

THE DEFENCE LOGISTICS SUPPORT CHAIN MANUAL JSP 886

VOLUME 2 INVENTORY MANAGEMENT

PART 311 FOREIGN MILITARY SALES (FMS) ARRANGEMENTS WITH THE USA (Formerly JSP 886, Volume 13, Leaflet MM 27/1)

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AMENDMENT RECORD		
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SECTION 1 - MM 27/1 - FOREIGN MILITARY SALES (FMS) ARRANGEMENTS WITH THE USA

PURPOSE

1. The US Government operates a system called Foreign Military Sales (FMS) under which eligible foreign Governments, including the UK, may purchase US-made defence equipment or services via the United States Department of Defense (DoD). This leaflet as at 16 Apr 08 provides general information on the FMS arrangements with the DoD. More specific JSP 886 Leaflets which relate to FMS procedures are listed at below and a more detailed explanation and an overarching perspective of how FMS works can be found on the UKDPO websites:

Intranet: <http://www.bdsus.r.mil.uk/Foreign%20Military%20Sales/default.aspx>.

Internet: <http://www.bdsus.mod.uk/index.html>

2. Under FMS the US Government sells equipment and services, from procurement or from stock, at a price based on that paid by the US Armed Forces. FMS procurement is authorised under the Arms Export Control Act and is implemented by a standard DoD Letter of Offer which, when signed by the prospective purchaser's representative, the United Kingdom Defence Procurement Office (UKDPO), leads to the Letter of Offer and Acceptance (LOA). US law (and thus the LOA) provide that there must be neither profit nor loss to the US Government. Beside the materiel value of the case there are also other charges to cover administration.

3. Items which are peculiar to the UK version of a weapon system are not normally available through FMS and would therefore need to be purchased from commercial sources through the UKDPO.

RAF SUPPORT MANAGEMENT SERVICES ORGANISATION FOR FMS

4. The UKDPO is the policy and procedural focal point within the MOD for the procurement of defence equipment and services from the US through both FMS and commercial contracts. The Platform Support Team (PST) provides the systems for the acquisition of spares through FMS and commercial contracts. The PST has Field Offices (FO), staffed by Supply personnel, co-located with the US Army, Navy and Air Force. The FO staffs provide a direct link with their US counterparts and the UKDPO for progressing outstanding requirements and/or providing exceptions management.

FMS CASES

5. Contracts with the DoD are called FMS Cases and provide:

- a. Complete systems which are in use with the US Services.
- b. Initial provision of spares for weapon systems common to both countries.
- c. Follow-on support of US sourced spares which are common to both the US and UK Services.
- d. The exchange of unserviceable equipment common to the US and UK services with serviceable replacements.

- e. The use of US military "in service" and commercial repair capacity.
 - f. The provision of non-recurring requirements, such as modifications common to both the US and UK Services.
6. The DoD provide cases under the following categories:
- a. **Defined Order Case.** This case is used where specific defence equipment or services require the case to be precise, such as for the purchase of a complete weapon system and initial spares. It involves a standard procedure of formal procurement enquiry followed by a LOA. It is not normally suitable for subsequent recurring purchases since it is too time-consuming and effort-intensive.
 - b. **Blanket Order Case.** Where it is not possible to specify requirements in advance, an open ended LOA may be used with a ceiling value up to which orders may be placed. Such LOAs are valid until the funds are exhausted, though there is provision for top-up funds to be added via an amendment to the case.
 - c. **Cooperative Logistic Supply Support Arrangement (CLSSA).** This is the preferred method for spares procurement under FMS. It provides follow-on supplies of US-made spares common to both the US and UK armed forces, to be drawn from military shelf stocks in the US, enhanced to meet UK requirements; and for use of US repair capacity if desired.
7. The CLSSA is a bilateral agreement between a U.S. military service and the appropriate UK IPT that sets forth the terms and conditions for providing timely follow-on spares support. The CLSSA participant becomes a partner in the US DoD supply system. As a partner, the CLSSA participant:
- a. Forecasts spare requirements in advance by a variety of methods. Adjustments to the forecast are made throughout the life of the program. This can be done through recurring demand requisitions or hard forecasts as needed.
 - b. Invests in the DoD supply system in order to allow the forecasted requirements to be bought and stocked in anticipation of the customer's requisitions. **CLSSA is the only FMS program which permits procurement in anticipation of requisitions.**
 - c. Draws inventory from the U.S. supply system on the same basis as a U.S. military component within the same priority and Force Activity Designators (FADs), which are the equivalent to UK Force Unit Designators (FUDs).
8. CLSSA cases are negotiated with an individual Service of the DoD. However, each US Service operates CLSSA cases differently and care is necessary to ensure that:
- a. Each case negotiated offers the most economic use of MOD funds, and
 - b. Once in operation, the case selected for use is the most appropriate to each particular provisioning requirement.

