements are specifically authorized by the DOD components concerned.

f. Title to equipment and materiel to be shipped from foreign sources on ships provided by the recipient government will pass to that government when delivery is accepted by its designated agent, but in no case later than when delivered free-on-board and stowed in the ship provided by that government. When materiel is accepted at a foreign supply source (depot or vendor) by an agent of the recipient government for shipment in a carrier other than a ship provided by the recipient government, title to such materiel

MILITARY ASSISTANCE AND SALES MANUAL—PART II

will pass upon acceptance by the agent of the recipient government.

g. Title to equipment which is moved under its own power will pass to the recipient government when the equipment is accepted by an agent of that government.

h. In all instances where transfer of title and custody occurs outside the CONUS, a joint inspection of the materiel at the time of

delivery by representatives of the United States and the recipient country is required.

i. There will be no transfer of title to dunnage, lashing gear, and other cargo-security materiel furnished by a DOD component in connection with Grant Aid shipments. In cases where it is uneconomical to retain custody or control for future use, disposal action will be taken in accordance with DOD Directive 4140.34.

TABLE A-2

NOTE: The purchasing country or international organization must make payment in U.S. dollars under the appropriate terms of sale as specified in Part III, Chapter G, paragraph 3.

¹ As of 1 March 1978.

² Items designated as significant combat equipment are indicated by an asterisk in the International Traffic in Arms Regulation (ITAR), Title 22, CFR, Section 121.01.

³ Arrangements for purchase under the dependable undertaking provisions of the Arms Control Export Act may be made directly with the cognizant DOD component, subject to the approval of that component.

⁴ Countries or international organizations receiving distribution of lists of excess U.S. military material for sale through the Defense Logistics Services Center (DLSC), Defense Logistics Agency (DLA) (DOD Instruction 2110.8).

⁵ Category A—Country purchase programs and/or requests authorized by the Department of State for submission directly to the cognizant DOD component for processing.

⁶ Category B—Country purchase programs and/or requests require submission to, and approval of, the Department of State and Department of Defense prior to action within the cognizant DOD component.

⁷ Except for purchases of items listed and defined in Annexes 2 and 3 of Paris Protocol III. (See Memorandum, I-2710/59 dated 11 June 1959.)

⁸ Request for payment of Federal Republic of Germany purchases will be submitted in accordance with DOD Instruction 2110.32.

issued under this Act for the export of any major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this act." For detailed procedures on commercial sales, see Chapter H.

d. The Department of Defense recognizes that there are cases in which it is to our advantage to encourage the use of commercial sources by customer countries. Nevertheless, some two-thirds to three-fourths of all U.S. military exports actually are conducted on a government-to-government basis for one or more of the following reasons:

(1) Government furnished equipment manufactured in a Government-Owned, Government-Operated (GOGO) facility cannot be sold directly to U.S. prime contractors. The furnishing of this type of materiel is via an FMS transaction only. (See Paragraph 22, this Chapter for appointment of an agent procedures whereby a customer country can appoint a commercial source to act as an agent for the receipt of FMS GFE/spares/support items which are required by that commercial source to effect the manufacture/assembly or repair/rehabilitation of a defense item owned by the customer country.)

(2) For some special situations, the U.S. Government wishes to exercise the control that is more easily achieved with the FMS channel.

(3) Classified equipment, which must in any event be delivered through government channels, is often easier to sell through the government channel.

(4) Sales made under supply support arrangements and similar logistics sales arrangements are handled through the FMS channel as the only practicable way of permitting the armed forces of friends and allies to "buy into" the procedures as do using U.S. units.

e. Direct contact between MAAGs and Military Departments is authorized to provide information to host countries concerning technical advice, data on item configuration and availability, cost factors, and other essential technical and supply data.

6. Basic Foreign Military Sales Procedures

a. Eligible countries and international organizations authorized to purchase defense articles and defense services under the authority of the Arms Export Control Act are listed in Chapter A, Table A-1. Special approval requirements are prescribed for "Significant Combat Equipment" and "All Other Defense Articles and Services", Chapter A, Table A-2.

b. Following are the prescribed procedures and administrative channels for implementing requests for defense articles and defense services:

(1) Category A—*Requests for "significant combat equipment" (if the value of such would be \$7 million or more) or "all other defense articles and services" (if the value of such articles or services could be \$25 million or more) which originate in-country will be transmitted via the U.S. Embassy rather than by the MAAG or similar military elements to the cognizant DOD component for action, with the Department of State, DSAA, the appropriate Unified Command and ACDA as information addressees. All other FMS requests, at the discretion of the requesting country, should be transmitted either through the country's representatives in the U.S. (such as the Purchasing Missions, Embassies, or Military Attaches in Washington, D. C.) or through the U.S. country team located in the foreign country (such as the MAAG, U.S. Military Mission, Offices of Defenses Cooperation (ODCs), or U.S. Defense Attache's Office) directly to the cognizant DOD component with an information copy to DSAA and (except for requests under the category "all other defense articles and services" if the value of such articles or services could be less than \$25 million) to the Department of State.

* Some countries are listed as Category A for maintenance support and Category B for major end-items.

Special Conditions: Sale of electronic warfare (EW) equipment to NATO countries will, for the most part, follow normal FMS channels. However, special coordination and review by USEUCOM will be required to assure that the equipment to be purchased by one NATO country is compatible with the overall NATO EW concept.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

(2) Category B—All requests for “significant combat equipment” (if the value of such would be \$7 million or more) or “all other defense articles and services” (if the value of such articles or services could be \$25 million or more) which originate in-country will be transmitted via the U.S. Embassy rather than by the MAAG or similar military element to the Department of State, with an information copy to DSAA and the appropriate Unified Command. The preferred channel for all other FMS requests is through the purchasing country’s representative in the U.S. (e.g., purchasing mission or military attache) via the Embassy of the foreign country to the Department of State, with an information copy to DSAA. Requests received by the U.S. in-country should be sent to the Secretary of State/Secretary of Defense.

(3) When a DOD Component receives a request for defense articles or services in a manner not specifically authorized as outlined above, or specified in Chapter A, Table A-2, the request should be forwarded to the DSAA. The DSAA will, in turn, seek State Department approval. With such approval, the DSAA will return the request to the appropriate DOD Component for implementation and will advise the originator of this action as well as the proper channel for similar future requests.

(4) Should there be a determination that a DOD component cannot respond favorably to a foreign country request for security assistance-related information, the proposed negative response to the foreign country must be coordinated with DSAA Operations. When forwarding such an action for coordination, complete justification and background information related to the action proposed must be provided. NOTE: This procedure applies to inquiries involving requests to purchase defense articles or services, requests to co-produce, requests for offset arrangements, requests for sensitive technical information, etc. This procedure is not intended to apply to negative responses to inquiries of a technical nature involving accepted FMS cases unless, if approved, the request would have

resulted in the issuance of an amendment to the basic LOA (e.g., relates to a significant modification of a system or would increase the overall capability of the item requested, etc.). The following routine FMS training actions are exempt from this prior coordination requirement. DSAA should be an information addressee on all such responses.

(a) Denial of requests within established policy (e.g., courses closed to all foreign nationals, information not cleared for release, training to support equipment not in country’s inventory).

(b) Notification of class cancellations for previously approved quotas.

(c) Quota requests which cannot be accommodated within desired timeframe.

(d) Senior officer courses where annual foreign participation is limited and restricted to only those countries invited by Chiefs of Service.

(e) Alternate proposals to accommodate requests for Military Training Teams (MTTs) within established policies.

(5) Military Departments will submit all Letters of Offer for significant combat equipment and for those items or services of a critical or special nature to the Defense Security Assistance Agency (Attn: Director of Operations) for approval prior to submission to the requesting country. Additional LOA’s which require DSAA approval are:

(a) all Letters of Offer to African countries and Iran;

(b) all Letters of Offer for \$1 million or more, and all amendments which increase the value of a case to \$1 million or more, for Bahrain, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the United Arab Emirates and the Yeman Arab Republic;

(c) all Letters of Offer for the sale of major defense equipment. Special instructions for Letters of Offer for the sale of end items in the amount of \$25 million or more or the sale of major defense equipment in the amount of \$7 million or more are contained in Section 16 of this chapter.

(d) all Letters of Offer for which the terms of payment are credit or guaranteed funds.

CHAPTER B

FOREIGN MILITARY SALES POLICIES, GUIDELINES AND RESTRICTIONS

1. Purpose

Supplement information provided in MASM—Part I, DOD Directive No. 5132.3, Department of Defense Policy and Responsibilities Relating to Security Assistance, December 20, 1972 and other related basic directives and instructions governing military export sales activities.

2. Basic Sales Policy and Guidelines

In enacting the Arms Export Control Act (AECA), as amended, the Congress consolidated and revised foreign assistance legislation relating to reimbursable exports.

a. Basic Sales Policy. In this Act, the Congress:

(1) Declared the ultimate goal of the U.S. to be a world free of the dangers and burdens of armaments with the use of force subordinated to the rule of law;

(2) Affirmed the increasing cost and complexity of defense equipment and recognized that there continues a need for international defense cooperation to maintain peace and security;

(3) Established that the United States will facilitate the common defense by entering into international arrangements with friendly countries on projects of cooperative exchange of data, research, development, production, procurement and logistics support to achieve national defense requirements and objectives of mutual concern;

(4) To this end, authorized sales to friendly countries to equip their forces with due regard to impact on social and economic development and on arms races; and

(5) Declared the sense of the Congress that all such sales be approved only when

they are consistent with the foreign policy interests of the United States.

b. Military exports sales support specific foreign policy and security interests of the United States. Such sales have in the past improved internal order and increased the prospects for regional stability, thereby reducing the likelihood of direct U.S. military involvement. Standardization of materiel, doctrine, and training is enhanced among our allies and friends. The U.S. production base is maintained, U.S. employment is increased, research and development costs are spread wider, unit costs to the U.S. Services reduced, and forward materiel support is facilitated. The U.S. balance of payments is aided and closer relations, cooperation, and partnership with other nations are engendered.

c. Guidelines

Except where overriding considerations dictate otherwise, the following guidelines will govern Department of Defense sales activities:

(1) Department of Defense sales will support the foreign policy interests of the United States.

(2) Department of Defense will be responsive to foreign requests for sales proposals.

(3) Countries will be encouraged, consistent with economic-financial capabilities, to make the transition from grant aid to sales.

(4) To the extent practicable, the Department of Defense will assist U.S. industry in making sales directly to foreign governments. Relationships with industry will be forthright, factual, and will avoid all connotation of favoritism.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

(5) The Department of State has advised commercial firms who plan to discuss the sale of defense articles overseas to:

(a) touch base with the local MAAG or American Embassy representative upon arrival in-country, and

(b) inform the MAAG or Embassy representative whether or not they have a license to discuss technical data regarding the project planned to be discussed with host nations, and if not, how the commercial firm expects to handle the matter.

There is no mandatory requirement for a commercial firm to contact the MAAG or local Embassy representative but it is in the best interests of all concerned if commercial firms do so.

Department of Defense policy is one of even-handedness when dealing with commercial firms engaged in overseas marketing activities. When U.S. industry representatives approach the MAAG for assistance in conducting normal marketing efforts abroad, MAAG personnel should, within policy guidelines, use their own best judgement in determining whether a commercial firm should be referred to foreign country officials for the purpose of discussing a possible sale or whether any other assistance should be given.

(6) Unless dictated by overriding logistics considerations approved by the Secretary of Defense, the Department of Defense will not enter into sales arrangements which entail commitments for Department of Defense procurement in foreign countries.

(7) Credit and credit guaranties under the Arms Export Control Act will be used only to assist countries in acquiring essential items which cannot reasonably be financed by other means and normally will be used only to finance investment requirements.

(8) Wherever practicable, guaranteed credit will be used instead of direct FMS credit.

(9) Concessionary FMS credit terms (i.e., interest rates less than cost of money to the U.S. Government) will be granted only

when determined by the President to be required by the national interest.

(10) We welcome consultation with our friends and allies on research, development, production, and logistic support programs of mutual interest.

d. When procuring for a foreign government, DOD will apply the same contract clauses and contract administration as it would use in procuring for itself, except where exceptions are authorized in the Armed Forces Procurement Regulations. When a sole source procurement requested by a foreign government appears to be motivated by objectives in conflict with this requirement or with any U.S. legislation, the request must be forwarded to DSAA, which will forward the request to the Department of State for consideration. No Letter of Offer in such cases will be issued without approval of the Director DSAA.

e. The DOD Offer and Acceptance (DD Form 1513) is an agreement entered into pursuant to the authority of the Arms Export Control Act whereby the United States Government offers to sell and another government or international organization agrees to buy defense articles and/or defense services. In those instances where defense articles or defense services covered by a DD 1513 agreement are to be obtained by DOD through procurement, the implementing purchases or contracts are required to be in compliance with the Defense Regulation Acquisition (DAR 1-102 and 6-1302). Accordingly, in order to assure such compliance, it is essential that those provisions of the DD 1513 agreement (and any associated contemporaneous agreements such as reciprocal procurement arrangements) which bear upon the related contract or purchase action be coordinated between the Defense Security Assistance Agency and the cognizant DOD procuring activity. In those instances where a deviation from ASPR must be obtained in order to incorporate a DD 1513 special provision in an implementing DOD contract, the ASPR procedures for obtaining such deviation

CHAPTER C

GENERAL PROCEDURES

1. Introduction

This Chapter describes the general context and character of Foreign Military Sales (FMS) and covers the processes and practices with which the U.S. Government decides to sell military equipment to a foreign government—or decides not to.

2. Buyer-Seller Relationships

An essential characteristic of Military Export Sales, whether they be commercial or through government channels, is that two governments must agree before a transaction is concluded. Neither government can direct the transaction; either government can shape it only by withholding its approval. Sales are negotiated. Both the buyer and the seller must be satisfied.

This essential characteristic predominates in shaping the conduct and style of Foreign Military Sales. Some of the rules governing FMS are hard and fast. For example, the U.S. Government is required by law to sell only for dollars. Most of the “rules” must be pragmatically applied. Since a sale must be negotiated, rules take the shape of preferences and sales procedures take on the shape of general practice, with the consequence that exceptions to the rule are more easily cited than the rule itself.

3. Purpose for Sale of U.S. Military Equipment Abroad

All nations generally prefer to buy at home. All nations express that preference by a willingness to pay a premium or make a sacrifice in terms of price, and/or quality for the privilege of buying at home. But because some goods are simply not available

at home, or because the premium of sacrifice is too large, all nations make some of their purchases abroad.

For civil goods, trade patterns reflect the wide diversity of procurement decisions made by private citizens. Military trade patterns reflect the policies and preferences of governments—because the acquisition and use of military equipment is uniquely a governmental function.

In a narrow sense, the U.S. Government sells military equipment abroad because such sale is authorized and encouraged by law—in modern times, since the Mutual Defense Act of 1949. In a broader sense, the U.S. Government sells military equipment abroad for all the basic reasons expressed in Chapter B as well as the following:

- a. because the United States, with only 6 percent of the world's population but one-third of its gross national product, is the world's most technological advanced nation;
- b. because the United States has maintained a foreign policy and style since World War II of aspiring to promote a world free of dangers and burdens of armament with the use of force subordinated to the rule of law;
- c. because the United States has long believed that its national security is inseparable from and dependent upon free world security;
- d. because the United States has, since World War II, joined with its free world friends and allies in concluding that such security must rest on a strong and well-equipped defense capability;

- e. because the Marshall Plan and successor assistance efforts, under which the United States has granted Military Assistance totaling over \$53 billion since World War II, combined with the self help efforts of recipient countries, have restored the economies of most free world countries; and
- f. because, finally, economically capable nations are now able to pay for the military equipment that they wish to obtain from the United States.

In brief, with many military requirements still unmet and with many modernization requirements accumulating, all the foreign policy, security and military motivations that gave rise to U.S. military grant assistance now motivate the transfers of military equipment on terms of sale.

4. General Criteria Regarding Sale of Military Equipment

In general the U.S. Government is willing to sell equipment to such countries at such times as it approves such sales on a case-by-case basis.

- a. It is easier to approve the sale of less, rather than more sophisticated equipment; easier to approve the sale of less, rather than more, expensive equipment; easier to approve the sale of equipment adopted by the U.S. forces and promising to the buyer, thereby, the benefits of logistics standardization.
- b. The willingness of the U.S. Government to sell military equipment varies country by country in accordance with the military requirement, ability to maintain and use, compatibility with existing inventory, and impact on the preconceptions and the actions of the buyer's neighbors.
- c. The willingness of the U.S. Government to sell military equipment varies with time and situation; thus changes in terms of foreign policy, diplomacy,

economy, finances and security, reflecting the changing world-wide situation, can cause reversals in such willingness from time to time.

This is not to say that there are no sources of guidance with regard to the question of the U.S. Government's willingness to sell. The National Disclosure Policy Manual (NDP-1) records the levels of classification which the U.S. Government is willing in general to release to cited countries. Requests for exceptions to policy established by this document are handled by the National Disclosure Policy Board which is chaired by the Department of Defense.

The legislative restraints on Foreign Military Sales are reviewed in Chapter B. These reflect the guidelines and constraints that must be followed prior to the approval of Military Export Sales.

5. Channels Used in the Sale of Military Equipment

a. "Military Export Sales" divide themselves into "Foreign Military Sales" and "Commercial Sales." Foreign Military Sales are government-to-government transactions; for these sales, the Department of Defense purchases equipment from United States firms, takes title to the equipment (or has title to equipment to be sold from U.S. stocks), and sells the equipment to the foreign buyer. For Commercial Sales, the U.S. firm sells directly to the foreign buyer.

b. Foreign Military Sales do not require the Defense Department to obtain an export license from the State Department if the items are physically exported by DOD; the purchaser requires a license if the items are delivered to the purchaser in the United States. For Commercial Sales, an export license from the State Department is required for the export of all military equipment (i.e., all materiel listed in the munitions list).

c. Section 38(b)(3) of the Arms Export Control Act states that: "No license may be

1513 stipulate that price and availability data shown on the DD Form 1513 are estimates and must not be considered fixed priced or firm commitments. This point is very important and should be continually stressed to foreign governments. Nevertheless unexpected and substantial price increases, delivery delays, or the receipt of equipment in poor condition can lead to a foreign government's disappointment or even dissatisfaction with the FMS system. It is essential that all DOD components strive for accuracy in the development of planning and review (P&R) and price and availability (P&A) data within the constraints imposed by applicable procedures; the process must include the identification of contingencies which might cause the "best estimate" of price and availability to fluctuate beyond acceptable bounds. The nature of any such contingency or qualification as to the accuracy of estimates should be brought to the attention of the FMS purchaser during the offer and acceptance process.

(e) all Letters of Offer for items containing a non-recurring surcharge as an element of cost of the items are prescribed in DOD Directive 2140.2;

(f) all Letters of Offer for items or services which are not standard in the DOD inventory and for which Research, Development, Test and Evaluation are included as an element to be procured;

(g) all Letters of Offer involving the sale of Technical Data Packages or similar data which would result in the establishment of a foreign production capability for an item; and,

(h) all Letters of Offer including agent's fees.

7. Furnishing Information on Price, Availability and Condition of Military Equipment to Foreign Governments

a. Importance of Accurate Estimates

The terms and conditions of the DD Form

8. Pricing of FMS Transactions

Defense policy outlined in DOD Instruction 2140.1, 9 March 1977, calls for uniform DOD application of pricing and cost criteria for sales of Defense articles and services to eligible foreign governments and international organizations. In general terms, this means that DOD pricing and procedures will provide for the charging of all DOD direct and indirect costs, including those referred to as an "administrative charge" for the use of the DOD logistics system.

To assure that all such costs are covered in the DOD pricing, quotations on defense articles and services will be estimated and final adjustments will take place after delivery of the items or rendering of the services. DD 1513, Letter of Offer and Acceptance, provides for such estimated prices.

a. Items From Defense Stocks

Pricing of defense items from stock inventories will be handled according to DOD Instruction 2140.1. For example, standard prices will govern when nonexcess materiel is to be sold. This includes all items in the United States military supply system, except such major items as complete ships, aircraft and missiles, space vehicles, and plant and production equipment.

Standard prices will include the current market or procurement cost of the item at the time the price is established or re-established. As a general rule, standard prices for items currently procured are revised once a year and revised when significant changes occur. Reductions in inventory standard prices may be made for sale of nonexcess materiel:

- (1) when material is in long supply, or
- (2) when there is a determination by the inventory manager that there is an actual difference in utility or desirability of an item due to age, condition or model. Sales of excess materiel will be priced as prescribed in DOD Instruction 2140.1.

b. Items From New Procurement

Prices of defense articles and services procured for eligible foreign governments

or international organizations pursuant to Section 22 of the AEC Act will be cited to recover full DOD contract costs (including the cost of government materiel). In addition, the purchaser shall be required to obligate itself to pay any damages or costs that may accrue from the purchaser's cancellation of the contract. Authorized surcharges specified in Section 9 below will be added to the contract cost and included in the billing.

In general, defense articles shall be priced on the same basis as the cost principles used in pricing defense contracts for items of DOD use. However, recognition shall be given to reasonable and allocable contractor costs which are justified in connection with a particular sale (see DAR 6-1304.3).

The cost of deviations from United States configuration and special technical data desired by a foreign government will be included as a charge to the foreign government additional to the average unit standard price or other U.S. normal charges.

9. Authorized Surcharges

Prices of defense articles and services sold to eligible foreign governments and international organizations will include the following charges:

a. Accessorial Costs

These represent certain expenses incident to issues, sales, and transfers of materiel which are not included in the standard price or contract cost of materiel, such as:

(1) Packing, handling and crating costs (known as PCH&T costs when transportation is included). These are costs incurred for labor, materials, or services in preparing the materiel for shipment from the storage or distribution points.

(2) Transportation costs. Inland and ocean transportation costs, representing shipments by land, sea, and air, inland and coastwise waterways, vessel or air, and including parcel post via surface or air.

(3) Port loading and unloading costs. These are costs for labor, materials or services at ports of embarkation or debarkation.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

(4) Prepositioning costs. Supply distribution costs incurred at locations outside the United States in anticipation of support to other authorized customers. These costs are applicable when shipments are made from overseas storage and distribution points, except that no positioning costs shall be assessed on "long supply" stocks.

b. Administrative Charges

(1) An administrative charge shall be added to all FMS cases to recover DOD expenses related to the administration of the FMS transactions. See DODI 2140.1, Section IX, for the appropriate administrative charges which must be included in FMS cases.

(2) In the event that the FMS purchaser cancels an entire FMS case (Letter of Offer and Acceptance and/or Amendment) any time prior to the delivery of all articles and services involved, the following guidance applies:

(a) On FMS cases involving standard procurement the administrative charge will be three percent of the actual value at case closure or one percent of the implemented program value, whichever is greater.

(b) On FMS cases involving non-standard procurement, the administrative charge will be five percent of the actual value at closure or one percent of the implemented program value, whichever is greater.

(c) On Blanket Order FMS Cases or FMSO II Cases, the administrative charge will be three percent of the actual value at case closure. This would not apply to FMSO I transactions.

(3) A note should be placed on LOAs and amendments which indicates to the FMS purchaser the appropriate administrative charges which would be assessed them should the FMS purchaser cancel the entire LOA or amendment. DSAA Comptroller must approve the assessment of the one percent cancellation charge on applicable FMS cases.

(4) All DOD components incurring

costs in support of FMS programs will prepare annual budgets for related administrative expenses. These budgets will be submitted to DSAA Comptroller for review and approval. Upon approval, the DSAA Comptroller will instruct the Security Assistance Accounting Center (SAAC) to issue quarterly orders to finance the approved funding plan. DSAA will assure that an appropriate share of the costs of Military Assistance Advisory Groups and military missions is being charged to administrative expense.

(5) Rates for accessorial and administrative costs are subject to review at least every two years. Requests for exceptions to the pricing policies prescribed herein, in the case of unresolved disputes, or deviations from any price or service charge when it can be shown that such deviation is in the best interests of the US Government shall be submitted through the Director, DSAA, to be forwarded to the Assistant Secretary of Defense (Comptroller) for resolution or approval. Such requests will contain the basis or justification and supporting data for the exceptions.

c. Nonrecurring Cost Recovery

(1) The recoupment of a pro rata share of nonrecurring development and production costs relating to product sales to non-U.S. Government customers is required as outlined in DOD Directive 2140.2, 5 January 1977. The objective of this requirement is to ensure that a purchasing customer pays a fair price for the value of DOD R&D investment costs. The charge is to be included in the FMS or direct commercial sales price of the product or technology unless reduced or waived as described in paragraph (8) below.

(2) In accordance with the provisions of DODD 2140.2, DOD military components are responsible for determining recoupment charges for all items of defense equipment having a total nonrecurring development and production cost of \$5 million or more. Nonrecurring development costs are those defined in para. III, F, DODD 2140.2. Nonrecurring production costs are defined in paragraph III, G, DODD 2140.2. DOD components should use actual, not program, cost data and

may use estimates where the development of more precise data is not possible; however, in the latter case, it must be demonstrated that a reasonable approach was used.

(3) Prior to applying pro rata recoupment charges to sales of items on the Major Defense Equipment List (MDEL), components will insure that the proposed charge has been approved by the Director, DSAA, in accordance with the revised policies and procedures set forth in DODD 2140.2, 5 January 1977. Approval will be requested only for those items which are (a) on the latest edition of the MDEL (see Appendix A, Part III), (b) for which there exists a current FMS or commercial sales demand, and (c) for which there has not been an approved nonrecurring costs pro rata charge established since 5 January 1977.

(4) Requests for approval of pro rata charges will be submitted on the format shown at Figure C-1. Total U.S. Government nonrecurring RDT&E and total U.S. Government nonrecurring production costs, as defined in (2) above, will be shown separately. The total of these two entries, i.e. the total U.S. Government nonrecurring investment in the item, will be prorated against the past and projected production quantities for U.S. Government, FMS, MAP and direct commercial sales. Actual past and projected production quantities will be depicted and a country breakout for FMS/MAP and direct commercial sales projections will be shown. Five year Defense Program (FYDP) forecasts will normally be used to indicate the U.S. military service production quantities; however, for those items for which Selected Acquisition Reports (SARs) are required, the latest SAR data will be used.

(5) If the pro rata charge was determined prior to 5 January 1977, it will be reviewed to identify any significant changes. Changes requiring approval by DSAA will be submitted to Director, DSAA, as outlined in paragraph (3) above.

(6) DOD Directive 2140.2, 5 January 1977 requires that, in the case of direct commercial sales of eligible defense items to foreign

customers, the U.S. contractor must collect and pay to the cognizant military component the appropriate nonrecurring cost recovery charge for the items being sold. Military Departments will insure that they have in place an operative system for monitoring and reporting the collection of these recoupments in order to insure that all appropriate payments are in fact made to the DOD. This system will provide for the following actions to be taken:

(a) The development of complete lists of all items under the cognizance of the Military Department which are eligible for assessment of a nonrecurring cost recovery charge in accordance with DODD 2140.2.

(b) The cross-referencing of all export license requests processed by the Military Department against these lists to determine whether the commercial sale is eligible for a nonrecurring cost recovery charge assessment.

(c) For each eligible item, the editing of the munitions license to indicate this eligibility, showing the amount of nonrecurring cost recovery charge which the contractor is required to collect, and the office within the Military Department to which the payment is to be made. It is emphasized that this process should in no way delay the expeditious handling of export licenses. In the event that appropriate nonrecurring cost recovery charges have not been determined for a particular item, the munitions license should be annotated only to show that a charge may be required, and the contractor directed to contact a designated Military Department office to ascertain the amount. Recommendation for approval of an export license request may not be conditioned upon an agreement by the license applicant to pay such a charge to the United States Government in a case in which the Military Department knows that the applicant does not have a current contractual obligation with the United States Government to make such payments.

(d) Reporting of payments made by

MILITARY ASSISTANCE AND SALES MANUAL—PART III

contractors, together with information as to the disposition of the funds so collected.

(e) The monitoring of these collections, to include follow-up with contractors if payments are not forthcoming within an appropriate length of time.

(7) Collections received from both FMS and commercial transactions will be reported in the DSAA(Q)1112 report required by DODD 2140.2.

(8) Reduction or waiver of charges for nonrecurring development and production costs may be requested by the DOD components, customers or defense contractors. These waivers and reductions will normally be considered when it is clearly in the best interest of the United States, gaining advantage for DOD or other U.S. Government agencies, or when it is necessary to satisfy the demonstrable right of the customer or manufacturer. Items on the MDEL can only be waived or reduced as specified in Section 21(e)(2) of the Arms Export Control Act. Requests for waivers or reductions relating to product sales will be submitted to the Director, DSAA, in accordance with DODD 2140.2.

d. Asset Use Charge and Rental Charge for Government-owned Tooling

(1) Sales of defense articles which involve the use of government-owned facilities and equipment shall be priced to include an asset use charge for the use of DOD assets in other than facilities for which appropriate rental charges are made (see paragraph (2) below). Asset use charges will be calculated in accordance with the provisions of DODI 2140.1.

(2) Sales of defense articles which involve the use of government-owned facilities and equipment shall be priced to include a rental charge in accordance with the provisions of DAR 13-403 and 7-702.12. When there is a provision for rental charges in the facilities contract, the rental charge will be assessed. The asset use charge applied only when there is no provision for rental charges. At no time will both a rental charge

and an asset use charge be applied to the same elements of a sales case.

(3) Waivers of asset use charges may be made only in accordance with the provisions of DODI 2140.1, Section X, and waivers of rental charges may be made only in accordance with the provisions of DAR 13-406.

e. Quality assurance, inspection, and contract audit defense services in connection with the placement or administration of any contract or subcontract for defense articles or defense services entered into after October 29, 1979, either directly or indirectly by a foreign government which is a member of NATO, or pursuant to an FMS case with such NATO government, may be provided without charge if such government provides such services in accordance with an agreement on a reciprocal basis, without charge, to the United States Government.

These services may also be provided without charge in connection with the placement or administration of any contract or subcontract for defense articles or defense services pursuant to the NATO Infrastructure Program in accordance with an agreement under which the foreign governments participating in such program provide such services, without charge, in connection with similar contracts or subcontracts.

Agreements for the provision of such services without charge will be implemented by the Director, DSAA.

f. Termination Liability Reserve

Department of Defense components implementing foreign military sales agreements are responsible for the determination of termination costs and for ensuring that this amount is collected and held in reserve. These costs are the best estimate of the liability that would accrue to the US Government should a particular sales case or agreement be terminated prior to its normal completion. For many agreements, termination costs will change regularly as contracts are awarded, work progresses, purchaser payments are received, and deliveries are made, and reserves should be adjusted accordingly.

The Director, DSAA will be informed of actions taken to determine and collect termination reserves by the submission of termination liability worksheets as part of the required financial analysis for cases of seven million dollars or more when they are forwarded for countersignature. Further guidance on this requirement and a suggested worksheet format can be found in Part III, Chapter D, Paragraph 9.

10. Diversion of DOD Materiel

a. Defense policy calls for a determination to be made that sale of a defense item will not degrade US defense efforts by taking needed equipment from US stocks or by disrupting deliveries of critical items from production for US forces, unless security or foreign policy requirements are such that sale of the item is in the overall US national interest.

b. The Secretary of Defense on 20 September 1972 prescribed policies for allocating defense materiel between US forces and international security requirements to meet competing demands in a period of declining materiel acquisition programs. These include:

(1) To the maximum extent possible, allocations of materiel shall be made within the normal priorities structure—the Uniform Military Materiel Issue and Priority Systems (UMMIPS).

(2) Presidentially-directed, or Secretary of Defense-initiated materiel allocations shall be accorded sufficient priority through diversion of assets from other programs to assure accomplishment of the directed allocation within the time period specified.

(3) High priority international requirements (such as FMS requests) may be met by diverting or withdrawing equipment from U.S. active or reserve forces providing the operational readiness posture of these forces is not significantly lowered and payback can be accomplished in a reasonable period of time. Such determination may be made by the Military Departments.

(4) Materiel being procured or stocked specifically for FMS may be diverted to meet

higher priority foreign requirements or urgent needs of U.S. Forces with the prior concurrence of the Director, DSAA, who will, as appropriate, obtain policy guidance from the ASD (ISA).

c. All requests or recommendations for diversions of FMS equipment will be referred to the Director, DSAA. In those instances where agreement cannot be reached with DSAA concerning the use of foreign program assets, or diversion of defense materiel, the matter will be referred to the Secretary of Defense for decision pursuant to the procedures established by Deputy Secretary of Defense Memorandum, 14 December 1976, subject: "Allocation of Defense Materiel and Services Between US and International Requirements." The basic text of this memorandum is as follows:

(a) Under normal circumstances, the Military Departments will fill Security Assistance materiel requirements from production, utilizing normal production lead times, unless the DOD can meet such materiel requirements from inventory without an undesirable effect on the combat readiness of US forces.

(b) There may occasionally be instances when national security considerations and foreign policy objectives indicate a requirement to deviate from this DOD policy by expediting delivery of equipment to a foreign purchaser. If such situations arise, and the Military Departments or the OSD staff become aware that such expedited delivery or the performance of FMS services by DOD personnel would appear to have an undesirable effect on the combat readiness of US forces, OASD(ISA) will request the Military Department involved to provide its assessment of the situation to ASD(ISA) and MRA&L for OSD staff review. The ASD (ISA) will refer the coordinated recommendation to the Secretary of Defense for review and decision. Because of the importance of such instances, it is essential that the Secretary of the Military Department personally verify these assessments and make the report to ASD(ISA) and ASD (MRA&L) when such referral is required.

(c) Section 21(i) of the Arms Export Control Act requires a report by the President to the Congress "with respect to any proposal to sell, under this section, any defense articles or defense services, if such sale could have a significant adverse effect on the combat readiness of the Armed Forces of the United States." There may, however, be instances where, in the view of the Secretary of the Military Department, supply action would have an impact of sufficient importance to warrant Secretary of Defense review, but would not constitute a significant adverse impact requiring Presidential report to the Congress. Therefore, in each instance where the Military Department Secretary refers a potential impact case to the ASD(ISA) and ASD(MRA&L), the referral will include an assessment as to whether:

1. supply action would affect the operational readiness of the Military Service, or have other important impacts which the Secretary considers warrant Secretary of Defense review, but which are not serious enough to constitute a significant adverse impact requiring either alteration or termination of the supply action, or an overriding Presidential report to the Congress; or

2. supply action would constitute a significant adverse impact within the meaning of the law, and if taken, would require such a report to the Congress. The term "significant" is a subjective one, and this memorandum does not attempt to define all circumstances in which an impact might be "significant."

(d) While the language of Section 21(i) pertains only to shipments from DOD stocks and performance of services by DOD personnel, impacts can occur when the DOD diverts to foreign recipients materiel scheduled for delivery from production. Therefore, the procedures and determinations outlined above apply to both categories of transfer.

(e) In cases referred to him, the Secretary of Defense will make the final determination as to whether the DOD will provide the equipment or services on an expedited basis and whether the impact of doing so is significant within the meaning of Sec-

tion 21(i). In referring impact cases to the Secretary of Defense, the Secretary of the Military Department should therefore in every instance provide the information outlined in Section 21(i)(1)(A) through (D) of the AEC Act, i.e.:

1. the country or international organization to which the US proposes to make the sale;
2. the amount of the proposed sale;
3. a description of the defense article or service the US proposes to sell; and
4. a full description of the effect the proposed sale will have on combat readiness of the Armed Forces of the United States.

(f) In those cases where he takes action to advise the President of the requirement for a report to the Congress, the Secretary of Defense will provide the analysis relevant to the jurisdiction and certification called for in Section 21(i)(1)(E) of the Act. In this connection, a "proposal to sell" within the meaning of Section 21(i) refers to a decision at an appropriate level of the US Government to make a sale and to direct the issuance of a DD Form 1513 or signature of a document with comparable effect, and does not refer to merely the receipt of a request for price and availability, or the receipt of a request for a Letter of Offer, or the making of a recommendation with respect thereto. No Presidential report is therefore required if the ultimate decision is not to make the sale. Section 21(i) is also interpreted as being applicable to a situation in which the significant adverse effect becomes apparent only after a sales contract is concluded if it is concluded on or after 30 June 1976. However, no Presidential report is required with respect to supply action under a sales contract concluded on or after 30 June 1976 where the supply action is altered in order to avoid a significant adverse effect on US combat readiness which would otherwise occur.

(g) The provisions of this memorandum apply to secondary items, including spare and repair parts as well as major end items. However, in those cases wherein the foreign government has made an investment in the United States inventory under a Co-

operative Logistic Support Arrangement for spare and repair parts support, the Military Departments will satisfy Security Assistance requirements, based upon priority, on the same basis as the US requirements as indicated in paragraph 3.c(2), Chapter F, Part III of the Military Assistance and Sales Manual, 5105.38M.

11. Insurance

Purchasers will self-insure FMS shipments or obtain commercial insurance without any right of subrogation of any claim against the United States. In extraordinary situations, and upon specific request by the purchaser and receipt of written authorization from the purchaser for the designated departmental procurement activity to act as the agent of the purchaser to obtain pricing quotes and, if necessary, procure the insurance required, insurance may be obtained by the military

department concerned and billed as a separate line item on DD Form 1513. For FMS cases already implemented, authorized insurance coverage can be added by amendment. Whenever a Military Department does provide these services to a purchasing country or organization, it should point out that this is an exceptional arrangement, and should encourage and assist that purchaser to make its own arrangements for insurance for subsequent cases, as feasible.

12. Source Selection for Procurement for Foreign Governments

a. In keeping with the Department of Defense (DOD) policy, procurements made for FMS customers will be done under our U.S./DOD regulations and procedures. This affords the foreign customer the same benefits

and protection that apply to DOD procurement and is one of the principal reasons why nations want to procure through FMS channels.

b. With regard to the source selection process, the FMS customer may request that a defense article and defense service be obtained from a particular prime source. In such cases, Defense Acquisition Regulation (DAR) 3-210.2 (xviii) provides authority to negotiate on a sole source basis. Such requests may be honored when the sole source designated is based upon the objective needs of the FMS customer as stated by the customer. The request shall not be honored in any case of patently arbitrary, capricious or discriminatory exclusion of other sources. The FMS customer may also request that a sole source subcontract be placed with a particular firm. The Contracting Officer will honor such a request for subcontract placement on the same basis as indicated above for prime sources.

c. To avoid the additional delay and work load involved in revision of a Letter of Offer and Acceptance (LOA) (DD Form 1513), such requests by an FMS customer for prime or subcontract placement should be made no later than the time of the formal request for preparation of the LOA (DD Form 1513) for the defense articles or defense services is transmitted to the United States Government. However, if a request can be honored without excessive delay or undue disruption of the procurement/acquisition processes, it may be made and accepted any time prior to formal acceptance of the DD Form 1513 by the FMS customer.

d. It should be noted that the designation of subcontractors carries a risk which should be brought to the attention of the FMS customer. Clearly, the sole source designation of a component constitutes a warranty by the United States Government to the prime contractor that the designated item will be suitable for its intended purposes. In the event that problems in the performance or integration of the component are subsequently experienced and are attributable to its characteristics, the specification may be held to

the defective in that respect and any increased costs incurred by the customer in correcting or attempting to correct the problem may be recovered by the contractor. Since by law such additional costs must be borne by the FMS customer, it should be advised of this potential expense at the time the sole source designation is requested.

e. Subject to the above, Defense components' purchasing activities and prime contractors shall implement FMS requirements using normal procurement and contract management procedures as set forth in ASPR, other directives and pertinent contractual provisions. Representatives of the FMS customer shall not be permitted to review bidders mailing lists or slates of proposed architect engineer firms, nor shall they be permitted to direct the deletion of names of firms from such lists or slates. They may, however, suggest that certain firms be included. The Defense components should fully control the procurement and contracting process and contractual provisions. They shall not accept directions from the FMS customer as to source selection decisions or contract terms (other than the special contract provisions and warranties referred to in Condition A.2. of the DD Form 1513), nor shall the FMS customer be permitted to interfere with a prime contractor's placement of his subcontracts. However, to the extent permitted above, Defense components may honor an FMS customer's request for the designation of a particular prime or subcontract source for defense articles or defense services. Requests by the FMS customer for rejection of any bid or proposal shall not be honored unless such rejection is justified on the basis of reasons which would be sufficient in the case of a procurement made by DOD to meet its own needs.

13. U.S. Response to Requests for "Offset" Procurement

The Defense Department prefers that sales be negotiated without "offset" procurement arrangements wherever possible and that the

specific amount or percentage of the foreign country's expenditures in the U.S. for U.S. defense items. This includes any arrangement whereby the U.S. Government, to include the DOD, agrees to assist a U.S. defense contractor in some offset associated with a direct commercial sale. Such offset agreements are entered into only after approval by the Secretary or a Deputy Secretary of Defense and after approval of the Department of State in accordance with its defined procedures.

(2) Offset agreements, which may or may not contain specific coproduction arrangements, should be negotiated and the basic understanding reached prior to the final acceptance of the DOD Letter of Offer in order to include in this Letter of Offer the impact, if any, that such agreements may have on DOD Price and Availability. This procedure will also allow DOD and its contractors an opportunity to assess, in advance, our ability to fulfill such offset arrangements.

(3) Offset agreements will include guidelines concerning any restrictions of acceptability of competition under the offset from foreign government owned or subsidized companies.

(4) On the sale of a particular item or items where an offset agreement has been reached prior to the signing of the contract(s) the offset will not officially begin until after the contract(s) have been signed.

(5) In the case of offset agreements related to specific weapon system purchases, the U.S. contractors and associated subcontractors which benefit from the sale will assume the primary responsibility for fulfilling the offset.

(6) The foreign firms have the basic responsibility for marketing their products to DOD and to U.S. industry.

(7) In the event that an offset agreement provides for or involves the export from the U.S. of technology or technical data, the licensing provisions of the International Traffic in Arms Regulations (ITAR) will apply.

(8) In the negotiation of offset agreements, ISA/DSAA will be the focal point to coordinate the negotiations with the foreign

country. OUSDR&E and the Office of General Counsel must participate in these negotiations and concur with the final agreement. After negotiation and execution of the offset agreement, OUSDR&E shall take the lead and responsibility for the implementation of the agreement and fulfillment of the commitment with coordination of OASD(ISA) and DSAA as required.

(9) The basic policy for procurement activities is set forth in the DepSecDef memorandum of 15 November 1976, subject: "General Policy on Purchases by DOD from Foreign Sources in Furtherance of Government-to-Government Offset Agreements" and DepSecDef memorandum of 4 May 1978, subject: "General Policy on Compensatory Coproduction and Offset Agreements with other Nations." The provisions of the DepSecDef memorandum of 15 November 1976 are incorporated in the information under paragraph 13.a. through c., above. The basic text of the DepSecDef memorandum of 4 May 1978 on this subject is as follows:

(a) The demand for compensatory coproduction and offset agreements is becoming an increasingly common aspect of international defense procurement negotiations. Such agreements often have the effect, or create the impression, of obligating the DOD and other USG agencies to place orders for systems or components in foreign countries, or to require US private contractors to place orders and subcontracts in foreign countries, as a condition for the sale of US defense articles to those countries. This has led to friction between allies when specified goals are not met or even approached.

(b) Because of the inherent difficulties in negotiating and implementing compensatory coproduction and offset agreements, and the economic inefficiencies they often entail, DOD shall not normally enter into such agreements. An exception may be made only when there is no feasible alternative to ensure the successful completion of transactions considered to be of significant importance to United States national security interests (e.g., rationalization of mutual defense arrangements).

(c) When compensatory agreements

are deemed necessary, the following general guidelines will apply:

1. Agreements should be structured as broadly as possible, to obtain maximum credit for US purchases of both defense and nondefense goods and services, regardless of technology content.

2. Specific offset targets should be avoided, whether stated in percentage or money terms.

3. Agreements should be used as vehicles for reducing or waiving administrative barriers to Defense trade erected by all parties, e.g., Buy National regulations, practices and procedures.

4. Foreign firms bidding on contracts in accordance with the terms of an offset agreement must actively seek bidding opportunities and compete on an equal basis with US firms.

5. Agreements involving system specific arrangements should specify that the burden for fulfilling any commitment rests with the US firms directly benefiting from the sale.

(d) The Assistant Secretary of Defense (ISA), in coordination with the OUSDR&E, MRA&L, OGC, and DSAA, will be responsible for reviewing all proposed compensatory agreements to which the DOD will be a party to determine if the agreements comply with the above principles. The findings of this review will be forwarded to the Secretary (or Deputy Secretary) of Defense, who has sole authority to approve compensatory agreements with other nations for the DOD.

(e) The Under Secretary of Defense for Research and Engineering, in coordination with ISA, MRA&L, OGC, DSAA, and the Military Departments, will be responsible

for publishing a semiannual report setting forth the status of all existing and proposed compensatory coproduction and offset agreements. Such reports will highlight the US financial obligation and provide other detail as required.

14. Release of Technical Data

a. Approval to Release Technical Data

(1) All requests for Technical Data Packages (TDPs) must be approved by the Director, DSAA. Accordingly, all requests received by the Military Departments will be referred to DSAA for review. TDPs will normally not be released unless it has been determined to be in the U.S. interest to do so and alternative means of meeting the requirement are considered to be less desirable.

(2) Requests for TDPs normally fall in one of two categories: a request for data for use in maintaining or operating any items of U.S. equipment, or a request for data for use in producing an item of U.S. equipment either for the purchaser's own use or for sale to third countries. Referrals of requests to DSAA should include the appropriate information relevant to the intended end use of the TDP as outlined in paragraphs 13b and 13c below. A formal statement in writing from the purchaser as to the intended end-use of the TDP must be obtained in every case.

(3) TDPs furnished to foreign governments under the FMS program will be provided on a reimbursable basis only, by means of a formal LOA (DD Form 1513) which will cover, as a minimum, the full costs for preparation, reproduction and handling of the TDP in accordance with the pricing policies

MILITARY ASSISTANCE AND SALES MANUAL—PART III

set forth in paragraph XVII of DOD Instruction 2140.1. In addition, if the TDP is intended to be used for production purposes, a charge for royalty fees in accordance with DOD Instruction 2140.1, Section XVII will be included as a separate line item on the LOA unless waived by the Director, DSAA under the provisions of paragraph 14.c below.

b. Sale of TDPs for Maintenance and Operational Purposes

(1) In the event that a TDP is requested for purposes of maintenance or operation of an item of U.S. equipment, the Military Department having cognizance over the item in question will provide to the Director, DSAA, the following:

(a) a copy of all pertinent correspondence with the purchasing government;

(b) a statement as to whether the requirement would be met by means of pertinent DOD instructions, maintenance or technical manuals, or other similar publications;

(c) in-country inventory of major end-items requiring maintenance support from the requested TDP;

(d) information as to classification of the TDP and as to proprietary rights involved, if any; and,

(e) the Military Department's recommendation concerning the request.

(2) In the event that release of the TDP is approved, care will be exercised to insure that:

(a) The TDP bears clear identifying markings stating any restriction, such as classification or proprietary rights, which apply.

(b) The LOA and any other transmittal correspondence clearly states that the TDP is released for the purpose stated by the requesting government, and may not be used for production purposes without the prior consent of the U.S. Government.

c. Sale of TDPs for Production Purposes

(1) In the event that a TDP is requested for purposes of producing an item of U.S.

defense equipment, either for use of the purchasing government's own forces, or for sale to third countries, the Military Department having cognizance over the item in question will provide to the Director, DSAA, in addition to the information outlined in paragraph 14b(1)(a), (b) and (c) above, the following data:

(a) quantity to be produced;

(b) intended end disposition of item to be produced, to include names of third country purchasers if item is for third country sale;

(c) current status of U.S. production and stock on hand of item(s) involved;

(d) U.S. and foreign production history of item for last 5 years;

(e) future U.S. production plans;

(f) current U.S. source(s) of supply for item;

(g) current cost to U.S. Government of the item, and whether it is produced in-house or under government contract;

(h) security classification of item to be produced;

(i) other countries authorized to produce the item;

(j) impact that sale may have on U.S. Foreign Military Sales, and on other programs or projects; and,

(k) whether intended recipients of production have previously obtained the item to be produced, and quantities obtained, actual or estimated.

(2) Normally, in all cases where the purchasing country intends to use the TDP for production purposes, a royalty fee will be assessed. This assessment will be done in accordance with the following rules unless the Director, DSAA, determines that special circumstances require a departure therefrom in a specific case:

(a) Where the foreign applicant intends to produce the article for "in-country" consumption only, a royalty fee of 5 percent of the latest or current U.S. unit sale price for each unit produced will be charged.

(b) Where the DOD has specifically approved "in-country" production for third country sale, a royalty fee of 8 percent of the latest or current U.S. unit sale price for each

action on employment and production within the United States.”

16. Processing Letters of Offer for \$25 Million or More or for Major Defense Equipment of \$7 Million or More

a. In compliance with Section 36 of the Arms Export Control Act, Congress must be provided with notification of all Letters of Offer to sell any defense articles or services for \$25 million or more, or any major defense equipment of \$7 million or more, before such Letter of Offer is issued. OSD General Counsel has determined that the term “Letter of Offer” used in the AEC Act pertains to any proposed sale of defense articles or services to any foreign government, whether or not the initial document (or set of documents) to be used to consummate the sale is a DD Form 1513 or a document bearing another name. If a document other than a DD Form 1513 is used for this purpose, a DD Form 1513 shall be subsequently executed to conclude the final details of the agreement unless an exception is authorized by the Director, DSAA. The statutory requirement for reporting, as well as the requirement for advance notification to Congress, extends to any undertaking by the Department of Defense to establish an FMS transaction. This includes, but is not limited to FMS transactions embodied in the following:

- (1) Memorandum of Understanding for Coproduction of military items,
- (2) Cooperative Research and Development Agreements, and
- (3) Providing specific items or services under any existing general agreements, such as the Engineering Assistance Agreement entered between the Army Corps of Engineers and the Saudi Arabian Government in 1965.

In order to provide the Congress with sufficient time to review such cases, DSAA has agreed to provide the Congress with 20 days advance notification of such cases prior to the formal submission of the statutory notification. The Arms Export Control Act provides that the Letter of Offer shall not be

issued if Congress, within 30 calendar days after receiving the notification, adopts a concurrent resolution stating that it objects to the proposed sale, unless the President, in his notification to Congress, certifies that an emergency exists which requires such sale in the national security interests of the United States. DSAA is responsible for preparing and submitting the reports to the Congress. To minimize delays in processing such notifications, consistent with the legislative and other requirements, the procedures at Appendix B are placed in effect.

b. Price and Availability Report (RCS DSAA (Q) 1138)

(1) Section 28 of the Arms Export Control Act (AECA) requires the submission of a report to the Congress listing each price and availability (P&A) estimate provided during each calendar quarter to a foreign country/international organization with respect to a possible sale of major defense equipment (MDE) for \$7 million or more or of any other defense articles or services for \$25 million or more (i.e., any potential AECA, Section 36(b) case). The report must also include a listing of each request from a foreign country/international organization for a Letter of Offer and Acceptance (LOA) received during the quarter in question if the proposed sale was not previously reported under the P&A requirement above and the issuance of the LOA would be subject to the Section 36(b) requirements (i.e., MDE for \$7 million or more and articles or services for \$25 million or more). A P&A estimate is provided only in response to a P&A request received from a foreign country.

(2) For the purpose of this report the following definitions apply:

- (a) A P&A request is:
 1. any message or letter from a customer specifically requesting P&A,
 2. any DSAA directive to prepare P&A vice Section 36(b) notification,
 3. any customer source selection winner (See (b) (3) below).
- (b) A P&A request is not:
 1. A message or letter from a cus-

MILITARY ASSISTANCE AND SALES MANUAL—PART III

customer requesting planning and budgetary (P&B) data,

2. An oral request,

3. A request for data on several systems (i.e., customer is going through a source selection process); however, it becomes a reportable P&A request when source selection is complete,

4. A request for price/delivery data required to facilitate country decision making on overall equipment purchase plan or budget (e.g., a request by Israel for such information associated with a "MATMON" plan).

(3) Military Departments are requested to submit a quarterly report for potential Section 36(b) sales in two parts to include the information outlined below. Part II of the report applies only to those cases which are in response to a written letter of request which specifies that a LOA is requested. The format to be followed is at Figure C-2.

(4) Reports will be submitted to DSAA Attn: TC-MAD no later than the 25th day, or the last working day prior to the 25th, of the third calendar month of the applicable quarter. Reportable data that are completed after that date will be included in the following quarter's report. Classification of report is CONFIDENTIAL. The submission of this report does not negate the requirements of Part III, Chapter C, Paragraph 7f concerning the processing of requests for P&B estimates. Submissions of Section 36(b) notices (i.e., those submitted in accordance with Part III, Appendix B, MASM) must indicate whether or not the program involved previously has been included in a RCS DSAA (Q) 1138 submission and if so cite the date of the submission.

c. In compliance with Section 813 of the DOD Appropriation Authorization Act, 1976, as amended, all Letters of Offer to sell or any proposal to transfer defense articles valued at \$25 million or more from U.S. active forces' inventories (that is, excluding sales from the stocks of U.S. reserve forces) or from current production must be reported to the Congress. This additional report must be provided in the form prescribed in Appendix B at the time the formal notification is

made to the Congress under the Section 36(b) AECA procedures described above.

d. No Section 813 report is made if a proposed foreign military sale of defense articles valued at \$25 million or more is to be executed through a USG procurement contract and no concurrent procurement for the USG's own requirements is expected to be underway at the time the DD Form 1513 is accepted by the purchaser. A Section 36(b) AECA report to the Congress in those circumstances is nevertheless required in accordance with the terms of Section 36(b) AECA.

17. Sales Commissions and Fees

DAR 1-505 sets forth the criteria to be used by the contracting officer or head of the procuring activity (HPA) in determining whether an agent(s) is *bona fide*. When an agent(s) has been determined to be *bona fide*, based on DAR 1-505, the following procedures will be followed with regard to the inclusion of sales commissions and fees in FMS cases:

a. Prior Notification to Purchasing Government

Unless the purchasing government has indicated to the contrary, all sales commissions and fees anticipated to be included in FMS cases shall be made known to the purchaser prior to or in conjunction with the submission of the Letter of Offer and Acceptance (DD Form 1513) to the purchaser. Such advice will include: (a) the name and address of the agent(s); (b) the estimated amount of the proposed fee, and the percentage of the sale price; and (c) a statement indicating one of the following, whichever is applicable: (1) appropriate officials of the U.S. Department of Defense consider the fee to be fair and reasonable; (2) in the event that only a portion of the proposed fee is considered to be fair and reasonable, a statement to this effect together with the rationale therefor; or (3) the U.S. Government cannot determine the reasonableness of the proposed fee. This statement will normally be included as a "Note" to the Letter of Offer. Such a Note may also include the contractor's ex-

planation and/or justification for the proposed fee, together with any other data requested by the purchasing governments. The Note will also include a statement that acceptance of the Letter of Offer by the purchasing government, with inclusion of the Note, will constitute that governments' approval of the sales commissions and fees involved.

b. Ex-Post Facto Notification to Purchasing Government

When it is not possible to determine prior to presentation of the Letter of Offer whether the price quoted for the articles or services includes sales commissions and fees, the purchasing government will be notified as soon as possible if, in the course of subsequent contract negotiations, it appears that a charge for sales commissions and fees will be claimed by the contractor. This notification will include the information in paragraph a above, along with a statement that, unless contrary advice is received from the purchasing government within 30 days of the date of the notification, the Department of Defense will determine whether or not to accept such a charge as a valid cost in the contract. No sales commissions and fees will be accepted by the contracting officer prior to expiration of the 30 day period.

c. Coordination with DSAA

(1) All Letters of Offer which specify that a sales commission or fee is included in the case will be coordinated with DSAA, regardless of the dollar value of the case, prior to LOA dispatch to the requesting government. (Note: Letters of Offer which carry the notation that no sales commissions and fees are included in the case do not require coordination with DSAA except as may be required by other policies and procedures which may be in effect.)

(2) All correspondence with a foreign country on the subject of agent's fees will be coordinated with DSAA prior to dispatch.

(3) All ex post facto notifications of an agent's fee to a foreign country will be coordinated with DSAA prior to dispatch.

(4) The submission to DSAA of all

LOAs or ex post facto notifications for coordination shall be in writing, shall contain a certification that the agent is *bona fide* in accordance with the criteria set forth in DAR 1-505, and shall provide the rationale for reasonableness or an explanation if the reasonableness of the fee cannot be determined.

d. Disallowance of Agent's Fees

No fee shall be accepted by the contracting officer if disapproved by the purchasing government.

If, in making the determination required by DAR 1-505, the contracting officer or head of the procuring activity (HPA) determines that an agent is not *bona fide* for reasons other than reasonableness of fee, no Letter of Offer will be tendered pending withdrawal by the prospective contractor of the fee for such agent from his proposal.

e. Exceptions

The procedure contained in paragraph a, above, will not be followed in the case of Australia, China Rep. of, Egypt, Greece, Iran, Israel, Japan, Jordan, Korea Rep. of, Kuwait, Pakistan, Philippines, Saudi Arabia, Turkey and the Royal Thailand Air Force (RTAF). These governments and the RTAF have requested that the following statement be included in all Letters of Offer:

'All U.S. Government contracts resulting from this Offer and Acceptance shall contain one of the following provisions, unless the sales commission and fee have been identified and payment thereof approved in writing by the Government of (____) before contract award:

'(A) For firm fixed-price contracts or fixed-price contracts with economic price adjustment:

'The contractor certifies that the contract price (including any subcontracts awarded hereunder) does not include any direct or indirect costs of sales commissions or fees for contractor sales representatives for the solicitation or promotion or otherwise to secure the conclusion of the sale of any of the

Director
 Defense Security Assistance Agency
 Room 4E837, The Pentagon
 Washington, DC 20301

Dear Sir:

The Government of _____
 hereby appoints _____ whose
 address is _____
 as its Agent for the purpose of receiving
 deliveries of the following items:

Above items will be used for the (manufacture/assembly)*(repair/rehabilitation)* of the _____ . Said Agent is hereby authorized to sign in the name of the Government of _____ as its Agent for the receipt of these items as indicated by the shipping instructions contained in Blocks 33 and 34 of the DD Form 1513.

The Government of _____
 undertakes to instruct _____
 as its Agent to maintain possession of the
 above specified items in accordance with
 paragraph B.9 of Annex A (General Con-
 ditions) of the DD Form 1513 until trans-
 ferred by such Agent of the Government of _____

Yours Very Truly,

*Insert the appropriate phrase describing
 the Agent's function.

23. Foreign Military Sales (FMS) Customer Procedures Guide

The Director, DLA, after appropriate coordination with interested DOD components, and approval from the Director, DSAA, shall develop, publish, revise as necessary and distribute the DOD Foreign Military Sales Standard Customer Procedures Guide. This responsibility includes the creation, maintenance, and disposition of the records of the publication.

24. Cooperative Projects

a. The term "cooperative project" means a project described in an agreement entered into after October 29, 1979, under which:

(1) NATO or one or more member countries agrees to share with the US the RDT&E of certain defense articles and the costs of any agreed joint production of those articles in order to further standardization and interoperability among NATO countries.

(2) NATO or one or more member countries other than the US agrees to bear the costs of RDT&E of certain defense articles and to have such articles produced for sale to and licensed for production within other participant member countries including the US, and the US agrees to bear the costs of RDT&E of other defense articles and to have such articles produced for sale to and licensed for production within other participant member countries in order to further rationalization of the industrial and technological resources within NATO.

b. A provision for the waiver or reduction of certain charges associated with such cooperation projects is provided for in Section 27 of the AECA. Waiver or reduction of appropriate charges must be approved by the Director, DSAA, prior to the negotiation of the "Cooperative Project" Agreement.

c. In accordance with Section 27(c) of the AECA, all cooperative projects must be certified to the Congress, 30 days prior to signature of the agreement. Certification will include:

(1) a detailed description of the cooperative project with respect to which the certification is made;

(2) an estimate of the amount of sales and exports expected to be made or approved under this Act in furtherance of such cooperative project;

(3) an estimate of the dollar value of any charges expected to be reduced or waived under this section in connection with such cooperative project, such dollar value to consist of expenses that will be charged against Department of Defense funds with-

MILITARY ASSISTANCE AND SALES MANUAL—PART III

out reimbursement and amounts not be recovered and deposited to the General Fund of the Treasury;

(4) an estimate of the dollar value of the costs to be borne by the North Atlantic Treaty Organization or by the member countries thereof in connection with such cooperative projects; and

(5) a statement of the foreign policy and national security benefits anticipated to be derived from such cooperative projects.

d. All proposals to certify to the Congress NATO Cooperative Projects must be furnished to the Director, DSAA in sufficient time to permit compliance with this requirement.

25. Major Defense Equipment

a. A US defense article is considered to be an item of major defense equipment when it is identified as significant combat equipment on the United States Munitions List and when it is anticipated that the US Government will incur for the item either a nonrecurring research and development cost of more than \$50 million or a total production cost of more than \$200 million. These dollar thresholds encompass all expenditures

to date, including both military service and security assistance requirements, and all estimated future DOD, MAP, and FMS costs for the item. Once identified as major defense equipment, the item is then recorded on the Major Defense Equipment List (MDEL), which designates equipment for special scrutiny when considered for sale to foreign governments either through foreign military sales or commercial sales channels. (See Appendix A for current MDEL.)

b. In determining whether an item meets the criteria for major defense equipment, the following definitions apply:

(1) Items of significant combat equipment are identified in Section 121.03 of the International Traffic in Arms Regulation (ITAR).

(2) Estimates of nonrecurring research and development cost will include those cost elements identified in the nonrecurring portion of the term "Development Cost" as defined in para. D.4.a. and Figure 11 of DOD Instruction 5000.33 "Uniform Budget Cost Terms and Definitions," dated 15 August 1977.

(3) Estimates of total production cost will include those cost elements identified in the term "Procurement Cost" as defined in para. D.4.d. and Figure 11 of DOD Instruction 5000.33, cited above.

CHAPTER D

PREPARATION AND PROCESSING OF FOREIGN MILITARY SALES TRANSACTIONS

1. Introduction

a. The guidance contained in this chapter provides specific instructions for the utilization and processing of the DD Form 1513—Offer and Acceptance, the DD Form 1513-1—Amendment to the Offer and Acceptance, the DD Form 1513-2—Notice of Modification of Offer and Acceptance, and the Letters of Intent—DD Form 2012 and DD Form 2012-1. Further provided in this chapter is a description of data which must be included in Letters of Offer submitted in response to requests from FMS purchasers. It also prescribes normal time for processing requests for Letters of Offer, and allowable times between release and expiration of such offers.

b. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the DOD components to use in coordinating FMS Cases (LOAs, Amendments, and Notices). The Operations Directorate is also responsible for obtaining coordination of appropriate OSD staff elements, as well as obtaining coordination from the DSAA Comptroller. (This is not the Countersignature required for all LOAs, Amendments and Notices (see paragraph 10, this chapter, for those notices requiring countersignature)). FMS cases must contain, as minimum, the following supportive and explanatory documentation:

(1) Financial Analysis in accordance with paragraph 8.a, below.

(2) Financial Annex, except for FMSO I cases.

(3) All amendments must be accompanied by the basic DD Form 1513 and any changes or notices that preceded the amendment.

(4) All Letters of Offer should indicate a coordination by the cognizant comptroller and legal counsel, as required.

FMS transactions submitted for coordination which do not include the proper documentation will be returned to the appropriate DOD Component without coordination. If the urgency of the situation requires processing without waiting for the required documents, the matter should be referred to the Director or Deputy Director, Operations Directorate. DSAA Operations coordination occurs prior to DOD component submission to DSAA Comptroller for countersignature.

2. DD Form 1513—Offer and Acceptance

a. The DD Form 1513—Offer and Acceptance (LOA) will be used for all foreign military sales of defense articles and services (including training) by the Military Departments and Defense Agencies. LOAs for open cases, e.g., cases providing for the requisition of spare parts and components, or cases covering the provision of a continuing service such as contractor administrative services or engine or component improvement programs, will normally be of one-year's duration.

b. LOAs for blanket order FMS cases, training cases or cases covering the provision of a continuing service (e.g., contractor administrative services or engine or component improvement programs), may be written for up to two year's duration, provided total value of case does not exceed \$5 million. Exceptions to this duration and dollar limitation require the approval of DSAA.

c. The offer will itemize the defense articles and services offered and when executed becomes an official tender by the Government of the United States.

d. The acceptance constitutes the agreement of the foreign government to the offer and with applicable funding completes the contract.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

e. Annex A of the Offer and Acceptance contains the General Conditions which are an official part of every offer issued.

f. In all FMS cases involving major systems/end items, the LOA will include all complementing/supporting material and services as opposed to negotiating separate cases for each of these items/services. Exceptions to this requirement must have prior DSAA Operations approval.

g. Such additional terms and conditions as may be appropriate for a particular sales case shall be set forth in one or more attachments or continuation sheets to the DD Form 1513. All attachments (including notes) are an integral part of the LOA. Each page should indicate the case identifier at the top of the page and be numbered consecutively from the first page of the LOA to the end of all information provided with this LOA. Thus the number on the DD Form 1513 would reflect the total number of pages in the LOA.

h. If all line items cannot be listed on the first page of an offer and acceptance, show only the program total and list the remaining line items on DD Form 1513c continuation sheets. (See Figure D-4).

i. The percentage rate used for determining packing, crating and handling costs, general administrative costs, and supply support arrangement costs should not be indicated in the applicable blocks. (This guidance also pertains to Other Estimated Costs (Block 25) should a percentage rate be applicable.)

j. See Figure D-1 for detailed instructions on the filling in of the blocks on the DD Form 1513—Offer and Acceptance.

3. Processing Requests for Letters of Offer and Acceptance

a. Approval channels for requests for Letters of Offer are included in Paragraph 6, Chapter C, MASM III. Military Departments and Defense Agencies must formally acknowledge receipt of such requests, within five days of receipt. Maximum processing

time between the receipt of a request for a Letter of Offer and submission of the Offer or Amendment to DSAA for coordination and/or countersignature is sixty (60) days. Earlier response will be made whenever possible and especially in those instances where urgency is indicated by the purchaser.

b. After completion of preparation of the LOA or after notification from DSAA that the Congressional review period is completed, DOD components should forward to DSAA-TC, Management Analysis Division, the original plus two copies (three copies if a credit case) of the signed LOA (this also applies to 1513-1 Amendments and certain 1513-2 Notices) (see paragraph 10, this chapter) for the required countersignature preparatory to release to the purchasing country organization. DSAA-TC and SAAC will take action to process and record appropriate extracts of data from the DD Form 1513 (1513-1 or 1513-2) into the DSAA FMS Data Base, in accordance with their agreed functions. (NOTE: Countersignature should not be considered as being coordination required by paragraph 1, above. The necessary coordination should have been undertaken by the DOD component prior to the submission of the LOA to DSAA Management Analysis Division.)

4. Duration of Letters of Offer

a. Each Letter of Offer (DD Form 1513) or Amendment (DD Form 1513-1) will include the date upon which the offer expires. DOD policy is to allow the purchaser no more than sixty (60) days between the date of issue of the Offer or Amendment and its expiration date. When the Letter of Offer or Amendment is forwarded to the DSAA, for coordination and/or countersignature, the date of the Offer (Block 7) or the date of the Amendment (Block 8) should be completed along with the signature and typed name and title of the U.S. Department/Agency authorized representative. Additionally, Block 8 of the Offer or Block 9 of the Amendment should contain an expiration date of 85 days after the date

placed in Block 7 of the Offer or Block 8 of the Amendment. This 85 day period permits a 60 day review period for the country and a 25 day period for the administrative processing required for countersignature and for DOD component issuance of the LOA or Amendment to the purchaser.

b. If a shorter expiration period is required because of (1) the validity of contractor quotes comprising the price and availability information included on the Offer or Amendment, or (2) the time sensitivity of any information included in the Offer or Amendment, then the shorter expiration period should appear on the LOA or Amendment, and a note placed on the Letter of Offer which explains why the expiration period is less than 60 days.

c. Requests by the purchasers for extensions to expiration dates will be honored only after a full review by the preparing agency and DSAA to insure that all data included in the Offer remains valid, to include ceiling availability. The foreign country should be advised of the new expiration date via message along with authorization to make a pen and ink change to the expiration date listed on the LOA or amendment. The Security Assistance Accounting Center and Defense Security Assistance Agency should be provided an information copy of the message.

d. Upon the receipt of each accepted Letter of Offer (DD Form 1513), accepted Amendment (DD Form 1513-1) or acknowledgement of receipt of a Notice (DD Form 1513-2), the initiating DOD component will provide a copy to the Management Analysis Division (MAD), DSAA Comptroller.

5. Information Conveyed by Letters of Offer

The Letter of Offer and Acceptance, when signed, is an official agreement between the United States and the purchasing nation regarding terms and conditions pertaining to furnishing certain goods or services. As such, the DD Form 1513 and its enclosures must provide sufficient detailed information so as to make clear the obligations of the United

States and the Purchaser. The type and amount of information which must be conveyed will vary depending on the nature of the sale. However, at least some information which is supplemental to the preprinted "General Conditions" of Annex A of the DD Form 1513 must be provided for each sale. The normal method of accomplishing this is in the form of explanatory "Notes" which are cross-referenced to information included on the face of the DD Form 1513. Inclusion of this information as a complete package within the Offer, rather than orally or by separate correspondence, reduces misunderstandings over FMS Cases.

6. Supplemental Information for Letters of Offer

Figure D-5 indicates that information must be provided to purchasers in the form of Notes or Supplemental Terms and Conditions, depending upon the nature of the material and/or services being sold. Items indicated by X must be addressed in Notes or Supplemental Terms and Conditions to the DD Form 1513; those indicated as being on an as required basis (A/R) should be addressed if the nature of the transaction so warrants. The following subparagraphs include instructions and discussion regarding the nature of this supplemental information. The subparagraphs are aligned to the column "Supplementary Information for Letters of Offer" of Figure D-5. The Checklist shown in Figure D-6 must accompany each case submitted to the Defense Security Assistance Agency (DSAA).

a. Transportation Instructions

(1) There must be clear understanding between the USG and the purchaser as to where and how purchased material will be shipped. Blocks (19), (20), (33) and (34) of the DD Form 1513 are designed to fulfill this purpose under the normal Foreign Military Sales (FMS) method of shipment (i.e., by collect commercial bill of lading to freight forwarders), by the use of codes prescribed in DOD Directive 4140.17-M. However, supplementary instructions are required to enable purchasers to fill out Blocks (33) and

MILITARY ASSISTANCE AND SALES MANUAL—PART III

(34) properly. Figure D-7 shows the instructions furnished by the Defense Logistics Agency (DLA) to meet this need; it should be used by all DOD components concerned as a guide.

(2) The normal method of movement of FMS materiel is by commercial carrier to a freight forwarder designated by the purchaser. The use of the DOD Transportation System (DTS) is authorized as an exception to this policy for the shipment of classified materiel, firearms, all classes of explosives, lethal chemicals, other hazardous cargo and materiel outsized to the capability or availability of commercial air carriers, and waivers previously approved by the Defense Security Assistance Agency (DSAA). Any other exceptions must be specifically approved by DSAA on a case-by-case basis. Use of the DTS, to include all related terms and conditions for movement, must be stated in the DD Form 1513. Each request for an exception to use the DTS must be supported with a statement that addresses projected tonnage, special transportation requirements, and other relevant information that will justify the commitment of DOD transportation assets. Upon approval, the extent of authorization must be clearly delineated in the supplementary conditions in the DD Form 1513. This would include identification, by specific item, when certain items in the DD Form 1513 are to be shipped via DTS and others are to be shipped via country freight forwarders.

b. Delivery Schedules of Items

Block (18) of the DD Form 1513 provides the appropriate leadtime from the date of order of material to the date of delivery. This provides sufficient information for most cases, unless delivery of major end items (i.e., airplanes, ships, missiles, or major combat vehicles) is involved. A schedule of estimated in-country or CONUS equipment deliveries by month, will be provided for major end items. When appropriate, the schedule of deliveries will include required delivery dates for items not to be delivered earlier than a specified date.

c. Personnel Movement to and from Country

Cases which provide for the provision of technical assistance services, either by contractor or military personnel, should specify to the extent known:

(1) The number of personnel who will perform the task.

(2) Planned date of arrival in-country.

(3) In-country destination and "home station".

(4) Extent of in-country travel required to perform the mission.

(5) Planned duration of stay in-country, and planned departure date.

d. Qualifications Regarding Price and Availability Data Furnished on the DD Form 1513

(1) There must be as clear an understanding as possible of the limitations of the validity of data included in the Letter of Offer; much of the "boilerplate" of the DD Form 1513 is designed for this purpose. However, any of the following data which is pertinent to the case must be provided as "Notes" to the Letter of Offer.

(a) Any deviations or substitutions to quantities or equipment which was included in the country request for Letter of Offer, with explanation for the deviation or substitution.

(b) The last date of validity of either price or availability data included in the Letter of Offer, with an explanation of the reason why, if the Offer is time-sensitive. Even though each Offer carries an expiration date, it is important that the purchaser be aware of any criticality in that date.

(c) Any particular reservations regarding the price quoted in the Offer should be noted and explained.

(d) The extent to which either the price or availability quoted is dependent upon an action yet to be taken by the USG (e.g., the selection of the equipment for U.S. forces).

e. Agreements to Safeguard Status or Provide Facilities for USG or Contractor Personnel While in Host Country

purpose.

(b) Statement of where and how the services will be performed.

(c) Statement of the anticipated result when the service is completed, together with any information of which the purchaser should be aware regarding USG reservations or qualifications as to success of the project.

m. Description of Components of Pricing

(1) It is not normal FMS practice to provide a detailed description of the components of cost included in estimated prices for line items on Letters of Offer. There may be instances where the provisions of such information is desirable to clarify the service to be provided. When project management offices are established in the CONUS, to insure proper management of major FMS projects, it sometimes is necessary to provide detailed cost data to provide the purchaser with information which demonstrates that such costs are necessary.

(2) FMS cases established for the sole purpose of collecting either royalties or pro rata nonrecurring cost recovery charges must include the charge to be made per unit of production. However, pro rata nonrecurring cost recovery charges assessed for items sold under FMS will be included in the unit price of the end item being sold and will not be shown separately.

n. Responsibility for Initiation of Requisitions

(1) There must be clear understanding between the USG and the purchaser as to which party will initiate requisition actions required for spare parts and similar type support.

(2) The Letter of Offer will contain sufficient information, either by Note or by reference to DOD instructions available to the purchaser to enable the purchaser to initiate and route requisitions correctly.

(3) The Letter of Offer will also contain sufficient disposition instructions for items (owned by the purchaser) being returned by the purchaser to the CONUS for maintenance and repair services.

o. Indemnification and Assumption of Risk

(1) Annex A of the DD Form 1513 contains provisions regarding indemnity which are deemed satisfactory and complete for most FMS programs. Advice should be obtained from the appropriate legal office of the Service concerned when it appears that special circumstances of individual purchases require an expansion of indemnity clauses.

(2) If additional indemnity Clauses are required, Figures D-9 through D-11 provide the pertinent Clauses which should be used.

(3) When a sale of ammunition is requested, you should include the following note on the Letter of Offer:

NOTE: The U.S. Government is a self-insurer, and in this connection your attention is invited to Conditions A-1 and A-2 of Annex A to this Offer and Acceptance. DOD shall employ the same inspection procedures for this ammunition as would be used in the procurement of this type of ammunition for itself. Lot production of ammunition, however, carries risks associated with the ammunition's resultant performance. This risk is assumed by the U.S. Government in procurement for its own use, and this risk is also assumed by the Purchaser in procurement for its use under this Offer and Acceptance. Accordingly, financial restitution will not be made for claims made on SF 364 Report of Item Discrepancy (ROID) (see Condition B-6 of Annex A) for ammunition deficiencies unless such claims involve damage due to U.S. Government actions with respect to compliance with applicable inspection criteria and procedures, or U.S. Government actions with respect to packing, crating, handling, or transportation, or unless the U.S. Government can obtain equal restitution from its contractor.

7. Absence of Specific Information

a. Letters of Offer are sometimes prepared either at purchaser request or in USG interest, before the specific details to provide all information covered in the foregoing paragraphs are known. In such cases, Notes to

Letters of Offer will include general coverage of this information and estimate of when specific information on these topics can be provided to the purchaser.

b. The Letter of Offer should include information sufficient to establish follow-on channels of communication between the purchaser and the USG component responsible for implementing the FMS case.

8. Pricing Data to be Included with Selected Letters to Offer

a. All Letters of Offer for sales of end items or services of value of \$7 million or greater and proposed amendments must be accompanied by a financial analysis. The purpose of the analysis is to permit all approval echelons a review for completeness and accuracy of financial data. The analysis will accompany the Letter of Offer throughout the coordination cycle but will not be submitted to the prospective purchaser.

b. The following information will be included:

(1) Source of estimates. Examples are:

- (a) Prime Contractor quote.
- (b) Prime and GFE Contractor quotes.

(c) Standard Price.

(d) Military Department estimate without contractor participation¹, based on recent sale or similar experience, or in accordance with DOD Instruction 2140.1.

(2) The basis for making or adjusting estimates from any of the above sources. Examples are:

(a) Agent's fees or commissions included in the FMS case and the amount thereof. The Service certification of reasonableness in accordance with DAR 1-505 and DPC 76-12 must be attached. If the fee cannot be or has not been certified as reasonable, the Service notification or proposed notification to the foreign government should also be attached for information or coordination. See Chapter C, paragraph 17, for further guidelines.

(b) Inclusion of nonrecurring RDT&E and production cost recoupment in accordance with DOD Directive 2140.2.

ance with DOD Directive 2140.2.

¹ In this connection, notice should be taken of Section 6-1303.1 of the Armed Services Procurement Regulation concerning the participation of the procuring contracting officer in the preparation of Price and Availability Data and that the provisions of this section are complied with.

(c) Inclusion of adjustments for estimated inflation or other risk factors.

(d) Replacement cost in accordance with the provisions of paragraph VI.C.2.b. of DOD Instruction 2140.1.

(e) Asset use charge as described in DOD Instruction 2140.1.

(f) First destination transportation costs.

(g) Recurring support costs.

(h) Unfunded costs.

(i) Application of factors for estimating "dollar line items" such as concurrent spare parts.

(j) Adjustments based on anticipation of the receipt of other orders or Defense Department procurement of the item involved which would likely result in shared overhead costs and a reduced price for the item.

(3) Sources of data used to make any of the above adjustments and their application to the case (i.e., inflation factor of 7% compounded over four (4) years. Source: ASD(Comptroller) Price Escalation Indices, July 31, 1975).

(4) A comparison of Letter of Offer prices with budgeted or on-going service procurement price, e.g., the Selection Acquisition Report (SAR).

(5) Source for Schedule of Payments.

(6) A comparison of Letter of Offer prices with all other Letters of Offer prices for the same item within the previous twelve (12) months. This comparison should not be limited to sales within the same region.

c. Figure D-12 is a suggested format for use in presenting required financial analysis data. The format may be modified to meet the needs of the individual Military Departments. The financial analysis must, however, identify methods used in developing costs and provide the information outlined above

for each line item in sufficient detail to enable the reviewer to judge the accuracy, completeness, and firmness of the estimated prices.

9. Termination Liability Reserve Data to be Included with Selected Letters of Offer

a. Letters of Offer and Acceptance (DD Form 1513) and amendments thereof with a value of seven million dollars or more will be accompanied by a termination liability worksheet as part of the required financial analysis when the Letter of Offer and Acceptance is submitted to DSAA for countersignature. The purpose of this worksheet is to provide the Director, DSAA with information concerning the implementing agency's determination of and plan for the collection of an appropriate amount of funds to cover the liability that would accrue to the US Government should the sales agreement be terminated prior to normal completion. This worksheet is for internal management purposes and normally will not be furnished to the purchaser of the defense article or service.

b. The following information will be included on the worksheet:

(1) Deposit date. Normally quarterly in accordance with the schedule of payments.

(2) Total payment. Amount required to be deposited for both disbursements and reserves.

(3) Estimated disbursements. Anticipated payments to contractors or suppliers during the period.

(4) Contractor holdback. Amount earned by contractors or suppliers during the period but held back to ensure future performance.

(5) Termination reserve. Amount required to cover liability should the contract be terminated during the period.

(6) Remarks/computations. Appropriate comments concerning the methodology by which the data was determined.

c. Figure D-13 presents a format for use in presenting this termination liability reserve information. Entries for each date

should show both the quarterly transactions and the cumulative totals.

d. These instructions do not apply to any cases for cooperative logistics (FMSO I and II), spare parts requisitions, training, and other equipment or services to be provided from Department of Defense inventories, or those programs for which termination liability requirements have been waived.

10. Direct Charges to FMS Cases

See Appendix 1, this chapter, for detailed discussion of certain estimated costs which will be presented on DD Form 1513 and case execution reports.

11. DD Form 1513-1—Amendment to Offer and Acceptance

a. Changing circumstances frequently require that changes be made to a completed Letter of Offer and Acceptance (DD Form 1513). To assure that FMS records reflect adjustments to program content in the fiscal year in which such changes occur, it is essential that we make all practical efforts to process new DD Form 1513's to provide for significant increases in scope to previously approved programs.

b. It is recognized that there are times when U.S. interests are best served by processing Amendments to cover small changes in scope, since administrative reasons sometimes preclude, or make difficult and costly, the preparation of new Letters of Offer. The Amendment to Offer and Acceptance (DD Form 1513-1) should be used to meet only minimum essential administrative needs. The amendment to Offer and Acceptance (DD Form 1513-1) may be used for minor changes in scope when such use of the form is essential for administrative reasons. Minor changes in scope occur most frequently for:

(1) Changes or requirements within FMS training cases.

(2) Minor changes in configuration of equipment previously ordered in an original Letter of Offer.

(3) Minor changes in scope due to omission in the original LOA of supporting equipment or services for major weapon systems previously sold.

(4) Increases in time of performance which result in an increase in cost.

(5) Increases in the estimated costs of a blanket order type case due to an increase in the amount of items purchased under this case.

(6) Extensions of the order period for blanket order type cases which cause an increase in estimated cost.

(7) Minor increases in quantity of a definitive quantity case.

(8) Changes in description which increases the item/service.

(9) Changes in conditions, terms (payment) or a surcharge not already provided for.

(10) All revisions to FMSO I cases.

c. All changes in the scope of an existing Letter of Offer should be treated as a new FMS case unless minor changes in scope of the nature referred to in b(1) through (10) above occur which would, for administrative reasons, be more effectively handled as an amendment. When a new case is prepared on the basic DD Form 1513, a cross-reference to the previous FMS case may be made on LOAs issued due to an increase in scope.

d. The DD Form 1513-1 would be used only if the revision requires purchaser acceptance before implementation. If this revision is a unilateral change on the part of the USG to the terms and conditions of the LOA, which does not require purchaser acceptance the DD Form 1513-2 Notice of Modification of Offer and Acceptance should be provided the purchaser. (See Figure D-3).

e. Major changes in the scope of an existing LOA require the preparation of a new FMS case on the basic DD Form 1513 unless approval has been obtained from DSAA to utilize the DD Form 1513-1 Amendment.

However, should major (or minor) changes in scope occur in the same fiscal year as that in which the original LOA was accepted by the purchaser and such amendment would also be accepted in the same fiscal year, use of the DD Form 1513-1 Amendment is permitted.

f. The percentage rate used for determining packing, crating and handling costs, general administrative costs, and supply arrangement costs should not be indicated in the applicable blocks. (This guidance also pertains to Other Estimated Costs (Block 26) should a percentage rate be applicable.)

g. All DD Forms 1513-1 which reflect an increase in excess of \$50,000 should be coordinated with the Director, DSAA Operations. Such increases will be recorded in the fiscal year the DD Form 1513-1 is accepted. DD Forms 1513-1 which reflect an increase of \$50,000, or less, shall be recorded in the year of the basic FMS case.

h. See Figure D-2 for detailed instructions on the filling in of the blocks on the DD Form 1513-1.

12. Pen & Ink Changes

a. "Pen & Ink" changes are modifications to a DD Form 1513 or DD Form 1513-1 authorized by the issuing agency prior to acceptance of the document. The change may be at the request of the purchaser or initiative of the issuing agency. The issuing agency must authorize the pen and ink change by message or letter to the purchaser with a copy to SAAC. If the change authorizes a new offer expiration date or modified unit or total costs, DSAA/TC Management Analysis Division must concur and be furnished a copy of the authorization.

b. Extension changes should be made by issuance of a new DD Form 1513 or a DD Form 1513-1 rather than a pen and ink change.

13. DD Form 1513-2—Notice of Modification of Offer and Acceptance

a. This form is utilized to record modifications to an existing offer and acceptance,

other than modifications which constitute a change in scope, except for decreases in scope due to a deletion of an item. (See paragraph c. and d. below for modifications which must be accomplished on a DD Form 1513-2.) Modifications which do affect the scope of the offer and acceptance (other than decreases) require either a new DD Form 1513 or a formal Amendment (DD Form 1513-1), as indicated in paragraph 9, above.

b. When the DD Form 1513-2 is used, acceptance by the foreign customer is not required, but merely acknowledgment of receipt to ensure that the Notice of Modification has been received by an authorized official. The DD Form 1513-2 should be used for changes in data which may be made unilaterally under an offer and acceptance (non-scope change).

c. The following modifications to a LOA or Amendment must be accomplished by use of a DD Form 1513-2. Such modifications require DSAA coordination and countersignature prior to dispatch to the foreign country.

(1) Price increases and related changes in payment schedules to a previous DD Form 1513 or Amendment thereto. DOD components issuing Letters of Offer will promptly and officially notify purchasers whenever the estimated total costs (Block 26 of the DD Form 1513) increase more than 10 percent. For such price increase notifications, to ensure that the country is fully aware of its options with respect to the cancellation or reduction of the case, the following information, if applicable, should be included:

(a) The detailed reason for the increase.

(b) Status of contracting for this purchase—e.g., contract completed, contract still being negotiated, etc.

(c) The options that the country has, if any, with respect to avoiding the price increase (e.g., contract termination or reduction of quantities).

(d) The estimated financial consequences of selecting such options.

(e) Any time limits for notifying the USG of purchaser desire to cancel or reduce quantities.

(2) Deletions of items or decreases in the quantities of items to be sold. Notices to the purchasing country of such changes should be issued if the result is a decrease in the "total estimated costs" of over 10 percent.

(3) Changes initiated by the foreign country of terms (Block 27, DD Form 1513 and Block 28, DD Form 1513-1) from a type of assistance code (other than Z) to an FMS Credit Case (Code Z).

d. The following additional modifications to a Letter of Offer or Amendment must be made on a DD Form 1513-2, but such modifications do not require DSAA coordination or countersignature prior to dispatch to the foreign country.

(1) Changes or extensions exceeding 90 days of the delivery commitment date.

(2) Extensions of the ordering period for a blanket order type case provided there is no increase in the total estimated cost.

(3) Changes to transportation codes due to the requirement to use the DTS (e.g., shipment of hazardous and sensitive cargo, Chapter D., paragraph 6.a.), provided there is no increase in the total estimated cost.

(4) Clarifying notes which do not involve a change in the total estimated cost of the case.

(5) Changes in payment schedules to LOAs or Amendments on which the "total estimated costs" remain the same.

(6) Changes in Generic Codes.

e. Price increases or decreases discovered during case closure will be assessed the country during final billing. Issuance of a DD Form 1513-2 is not required in addition to the final billing.

f. All terms and conditions of an existing DD Form 1513 and any related Amendments thereto not specifically noted as being modified by the DD Form 1513-2 remain unchanged and in effect.

g. The percentage rate used for determining packing, crating and handling costs, general administrative costs, and supply support arrangement costs should not be indicated in the applicable blocks. (This guidance also pertains to Other Estimated Costs (Block 20) should a percentage rate be applicable.)

h. If there is any doubt as to whether to use the DD Form 1513, DD Form 1513-1 or the DD Form 1513-2 in a particular case, that case should be promptly referred to DSAA Operations for determination. (Note: When a DD Form 1513-2 is signed for dispatch, appropriate change card(s) should be submitted to SAAC by DSAA for inclusion in the 1100 System.)

i. A DSAA RCS(Q) 1123 report will be submitted to DSAA on a quarterly basis 45 days after the end of each quarter of the fiscal year, and will include a listing of all cases for which the value of the DD Form 1513 has increased in value in excess of 10 percent, together with an explanation of the reason for the change. (A copy of the DD Form 1513-2 which informed the country of this increase, as required per paragraph 13.c(1) above, will be provided with this report.) This report will be submitted with the report on delivery schedule changes required by paragraph 4.c(2) of Chapter F. The format at Figure F-1, Chapter F, should be followed for this report.

j. See Figure D-3 for detailed instructions on the filling in of the blocks on the DD Form 1513-2.

14. Letters of Intent (LOI)

a. There are two form Letters of Intent: The DD Form 2012, used to finance procurement of long lead time items prior to the issuance of a DD Form 1513, Letter of Offer and Acceptance; and the DD Form 2012-1, used to finance procurement of long lead time items during the period between issuance of a DD Form 1513 and acceptance by the purchasing country.

b. As both forms contemplate a specified dollar limitation upon the liability of the purchasing country for the procurement of long lead time items, in order to comply with the requirements of the Arms Export Control Act, it is necessary that all cost-reimbursement contracts awarded to implement a Letter of Intent (procurement as well as research and development) include a Limitation of Cost or Funds contract clause (see DAR 7-203.3(a), 7-402.2 and 7-702.11).

That clause may be deleted by contract amendment after Purchaser's signature of the DD Form 1513.

c. Use of the DD Form 2012 does not constitute authorization to take implementing action under such LOI in advance of compliance with the statutory reporting requirement of Section 36(b) of the AECA. The procedures prescribed in Appendix B of the MASM apply to any such LOI regardless of dollar amount, when it is contemplated that the DD Form 1513 will total \$25 million or more or for the sale of a major defense equipment for \$7 million or more. In the event that a Military Department is of the opinion that production scheduling requirements necessitate initiation of procurement of long lead time items in advance of full compliance with Section 36(b) of the Arms Export Control Act, the Military Department concerned shall, prior to transmitting a proposed LOI to a purchasing country, promptly forward its recommendations to the Director, DSAA, for a decision. If an exception is made by the Director, DSAA, a modified version of the DD Form 2012 will be provided to the Military Department by DSAA on a case-by-case basis.

d. DD Form 2012-2, Amendment to Letter of Intent, should be used for amending LOIs as provided for in paragraph 2(c) of DD Form 2012 and DD Form 2012-1.

e. Samples of these forms are at Figures D-13 through D-15.

15. Financial Annexes

Financial Annexes as supplemental financial terms and conditions to the DD Form 1513 will be prepared as outlined in Appendix C, Figures Appendix C-1 through Appendix C-8.

16. Obligational Authority

Obligational Authority will be approved, as necessary, by SAAC only after the receipt of the accepted FMS case and initial deposit, if required.

19. Block (23) ESTIMATED GENERAL ADMINISTRATIVE COSTS

Enter in whole dollars based on the percentage set forth in DOD Instruction 2140.1, or enter "actual" cost if appropriate. If the charge is shown as actual cost based on a management case(s), show the value and reference the case(s). Do not show the percentage rate used in determining the cost contained in this block.

20. Block (24) ESTIMATED CHARGES FOR SUPPLY SUPPORT ARRANGEMENT

Enter the value in whole dollars based on the percentage set forth in DOD Instruction 2140.1. Do not show the percentage rate used in determining the cost contained in this block.

21. Block (25) OTHER ESTIMATED COSTS

Describe the charge and enter in whole dollars. If there are several specific costs, identify each in Block 13 as a NOTE. If a percentage is used, do not show the percentage rate used in determining the cost contained in this block.

22. Block (26) ESTIMATED TOTAL COSTS

Enter the costs in whole dollars (total of Blocks (21) through (25)).

23. Block (27) TERMS

Enter appropriate terms of sale in accordance with the guidance contained in Chapter G, Part III of the MASM. If an initial deposit is required, this fact should be so stated and the amount of the initial deposit entered in Block 28. In all cases where DOD direct or guaranteed credit are used insert the credit loan agreement number and its date.

24. Block (28) AMOUNT OF INITIAL DEPOSIT

If by the terms of this LOA an initial deposit is required and has been stated in Block (27), the dollar amount in whole dollars of this initial deposit should be entered.

25. Block (29) through (37)

Leave blank. These blocks should be filled in by the authorized representative of the purchasing government.

26. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513 should appear at the bottom of all copies submitted to DSAA for countersignature, excluding the original.

Note the following information before submission of this notice for countersignature:

a. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the Military Departments and Defense Agencies to use in coordinating FMS cases. The Operations Directorate is also responsible for obtaining the coordination of appropriate OSD staff elements. (See Chapter C, paragraph 6.b(4) for those LOAs and amendments which require DSAA coordination.)

b. Submit for countersignature to the Management Analysis Division, DSAA Comptroller (DSAA-TC) all DD Forms 1513 in original and 2 copies (one extra copy for credit cases).

MILITARY ASSISTANCE AND SALES MANUAL—PART III

- c. Attach a Financial Annex to all DD Forms 1513 except FMSO I cases.
- d. Before notifying the customer of an extension of the expiration date or change to cost prior to acceptance, obtain approval from DSAA/TC, Management Analysis Division.
- e. Attach a termination liability worksheet for each case over \$7 million.
- f. All DD Forms 1513 must be listed in the Letter of Request (LOR) system for at least seven (7) days prior to countersignature.

Figure D-1

19. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513-1 should appear at the bottom of all copies submitted to DSAA for countersignature, excluding the original.

Note the following information before submission of this amendment for countersignature:

a. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the Military Departments and Defense Agencies to use in coordinating FMS cases. The Operations Directorate is also responsible for obtaining the coordination of appropriate OSD staff elements. (See Chapter C, paragraph 6.4(4) for those LOAs and amendments which require DSAA coordination.)

b. Submit for countersignature to the Management Analysis Division, DSAA Comptroller (DSAA-TC) all DD Forms 1513-1 in original and 2 copies (one extra copy for credit cases).

c. Attach a Financial Annex to all DD Forms 1513-1 except FMSO I cases, which result in changes to the payment schedule.

d. Indicate the date of acceptance of the basic case. (The acceptance date is defined in paragraph 6.1. of Chapter M of the MASM. It is the date the DD Form 1513 is signed by the customer representative). The acceptance date should be conspicuously annotated in the upper right hand corner of Block 12, Description and Reason(s) for Amendment. (Example: "Basic Case accepted 25 Aug 1975").

e. Before notifying the customer of an extension of the expiration date or change to cost prior to acceptance, obtain approval from DSAA/TC, Management Analysis Division.

f. Whenever a DD Form 1513-1 increases the original case value by \$50,000 or more, the DD Form 1513-1 will be treated as a new case. Therefore, the DD Form 1513-1 information must be entered in the Letter of Request (LOR) system (in the same way the information was entered for the original DD Form 1513).

**INSTRUCTIONS FOR PREPARING THE UNITED STATES DEPARTMENT OF DEFENSE
NOTICE OF MODIFICATION OF OFFER AND ACCEPTANCE (DD FORM 1513-2)**

1. Block (1) PURCHASER

a. For a country, enter "Government of (name of country)" and show the office and address of the purchaser's activity designated to receive the Notice of Modification of Offer and Acceptance (e.g., Defense Attache, 1111 24th Street, N.W., Washington, D.C. 20301).

b. For an international organization, enter the title of the organization along with the appropriate office and address.

2. Block (2) PURCHASER'S REFERENCE

A reference will be shown when appropriate. A reference may be a letter, telegram, conference, meeting, oral request, etc. The reference will always include a date and any other pertinent data.

3. Block (3) NOTICE NO.

Use Arabic numbers in consecutive sequence. Do not mix Notice Numbers with Amendment Numbers. Number of Amendments (DD Form 1513-1) and Notices (DD Form 1513-2) are independent, thus a possible sequence of events might be: (1) Letter of Offer, (2) Notice 1, (3) Amendment 1, (4) Notice 2, (5) Amendment 2.

4. Block (4) CASE DESIGNATOR

Enter the appropriate country code, implementing agency code and case designator (e.g., UK-P-DLG).

5. Block (5) SIGNATURE

Type or stamp name and title of the U.S. representative. Authorized representative should also sign this block.

6. Block (6) DATE

Enter day, month and the year.

7. Block (7) DEPARTMENT

Enter the appropriate U.S. Military Department or Defense Agency.

8. Block (8) DESCRIPTION OF AND REASONS FOR MODIFICATION

Describe briefly the modification(s) and the reason(s) requiring that such modification be made. Such information should be sufficiently clear, complete and specific that it could reasonably be anticipated to satisfy the customer without recourse to further correspondence. (These remarks may be continued on the reverse of the DD Form 1513-2, under Box 26, Continuation). See paragraph 10, Chapter D for further guidance. Enter the acceptance date of LOA or amendment being revised. In all cases where DOD direct or guaranteed FMS credit is being used, insert the credit (loan) agreement number and its date.

9. Block (9) ITEM NUMBER

Enter reference to a specific part of the basic case or previous amendment.

10. Blocks (10) through (15)

List only the items modified. Show dollar amounts in whole dollars only. For all notifications of price changes enter the previous cost along with the revised cost.

11. Block (16) through (21)

Enter in Column a the previous applicable costs from the original offer and acceptance or prior amendments and/or notices of modifications thereto for the applicable cost lines. The best estimate of the revised costs should then be entered in Column b. If the administrative or accessorial costs change, do not indicate the percentage rate used to determine the costs conditioned in the applicable block.

12. Blocks (22) through (25) ACKNOWLEDGEMENT OF RECEIPT

An authorized official of the foreign customer should sign and forward the document to the Military Department or Defense Agency concerned to ensure that the Notice of Modification has been received.

13. The name and telephone number of the action officer responsible for the preparation of the DD Form 1513-2 should appear at the bottom of all copies submitted to DSAA for countersignature, excluding the original.

Note the following information before submission of LOA for countersignature: (See Chapter D, Paragraph 11, for those 1513-2 actions exempt from countersignature requirement).

a. The Operations Directorate (DSAA-TS) is the point of entry in OSD for the Military Departments and Defense Agencies to use in coordinating FMS cases. The Operations Directorate is also responsible for obtaining the coordination of appropriate OSD staff elements. (See Chapter D, paragraph 11.d. for those notices required DSAA coordination and countersignature).

b. Submit for countersignature to the Management Analysis Division, DSAA Comptroller (DSAA-TC) all DD Forms 1513-2 in original and 2 copies (one extra copy for credit cases).

c. Attach a Financial Annex to all DD Forms 1513-2 except FMSO I cases, which result in changes to the payment schedule.

d. Indicate the date of acceptance of the basic case. (The acceptance date is defined in paragraph 5.j. of Chapter M of the MASM. It is the date the DD Form 1513 is signed by the customer representative.) The acceptance date should be conspicuously annotated in the upper right hand corner of Block 8, Description of and Reason(s) for Modification. Example: "Basic Case accepted 25 Aug 1975"). This date is important to determine the fiscal year to which the change is applicable.

or similar organization will immediately advise DSAA/TC, SAAC, and the Military Department or other Defense Agency issuing the LOA by priority message when each LOA has been signed or rejected by the purchasing country. In those instances when LOAs are processed by the foreign country without MAAG, ODC, or similar organization involvement, the LOA will have an annotation requiring the signature authority to immediately notify DSAA/TC, SAAC, and the appropriate issuing organization by message when signed by an authorized representative of the purchaser. Each message must contain the date of acceptance and the amount accepted.

Procedures prescribed above for LOAs also apply to amendments to LOAs for scope increases in excess of \$50,000. DD Forms 1513-1 of \$50,000 or less are combined with the basic case at the time of acceptance. Notification of price increases issued on DD Forms 1513-2 to cases accepted during the same fiscal year will be provided by the issuing authority to the DSAA/TC immediately after issuance in order that adjustment of the appropriate Allocation Accounting System accounts may be effected.

6. Estimated Ceiling Activity

The Management Analysis Division will be in a position to provide estimates of ceiling activity based upon the information submitted in accordance with paragraph 5 above and required updates. The accuracy of these estimates will be dependent upon:

a. Analysis of computer records of reservations and commitments pertaining to ceiling activity including revalidation of specified reserves in Accounts 2 and 3.

b. Analysis of the status of LOAs outstanding.

c. Analysis of Section 36(b) Arms Export Control Act notifications which are under or have completed Congressional review, but for which LOAs have not been issued.

d. Identification of cases not yet authorized for Section 36(b) notification to Congress and their potential impact on the ceilings for the current and future fiscal years.

e. Identification of programs in which recipients are known to have an interest for possible impact on the ceilings for the current and future fiscal years.

CHAPTER M

**MANAGEMENT OF THE CEILING ON WEAPONS
AND WEAPONS RELATED ITEMS**

1. Purpose

This chapter prescribes the management policies and procedures to account for and control US transfers of weapons and weapons related items in consonance with the President's policy to reduce the volume of such transactions.

2. Policy Guidance

To implement a policy of arms restraint, the President has established controls over all transfers of weapons and weapons related items (except to NATO countries/agencies, Japan, Australia, and New Zealand). To this end the Office of the Secretary of Defense has established the procedures within this chapter for managing a ceiling on Weapons and Weapons Related Items and has made DSAA the responsible agency for its implementation.

3. Description of the Ceiling

The annual ceiling applies to FMS and MAP and comprises only weapons and weapons related items (Figure M-1) for all transfers except to NATO countries/agencies, Japan, Australia, and New Zealand. Items which are not weapons or weapons related are listed in Figure M-2. The procedures pertaining to the control of MAP transactions are contained in Part II of the MASM.

4. Purpose of Allocation Accounting System

a. DSAA has developed an allocation accounting system to provide the positive controls required to assure that sales of weapons and weapons related items do not exceed the annual ceiling established by the President.

The DSAA/TC, Management Analysis Division is responsible for maintaining the automated accounting system which provides for:

(1) Prompt recording of the dollar value of all Letters of Offer (LOAs) issued. At the time the case is entered into the automatic data processing system (ADP), it will be coded to enable management to identify that portion of each case associated with weapons and weapons related items and services.

(2) Assurance that LOAs for weapons and weapons related items will not be issued in excess of ceiling dollars allocated.

(3) Priority tracking of all reservations against the annual fiscal year ceiling for accounts 2 and 3 (see para 6a); i.e., positive control over the value of all sales offers issued together with control over the fiscal year in which each sales agreement may be accepted by the purchaser.

(4) Control over issuance of scope change amendments identical to that given to original LOAs. Such changes will be counted in the fiscal year in which they are accepted.

(5) Ability to respond accurately to requests for reporting the value of LOAs issued in relation to the annual fiscal year ceiling.

(6) Recording the value of accepted sales agreements as soon as possible with the goal of doing so within approximately five days after signature by the purchaser.

5. Allocation Accounting System Procedures

a. After the fiscal year ceiling has been established, the dollar value thereof will be reduced by the amount reserved for MAP weapons and weapons related items. The re-

MILITARY ASSISTANCE AND SALES MANUAL—PART III

maining balance for the fiscal year will then be set aside for the following three accounts:

(1) Account 1—cases not requiring Section 36(b) notification. Section 36(b) cases are those containing any Major Defense Equipment (MDE) valued at \$7 million or more and/or any defense articles or services valued at \$25 million or more.

(2) Account 2—Section 36(b) Follow-on support cases requiring Section 36(b) notification and are directly related to weapons systems previously provided.

(3) Account 3—all other cases requiring Section 36(b) notification.

b. At the beginning of each fiscal year, the annual dollar ceiling set aside for FMS will be allocated to the three accounts.

(1) Account 1—a specified amount for ceiling related cases based on a DSAA estimate considering experience of prior years.

(2) Account 2—a specified amount for ceiling related follow-on support 36(b) cases required to support weapons systems previously provided. Estimates will, as for Account 1, be based on prior year experience.

(3) Account 3—the remaining amount for all other ceiling related 36(b) cases.

c. Subsequent to internal processing, DSAA will countersign the LOA and return the original copy of the LOA to the preparing agency for further processing to the prospective purchaser, forward a copy to the SAAC, and retain a copy in order to enter the appropriate information into the automated data processing system.

d. Within five calendar days of acceptance or rejection of the offer, DSAA, SAAC, and the issuing organization must be notified as prescribed in paragraph 5.i. If such notice is not received within ten calendar days after the expiration date, the LOA, even though accepted, will be automatically cancelled and the ceiling commitments will be adjusted accordingly.

e. The Military Departments and Defense Agencies are responsible for inserting the appropriate MASL line data for each line

item on each LOA. Should there not be any applicable line in the MASL, it is the responsibility of the department or agency preparing the LOA to establish a line in accordance with the procedures outlined in Part I, Chapter H. The LOA will not be processed and returned to the preparing agency if line items are not in the MASL or if they contain incorrect MASL data. Each line item in the LOA will be identified as "ceiling" or "non-ceiling" by marking the line item as "I" or "O", respectively, as indicated in column "CE" of the MASL.

f. All requests for extension of expiration dates shown on LOAs, as well as revisions, (prior to acceptance) to the LOA which result in increases to the case's value must be submitted to DSAA Comptroller/TC (ATTN: Management Analysis Division) for approval. Strict adherence to the expiration date of the LOA is required; e.g., if current fiscal year ceiling dollars are committed to the transaction, the expiration date must fall within the current fiscal year. Commitment of the subsequent fiscal year ceiling dollars requires that the LOA will not be valid before the first day of that fiscal year. Exigencies within the ceiling management program could impact upon offer expiration dates in Block #8 of the LOA, particularly during the latter months of the FY. Required changes to the offer expiration date resulting from ceiling constraints will be made by DSAA after coordination with the cognizant Military Department or Defense Agency.

g. When the LOA is accepted, distribution will be made in accordance with the instructions contained in the LOA. In addition, the applicable Military Department or Defense Agency is responsible for furnishing a signed copy to DSAA/TC (ATTN: Management Analysis Division).

h. Acceptances will be recorded by Management Analysis Division, against the ceiling of the fiscal year in which the LOA is signed by an authorized representative of the foreign country to which the offer was made.

i. Each MAAG, ODC, foreign Embassy,

punching will be performed by DSAA. Pre-printed transcript sheets are available in DSAA. Voluminous data submissions may be submitted on magnetic tape. If this method is preferred, SAAC and Military Departments must make special arrangements with DSAA as to tape characteristics.

c. (1) While the LOR data reporting originates at the responsible implementing agency in each instance, the basic 1100 System input data is reported from the Management Analysis Division (MAD) within DSAA

and from the Security Assistance Accounting Center (SAAC) in Denver, Colorado.

(2) SAAC will enter all item detail data (4, D and 6 cards) into the 1100 system but the CMD and SAAC will share the responsibility for entering 1/2, A/B and 5 cards into the system.

(3) The following table has been prepared to facilitate an understanding of the responsibilities for data preparation and submission of case level transactions entering the 1100 system.

IDENTIFICATION OF CASE LEVEL INPUT TRANSACTION RESPONSIBILITIES TO DSAA 1100 DATA SYSTEM

Incoming DD Form	Year of Basic Case		Change in Value		Input to 1100 System	
	Prior	Current	Increase		SAAC	CMD
			Greater than \$50,000	\$50,000 or less		
1513		X				"1/2" cards—case level
1513-1	X X		X X	X	X	"1/2" cards w/suffix "B" card
1513-2	X	X	X X	X X	X	"B" card

NOTE: 5 cards (case delete transactions) will be entered into the 1100 system by the CMD with information extracted from hard copy documents furnished by SAAC.

d. Specific instructions for preparation of each data card are contained in the following paragraphs. (Card formats follow)

(1) Card 1 (Case Card)

Abbreviation Title of Field	Field Name	Card Column	Number Columns in Field	Type of Character	Instruction
S	System Code	1	(1)	Alpha	Must be filled. Punch "S".
Y					
C	Card Code	2	(1)	Numeric	Must be filled. Punch "1".
D					
CC	Country/Activity Code	3-4	(2)	Alpha/Numeric	Must be filled.
I	Implementing Agency Code	5	(1)	Alpha	Must be filled.
A					
CSE	Case Designator	6/8	(3)	Alpha/Numeric	Must be filled.
C	Case Suffix Code	9	(1)	Numeric	May be blank if suffix not needed.
S					
A	Blank Action Code	10-12	(3)		Must be blank.
C		13	(1)	Alpha	Leave blank.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

(1) Card 1 (Case Card)—Continued

Abbreviation Title of Field	Field Name	Card Column	Number Columns in Field	Type of Character	Instruction
C O	Change Originator Code	14	(1)	Alpha	Must be filled.
	Blank	15-16	(2)		Must be blank.
S T	Status Code	17	(1)	Alpha	Must be filled.
OFFER YR DAY	Offer Date	18-22	(5)	Numeric	Must be filled.
ACCP YR DAY	Acceptance Date	23-27	(5)	Numeric	Leave blank.
IMPL YR DAY	Implementation Date	28-32	(5)	Numeric	Leave blank.
MDE	Major Defense Equipment Code	33	(1)	Alpha	Must be alphabetic or blank.
	(DSAA use only)	34-35	(2)		Do not enter data in this field.
DESCRIP- TION	Case Description	36-75	(40)	Alpha/ Numeric/ Special Char- acters	15 characters must be entered. Left justify. (Blanks are not counted.)
OED	Offer Expiration Date	76-80	(5)	Numeric	Must be filled. Punch OED based on DD Form 1513 date.

(2) Card A (Case Card—Change)

Abbreviation Title of Field	Field Name	Card Column	Number Columns in Field	Type of Character	Instruction
S Y	System Code	1	(1)	Alpha	Must be filled. Punch "S".
C D	Card Code	2	(1)	Alpha	Must be filled. Punch "A".
CC	Country/Activity Code	3-4	(2)	Alpha/ Numeric	Must be filled.
I A	Implementing Agency Code	5	(1)	Alpha	Must be filled.
CSE	Case Designator	6-8	(3)	Alpha/ Numeric	Must be filled.
C S	Case Suffix Code	9	(1)	Numeric	May be blank if suffix not needed.
	Blank	10-12	(3)		Must be blank.
A C	Action Code	13	(1)	Alpha	Leave blank.
C O	Change Originator Code	14	(1)	Alpha	Must be filled.
	Blank	15-16	(2)		Must be blank.
S T	Status Code	17	(1)	Alpha	May be blank.
OFFER YR DAY	Offer Date	18-22	(5)	Numeric	Should be blank unless offer date initially submitted in Card 1 is wrong and must be corrected.

ments must be made using DD Form 1513-1 (Amendment to Offer and Acceptance). Customer requested changes for addition/deletion of programmed students or courses for a signed FMS case are not considered a change of scope if the same general area of training and the number of students are not substantially changed as stated in the DD Form 1513 and formal amendments. However, all changes which reflect an increase in price of \$50,000 must be coordinated with DSAA. For deletions and for changes not affecting scope, the DD Form 1513-2 (Notice of Modification of Offer and Acceptance) should be used. (See para 10, Chapter D, Part III).

(7) Changes in requirements within the dollar ceiling of annual open-end training cases do not require the use of DD Form 1513-1 or DD Form 1513-2. Such changes to these cases may be made administratively.

(8) The IMET 5th quarter planning and programming concept is not applicable to FMST.

c. Training Requirements Related to the Purchase of Major Equipments

(1) Training is an essential and often key element in the successful introduction of a new end item or weapons system. The time required to conduct adequate training should be given careful consideration when requesting delivery dates of equipment. In developing a training plan for a particular end item of equipment or weapons system, the needs of each country must be considered individually. While general training requirements can be determined for any item, the exact composition and duration of the training program will vary based on the individual requirements and capabilities of the country.

(2) Training programs must be planned realistically, taking into account the skills that must be developed, the background and experience of the individuals selected for the training, and the time required to plan, implement, and complete the program. In the final analysis, the success of any training program will depend upon student capability

and potential for success. The individual and collective performance of the students will set the pace and measure the true progress of a program.

(3) Training in support of FMS equipment purchases should normally be programmed and accomplished as a part of the overall FMS agreement. However, IMET funds may be used for training in support of FMS when it is determined that country is unable to finance such support costs provided such an arrangement is a part of the FMS agreement. Requests for exceptions to this policy should be referred to DSAA with appropriate justification for consideration on a case-by-case basis.

3. English Language Training

It is the responsibility of the foreign country to assure that trainees meet the English comprehension level (ECL) required for direct entry into the DOD school system. In-country English language training programs (ELTP) should be used. Countries without an adequate ELTP should be encouraged to develop a program to qualify trainees for direct course entry or as a minimum for entry into the Defense Language Institute English Language Center (DLIELC). Minimum ECL score for entry into DLIELC is 55. Conditional entry is authorized for students with an ECL of 45-55 when authorized by U.S. representatives in-country. Where clearly justified, on a case-by-case basis, exceptions to these requirements may be approved by the cognizant Military Department.

4. FMST Tuition Rates

a. Pricing of FMST tuition rates will be in accordance with DODI 2140.1. Certain costs, such as students' meals, custodial fees for quarters, medical care and transportation are not included in tuition rates but are paid through the LOA, or other means, by the purchaser.

b. The extracurricular activities related to the Information Program (IP) are considered an integral part of the foreign training effort and therefore costs thereof will be

included as part of the tuition rate. Funds for FMS students are generated by including appropriate expenses in the course tuition rate and are made available to the training activities through reimbursement from the FMS case.

c. An asset use charge of 2 percent will be applied to the total of all tuition rates (other than flying courses for which 4 percent will be applied). The asset use charge is reimbursement for the use of installed U.S. facilities and equipment, and will be computed after all other direct and indirect costs have been determined. Asset use charge must be deposited into Miscellaneous Receipts and legally may not be used to reimburse specific Service appropriations. (DOD Instruction 2140.1)

5. Cancellation of Training—Penalty Charge

a. Purchasers must submit rescheduling or cancellation requests at least 60 days in advance of the scheduled course start date. In the event cancellation or rescheduling is requested less than 60 days prior to the scheduled student report date, the FMS case will be billed for 50 percent of the cost of the course(s) which commence within that 60 day period. The date the request is received from the country by the duly appointed and recognized United States representative will constitute the official notification date. The cancellation penalty will not be applied when (1) cancellation is due to the fault of the U.S. (deletion of classes, rescheduling, etc.), (2) when the cancellation is due to unavoidable circumstances within country, such as national disaster, or (3) cancellation entails no loss to the U.S. in terms of cost or training capability. The 60-day penalty provisions will be effective upon the date the LOA is signed by the country.

b. FMS countries will be charged a proportionate share, but not less than 50 percent of the tuition rate for trainees not completing a course of instruction.

6. Training at Civilian Institutions

a. Although Section 47 of the Arms Export Control Act authorized foreign students to attend civilian institutions under FMS, normally this type of training requirement is more appropriately handled by direct negotiation between the civilian institution and the purchasing country. Training at civilian institutions, therefore, generally will not be accomplished under FMS. Requests for exceptions to this policy should be addressed to DSAA, Comptroller.

b. Training by Contractors

(1) Foreign military personnel receiving training directly negotiated between the purchasing country and a contractor are not authorized use of U.S. military facilities in support of commercial training.

(2) Room and board, medical care and related support arrangements for students are to be arranged between the contractor and the purchasing country. Administrative support for direct contractor training normally is not provided through an FMS case.

7. Transportation and Travel

a. The purchasing country is responsible for all transportation and travel costs for FMS students. These costs are not included in the LOA.

b. Although any desired mode of travel or carrier can be used, use of U.S. civilian carriers is encouraged. Trainees are authorized to travel by Military Airlift Command (MAC) aircraft if so stated in their ITO. Reimbursement for MAC travel will be on a direct billing basis at the non-government rate.

c. Since baggage shipping costs are paid by the purchasing country, no limitation is established; however, students are encouraged to limit baggage and instructional material to a minimum. Cost of baggage is not included in the FMS case.

8. Living Allowances/Privileges

e. Repair parts or components normally carried in DOD stocks, and support services, when, in the judgment of the Military Department concerned, such parts, components or services are required for follow-on support of end items previously sold by the Military Department.

f. All ammunition rounds above 20mm in caliber.

g. All aircraft flares which are not procured in complete form from commercial sources.

h. All defense items which contain components as Government Furnished Equipment (GFE) which were manufactured in a Government-Owned, Government Operated (GO-GO) facility.

i. Any defense item normally procured by the Military Department which the U.S. producer requests be sold through FMS channels provided that such FMS does not infringe on a known exclusive licensing arrangement covering the territory in which the purchasing government is located.

j. Any defense item not normally procured or type-classified by the Military Departments, when the FMS is requested by a foreign government and the U.S. producer agrees, provided that such FMS does not infringe upon a known exclusive licensing arrangement covering the territory in which the purchasing government is located.

k. Any defense item or service known to be available from two or more producers which a foreign government insists on procuring through FMS procedures for which the foreign government designates a sole-source producer. In such cases the foreign government will be requested to negotiate its own price directly with the designated sole-source producer. In the event that the foreign government is unable or unwilling to negotiate directly with the producer, the foreign government will not be quoted an option price except when:

(1) The option clause of the contract with the defense contractor specifically includes add-ons for FMS; or

(2) The original contract included consolidated quantities for FMS; or

(3) The defense contractor, after being informed of an add-on for FMS, agrees to its inclusion at the option price, thereby waiving any claims for reimbursement of promotional expenses, fees and additional profit.

l. Those defense articles which, if provided through commercial channels could adversely affect deliveries to a U.S. Military Department or other FMS customers under existing contracts.

6. Special Exception—Federal Republic of Germany

In accordance with a special agreement with the Federal Republic of Germany, any defense article or service that would otherwise be available for sale to Germany may, on request of the FRG, be sold through FMS even though it may qualify as Commercially Available under the criteria set forth in paragraph 4 above.

7. Procedures for Processing Requests for Sale or for Price and Availability Data

a. The Military Department concerned, upon receipt of a request for sale, or a request for price and availability information, will screen the request against the criteria in paragraphs 4 and 5 above to determine if the article is to be considered commercially available. If it is so determined, the Military Department shall promptly inform the foreign purchaser of such commercial availability and of DOD policy regarding the sale by DOD of such item or service. Delay in providing this information in the past has led to a justified inference by the foreign purchaser that DOD was prepared to sell the item or service requested. Such notification should be provided within two weeks of receipt of the request for sale of the item or service. An information copy of the notification will be provided to DSAA. In the event that the Military Department considers that there are important factors justifying an exception to policy in a specific case, the matter shall be referred to the Director,

MILITARY ASSISTANCE AND SALES MANUAL—PART III

DSAA, for decision together with the Military Department's recommendation and reasons therefor. Referral to DSAA of matters requiring a decision shall be made within two weeks of receipt of the request from the foreign purchaser.

b. In cases where a request for price and availability data, or a request for a Letter of Offer, is received from a country falling within the area of a known exclusive U.S. license, the following special procedures will apply:

(1) The prospective buyer will be provided with the name of the foreign firm involved and informed that this firm has exclusive rights in that country relating to the sale of the item or service being sought.

(2) In the event the prospective buyer insists that it wishes an FMS transaction, it should be advised that the request should be set forth in a letter from the Minister of Defense or the Deputy Minister of Defense (or the equivalent) outlining the reasons for the desire to purchase by means of an FMS transaction rather than from the foreign licensee.

(3) On receipt of such written request containing justification, the Director, DSAA, will advise the foreign firm involved (or its designated representative in the United States) in writing of such request, provide the foreign firm with a copy of the written request, if unclassified, and of other unclassified records pertinent and material to the

transaction, and give the foreign firm an opportunity to provide data pertinent to the request, including a statement as to the amount of financial return to the U.S. economy should such a sale be made by the foreign firm.

(4) In the event it is determined that price and availability data is to be provided, or that a Letter of Offer and Acceptance (DD Form 1513) is to be issued to the requesting government, the Director, DSAA, will so advise the foreign firm, and will provide upon its request relevant unclassified and non-proprietary pricing and availability data. The foreign firm shall be advised of all renewals, modifications or extensions of such Letter or Offer and Acceptance prior to acceptance by the purchasing country.

c. In implementing these procedures each DOD element or agency involved in processing purchase requests will, to the extent such activities are known, keep the Director, DSAA, the Military Department, and MAAGs or other appropriate in-country DOD representatives informed of significant commercial sales activities.

8. Documents Rescinded

Secretary of Defense memorandum dated 6 August 1970 and Assistant Secretary of Defense memorandum I-12902/69, concerning sale of commercially available items by DOD are hereby rescinded.

CHAPTER N
TRANSPORTATION PROCEDURES
FOR
FOREIGN MILITARY SALES (FMS) MATERIEL

1. Introduction

a. A major goal of this chapter is to provide information to FMS customers about how their materiel is handled. The chapter describes the materiel movement process, defines the respective roles of US Government activities and private manufacturers, and provides helpful information about situations that have previously caused problems for freight forwarders. Knowledge of these procedures should assist the customer both in selecting a qualified freight forwarder, and in subsequently evaluating the freight forwarder's performance.

b. Basic DOD policy with respect to deliveries of Foreign Military Sales (FMS) materiel is that each procuring government/international organization (hereinafter referred to as "customer" or "purchaser") shall be responsible for transportation and delivery of its own materiel. In application of this policy each customer shall utilize its own contract or in-house agency (freight forwarder) to manage all aspects of transportation and delivery from in-place source to ultimate in-country destination. DOD will, as necessary, assure delivery of FMS materiel to the customer's agent at the CONUS port of exit.

c. Most purchasing country staffs in the US do not have the capability of accomplishing all of the actions required to effect in-country delivery of FMS materiel. The freight forwarder undertakes these responsibilities as an agent for the customer and its function is an essential and integral element of the transportation cycle. (Figure N-1

contains potential sources from which listings of freight forwarders may be obtained.)

d. Freight forwarder companies occupy a key role in the delivery of FMS materiel to overseas customers. These companies, as a minimum, receive, consolidate, and stage materiel within the US and arrange for its onward shipment to the customer. The freight forwarder normally is not the carrier (i.e., rail, truck or ship company). A freight forwarder is a private firm which serves as contractual agent for the FMS customer. Because the freight forwarder is under contract to a customer, the specific functions performed may differ somewhat from those noted above. The freight forwarder may perform a greater or lesser range of functions depending upon the agreement with its respective customer.

e. It is important to note that the freight forwarder, as an agent of a customer, is not a part of or under the direction of any element of the US Department of Defense. However, because most FMS materiel will be shipped to the freight forwarder utilizing US transportation system procedures, it is important that FMS customers ensure that their freight forwarder understands the US materiel movement system. Knowledge of these procedures should allow the freight forwarder to effectively interface the US Government procedures with its own operation.

f. Shipping activities, both government and commercial, pack the materiel and arrange for its pick-up or delivery. Government sources of supply identify the proper freight forwarder to address by translating

certain MILSTRIP codes from the DD Form 1348 requisition. These codes are converted to full clear text addresses in the US Department of Defense Military Assistance Program Address Directory (MAPAD), DOD 5105.38-D. The appropriate freight forwarder code and "Mark for" code is annotated on the DD Form 1513, Letter of Offer and Acceptance document, by the customer. Department of Defense contractors are provided the address of the freight forwarder through the contract or by amended shipping instructions.

g. Trucking companies, airlines, railroads, US Postal Service or small parcel carriers, may be utilized for FMS shipments. The normal method of shipment for FMS materiel enroute to CONUS commercial ports of exit from a US Government activity is by collect commercial bill of lading (CCBL). Exceptions to this policy are noted in Sections 2i and 2j of this chapter. The selection of a mode of shipment by the shipping activity is dependent upon a variety of factors including instructions of customer's freight forwarder. Normally, nonpremium surface mode is utilized.

2. Foreign Military Sales (FMS) Shipment Policies and Procedures

The following policies apply to Foreign Military Sales activities:

a. Point of Delivery

The CONUS point of origin of the materiel is normally the point of delivery to the customer. If items are procured for shipment directly from a US contractor, this point will be the contractor's loading facility.

(1) If items are supplied from DOD stocks, this point will be a DOD depot loading facility or the nearest post office facility in the case of parcel post.

(2) When circumstances dictate, designation of other points of delivery (e.g., other DOD installations in CONUS or overseas, overseas depots, or overseas contractors' plants) must be clearly specified in DD

Form 1513, "Letter of Offer and Acceptance (LOA)."

b. Transfer of Title

Title to equipment and materiel will pass at the initial point of shipment, unless otherwise specified in the LOA.

(1) For defense articles sold from stock, this normally will be at the US depot, whether in CONUS or overseas.

(2) For items procured for sale to the purchaser, this normally will be at the contractor's loading facilities.

(3) In the case of excess materiel (DOD Directive 4160.21) this normally will be at the location at which the materiel is being offered for sale.

(4) When the DD Form 1513 specifies that the US Government will provide for movement of aircraft to the point of delivery, one of two conditions prevail with regard to title:

(a) Where additional ferrying is specified and the aircraft are not purchaser-owned (title not passed), the US Government will accept title to the aircraft from the contractor, and title to the aircraft will remain with the US Government until arrival at the point of delivery, at which time title passes to the purchaser.

(b) Where purchaser-owned aircraft are being ferried under the terms of the DD Form 1513, the purchaser grants the US Government possession of the aircraft. Under this condition the title to the aircraft remains with the purchaser. The LOA will contain prescribed indemnification clauses. The purchaser assumes all risk of loss or damage since this is a US Government service being provided at no cost to the US Government.

(5) The provisions of this title transfer policy apply to all FMS shipments regardless of the mode of transportation, type of transportation documents utilized, or delivery code.

c. Consolidation

FMS shipments will be consolidated for shipment purposes to the greatest extent pos-

sible consistent with customer requirements. Consolidation criteria are contained in Chapter 6, DODI 4140.17M (MILSTRIP).

d. Packaging and Marking

Shipping activities (USG facilities or contractor) are responsible for the proper packaging and marking of FMS materiel in accordance with Mil Standards 794 and 129, respectively. The materiel will be packaged as prescribed by Mil Standard 794 and will be marked as prescribed by Mil Standard 129 with the following minimum information:

- FMS case identifier (e.g., XX-D-ABC)
- Requisition number
- Priority
- Project name and number (if applicable)
- Shipped from address
- Shipped to address
- Ultimate consignee overseas address (coded or clear text, if applicable)
- Mark for (if applicable)

e. Cost of Transportation Materiel to the Freight Forwarder

(1) Shipments of materiel may occur under conditions where the sales price does not include the cost of transportation to the freight forwarder. These shipments, such as appropriation purchases account (APA) materiel and vendor shipments with delivery terms free-on-board (FOB) origin, will be transported under collect commercial bills of lading (CCBL). APA items are military supply system inventories or centrally procured principal and secondary items financed by procurement appropriations for military functions.

(2) Shipments of materiel may occur under conditions where the sale price includes cost of transportation to the freight forwarder. This is the case for stock fund type items. Stock fund items should be transported under CCBL's as is generally the case with non-stock funded items. The primary concern, however, is that the DOD component assure that the purchaser is not double-

billed for transportation services rendered, i.e., transportation costs are excluded from the price of the item. Therefore, all non-excess stock funded materiel sold to FMS customers will be priced less the second destination transportation surcharge which is included in the established standard price.

(3) Shipments will be accomplished in accordance with instructions prescribed in the DD Form 1513 except when the nature of the shipment dictates the provision of added protection and/or control during movement. When added protection and/or control is provided for the movement of an FMS shipment, it generally denotes an added cost to the US which is reimbursable by the purchaser.

(4) Accessorial costs billed to FMS cases will be charged in accordance with Section VIII and Subsection XI.D, when applicable, of DODI 2140.1. When premium transportation is requested by the customer, the actual or estimated transportation costs will be applied as agreed to in DD Form 1513. Other accessorial costs will be applied, as appropriate, to the shipment.

f. Code A, Y and Z Shipments

(1) FMS materiel normally will be shipped to the freight forwarder from either US Government or commercial sources of supply. The customer negotiates with the DOD component to determine whether the shipments will be automatic or require notices of availability (NOA). This results in the assignment of a specific "offer/release" code in block 19 of the Letter of Offer and Acceptance (LOA). Assignment of Code "A" authorizes automatic shipment, while assignment of Codes "Y" and "Z" indicates that notices of availability will be sent before the materiel is shipped. (See MILSTRIP DOD 4140.17M.)

(2) US representatives should not commit the US Government to provide NOAs when initiating Letters of Offer and Acceptance (LOAs) for shipment from contractor facilities. The normal offer/release code for all FMS transactions is "A". Offer/release Codes "Y" and "Z" should be used

only under special circumstances, such as delivery of sensitive, hazardous or classified cargo and large end items. Use of Codes "Y" and "Z" for other than hazardous or classified cargo and large end items must be approved by the DOD component concerned on a case-by-case basis.

(3) NOAs are not normally used for direct delivery transactions from contractor's facilities. If contract production schedules do not provide sufficient information and the customer requires NOAs be provided or the offer/release code for the item(s) "Y" or "Z", special arrangements must be made and placed in the LOA and in the contract. The customer will be liable for the cost incurred. Such cost will not be part of the administrative surcharge, but will be separately negotiated with the contractor as contractor-furnished data and charged to the customer.

(4) Items stored or staged are subject to storage or staging charges, as appropriate, and "Y" or "Z" items for which no shipping information are received, accrue storage costs as specified in DD Form 1513, Explanatory Note 7.

g. Discrepancies

(1) There are two groups of discrepancy shipment conditions to which the freight forwarder and customer must react:

(a) Materiel Discrepancy—This includes shortages (including non-receipt) due to incorrect quantity counts, improper packing/marking, duplicate shipments and damage sustained prior to shipment release to the carrier by the origin shipper. The US supply source or private contractor retains responsibility for resolving these problems and determining financial responsibility.

(b) Transportation Discrepancy—This includes complete or partial loss and/or damage sustained by the carrier or freight forwarder. Resolution of transportation discrepancies depends upon a variety of factors. If the materiel is shipped on a commercial bill of lading, prepaid or collect, to a freight forwarder and damage and/or loss occurs, the freight forwarder must file a claim with the carrier. Damage resulting to materiel

shipped by a freight forwarder must be resolved by the customer and/or the freight forwarder in a claim action with the over-ocean carrier. Damage or loss of materiel while in the custody of the freight forwarder must be resolved between the customer and the freight forwarder. For this type of discrepancy, the financial liability for claims are to be resolved by the customer freight forwarder and carrier. Such discrepancies will not be subject to reporting to the US Government, under para 2g(3), unless shipments were effected under the Defense Transportation System (DTS).

(2) The US Government will document, process and file claims when shipment moves on GBL to or in case of a military activity, water or MAC aerial terminal. If shipment moves on a GBL to a freight forwarder at a commercial port, the US Government assumes no responsibility for reporting, processing or filing claims against the carrier. The customer's representatives and freight forwarder has this responsibility. The customer may desire to purchase insurance in order to minimize potential losses for all materiel ordered. (See Chapter C, para 11.) The US source of supply or private contractor does retain responsibility for other discrepancies. These include shortages (including non-receipt) due to incorrect quantity counts, improper packing/marking, duplicate shipments, and damage sustained prior to shipment release to the carrier by the original shipper.

(3) Discrepancies must be documented in accordance with Processing Discrepancy Reports Against Foreign Military Sales Shipments (DLAR 4140.60, AR 12-12, NAVSUP-INST 4920.9B, AFR 67-7, MCO 4140.1B) with the Report of Discrepancy (ROD) sent to the DOD component.

h. Package Shipments

Transportation officers are authorized to utilize either the US Postal Service parcel post facilities or commercial package carrier equivalents.

(1) Shipments through such commercial carriers as United Parcel Service (UPS)

may be made when such shipment mode is responsive and cost-effective. Charges for such shipments should be assessed the FMS customer. Commercial shipments will be addressed to the agents or representatives specifically designated by the purchaser on the MAPAD.

(2) To preclude extensive DOD component involvement in FMS claim submissions, a return receipt on all US parcel post or commercial FMS shipments is required. This return receipt can then be utilized to provide adequate proof of shipment and passage of title in support of ROD actions. Certified or registered mail may be used provided a return receipt is requested from the US Postal Service. Reimbursement for this expense will be accomplished through application of the parcel post accessorial rate for postal fees. Insured shipments are also authorized, if appropriate. Mode of shipment will be governed by the cost, evidence of shipment, and the speed of service requirement criteria. The beginning of the one-year period for filing FMS parcel post RODs is the date the materiel is mailed. (RODs would have to be postmarked prior to the end of the one-year filing period.)

(3) If movement is directed beyond CONUS, international parcel post, if specifically authorized by an FMS case, may be utilized and the purchaser charged pursuant to DOD Instruction 2140.1, if a better means of shipment is not available. As a rule, Military Postal Service (MPS) will not be used for FMS shipments; however, exceptions to policy are authorized for classified shipments or where the sales order specifies delivery in-country through the resident US Security Assistance management organization. When shipment is to be via domestic parcel post or commercial package carrier equivalents, the transportation officer should consult the various tariffs of package carriers to ensure that the desired service is available and meets the following criteria:

(a) Cost. Shipments will be made at the least cost for the service required.

(b) Audit Trail. The transportation service selected must provide a proof of entry

into the transportation network and a proof of delivery to the consignee.

(c) Speed of Service. The service selected must be responsive to required delivery date and priority based on the Force Activity Designator (FAD).

(4) Although basic policy prescribes consolidation of shipments, it is frequently necessary to ship small items or packages on an individual basis. For the purpose of this section, a package will be considered to be a shipped item that is 100 or less pounds in weight and 141 inches or less in combined length and girth. More information may be found in Chapter 206, Military Traffic Management Regulation.

i. Exceptions to Delivery Policy

Exceptions to delivery policy will be noted on the DD Form 1513 on a case-by-case basis and approved by DSAA with concurrence of OSD/MRA&L.

(1) *Use of the Defense Transportation System (DTS)*. The DTS must be used to the CONUS Port of Exit for the shipment of the following types of items:

(a) Firearms, explosives, lethal chemicals, and other hazardous materiel will be moved within the DTS or other US/DOD-arranged transportation under US/DOD control on a Government Bill of Lading (GBL). The onward movement of these items may also be effected by purchaser-owned or controlled aircraft or purchaser-owned, operated or controlled surface vessels (see para (c) below).

(b) Air cargo of such size that the item exceeds commercial capability may be delivered through the DTS using military aircraft.

(c) FMS materiel which requires special handling, such as sensitive and hazardous materiel (as defined in Military Traffic Management Regulation Chapter 226 and Title 49 CFR Parts 170-179 and 397, and DOD 5100.76M), will be shipped through CONUS water or aerial port facilities controlled by DOD. This will require that the terms of delivery of the Letter of Offer and Acceptance (DD Form 1513) will require, as a minimum,

delivery FOB Vessel/Aircraft, CONUS Port of Exit, Delivery Term Code 8.

(d) It is the policy of the United States Government to release classified military materiel and information to foreign governments or to international organizations, when considerations relating to the foreign policy and military objectives of the United States indicate that the national interest will benefit from such action.

The United States national interest requires that foreign recipients of US classified military information and materiel provide substantially the same degree of security protection, to include transmission and transit storage procedures, given to the same information and materiel by the Department of Defense.

Classified shipments of FMS materiel usually will be made within the DTS or by other US/DOD-arranged transportation modes which will provide the required security and enable the US/DOD to maintain control and custody of the materiel until delivery to the purchaser is made. DOD Directory 5105.38-D, however, lists certain freight forwarders who have been cleared to receive classified materiel which could be shipped FOB origin on a Commercial Bill of Lading (CBL). Classified military materiel and information shall be made available only in accordance with the provisions of DOD Directive 5105.38D, and Part I, Chapter G (MASM).

(2) Discharge of FMS Materiel Moving Through the Defense Transportation System (DTS)

(a) The local US military representative is responsible for supervision of the discharge at destination of FMS materiel and equipment moving through the DTS. This responsibility includes, but is not limited to:

1. making arrangements for reception of the cargo,
2. assuring the establishment by the purchasing country of adequate procedures for checking the equipment and materiel against manifests and shipping documents,

3. providing technical advice regarding proper discharge of cargo, and

4. initiating transportation discrepancy actions and documents prescribed in the implementing instructions as assigned in DOD Directive 5160.53.

(b) Where there are US military forces positioned or deployed in areas that are receiving FMS materiel, and where these forces are supported by US Military Terminal Units or Support Activities, arrangements may be initiated by the local US military representative who may designate these units to act as the agent or representative of the local US representative to accomplish the functions incident to the delivery of FMS materiel to the recipient country via the DTS.

(c) In the absence of capability in meeting the provisions of (a) or (b) above, the responsible DOD components will amend all agreements for FMS materiel to provide that custody shall pass within CONUS and that transportation support beyond CONUS will be the responsibility of the recipient country.

(3) Re-delivery Policy and the use of the DTS.

(a) Solicited Buy backs. When a DOD component solicits the buy back of a defense item from an FMS customer, use of the DTS may be authorized if deemed appropriate by the cognizant DOD component with funding by that DOD component.

(b) Unsolicited Buy backs. When a DOD component is requested by an FMS customer to buy back previously purchased defense articles, transportation normally should be arranged and funded by the FMS customer. Unsolicited buy backs of sensitive, hazardous and classified cargoes may be moved within the DTS if deemed appropriate by the cognizant DOD component.

j. Government Bill of Lading (GBL)

This procedure is not authorized except when specified in the DD Form 1513 and approved by the cognizant DOD component as an exception.

(1) When the GBL is used, the DOD (see 2g(2)) retains responsibility for the associated administration of processing claims against carriers or for obtaining proof of delivery at destination on movements to commercial ports. Any such assumption of responsibility by the DOD will be limited to cases where shipment by Commercial Bill of Lading (CBL) is for some valid reason determined to be impractical or inappropriate.

(2) When a GBL is used, the DOD is performing a reimbursable service for the FMS customer and custody must not be construed to mean retention of title or acceptance by DOD of the risk of loss or damage.

l. Commercial Bill of Lading (CBL) Collect or Prepaid to CONUS Port of Exit

This procedure normally will be used for FMS shipments on movements to CONUS commercial ports of exit. Purchasing countries will be informed by the DOD component concerned that they are responsible for (1) providing shipping instructions to carriers, (2) providing appropriate insurance coverage from the point of delivery to the carrier, and (3) in-transit accounting and settlement of claims against carriers. When shipment cannot be effected by collect CBL, due to tariff restrictions, refusal of carriers to accept collect freight shipments, or other reasons, the following are applicable.

(1) When the DD Form 1513 so authorizes, the shipping transportation office may guarantee payment of charges on collect CBLs, or

(2) The customer representative/freight forwarder may be requested to make "prepaid" arrangements with the carrier vice "collect."

m. Prohibition Against Section 10721 Rates

These rates, i.e., free or reduced rates for the United States under Section 10721 of the 1978 revision to the Interstate Commerce Act, are not applicable on FMS shipments.

Such shipments will move under commercial carriers' tariff rates.

3. Responsibilities of the US Government

a. Initiation of Shipments

The U.S. Government will initiate shipments to freight forwarders in accordance with the transportation instructions inserted on the DD Form 1513 (see MASM, Part III, Chapter D). Dependent upon customer's current self-sufficiency, USG will, as a minimum, assure delivery to the recipient country agent at the CONUS port of exit.

b. Evidence of Shipment

The US Government is required only to provide evidence of shipment. Any movement document or receipt, duly signed by a carrier representative, which shows that the US has shipped or released the materiel in question to a carrier for shipment to the country's designated representative, constitutes evidence of shipment. Such documents generally show the quantity, national stock number, mode, date, transportation control number, notice of availability number/bill of lading/parcel post insured or registered number, addressee, vessel or flight number (to the extent possible), name of shipper and carrier, etc. If the freight forwarder has not received the advance copy of the bill of lading, and proof of delivery to a carrier is requested, a duplicate of the bill of lading or other appropriate documents establishing evidence of shipment will be provided to the customer representative.

c. Proof of Delivery

The term "proof of delivery" is construed to mean "constructive delivery" (tender of the materiel to a designated carrier at point of origin). Establishment of proof of delivery to a country destination is not the responsibility of the US Government under CCBL. The US Government can only provide proof of delivery when movement was effected within the Defense Transportation System or other transportation provided under US Government auspices.

d. Materiel Shipment

Shipment of materiel is made by the US DOD in accordance with the provisions of the implemented case (including mode of shipment, if specified, and the offer/release code, via commercial common carrier at customer expense to the customer representative/freight forwarder designated in the MAPAD).

e. Processing of Claims

The applicable DOD component will provide necessary shipping information to assist customer representatives/freight forwarder in processing claims that may arise for lost or damaged shipments in the same manner it processes claims for US Government-owned materiel. On all Commercial Bill of Lading shipments, this assistance will be limited to administrative advice and provision of evidence of shipment and constructive delivery to the carrier, when requested by the country representative/freight forwarder. When the discrepancy is determined attributable to the shipper, the Transportation Office that originated the shipment will initiate action to recover reparation for losses, damage, or destruction of property incident to shipment.

f. Liaison Assistance

The DOD components concerned will provide technical assistance and guidance to customer representative/freight forwarders in order to assist in any manner that will improve the transportation support in the best interests of the FMS program. Such assistance will include, but is not limited to, customer representative/freight forwarder orientation in FMS transportation policies and procedures, MILSTRIP/MILSTAMP documentation, ROIDS processing, and resolution of specific transportation problems incident to US/DOD sponsored shipments. It is emphasized that the DOD components have no intervening authority in resolving customer/freight forwarder disputes or problems, nor in prescribing the manner in which freight forwarder activities are managed.

4. Responsibilities of the Customer

When the customer request has been established as a firm FMS case by acceptance of a Letter of Offer, the following management action must be accomplished by the customer:

a. Employment of a Freight Forwarder

If not established, the service of an international freight forwarder should be employed to accomplish those actions required to effect movement of FMS materiel to destination. The responsibilities which the customer elects to delegate to the freight forwarder should be clearly defined in the contract between the parties, and the action and operations of the freight forwarder, as pertain to the handling of FMS shipments, should be closely managed by customer representatives.

b. Receipt, Handling, and Processing of Materiel

These functions are the responsibility of the customer and are normally accomplished by the freight forwarder. The customer should assure that the freight forwarder has adequate receiving and storage facilities for processing shipments of various configurations for onward movement, with materiel handling equipment required for loading/unloading of commercial carrier conveyances.

c. Export License

The customer must obtain an Export License from the Department of State to authorize lawful export movement of purchased FMS materiel from the US to the country, whenever the items sold are to be in the custody of a freight forwarder or other non-governmental party. This must be among the first management actions accomplished in order to assure that materiel is not delayed when ready for shipment. This requirement is more fully addressed in Chapter O.

d. Title Transfer

The US Government normally transfers title to equipment and materiel to the cus-

tomer at the CONUS point of origin. Movement from this point onward to the country destination is the responsibility of the customer, and US Government responsibility terminates. (See para 2b.)

e. Export Declaration and Customs Clearance

The customer must assure that export declaration (US Department of Commerce Form 7525-V, Shipper's Export Declaration) are prepared for all FMS shipments and that such declarations are filed and validated by a collector of customs. After the declaration has been prepared, the shipment must be cleared through US Exit Customs by submission of documents to the collector of customs or export control officers. These actions are normally accomplished by the freight forwarder. This requirement is more fully addressed in Chapter O.

f. Transportation

The customer is responsible for arranging onward movement of materiel to destination, either by its own government carrier or commercial carrier. Cargo space must be obtained from and the shipment booked with an air or surface commercial carrier, materiel delivered to and loaded aboard the carrier, and applicable ocean bill of lading, air waybill, and/or manifests prepared. These actions are normally accomplished by the freight forwarder.

g. Carrier Selection

It is the customer's responsibility to clearly designate to the freight forwarder the mode of transportation and type of carrier desired for onward movement of materiel. Some customers prefer all movement aboard an air or surface carrier of the customer's flag registry. However, Public Resolution 17, 46 U.S.C. 1241-1, expresses the sense of Congress that export cargo generated as a result of loans made by Federal instrumentalities should be carried exclusively in US flag vessels. FMS Loan Agreements, both DOD Direct and Federal Financing Bank (FFB) guaranteed, executed between the

United States and foreign governments require that all items financed with these funds shall be shipped on US flag vessels, unless an exception has been obtained by the customer from DSAA. (See Figure N-2 for detailed instructions on Marine Transportation Waiver Procedures. Figure N-2 language is the same language included in all FMS loan agreements.) It is the customer's responsibility to notify its freight forwarder of the FMS case identifier related to the Letter of Offer utilizing loan funds and to ensure that the shipment of materiel under these case identifiers is made on US flag vessels. Cargo not purchased with US loans may be moved utilizing customer-owned/operated aircraft or vessels when conditions permit this type of delivery (i.e., pilot pick-up by country-owned military aircraft or by naval vessels).

h. Overseas Customs Clearance

Upon receipt of formal documentation, the customer is responsible for effecting overseas customs clearance of all FMS materiel through its customs agencies upon receipt at the aerial or water port of discharge, and for arranging delivery to the appropriate destination.

i. Notice of Availability (NOA)

If the authorized offer/release code specifies that the freight forwarder will be notified when materiel is ready for shipment, the customer will assure that the freight forwarder responds promptly to each NOA requesting shipping instructions. This will preclude undue holding and storage at the point of origin and will facilitate timely and orderly flow of materiel to the freight forwarder.

j. Payment for Transportation Services

Many US domestic carriers are reluctant to accept shipments on a collect basis due to difficulty experienced in collecting freight charges, or are prohibited from accepting collect shipments for export due to carrier tariff bureau restrictions. The customer will assure that the freight forwarder effects

prompt settlement of these freight charge accounts, through payment of charges upon delivery or establishment of credit arrangements with delivering carriers.

k. Follow-up on Shipping Status

When the materiel manager furnishes shipping status, and materiel has not been received, the customer is responsible for conducting its own tracer action. Such action should be directed to the customer's freight forwarder to determine if the item has been received. If the item has been received and transshipped by the freight forwarder, it should be traced to the addressee. If the item has not been received by the freight forwarder, a request for shipping information should be sent to the activity from which shipment status was received to ascertain evidence of shipment. That activity will provide a copy of the bill signed by the carrier and all shipping information such as Transportation Control Number (TCN), bill of lading number, carrier, date of shipment, etc. Further follow-up should then be made to the freight forwarder to ascertain if the item has, in fact, been received. If the item is still missing, the customer should assure that the freight forwarder either starts tracer action with the carrier to locate the materiel, obtains proof of delivery, or makes a claim against the carrier for loss of the shipment on behalf of the country.

l. Claims for Loss or Damage

The customer should assure that the freight forwarder can place claims for loss or damage of FMS materiel while in custody of the carrier, and that the customer is credited with any amount recovered. RODs covering shortages (non-receipt) should be submitted by the customer to the freight forwarder for review and response prior to submitting them to the appropriate DOD Component's Security Assistance Agency.

m. Claims against the DOD for Incorrect Shipments

The customer agrees, by acceptance of the LOA, to provide complete and timely sup-

porting documentation for claims, if any, against DOD for those alleged improper or incomplete shipments which are not the responsibility of commercial carriers.

n. Repairable Return Materiel

All materiel returned to the US Government for repair and return (repair, overhaul, servicing, etc.) should normally be shipped at customer expense and handled outside the Defense Transportation System (DTS) unless use of the DTS is authorized on the DD Form 1513. Shipments are normally moved through the freight forwarder, who is responsible for clearing the shipment through US Customs and transshipping materiel prepaid to the designated CONUS repair facility. The customer should assure that all such repairable shipments are accompanied by appropriate shipping documents and a customs declaration, and that the customer's freight forwarder has the capability for receiving and transshipping such materiel.

o. Insurance

Unless a customer is self-insured, commercial insurance should be obtained to provide coverage against loss and damage of property, injury to or death of persons, or other transportation risks incurred while the customer's property is in custody of the freight forwarder, aboard any carrier, or transiting any port facility. This includes shipment of repairable materiel. Freight forwarders will normally be covered for liability insurance against injury or death of persons. Purchase of separate liability insurance by the customer would be a duplication.

p. Military Assistance Program Address Directory (MAPAD), DOD 5105.38-D

This is a directory of customer representatives and freight forwarder addresses and codes ("Ship to", "Mark for") used by DOD shipping activities. It is essential that the customer maintain this directory in a current status to assure delivery. Further MAPAD information is in Section 5t.

Appendix 1**(CHAPTER D)****DIRECT CHARGES TO FMS CASES****1. Purpose**

The purpose of this Appendix is to clarify the manner in which certain estimated costs will be presented in DD Form 1513s and in case execution reports. The costs discussed herein, although generally overhead in nature, are to be charged directly to FMS cases rather than to be reimbursed from the FMS administrative funds.

2. Program Management Costs**a. Criteria for Charging Such Costs**

Those costs which are incurred solely in support of a single FMS program should be charged directly to FMS cases. A single FMS program is an FMS case, or multiple FMS cases, written to satisfy a country request for a major force improvement or for major management assistance from the DOD. Examples of previous programs which involved program management costs include Saudi Arabian National Guard Modernization (Army), Saudi Naval Expansion Program (Navy), and Peace Hawk V (USAF). Appropriate program management costs include TDY, the expenditure of the equivalent of one or more man-year of effort solely in support of a single FMS program, and supplies or materials. The criteria for determining whether such costs are chargeable directly to an FMS case are:

(1) TDY and other incremental costs must be incurred solely for implementation of the single FMS program (i.e., for a single FMS case or multiple cases related to a single country purchase). TDY and similar FMS costs incurred for overall program management, even if such costs are incurred only for one single country (e.g., for an overall re-

view of an entire FMS country program), is chargeable to FMS administrative funds.

(2) One or more man-year equivalent of effort must be devoted solely in support of implementing a single FMS program. The effort may consist of either "full time" man-years or the sum of "part time" man-years, providing the charge meets the criteria of this subparagraph and subparagraph 5 below. Personnel effort will not be charged against case management lines unless it can be demonstrated that the DOD organization involved has either increased its staff as a direct result of the program implementation, or has made an organizational change directly related to the need to rearrange manpower effort in order to implement the program involved. Such costs are most likely to be incurred in CONUS program management/weapons systems management offices as a result of significant additional workload caused by consummation of a major systems sale. General manpower efforts in behalf of FMS, even if incurred for one specific FMS purchaser (e.g., FMS country desk officers), are reimbursable from the FMS administrative fund. Additional criteria for identifying case management costs are included in subparagraph 5 below.

(3) All costs of services performed overseas in support of specific programs are chargeable directly to appropriate line items on FMS cases. Examples of such costs include weapons systems liaison officers, quality assurance teams, and special overseas assignment of personnel for program management and contract administration. In the latter instance, costs of contract administration will be directly charged to cases at actual costs.

(4) The cost of supplies, materiel, and equipment is properly chargeable directly to the FMS case if it can be demonstrated that the procurement of such items was made solely for the purpose of administering and implementing the FMS case involved.

(5) It is recognized that the functions performed under case management lines are administrative efforts similar to the general types which are chargeable against the FMS admin fund. The distinction is that case management charges not only are identifiable to a single FMS program, but also are clearly "over and above" routine management actions which must be taken to implement any FMS case; e.g., costs incurred in preparing a Letter of Offer. The establishment of a case management line, particularly one which contemplates charging man-year costs directly against a case, requires a management judgment that an exceptional degree of management effort is necessary to assure successful program implementation. This judgment is a unilateral one on the part of the USG: i.e., the prospective purchaser is informed that the FMS program cannot be implemented unless extraordinary management costs are incurred. Since the inclusion of the special charge carries a degree of foreign policy connotation, the services to be provided under case management lines must be clearly defined within Letters of Offer. Additionally, the Director of Security Assistance of the Military Department involved, or his designee, must approve the inclusion of a case management line in excess of \$100,000.

(6) As defined above, case management costs exclude those DOD costs incurred to perform specific management or other services as a direct result of a country request to perform such services. They also exclude services (e.g., engineering support) directly related to providing the end product which the case is designed to produce. These latter costs, while chargeable directly to FMS cases, are considered to be technical assistance rather than case management costs. For cases which include costs for both case management and for DOD services which are inherent to the purpose of the case, the estimated

costs may be presented as a single line item identifiable to the specific description of the services inherent to the case.

b. DD Form 1513 Presentation

Program management costs will be included in the DD Form 1513 as a separate line item. Cost estimates will be based on an analysis of the effort required for program management from inception to completion. The line item should be entitled "Case Management Costs" (cite Generic Code L8A and NSN 018100 Case Management), and explanatory notes as to such costs should be included in the Letter of Offer to the extent required to explain them to the purchaser.

c. Military Department Delivery Reporting

Military Departments will report actual costs incurred to SAAC as "Services Performed". Personnel costs, including costs of man-days of effort performed while on TDY, will be priced in accordance with instructions in DODI 2140.1. SAAC will submit billings to countries for such costs in accordance with normal FMS procedures.

3. Government-Provided Engineering Services

a. Criteria for Charging Such Costs

Government-furnished engineering services may be specifically requested by the purchaser, or costs may be incurred to provide such services as a necessary part of the management of the production run of certain items of equipment being sold under FMS. Those services specifically requested by the purchaser will be offered on DD Forms 1513, reported, and billed in the same manner as any other service sold under FMS. The criteria for determining whether government-furnished engineering services associated with equipment purchases should be charged directly to an FMS case are:

(1) While the service may not be requested by the purchaser, the performance of the service is necessary for the production, configuration control, or reliability of the

item or families of items being sold. The costs to be charged for such services will be the proportionate share of man-years needed for the FMS items being produced. As a general proposition, the costs will be derived by pro-rating total engineering costs by the ratio of items being produced for FMS purchasers to the total items being produced in the same time frame.

(2) These DOD costs must be allocable to a specific program rather than be performed to benefit the FMS program in general. Virtually all man-years associated with FMS-related engineering tasks are allocable; however, it is recognized that some engineering man-years may be required for general FMS administration and, upon proper documentation that the cost of such man-years cannot be allocated to FMS case lines, they may be charged to the FMS admin budget.

(3) As indicated in DODI 2140.1, paragraph VIIE2, engineering costs are chargeable directly to an FMS case only if they are recurring in nature, and are related to a current production run in which FMS material is being produced. Non-recurring costs are recoverable via policies and procedures included in DODD 2140.2.

b. DD Form 1513 Presentation

Estimated costs of providing engineering services associated with production of purchased items will be included in the estimated unit cost of the item being purchased. Thus, the DD Form 1513 item price will include not only the estimated contract cost to produce it (including government-furnished materiel) but also the cost of services required to assure its purchaser production in the correct configuration. Such costs will also include the pro-rata share of government-furnished testing and evaluation services.

c. Military Department Delivery Reporting

Military Departments will include the appropriate pro-rata share of applicable government-furnished engineering service costs in the reported unit price of the purchased item. SAAC will submit billings to countries

at the full unit price reported by the Military Department.

4. Asset Use Charges for Items Provided From Inventory

a. Criteria for Charging Such Costs

DODI 2140.1, paragraph X.B, requires an asset use charge of 1% to be applied to the material base price for articles sold from DOD inventories.

b. DD Form 1513 Presentation

Whenever it is practicable to estimate the value of materiel to be furnished from DOD inventories, the amount of the estimated asset use charge will be included in Block 25 of the DD Form 1513. The following note will be included in all DD Forms 1513 which include requirements which possibly could result in shipments from DOD inventories: "An amount of 1% will be added to the price of items provided from DOD inventories, so as to cover costs incurred for use of U.S. Government facilities."

c. Military Department Delivery Reporting

The Military Departments will report inventory item shipments to SAAC at stock list price or replacement price as applicable. The Military Departments will not include the value of the asset use charge in such delivery reports. At case closure a certificate will be submitted from the Military Department to SAAC exclusive of the asset use charge. SAAC will assure the 1% asset use charge is reflected in the final case value.

d. SAAC Billing and Reimbursement Procedures

SAAC will process reported deliveries of items from inventories (based on delivery source code) so as to add a surcharge of 1% to the value of the reported inventory shipments. Delivery documentation forwarded to purchasers as a part of billing data will reflect the charge separately, in the same general manner used for assessment of PCH&T

charges. SAAC will take actions required to assure that proceeds received from the asset use charge are properly credited to Miscellaneous Receipts of the Treasury.

e. Applicability

These provisions do not apply to the application of rental charges made under the provisions of the Defense Acquisition Regulation (DAR) for items provided from procurement initiated to meet FMS customer requirements or to asset use charges for DOD services including training. DAR rental charges for items furnished from procurement will vary depending on the degree of use of DOD facilities and are included in contractor billings. Applicable asset use charges for items manufactured or assembled in government-owned and operated facilities will be included by the Military Department in the unit cost of the item being produced. Asset use charges for FMS training are to be included in the tuition rates billed to purchasers. Asset use charges of DOD services are to be included as part of the cost of performing the service.

5. Replacement Price for Secondary Items

a. Criteria for Charging Such Costs

The stock list price of procurement funded secondary items furnished from inventory will be increased by a surcharge published

by the ASD(C). The surcharge will be included in the item's price and covers the increased cost, anticipated due to inflation, of replacing the item from procurement sources. The inflation factor will not be arbitrarily applied to the price of major items sold from inventories. Replacement prices for major items will be computed in accordance with paragraph VI of DODI 2140.1.

b. DD Form 1513 Presentation

Most such items will be provided against "dollar lines" for blanket order FMS cases, etc. The dollar values offered in DD Form 1513 should be in sufficient amounts to cover appropriate replacement pricing for secondary items.

c. Military Department Delivery Reporting

Military Department delivery reports will reflect the item selling price as a single price combining stock list price plus the ASD(C) published surcharge amount. SAAC will submit billings to countries in the price reported by the Military Departments.

d. Applicability

This instruction does not apply to stock fund pricing, but only to central procurement secondary items provided from DOD inventories. As indicated in Section XI C, DODI 2140.1, all CLSSA (FMSO II) shipments will be priced at standard price.

dating of FMSO I to assure stockage of all items essential to the proper maintenance of major equipment. Such additions will be made by the service responsible for logistic support, based on policies and procedures for the stockage of repair parts and assemblies to support service equipment. To assist in the periodic revision of FMSO I, the supporting service will provide to the customer country a priced listing of the automatic item additions (or proposed additions if the automatic update clause does not appear in the SSA), as well as possible deletions.

2. In the event the country does not agree to additions to FMSO I, future requests for such items will not be handled as an SSA requisition, but will await delivery from new procurement unless, in the opinion of the Inventory Control Point (ICP), stock levels are sufficiently above the reorder point to permit supply without detracting from the support of U.S. forces and the other SSA countries. If the number of items in the category is significant, the Military Department should terminate action and offer the country as a substitute an open-end FMS case.

3. The FMSO I will also be revised at the beginning of each year to fund storage.

4. The FMSO II will be closed at the end of each year, at which time a new consumption Sales Order will be established, based on demand history or planned operations.

(d) Administrative Charges and Billing Procedures

1. DOD Directives/Instructions 2110.29, 2140.1, 2140.3 and 7510.4 delineate policies and procedures for funding, accounting and costing of FMS. The purpose of this paragraph is to highlight certain existing guidance in the costing and billing of SSA sales.

2. As significant overhead costs are incurred by U.S. forces in providing services under SSAs, the following administrative charges in addition to accessorial costs shall be included in the billing of SSA sales:

a. FMSO I. Customer countries will be billed for the actual value of the quantities of materiel on hand. The 5% administrative charge will be added to this billing. Materiel continuously on order will be handled as a dependable undertaking. Neither materiel nor administrative charges are assessed against the latter increment until ultimate delivery to the U.S. supply system in a terminal transaction. Charges for storage will be based on a 1.5% annual assessment against the estimated average inventory value. Assessment charges may be billed quarterly or annually at the option of the billing service.

b. FMSO II. Charges for anticipated inventory replacement based on expected usage will be levied quarterly or as mutually agreed for FMSO II orders, and will be collected in advance. Such collections will include the 5% administrative charge.

(5) Obsolete and Excess Stocks

(a) If an item becomes obsolete or excess to the customer country but not to U.S. requirements, the country may request cancellation of the FMSO I item, applying its equity to subsequent orders for other items. If the U.S. does not agree to the cancellation, the country will, upon request, withdraw the quantity, or arrange for the U.S. to dispose of such materiel, with the net proceeds to be credited to the country account.

(b) If an item becomes obsolete or excess to U.S. but not customer country requirements, the U.S. may request the country to withdraw its materiel equity from U.S. stocks. The country may purchase additional quantities of such items from existing U.S. stocks at a fair value computed in accordance with DOD Instruction 2140.1 plus applicable accessorial and administrative charges. The country may, with the approval of the U.S., place a final order for spares in sufficient range and quantity to support the equipment for its probable remaining useful life. Military Departments will alert countries to anticipated U.S. equipment phase-

outs to permit a timely and orderly final procurement of spares.

(c) If an item becomes obsolete or excess to the requirements of both the customer country and the U.S., the country will, upon request, withdraw its materiel from U.S. facilities. Alternatively, at the request of the country, the U.S. will dispose of such materiel and credit the country with its proportionate share of the net proceeds.

(6) Repurchases. Upon request of the U.S. the customer country will, to the extent compatible with its supply requirements, sell to the U.S. items which have been previously delivered under the SSA. Such repurchases will be made at a fair price (based on DOD Directive 2140.1) mutually agreed upon, which will not in any case exceed the price at which the item was sold to the country, plus the cost of any modification costs and accessorial charges. Transportation in such cases will be furnished by the U.S.

4. Requisition Procedures

a. Use of MILSTRIP

(1) Standard Items. Once an FMS case has been established and funded, MILSTRIP requisitions may be initiated either by the customer country or by a designated military component. For standard materiel items, requisitions will be prepared in MILSTRIP format by the military service, or will be converted to MILSTRIP format by the Military Service Requisition Control Office (RCO). Service designated RCOs are:

Army—International Logistics Center, New Cumberland, Pa.

Navy—Navy International Logistics Control Office (NAVILCO), Philadelphia, Pa.

Air Force—Air Force Logistics Command, Wright-Patterson AFB, Ohio.

RCOs will verify MILSTRIP requisitions prepared by countries prior to introduction into the U.S. logistics system. Supply and shipment status will be provided in accordance with MILSTRIP procedures.

(2) Non-standard Items. Although customer countries are encouraged to pro-

cure materiel which is standard to the U.S. Armed Forces, non-standard equipment may be requisitioned after mutual agreement with the Military Department concerned. Such requisitions, as well as requisitions for services (e.g., training, etc.), will be in a letter format rather than under MILSTRIP procedures.

b. UMMIPS

(1) The Uniform Military Priority System (UMMIPS), as delineated by DOD Instruction 4410.6, is applicable to all requisitions. Force Activity Designators (FADS) are established by the JCS for all customer countries. Component activities will take the necessary steps to assure that participating foreign countries are properly instructed in the establishment of the Issue Priority Designator. RCOs, and MAAGs, if they process FMS requisitions, will verify country established Issue Priority Designators to assure accuracy.

(2) Erroneous designators will be corrected by the reviewing activity. Doubtful cases will be referred to the appropriate U.S. or customer country representative for clarification or correction.

c. Delivery Commitment Date (DCD)

(1) A DCD will be applied to all FMS cases that include a line for a principal item and for which there is no corresponding MILSTRIP Required Availability Date (RAD) in the supply system. The DCD will be identified through the use of a three digit numeric code, the first two representing the fiscal year, and the third representing the quarter of the fiscal year. The DCD when applicable, should be placed in the Availability and Remarks Block of the DD Form 1513. (The DD Form 1513-2 Notice to countries of slippages over 90 days is required on DCD revisions only and not on slippages of items controlled within the MILSTRIP RAD system.)

(2) A report will be submitted to DSAA on a quarterly basis, 45 days after the end of each quarter of the fiscal year, and will

include all cases for which the DCD for any major items on the case has been slipped more than 90 days from that DCD originally quoted on the accepted Letter of Offer or from that previously reported to DSAA, together with a brief explanation of the slippage. In the event it is determined that a slippage in delivery date in excess of 90 days will occur, but a firm alternative delivery date cannot be established within a reasonable time, a DD Form 1513-2 will be provided to the country deleting the previous delivery date, providing an explanation of the circumstances involved, and containing a statement that an additional DD Form 1513-2 will be provided as soon as the new delivery date has been established. Individual changes meeting the threshold criteria need only be reported once, in the quarter in which they occur. A copy of the DD Form 1513-2 required per Chapter D, paragraph 13.d, will be submitted for each item. The number assigned this report in the reports control system is DSAA(Q) 1123. This report will be submitted with the report on price increase notifications required by paragraph 13.i, Chapter D. The format at Figure F-1 of this chapter should be followed for this report.

d. Delivery Forecast Date (DFD)

(1) The DFD is developed by the NICPs of the Military Departments, and represents the estimated date of delivery of the total quantity of the line item.

(2) There is a mandatory relationship between the DFD and the DCD. In all cases, the DFD is established to meet or occur earlier than the DCD. If the DFD occurs later than the DCD, the latter may be modified as described in paragraph c, above.

(3) The DFD is not a gross lead time estimate such as the MASL leadtime. It is a true estimate by the NICPs of the forecast of deliveries based on procurement/supply studies.

e. Order Quantities

Military Departments and other DOD components should offer to provide customer countries guidance in effective inventory

management to conserve resources and to minimize misuse or abuse of the requisitioning system. DOD components must assure that proper guidance concerning the use of Economical Order Quantities (EOQ) is developed and made available to the customer countries. MAAGs and others acting in this capacity will advise and assist customer countries to assure understanding and use of EOQs. RCOs and MAAGs, in those cases where they review FMS requisitions, should screen requisitions to confirm utilization of the EOQ concept.

5. Management Review

a. Within 120 days after acceptance of an FMS case, Military Departments will advise the MAAG of the forecast delivery date of each major item. No less frequently than quarterly thereafter, until deliveries are complete, the MAAGs will be advised by the Military Departments of any changes in these forecasts.

b. MAAGs are responsible for review of delivery forecasts and for advising the Military Departments of any cases where forecasted deliveries will cause significant problems, giving full particulars as to the nature of the problem and recommended solutions. Problems unresolved between MAAGs and the Military Departments should be referred to DSAA.

c. A quarterly MILSTRIP requisition status report will be prepared by the Military Departments and made available to the requisitioning countries at their request on a quarterly basis. Each report will reflect all requisitions open at the end of the report period and all requisitions shipped or cancelled during the report period. Multiple line entries for the same requisition will be reflected whenever a partial or split action is taken. The report will be prepared at Country, Case and In-Country Service Designator level. Summary lines will be provided to indicate the number of lines/actions and dollar value by open requisitions, cancellations and shipments.

6. Delivery Performance

a. The quality of delivery performance directly reflects the degree to which the U.S. meets its FMS commitments and is therefore a key element of the supplier-customer relationship. The importance of prompt and effective service to the customer country must be continually emphasized to assure overall success in the attainment of FMS program objectives.

b. Every effort must be made to impress upon the customer the importance of reporting discrepancies as soon as possible but no longer than one year after shipment or billing, whichever is later. Since this time standard exceeds time standards previously expressed by the Military Departments the time limitation of one year after shipment or billing applies to all shipments made subsequent to the date of this instruction.

c. Wherever significant political or readiness impact is involved, the MAAG will advise the Unified Command of the problem. In those instances in which the matter is not satisfactorily and expeditiously resolved, the Unified Command will immediately notify the Military Department concerned and, in significantly important cases, DSAA.

7. Supply Management

a. Materiel Standards

(1) It is Department of Defense policy that defense articles offered and sold to foreign governments and international organizations reflect favorably upon the United States. Therefore, defense articles offered and sold under Foreign Military Sales will normally be new or unused, or, as a result of rehabilitation, possess original appearance insofar as possible, and, as a minimum, have serviceability standards prescribed for issue to U.S. forces. If the customer country desires exclusively new equipments, such requirement will be set forth in the Offer and Acceptance (DD Form 1513). If the customer desires to purchase "as is—where is," this will also be clearly stated in the DD Form 1513.

(2) The agencies authorized to make

offers will assure that the offer (DD Form 1513) fully describes the condition of the defense materiel and that the agent of the foreign government or international organization who accepts and signs the Offer and Acceptance (DD Form 1513) understands the condition of the defense materiel.

(3) Military Departments and DOD components shall require that FMS materiel conforms to the offering, is serviceable and is complete with regard to repair parts, publications, etc. An exception to this rule is excess property which is sold on an "as is—where is" basis. Such equipment may be sold without initial or follow-on supply support, provided the country clearly understands these conditions and accepts responsibility for providing future support.

(4) The agencies authorized to make offers will assure that a one-year supply of "in-country" concurrent (initial) repair parts, through fourth echelon requirements at US. peacetime usage rates, shall be included with equipments being offered. Such repair parts packages should be identified by category and total value rather than by item. Normally, pricing specific repair parts when requested by a foreign government or international organization is to be avoided.

b. Condition of Aircraft

In the interests of public safety, the following policy is established for the material condition of U.S. aircraft prior to delivery. Sales agreements will contain the stipulation that delivery will be made only under one of the following conditions:

(1) In the event flight delivery of the aircraft is desired by the purchasing country, the aircraft must be placed in safe operating condition consistent with established standards of the military service of origin or Federal Aviation Administration (FAA). Required maintenance may be done through negotiation with the service of origin or a commercial FAA certified facility, and all costs will be borne by the purchaser. Aircraft will be released for flight only after an inspection by the service of origin has determined that the established military service

standards have been met except where the purchaser elects to have maintenance performed in an FAA certified facility, in which case release will be accomplished by an FAA or service of origin inspection, as appropriate; or,

(2) Aircraft not to be restored to the above criteria will be sold with the understanding that they will be delivered to destination by surface transportation only.

8. Suspensions/Cancellations

In the event the Department of State determines that it is necessary to suspend Foreign Military Sales to any recipient country, DSAA will issue instructions to the Military Departments and the Defense Supply Agency based on the merits of each suspension or cancellation requirement. Any or all of the following specific requirements may be directed or requested:

a. Suspension or cancellation of the issuance of Letters of Offer and Acceptance (DD Form 1513) to the recipient government.

b. Suspension or cancellation of action on all accepted FMS cases for which supply ac-

tion has not been initiated by the Military Departments.

c. Review of all FMS cases for which delivery has not yet been completed, in order to determine:

(1) Which items, if any, could be cancelled without cost to the U.S. Government.

(2) Which items, if cancelled, would result in cost to the U.S. Government.

d. Identification of the source of each item, and whether the transaction is cash, credit, or dependable undertaking, including the value of monies received with the order, or paid in by the purchaser up to the time of suspension.

e. Diversion of the items under order to other purchasers or for other purposes in the event the suspension were to become a cancellation.

9. Management Reports

Reports and EAM card submissions integrating supply and financial management of FMS are described in Chapters K and L.

troller, DSAA will take action required to refer the indebtedness to the Department of State for diplomatic assistance.

12. Billing for Payments of Principal and Interest for the DOD Direct Credit Program.

a. Basis for Calculating and Submitting Billings

(1) Credit Agreements provide principal repayment schedules (normally semianual), and rates of interest, and interest repayment dates. Basically, Credit Agreements call for charging of interest on the amount by which disbursements of DOD Direct Credit funds exceed the amount of repayments of principal made.

(2) Unless otherwise specified in Credit Agreements, the date of the promissory note indicates the commencement of interest charges, at the rate indicated in the Agreement, against the principal amount reflected in the note. The criteria for dating promissory notes are included in paragraphs 4, 6, and 8.

(3) Billings for repayments of principal and interest will be issued sixty (60) days prior to the due date. The due date will be specified clearly on the billing. In no instance will the due date be less than sixty days subsequent to the date the bill is issued. Interest charges against promissory notes outstanding on the billing date will be projected through the day prior to the payment due date. Interest charges for promissory notes issued between the billing date and the due date will be included in the next subsequent billing.

(4) All payments received will be applied so as to liquidate first the interest included in the billing involved, with the remaining amount of the payment being credited to principal. Any overpayments against a given billing will be credited to principal, and the schedule for repayment of principal will be reduced as provided for in the individual FMS Credit Agreement.

(5) When previously issued promissory notes are adjusted upward or downward:

(a) Any overcollections of interest will be applied to principal, and the schedule for repayment of principal will be reduced as provided for in the individual FMS credit agreement.

(b) Any increased interest costs will be included in the next subsequent billing in the full amount.

b. Overdue Payments

(1) All repayments of principal and interest are due on the due date specified in the billing. Payments which are not received by the due date will continue to accrue interest, at the applicable daily rate.

(2) Any charges for interest which have accrued due to the late payment will be added to the next succeeding billing.

13. Reporting Collections of DOD Direct Credit Funds From DSAA and From Private Guaranty Credit Funds

a. The Military Department concerned with the implementation of the FMS case, upon receipt from DSAA of the cash transfer to DOD Direct Credit Funds, will:

(1) Record the received funds against the respective FMS case, and

(2) Report the funds as a collection against the case in the DSAA (AR) 1100 reporting system. The reported information will include all data from the SF 1151 document issued by DSAA, which identifies the applicable country and credit arrangement, and from the DD Form 645 (submitted by the Military Departments to DSAA) which identifies the applicable FMS case.

b. In the case of private credits or Federal Financing Bank (FFB) credits guaranteed by the Department of Defense, the Military Department concerned, upon receipt of the funds from the country, will:

(1) Record the received funds against the appropriate FMS case, and

(2) Report the funds as a collection against the case in the DSAA (AR) 1100 reporting system.

14. Sale of MAP Owned Property under FMS

Proceeds from the sale of MAP owned property are properly reimbursable to MAP appropriation 11*1080. The Military Department which transacts the sale should specify to DSAA at the time the DD 1513 letter of offer is prepared, the items being sold and any special conditions of sale. Comptroller, DSAA will issue special instructions required to insure reimbursement to the MAP appropriation.

15. Financing Reports of Discrepancy (ROD) When the U.S. Government (USG) is Liable

a. Purpose

The purpose of this section is to establish funding policy in those instances where the USG is determined to be financially liable for the resolution of a Report of Discrepancy (ROD). Procedural guidance for the completion of Standard Form 364, Report of Discrepancy, related to Foreign Military Sales shipments can be found in DODI 2140.3, Joint Regulation DLAR 4140.60, AR 12-12, AFR 67-7, NAVSUPINST 4920.9B and MCO 4140.1B.

b. General

Legislative requirements dictate that the USG conduct the FMS program on a break even (no cost, no profit) basis. This principle must be applied in determining whether USG or FMS administrative funds will absorb the cost of a particular ROD transaction. If the USG will benefit from the transaction then it has the responsibility to correct the discrepancy (to the extent of the benefit accrued or to be accrued) by a financial adjustment from appropriated funds or by issue from service stocks without additional charge. On the other hand, to the extent that the USG will incur a loss on a particular transaction, that loss should be absorbed by FMS administrative funds.

c. Specific

(1) Appendix 1, this chapter provides guidance for specific types of discrepancies

and indicates whether FMS administrative funds or US Government appropriated funds will finance the cost of correcting the discrepancy.

(2) When customer countries are required to rerequisition items which were not previously shipped, they are required to pay the existing price at the time of issue regardless of the fact that the item was initially released at a lower price.

(3) All RODs in excess of \$10,000.00 will be submitted to DSAA for approval before being charged against FMS administrative funds. This submission will contain the Department/Agency legal position on the liability of the US Government.

d. FMS Administrative Fund Budget Approval

The DSAA FMS Administrative Budget Call, which is issued on an annual basis to Military Departments and DOD Agencies, provides procedural guidance for the inclusion of estimated ROD costs that are to be financed from FMS administrative funds.

16. Address of the Central Collection and Billing Office

The Security Assistance Accounting Center (SAAC) is the single DOD activity authorized to render billings for FMS transactions and to receive deposits from FMS purchasers. Collections received by any other DOD component should be forwarded to the SAAC immediately. Each DD Form 1513 should be annotated to inform the FMS purchaser that the SAAC is the central accounting activity for the agreement.

The address of the SAAC is:

Director,
Security Assistance Accounting Center
Denver, Colorado 80279

17. Addresses of Military Department Central Activities Responsible for Preparation and Issuance of Letters of Offer

- a. Department of the Army
U.S. Army Security Assistance Center
5001 Eisenhower Avenue
Alexandria, Virginia 22333

MILITARY ASSISTANCE AND SALES MANUAL—PART III

b. Department of the Navy
Chief of Naval Operations (OP 63)
Hqrs. Department of the Navy
Washington, D.C. 20350

c. Department of the Air Force
Director of Military Assistance and
Sales (AF/PAI)
Hqrs. U.S. Air Force
Washington, D.C. 20330

Appendix 1
CHAPTER G

FINANCING REPORTS OF DISCREPANCY (ROD)
WHEN THE U.S. GOVERNMENT (USG) IS LIABLE

The information which follows provides guidelines as to the source of funding for payment of valid claims related to FMS shipments wherein the USG is found liable for the discrepancies. (Reference paragraph 15, chapter G.)

<i>Nature of Discrepancy</i>	<i>FMS Administrative Funds</i>	<i>USG Appropriations/Funds</i>
1. <i>Defective or Deficient Materiel</i> (item deficiency)		
a. From Procurement**	Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable
b. From Stock	Transportation of materiel for rework or disposal, <i>or</i> , if more cost effective, travel and per diem costs of rework team. The cost of testing defective items when it is necessary in order to service the FMS customer.	Appropriate USG appropriation or fund is responsible for (1) replacement without additional charge, (2) refund to the customer account, or (3) repair or rework of defective items issued to FMS customers (except as indicated under "FMS Administrative Funds" heading).
2. <i>Damaged Materiel*</i>		
a. From Procurement**	Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable
b. From Stock	Transportation of materiel for rework or disposal, <i>or</i> , if more cost effective, travel and per diem costs of rework team. The cost of testing damaged materiel when it is determined to be necessary in order to service the FMS customer.	Appropriate USG appropriation or fund is responsible for (1) replacement without additional charge, (2) refund to the customer account, or (3) repair or rework of defective items issued to FMS customers (except as indicated under "FMS Administrative Funds" heading).
3. <i>Materiel Not Received*</i> (nondelivery, shortage)		
a. From Procurement**	Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the contractor.	Not applicable

MILITARY ASSISTANCE AND SALES MANUAL—PART III

<i>Nature of Discrepancy</i>	<i>FMS Administrative Funds</i>	<i>USG Appropriations/Funds</i>
b. From Stock	<p>Not applicable, except in cases where US action or inaction causes inability of the FMS customer to obtain satisfaction from the carrier. DOD policy requires that receiving reports be obtained whenever materiel is released to a common carrier (including the US Post Office). When materiel is delivered through the Defense Transportation System (DTS), the MAAG or its designated representative is required to receipt for the FMS/MAP materiel. These procedures make it possible to identify responsibility for any loss of materiel in transport. FMS administrative funds may be used only when it is specifically substantiated that the USG failed to meet its responsibility relative to the shipment of the materiel (except as indicated under "USG Appropriations/Funds" heading).</p>	<p>If an item arrives short or is not delivered (e.g., short unit pack, misdirected shipment) and the carrier is absolved of liability, then the shortage or misdirection is determined to have occurred at the point of origin and will be absorbed by the applicable US appropriation. In those instances, a credit may be given to the FMS customer's account and charged to the USG appropriation which was initially credited as a result of such transaction. Misdirected shipments not returned to stock will be absorbed as an inventory loss against the applicable USG materiel account.</p> <p>If USG owned, government furnished equipment (GFE) which is to be incorporated into an end-item is lost or damaged during shipment to the contractor (i.e., prior to incorporation into the end-item) then the customer's funds will be used to absorb the applicable cost. Recognition should be given to the possibility that a "lost" GFE shipment may be lost only on the accounting records but still physically in the USG's possession. In instances where this is probable, no charge should be made to the purchaser for "lost" GFE.</p>
4. <i>Overage*</i>		
a. From Procurement**	<p>Not applicable unless the USG is responsible for the overage.</p>	<p>Not applicable</p>
b. From Stock	<p>Costs to transport excess items back to stock or to disposal. If claimed by the customer, costs to transport excess items issued to the country. Note: Out-of-pocket costs of packing, crating and handling, (PCH), if claimed, will be paid from PCH funds.</p>	<p>If billed and customer does not want the items, amounts for excess items charged will be refunded to the FMS customer account and the appropriate USG appropriation/fund will be charged. Overage items not returned to stock will be absorbed against the applicable USG materiel property account as an inventory loss.</p>
5. <i>Improper Identification</i> (incorrect item, i.e., nonsubstitutable item)		
a. From Procurement**	<p>Not applicable unless the USG is responsible for the problem.</p>	<p>Not applicable</p>

MILITARY ASSISTANCE AND SALES MANUAL—PART III

<i>Nature of Discrepancy</i>	<i>FMS Administrative Funds</i>	<i>USG Appropriations/Funds</i>
b. From Stock	When the incorrect item is not returned, the cost of issuing the correct item or providing a customer refund will be absorbed by the FMS Administrative Fund. On the other hand, if the incorrect item is returned, then the appropriate adjustments within the USG accounts should be effected and only the net additive costs should be absorbed by the FMS Administrative Fund. Note: Out-of-pocket costs of packing, crating, and handling, if claimed, will be paid from PCH funds.	Applicable USG appropriation/fund is responsible for issue of correct items without additional charge to the FMS customer. If the correct item is not available for issue, the refund to the customer account will be charged against the appropriate USG appropriation/fund which was initially credited as a result of such transaction. Incorrect items issued and not returned to stock will be absorbed against the applicable USG materiel property account as an inventory loss.
6. Improper Documentation		
a. From Procurement**	Not applicable unless the USG is responsible for improper documentation.	Not applicable
b. From Stock	When the incorrect item is not returned, the cost of issuing the correct item or providing a customer refund will be absorbed by the FMS administrative fund. On the other hand, if the incorrect item is returned, then the appropriate adjustments within the USG accounts should be effected and only the net additive costs should be absorbed by the FMS administrative fund. Note: Out-of-pocket costs of packing, crating and handling, if claimed, will be paid from PCH funds.	Applicable USG appropriation/fund is responsible for issue of properly documented items without additional charge to the FMS customer. If the properly documented item is not available for issue, the refund to the customer account will be charged against the appropriate USG appropriation/fund which was initially credited as a result of such transaction. Improperly documented items which are not returned to stock will be absorbed against the applicable USG materiel property account as an inventory loss.
7. Duplicate or Erroneous Billing		
a. From Procurement**	Not applicable	Erroneous/duplicate charges will be corrected, i.e., refund (where appropriate) or adjust to customer account. Adjustments will be charged against the appropriate USG appropriation/fund or the customer account when appropriate.
b. From Stock	Not applicable	Erroneous/duplicate charges will be corrected, i.e., refund (where appropriate) or adjust to customer account. Adjustments will be charged against the appropriate USG appropriation/fund or the customer account when appropriate.

MILITARY ASSISTANCE AND SALES MANUAL—PART III

<i>Nature of Discrepancy</i>	<i>FMS Administrative Funds</i>	<i>USG Appropriations/Funds</i>
8. <i>Loss of Customer Item in Inventory</i> (provided for fabrication, assembly or rework)	When the item is no longer maintained in the USG inventory, the USG cannot benefit from retaining the item. In this instance the FMS Administrative Fund is the appropriate source for customer reimbursement. Also, where the customer's item is physically lost (fire, theft, etc.) then by definition the USG cannot benefit through item retention and thus the FMS administrative fund is the appropriate source for customer reimbursement.	If the item is currently maintained in USG inventory and the loss is a bookkeeping or inventory control loss, then the item is still physically available and should be replaced from USG assets or appropriate credit provided from USG funds.

* Effective 1 October 1977, claims of \$100 or less will not be reported for:

1. Overages
2. Shortages (includes nonreceipt)
3. Damages

** Procurement includes both "fast pay" and other procurement contracts.

credit arrangements with delivering carriers.

i. Claims

The freight forwarder is responsible for filing claims against commercial carriers on behalf of the customer for loss, damage, shortages (non-receipt) and pilferage of materiel while in their custody. The customer will be credited with any reparation claim action.

j. Return of Repairable Materiel

There should be the capability to receive materiel returned from the customer for repair, overhaul, or servicing, clear it through US Customs, and forward it prepaid to the "designated CONUS facility. After repair, materiel will be shipped to freight forwarder in accordance with normal delivery procedures.

k. Insurance

Commercial insurance coverage should be provided for protection of all customer-owned FMS materiel while in custody of the freight forwarder, unless the customer is a self-insurer.

l. Notice of Availability (NOA)

If the offer/release code specifies prior notification when materiel is ready for shipment, the freight forwarder should provide expeditious response to each NOA requesting shipping instructions. Any alternate shipping instructions, such as a different carrier mode, shipping address, port or consignee other than that specified in the MAPAD, will be observed. Instructions for holding the materiel until a specified future delivery or until availability of a vessel will not ordinarily be honored, as the DOD shipping activities should not be used as storage facilities for the convenience of freight forwarders or the customer. Items held for over 15 days are subject to a USG storage charge.

m. Tracer Action

Every assistance possible will be provided the customer on follow-up tracing of specific materiel shipments. The customer should be provided all receipt and transshipment data. If no record of receipt is indicated and the customer provides evidence of shipment from the shipping activity, tracer action will be initiated with the carrier and the customer informed of findings.

n. Multiple Delivery Addressees

Shipments will be made only to the single address specified in the MAPAD or in the official response to the NOA. Delivery is authorized only to the consignee indicated on the bill of lading. Any further reconsignment, diversion, storage, or other deviation directed by a freight forwarder that results in additional costs will be at the freight forwarder/customer expense.

o. Discrepancy Reporting

The customer representative will advise by means of SF Form 364, Report of Discrepancy (ROD) of any discrepant shipments, i.e., misaddressed shipments, erroneous documentation, faulty marking that precludes identification, or any other discrepancy that appears to be the responsibility of the US Government. Faulty packaging will be reported on a DD Form 6, Packaging Improvement Report, with pictures if possible, to accompany the SF Form 364. The customer representatives will take action with SAAC or the appropriate Military Department Security Assistance agency.

p. Pilot Pick-up of Materiel

When the freight forwarder is advised that a customer-owned/operated aircraft is scheduled into the CONUS to pick-up customer-owned property from the freight forwarder, arrangements should be made with the Aerial Port of Entry for loading the customer's aircraft. Materiel will be transported at freight forwarder expense Free-Along-Side (FAS) the aircraft. Any loading, off-loading, or handling charges will also be at freight

forwarder expense. If storage of materiel is necessary prior to loading date/time, off-base storage facilities will be required. Under no circumstances will US military facilities or personnel be used for storage and handling of customer-owned property, or loading/unloading of the customer aircraft, unless specifically authorized by the applicable Military Department and funding is arranged.

q. Administrative Responsibility

The freight forwarder is responsible for accurate files on all FMS transactions. This includes, but is not limited to, due-in files, advance shipping documents, Notice of Availability, and response, receiving documents, shipping manifests, bills of lading, customs clearance documents, tracer actions, claims actions, container listings, accurate listings of reimbursable expenses, invoices, and other documents or correspondence related to the shipments. Sufficient information should be on file to respond to query of the customer on any shipment.

r. Reporting System

A reporting procedure should be devised to keep the customer representative advised of the current status of FMS shipments. The system should include advance notice of shipments due-in, receipt of shipment, processing status, anticipated forwarding date, vessel name, voyage number, itinerary, and estimated date of arrival at port of discharge. When shipments identified to a specific case, this will enable the customer to plan receipt

in advance and minimize the necessity of tracking individual shipments.

s. Control of Shipments

The freight forwarder should maintain complete visibility control over each FMS shipment, from the date of receipt from the carrier, through processing and staging, until finally shipped to the customer. This will provide the location and status of the shipment in the system at all times and facilitates immediate response to any query concerning the materiel. In effect, the freight forwarder acts as a traffic manager for the movement of FMS materiel for the purchaser.

t. Military Assistance Program Address Directory

This is the only source directory in use by DOD shipping activities to determine current shipping addresses. The freight forwarder should immediately advise the customer representative when any address for receipt of materiel or documentation is to be changed, preferably 60 days in advance of the change. This will enable the customer representative to initiate action with Defense Automatic Addressing System Office (DAASO) to have the revised addresses immediately disseminated to shipping activities and published in the MAPAD. Direct requests from the freight forwarder to shipping activities for address changes are not authorized. It is important that address changes be made immediately to keep the MAPAD current and preclude misdirected shipments.

5. Responsibilities of the Freight Forwarder

The services of an international freight forwarder are procured under contract by the customer for the purpose of receiving, processing, and transshipping FMS materiel. The customer is responsible for negotiating with the freight forwarder for services and for management of the functions related to handling of FMS materiel. The US Government has no jurisdiction, nor responsibility for, accomplishing these functions. This paragraph lists actions and responsibilities considered by the US Government as essential to provide the customer with the most effective transportation support required for delivery of its FMS materiel. Requirement of these services and delegation of responsibility for accomplishment are entirely at the discretion of the customer.

a. Export License

The freight forwarder should be provided appropriate export licenses for all FMS cases for materiel expected to be handled. (Reference Chapter O.)

b. Warehousing and Storage Facilities

Adequate warehousing facilities should be available for segregated receipt, processing, and temporary storage of materiel from the time of delivery from one carrier until transshipped by another. Suitable materiel handling equipment is required for off-loading and loading commercial carrier equipment. This is required since most shipments will be coded "A" (paragraph 2f) for automatic release/shipment.

c. Receipt and Staging of Materiel

When materiel is delivered by the commercial carrier, inspection should be made immediately to assure that the number of pieces and identification of materiel corresponds with items listed on the shipping documents. If there is shortage, damage, or pilferage, the transportation documentation should be annotated accordingly to substan-

tiate claim action against the carrier. If there are discrepancies, hold the materiel in a designated area, pending resolution of claim action. If the shipment checks out with no apparent discrepancy, carrier will be released and materiel moved to staging area or designated collection point for further processing.

d. Processing Materiel for Transshipment

The processing of materiel for onward delivery should include, but not be limited to, the following:

(1) Hold advance copies of DD Form 1348-1 and DD Form 250 in a suspense file pending receipt of materiel.

(2) Match the advance copies of DD Form 1348-1/DD Form 250, or those received after receipt of materiel, with the actual case contract (i.e., items ordered) or with documentation received with the shipment, by TCN/document number, stock number, quantity, case number, "Mark for" address, or any other element of identification that will assure that shipment received is fully identified with an appropriate FMS case and actually destined for movement to the customer represented.

(3) Resolve any discrepancies by contact with the shipping activity or preparation of a Standard Form 364, Report of Discrepancy (ROD), or other suitable communication for submission to the country representative.

(4) Examine exterior markings on the shipping containers to ascertain that markings are correct and adequate to fully identify the shipment upon receipt of the materiel by the requisitioner at destination.

(5) Assure that the accompanying documents remain intact in the Packing List Envelope affixed to the exterior of the containers to facilitate ready identification and processing by the in-country recipient.

(6) Examine all shipping containers for adequacy to withstand handling, storage, and movement risks incurred for the air or surface over-ocean type of transportation selected.

(7) Repackage, recrate, or reinforce inadequate containers. The freight forwarder should have a recooperage capability in connection with the processing facility for accomplishing these actions. Although an export pack is prescribed for FMS shipments, some shipments may be domestic pack for CONUS delivery only, or small parcel post shipment may not conform with export packaging specifications. Some packages may burst open, be crushed, or weakened due to rough handling but with no apparent damage to contents. When, in the opinion of the freight forwarder, the shipment will not withstand further handling and over-ocean movement, it should be repackaged. This is normally a freight forwarder service to provide adequate onward protection to the property, and the customer is responsible for any legitimate costs.

(8) Small packages should be consolidated into larger containers, by case, priority, and final destination, to the extent possible. The new shipping container should have proper markings for identification at destination.

(9) Appropriate documentation should be prepared for each shipment, i.e., bills of lading, air waybills, air or ocean manifests, customs declaration and clearance documents, or other required documentation.

(10) Packages marked for priority delivery normally should be air transported.

e. Containerization

Cargo should be loaded in seavan or sealand van type containers to minimize loss, damage, and pilferage, if the freight forwarder or the customer at the overseas port of discharge can offload from containers and forward cargo to its destination. A complete listing of all shipments containerized should be provided.

f. Transportation Arrangements

(1) Cargo space should be obtained and shipment booked with the selected air or surface carrier.

(2) Cargo should be delivered to and loaded aboard the air or surface carrier.

(3) All movement documentation should be provided upon tender of the shipment to the designated carrier.

(4) When materiel has been loaded aboard the carrier, copies of all documentation should be sent to the customer as expeditiously as possible.

(5) Arrange with all shippers to have customer representatives on hand to sign, at site of or aboard ship or plane, for sensitive, hazardous, or classified cargo that is marked for delivery term codes 3 and 8.

(6) Arrange for shipment via US flag vessels when materiel to be shipped has been identified as being funded under a loan arrangement. (See paragraph 4.g.)

g. Customs Clearance

(1) Export declaration (US Department of Commerce Form 7525-V, Shipper's Export Declaration) must be prepared for all FMS shipments (except DTS).

(2) After the declaration has been prepared, exit customs clearance must be effected by submission of documents to the collector of customs or export control officers.

(3) The freight forwarder is responsible for obtaining and substituting bills of lading connected with the export and attending to certain other formalities, such as consular invoices, certificates of origin, and other required documents.

(4) Assistance should be rendered to the customer in the provision of documentation to effect clearance through the country customs agencies.

(5) All export of FMS materiel will be reported to the US Department of Commerce as required by federal statute.

(6) The customs clearance subject is addressed further in Chapter O.

h. Payment for Transportation Services

When FMS materiel is shipped to the freight forwarder on a Collect Commercial Bill of Lading (CCBL), prompt settlement of freight charge accounts should be effected. This should be through payment of charges upon delivery or establishment of

POTENTIAL SOURCES FOR LISTINGS OF FREIGHT FORWARDERS

American Import & Export Bulletin
North American Publishing Company
41 East 42nd Street
New York, New York 10017

Shipping Digest, Inc.
25 Broadway
New York, New York 10004

Department of Transportation

National Customs Brokers & Forwarders
of America, Inc.

Civil Aeronautics Board

Figure N-1

MARINE TRANSPORTATION WAIVER PROCEDURES

1. The following procedures and conditions shall be adhered to concerning marine transportation of defense articles, the purchase of which is to be financed under a loan agreement. All defense articles, which are transported by ocean vessel, shall be transported in privately owned vessels of United States registry unless a waiver of this requirement is obtained. Requests for waiver are categorized as general, non-availability or security as outlined below:

a. General Waivers

Consideration will be given to a waiver application to authorize vessels flying flags of the country to whom the loan agreement applies to participate in the transportation of cargo generated under the loan agreement provided the recipient country does not discriminate against United States Flag Vessels in the carriage of the exports or imports of the recipient nation. Approval may be granted for recipient nation's vessels to carry up to, but not in excess of 50 percent of the cargo under this agreement. Ocean freight revenue is the main criterion for determining flag participation but cargo valuation shall also be taken into consideration. Accordingly, throughout the life of this agreement, US Flag Vessels shall not receive less than 50 percent of the cargo valuation and ocean freight revenue insofar as practicable.

Applications for general waiver should be submitted as soon as practicable after determination has been made to use recipient country flag vessels but at least twenty-one (21) days in advance of intended shipping dates to enable verification of the treatment accorded vessels of US registry and to process the application.

Subsequent to the granting of a general waiver, if it occurs that neither United States Flag Vessels nor recipient country flag vessels are available, consideration will be given to specific waiver applications to authorize, on a shipment-by-shipment basis, the use of third flag vessels. Applications for the use of a third flag vessel under an approved general waiver should be submitted at least 21 days prior to the intended shipping date to allow time to process the application. If a waiver is granted to allow the use of a third flag vessel for a particular shipment under an existing general waiver, the cargo carried by the third flag vessel shall be recorded against the recipient country flag vessels' portion of the cargo available under the general waiver.

The application for a general waiver and subsequent waivers for the use of third flag vessels should be submitted to the Director, Defense Security Assistance Agency, Room 4E837, Department of Defense, Washington, D. C. 20301, with a copy to the Director, Office of Market Development, Maritime Administration, US Department of Commerce, Washington, D. C. 20230.

b. Non-Availability Waivers

Consideration will be given to waiver applications to authorize use of foreign flag vessels in those cases of non-availability of United States Flag Vessels or in instances of non-availability of United States Flag Vessels at reasonable rates.

Applications for non-availability waivers to permit use of recipient country flag vessels need not be submitted if a general waiver has been approved and the recipient nation will use US Flag Vessels to carry over 50 percent of the cargo under this agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, US Flag Vessels are not available or not available at reasonable rates and shipments on non-US Flag

Figure N-2

Vessels will exceed 50 percent of the cargo under this agreement. If a general waiver has been approved, every effort should be made to ship defense articles and equipment, where US Flag Vessels are not available or not available at reasonable rates, under the recipient country's portion of the cargo available under the general waiver. Therefore, applications for non-availability waivers, where a general waiver has been approved, should be submitted only under normal circumstances.

Applications on the basis of non-availability of vessels of United States registry must establish and document that the recipient nation has made a reasonable, timely and bona fide effort to arrange shipment on vessels of United States registry and that such vessels are not available. Such applications must be submitted at least 21 days in advance of the intended shipping date to enable verification of non-availability of vessels of United States registry and to process the application.

Applications on the basis of non-availability of vessels of United States registry at reasonable rates must establish and document all applicable comparative rates and should be submitted at least 21 days in advance of the intended shipping date to enable verification on non-availability of vessels of United States registry at reasonable rates and to process the application.

Applications for non-availability waivers must be submitted on a shipment-by-shipment basis. Applications should be submitted to the Director, Office of Market Development, Maritime Administration, US Department of Commerce, Washington, D. C. 20230, with a copy to the Director, Defense Security Assistance Agency, Room 4E837, Department of Defense, Washington, D. C. 20301.

Each application for a non-availability waiver should contain the following information:

- (1) Identification and address of the applicant
- (2) Recipient country
- (3) Date and source of loan (FFB, etc.)
- (4) Manufacturer and/or exporter
- (5) List and description of commodities to be shipped
- (6) FAS value of commodities
- (7) Shipping date
- (8) Loading port
- (9) Discharge port
- (10) Estimated ocean freight cost
- (11) Proposed vessel(s) to be used
- (12) Weight of shipment
- (13) Cube measurement of shipment
- (14) Original point of production

c. Security Waivers

Consideration will be given to waiver applications to authorize vessels flying the flag of the country to whom the agreement applies on the basis of reasonable security needs in regards to the cargo and the arrival of such cargo at its destination. A security waiver may be requested for a specific shipment or series of shipments under this agreement where sabotage may reasonably be expected or a state of emergency exists.

Figure N-2
(continued)

MILITARY ASSISTANCE AND SALES MANUAL—PART III

Application for security waivers need not be submitted if a general waiver has been approved and the recipient nation will use US Flag Vessels to carry over 50 percent of the cargo under this agreement. Applications are required where a general waiver (1) has not been applied for, (2) has not been approved, or (3) has been approved but, on a shipment-by-shipment basis, use of recipient country flag vessels will exceed 50 percent of the cargo under this agreement. If a general waiver has been approved, every effort should be made to ship those defense articles and equipment involving special security or safety requirements under the recipient country's portion of the cargo available under the general waiver. Therefore, waiver applications for security or safety reasons where a general waiver has been approved should be submitted only under unusual circumstances.

Applications on the basis of security must provide the specific security or safety requirements and information involved in the shipment(s) to be made at least 21 days in advance of the intended shipment(s) dates to enable verification of the security or safety requirements and to process the application.

The application should be provided to the Director, Defense Security Assistance Agency, Room 4E837, Department of Defense, Washington, D. C. 20301, with a copy to the Director, Office of Market Development, Maritime Administration, US Department of Commerce, Washington, D. C. 20230.

2. In order to monitor the use of marine transportation under this agreement, pertinent information should be forwarded as early as possible but not later than 90 days after shipment to the Director, Office of Market Development, Maritime Administration, US Department of Commerce, Washington, D.C. 20230, for all shipments of goods financed in whole or in part with credit and/or Guaranteed Loan funds. The following information must be reported:

- (1) Date and Source of Loan (FFB, etc.)
- (2) FAS Value of Cargo
- (3) Manufacturer
- (4) Freight Forwarder
- (5) Ocean Freight Cost
- (6) Name of Vessel
- (7) Vessel Flag of Registry
- (8) Date of Loading
- (9) Port of Loading

Figure N-2
(continued)

CHAPTER H

FOREIGN MILITARY SALES—COMMERCIAL AVAILABILITY

1. Purpose

This chapter establishes guidelines for sale by the Department of Defense of articles and services which are commercially available. Provisions of this chapter apply to all elements of the Department of Defense.

2. Legislative Provisions

a. The Arms Export Control Act, as amended, states that: "It remains the policy of the United States to facilitate the common defense by entering into international arrangements with friendly countries which further the objective of applying agreed resources of each country to programs and projects of cooperative exchange of data, research, development, production, procurement, and logistic support to achieve specific national defense requirements and objectives of mutual concern," and that "all such sales be approved only when they are consistent with the foreign policy interests of the United States."

b. The Act also states: "No license may be issued under this Act for the export of any major defense equipment sold under a contract in the amount of \$25,000,000 or more to any foreign country which is not a member of the North Atlantic Treaty Organization unless such major defense equipment was sold under this act."

3. Department of Defense Policy

The DOD recognizes that, within the objective and limitation stated in paragraph 2 above, there are cases in which it is advantageous to encourage the use of commercial sources by foreign purchasers.

Responsibility for determining whether, within the context of this chapter, an item or service is to be offered for sale by DOD rests in the first instance with the Military Department processing the foreign government's purchase request. Questions of interpretation should be referred to DSAA for decision.

Nothing in this chapter will be construed as precluding DOD from making any sale, regardless of the defense articles or services involved, that is approved on a case-by-case basis by the Director, DSAA.

4. Guidelines for Determining Commercial Availability

a. It is the responsibility of the commercial source to inform the Department of Defense cognizant component that items it manufactures are commercially available and that it desires that these items not be sold via FMS. Such information from the commercial source should include the item's designation/nomenclature, to include the Military Department's previous contract date with the commercial source for this item. DOD components should not solicit information on whether an item is commercially available from a commercial source. After notification to the cognizant DOD component by a commercial source that an item is commercially available the information will be maintained on file and referred to should a customer country request for this item be received. Upon receipt of such a request the following criteria must be met before a customer country will be advised of the commercial availability of this item. (Paragraph c below indicates the text of the

letter/message which will be prepared when advising a customer country of commercial availability).

(1) The customer country has the necessary technical and administrative capability to make a prudent purchase of the item or service directly from the U.S. commercial source. A previous commercial procurement of the same or similar item or service could be one form of evidence of this capability.

(2) There is no specific government-to-government agreement approved by the Director, DSAA, or higher authority, covering such sale or a special exemption to commercial availability approved by the Director, DSAA (e.g., exemption for the Government of Thailand to purchase items identified as commercially available via FMS).

b. Special Cases. In addition, provided the above criteria are met, an item or service will be considered to be commercially available under any of the following conditions:

(1) The item or service has been determined previously to be commercially available to other customer countries; provided, however, that such previous determination shall not be considered as making the same determination mandatory in any given case.

(2) The Military Department concerned is aware of a previous commercial purchase or of a request by the customer country for price and availability data from a U.S. commercial source. If this is the case delete the last sentence from the letter/message guidance indicated in paragraph c below and insert the following: "It is our understanding that you have (1) previously purchased this item on a commercial basis from this commercial source, and/or (2) been negotiating with the commercial firm for a direct commercial transaction. Therefore, should you determine that an FMS case is still desired, please advise us why an FMS transaction is preferred over a commercial transaction."

(3) The defense item or service requested is covered by a known exclusive licensing arrangement in the territory of the customer country.

(4) The item is not directly related to a requirement for support or maintenance of

military equipment. Examples of items in this category are listed in Part II, Chapter C, paragraph 5.d.(9).

c. Response to Such Requests

(1) When the conditions expressed above have been met the following specific action will be taken. A letter/message response to a customer country request for an item/service which a commercial firm has advised is commercially available will be prepared which states: "*Indicate commercial firm and address* has advised us that it has the capability to manufacture/provide the *indicate item/service* which you have requested to purchase via FMS and prefers to market it on a direct commercial basis. If a commercial transaction is undertaken please note that the U.S. Government makes no representation regarding price, quality, suitability for use, interoperability of item/components, performance, or supportability regardless of the designation/nomenclature applied by the commercial firm and regardless of the service the commercial firm states it can provide. Should you still desire an FMS transaction, please advise us."

(2) Coordination requirements: all transactions relating to commercial availability issues must be coordinated with DSAA Operations.

5. Guidelines for Sale Through FMS Procedures

In the absence of special circumstances, the following types of cases normally will be sold through FMS procedures if requested by the foreign purchaser:

- a. Classified articles and services.**
- b. Supply Support Arrangements and similar follow-on support sales arrangements.**
- c. Surplus personal property including MAP disposable property.**
- d. Department of Defense long supply stocks when, in the judgment of the Military Department concerned, reduction of such stocks is desirable.**

CHAPTER O

EXPORT LICENSE AND CUSTOMS CLEARANCE GUIDANCE FOR
FOREIGN MILITARY SALES CUSTOMERS**1. Export License Requirement**

Prior to export from the US of any FMS purchased materiel, FMS customers must obtain an export license from the Office of Munitions Control, Department of State, whenever a third party, such as a freight forwarder, is involved in the transaction. Application procedures are prescribed below. No license would be required in those cases where the FMS materiel is shipped on a GBL or exported on a government-to-government basis using foreign government transportation out of a USG controlled facility.

2. Application for Export License

Application for export license must be made on Department of State Form DSP-5 (obtainable from PM/MC) and forwarded to the following address:

Office of Munitions Control
Department of State
Washington, D. C. 20520

(Applications must be supported by three (3) copies of DD Form 1513.) Licenses for export of FMS materiel are valid for one year from the date of issuance. They are not transferrable and extensions are not granted. If shipment cannot be completed during the period of validity of the license, a new application must be submitted for the license to cover the unshipped balance and/or renewal. Applications for license should show the proposed port or ports of exit in the US. If, after a license is issued, shipping arrangements necessitate a change in port, the Department of State must be notified, by letter, of the change in port. Further details on ex-

port licenses may be found in the Department of State, International Traffic in Arms Regulation (Title 22, Code of Federal Regulations, Parts 121-128 and 130).

3. FMS Customer Responsibility**a. Export License**

Upon execution of a Letter of Offer and Acceptance, the FMS customer or authorized representative must obtain an export license from the Department of State, to permit the legal export movement by the country freight forwarder of purchased FMS materiel from the US. Since most items shipped under FMS programs require export licenses, this must be among the first management actions accomplished in the case processing cycle.

b. Export Custom Clearance

It is the foreign country's responsibility to effect export customs clearance for all FMS materiel moved from the US under other than USG or government-to-government auspices. Movement of materiel which remains in custody of the US/DOD is handled by separate procedure.

(1) Export declaration (US Department of Commerce Form 725-V, Shipper's Export Declaration) must be prepared by the country representative/freight forwarder for all FMS materiel moved through its auspices. Declarations must be filed and authenticated by a District Director of Customs. Provisions of law and regulations concerning export declarations are found on the reverse side of Commerce Form 7525-V.

(2) After declarations have been prepared and authenticated, shipments must be

cleared through US Customs by submission of documents to the District Director of Customs or export control officers (22 CFR 123.53).

c. Movements Requiring Export Customs Clearance

Export License, Shipper's Export Declarations, and appropriate US Customs export clearance for FMS shipments, for which the customer country has transportation responsibility, are required for the following categories of country-arranged movement:

(1) All movements of materiel through or by the FMS customer freight forwarder or designated agent.

(2) Pilot pick up of materiel by FMS country-owned or chartered aircraft, or by FMS customer-procured space on commercial aircraft.

(3) Movement by FMS customer-owned or chartered ocean vessel, or by country-procured space aboard commercial vessels.

d. Overseas Customs Clearance

The FMS customer will be responsible for effecting overseas customs clearance of all FMS materiel through its customs agencies upon receipt at the country port of discharge.

e. Reporting of Export Traffic

All export of FMS materiel from the US will be reported to the US Department of Commerce as required by current federal statutes.

4. US/DOD Responsibility

a. US/DOD Exemption from Export Clearance

The US Departments of State and Commerce have extended a joint waiver to the Department of Defense (DOD), under which certain exemptions are granted in compliance with requirements for US Customs clearance of DOD-sponsored cargo. Under this waiver, when US/DOD-sponsored FMS

through the Defense Transportation System materiel is shipped on Government Bills of Lading or on other transportation documents (DTS) or by DOD-owned, controlled, or arranged transportation, and the US/DOD retains custody of the materiel until arrival at the overseas port of discharge or destination country, the US/DOD is exempt from the requirements of an Export License and the filing of Shipper's Export Declarations. Under no circumstances will these exemptions be extended to any foreign government.

b. Annotation of Transportation Documents

When the US/DOD retains custody of the shipments and transportation responsibility until its arrival at the overseas port of discharge or destination country overseas, under the conditions defined above, and when movement is effected under Delivery Term Codes "6", "7" and "9", all Government Bills of Lading and other transportation documents issued to cover movement of such shipments will be annotated "(APPLICABLE MILITARY DEPARTMENT) SPONSORED FOREIGN MILITARY SALES SHIPMENT—NO EXPORT DECLARATION OR LICENSE REQUIRED." The signature of the issuing officer on the bill of lading/document will serve as a certification of this statement. NOTE: Under no circumstances will this annotation be made on GBL or other transportation documents for FMS shipments, through, or by a forwarding agent or any representative of a foreign country.

c. Reporting of FMS Exports Shipments

All US/DOD sponsored shipments of FMS export materiel moving overseas within the DTS or under US/DOD auspices and control, identified by Delivery Term Codes "6", "7" and "9" will be reported monthly by MTMC to the Foreign Trade Division, Bureau of Census, Department of Commerce, in the Foreign Trade Report to comply with the conditions under which the above-mentioned waiver was granted and to satisfy the export data requirements of the US Department of Commerce.

APPENDIX B

**PROCESSING FMS LETTERS OF OFFER
WHICH MUST BE REPORTED TO CONGRESS**

1. Section 36(b), Arms Export Control Act (AECA) FMS Case Reporting Criteria

a. The reporting requirement and criteria for Section 36(b) reports to Congress as outlined in Chapter B (para 3) and in Chapter C (para 16) apply when:

(1) A Letter of Offer/Acceptance (LOA) under preparation is expected to meet the reporting criteria; or

(2) A Letter of Intent (LOI), pursuant to Chapter D (para 11) meeting the reporting criteria is authorized to be accepted by a Military Department; or

(3) A LOA amendment is prepared adding \$25 million or more to an existing FMS case unless such amendment results solely from identifiable cost increases, and to any amendment adding major defense equipment (MDE) for \$7 million or more. The provisions also apply in the case of any amendment which would increase the value of an existing case from under \$25 million to a value of \$25 million or more, and any amendment which would increase the value of MDE in an existing case from under \$7 million to a value of \$7 million or more. Such amendments will not be issued unless absolutely necessary. Instead, new LOAs will be processed to cover the new requirements.

b. The following are examples of major defense equipment FMS cases that must be reported under Section 36(b):

(1) A single line item of an FMS case of major defense equipment totalling \$7 million or more.

(2) Two or more line items of an FMS case of major defense equipment totalling \$7 million or more.

(3) An amendment to an FMS case for additional units of major defense equipment

if the major equipment portion of the amendment totals \$7 million or more.

c. Major defense equipment FMS cases that do not require reporting under Section 36(b) are:

(1) One line item of an FMS case of major defense equipment totalling less than \$7 million. No other major defense equipment in the case; however, other defense items are included which bring the total case value to more than \$7 million but less than \$25 million.

(2) One line item of an FMS case of major defense equipment totalling less than \$7 million. No other major defense equipment in the case; however, spare parts, publications, and training associated with the major defense equipment which brings the total case value to more than \$7 million but less than \$25 million.

d. Special considerations apply to FMSOs as follow:

(1) An amendment to a LOA for a FMSO I transaction, the result of which brings the total case value of that LOA and related amendments to \$25 million or more, does not require prior 36(b) notification to the Congress.

(2) A FMSO I transaction for \$25 million or more, or an amendment to a FMSO I transaction which adds \$25 million or more to the previous case total, or a LOA for a FMSO II transaction for \$25 million or more does require prior 36(b) notification to the Congress.

e. The above exception on 36(b) notification of FMSO I amendments is based on the following:

(1) FMSO I cases must be amended

each year to adjust the dollar values based on requisition action and new LOAs for this purpose are not practicable, and

(2) FMSO I cases reflect customer equity in the US supply system and defense articles upon which these cases are based are not shipped to the country, but are drawn down against a corresponding FMSO II LOA.

2. Section 813 FMS Case Reporting Criteria under the DOD Appropriation Authorization Act, 1976

At the time of the statutory notification as required by Section 36(b) AECA, a statutory notification under Section 813, the Department of Defense Appropriation Authorization Act, 1976, as amended (P.L. 95-79, approved July 30, 1977) is also required. This applies to any LOA to sell (FMS) or any proposal to transfer defense articles which are valued at 25 million or more from US active forces' inventories or from current production. Refer to para 4c below and Part III, Chapter C, para 16d.

3. State/Defense Section 36(b), AECA Staffing Agreement

State and Defense have agreed that State policy deliberations, intra-agency coordination, and submission for Presidential approval and Defense preparation of the Section 36(b) notice and the LOA all aim toward the common objective of completing both within 60 days after receipt of the purchaser's complete request. The procedures are designed to meet this objective.

4. Submission of Supporting Data

a. At the same time the LOA or LOI is being prepared, the Military Departments should assure the submission of data included in Figures Appendix B-1 ("Advance Notification") B-2 ("Military Justification") and B-6 ("Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold") are also provided to DSAA within ten days of notification by DSAA (either written or oral) of a Category B program request or within ten-days

of receipt of a Category A purchase request. A LOR card (one card) will be attached to each advance 36(b) notification submitted to DSAA/TC-MAD. If the LOR case information has not been previously entered into the 1200 system, DSAA will make the entry. These data will be provided directly to DSAA/TC, Management Analysis Division along with a statement as to whether or not Section 813 reporting (see Figure App B-5) will be required. Appropriate steps will be taken by the Military Departments to obtain field inputs as necessary to meet the ten-day objective. Additionally, cost estimates will include separate identification of the estimated value of the MDE portion of the proposed sale. Should it be impractical to meet the ten-day deadline, approval for estension should be sought from Chief, Management Analysis Division, DSAA.

b. To the extent possible, the submission will include the information required to meet the statutory reporting requirement as outlined in Figure Appendix B-3. If this information can be provided during the initial submission, and *no* Section 813 report is required, no further information is needed in order for the DSAA Management Analysis Division to process the advance and statutory Section 36(b) notifications.

c. To the extent that it is not possible for the Military Department to provide Figure Appendix B-3 data with the initial submission as required in para 4a above, these data along with data supporting Section 813 reporting requirement, if appropriate (Figure App B-5), will be forwarded to DSAA/TC as early as possible during the 20-day advance notification period so that the follow-on statutory notification will not be delayed.

d. As the process evolves, DSAA will provide to the cognizant Military Department a copy of the letters which transmit the advance and statutory Section 36(b) notifications to the Congress. Military Departments will continue to monitor the Ceiling Management Report to ascertain which notifications are under State Department review. The

Military Departments will furnish a copy of the unsigned LOA to the purchaser and to the DSAA Management Analysis Division, after coordination with DSAA Operations, as an enclosure to a transmittal letter in the format of Figure Appendix B-4. This will be done only after receiving express authority from the Comptroller, DSAA.

e. Concurrent with the transmittal of the unsigned copy of the LOA to the purchaser, and following completion of the 20-day advance notification, the Director, DSAA will, in satisfaction of the requirements of Section 36, formally notify the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate, respectively. If Congress adopts a concurrent resolution objecting to a proposed sale, the Director, DSAA, will promptly notify the applicable Military Department of that fact and seek the guidance of the President as to the course of action which should be taken. When signing H.R. 13680, 94th Congress (P.L. 94-329, 30 June 1976), the International Security Assistance and Arms Export Control Act of 1976, the President reserved the right to proceed with a sale notwithstanding the adoption of a concurrent resolution, based upon constitutional grounds.

f. The Military Departments will submit signed LOAs to DSAA Comptroller, Management Analysis Division within five working days prior to completion of the statutory 30-day Congressional review period. Unless there are appropriate reasons to do otherwise, the expiration date assigned by the Military Departments will allow for normal

country review periods beyond the final date of the Congressional review. When the signed LOA is submitted to DSAA, as above, it will include Block 11 under "DSAA Accounting Activity" the identifying DSAA Transmittal Number used in the Statutory Congressional Notification (e.g., 80-15).

g. Cases of \$7 million or more must be submitted with a termination liability worksheet—except for FMSO I and 2 cases, spare parts requisition cases, training cases, equipment and services cases where the source is DOD inventories, or programs for which termination liability requirements have been waived pursuant to DOD Instruction 2140.3.

h. Upon the expiration of the statutory 30-day waiting period, the Comptroller DSAA, will, if Congress has not adopted a concurrent resolution objecting to the proposed sale, countersign the LOA and return the original to the cognizant Military Department and forward a copy to SAAC. At this time DSAA will also authorize the cognizant Military Department to forward the signed LOA to the purchaser.

5. Classification

The advance notification will be treated as CONFIDENTIAL; however, the statutory notification will be made in accordance with established classification procedures. (See Chapter G, Part 1). No statutory notification will be submitted to the Congress until the advance notification has been provided. Any exception must be for extraordinary circumstances and must be fully justified to the Director, DSAA.