STRUCTURE OF CLSSA CASES

9. To establish a CLSSA program two types of FMS cases are required: the Foreign Military Sales Order Case 1 (FMSO1) and the Foreign Military Sales Order Case 2 (FMSO2).

a. **FMSO1.** Defines the customer's financial investment in the DoD supply system. The customer's financial investment gives the DoD authority to buy and store assets in anticipation of country requisitions and provides the cash necessary to support the DoD increase in inventory to meet the anticipated demands provided in the FMSO1 financial forecast. The FMSO1 Part A investment money represents the cash needed to carry the initial inventory, as on-hand, within the administrative and procurement lead times for any eligible item. The FMSO1 Part B investment money represents the dependable undertaking commitment to permit distribution of Obligation Authority to DoD supplies to allow purchase of assets within the total cycle time of any item. **Note:** The U.S. only collects cash for the Part A investment plus a 5% administrative charge on the Part A. Cash is not collected for the Part B value. The Part A money is refundable on a program reduction or closure.

b. **FMSO2.** The customer's requisitions for material pre-stocked using FMSO1 funds are submitted against the FMSO2. Requisitions for forecasted items will receive equal treatment with U.S. Military component requisitions within the same requisition priority code and FAD. Non-forecasted items or quantities will be filled from excess operating stocks or procurement. The CLSSA program does not guarantee that all eligible CLSSA requisitions will be filled immediately from depot stocks, but they will receive the same treatment as provided for the U.S. Military components.

DEMANDING ITEMS ON FMS

10. Items are demanded against the Blanket Order and FMSO2 Case by using the Military Standard Requisition and Issue Procedure (MILSTRIP). [This is covered in Leaflet MM 27/2]. The MILSTRIP requisition procedure is operated by all US military units as well as by FMS customers. Where the MILSTRIP is used against a CLSSA it provides the FMS customer with access to shelf stocks and dues in, for those items negotiated, at parity with US units using the Standard Priority System (SPS) and agreed FADs which are the equivalent to UK FUDs. The MILSTRIP requisition carries an input field which codes the transaction programmed or non-programmed. As the assessed total value of future investment in a FMSO1 is calculated using accumulated consumption data from FMSO2 activity, on cases where both programmed and non-programmed business is allowed, it is important that this coding is correct, otherwise investment levels will become distorted because investments relate to programmed consumption only.

FMS CASE NEGOTIATION, MAINTENANCE AND MONITORING

11. The IPT is responsible for raising the implementing LOR for either a new case or the replacement/amendment to an existing one. Once raised, such LORs are passed to the UKDPO who is responsible for ensuring that the resultant LOA is correct and meets the IPT's requirements. When a LOA is signed by the UKDPO it is returned to the US Service together with the agreed deposit, after which the case is established. The PST then becomes responsible for monitoring the MILSTRIP requisitions input to the case and for progressing them to delivery. Expenditure is progressively monitored throughout the life of the case. Daily status reports identify variations between the MILSTRIP input unit price

and the DoD advised unit price. Monthly statements of fund commitment are furnished to Budget Finance Officers by the PST. The PST will also provide the IPT with notification of the need for a replacement case in time to ensure continued supply support. Delivery listings are furnished by the US Security Assistance Accounting Centre (SAAC) quarterly and these are reconciled against receipt records by DSDA. Further funds are deposited with the DoD progressively to pay for the stores to be transferred to the UK Forces. Additional to the Case Materiel Value (CMV) on the Defined Order, Blanket Order and FMSO II cases, a charge of 3.8% of the CMV is made to cover administration. The FMSO I carries a 5% charge to cover administration, and VAT, applicable at the standard rate is added to the total cost of the case.

RAF PROVISIONING PARAMETERS FOR FMS ITEMS

12. The Forward Order Period (FOP) for items obtained through FMS, either on a Blanket Order case or as non-programmed CLSSA (RIC 3) items is:

L, C & P class stores interval between orders:

$$\begin{array}{ccccccccc} \text{ALT} & & \text{PLT} & & \text{DWSL} & & \text{FOP} & & \\ 6 & + & 6 & + & 12 & + & 3 & = & 27 \end{array}$$

The FOP for items obtained through a CLSSA (RIC 4) is:

L, C & P class stores interval between orders:

$$\begin{array}{ccccccccc} \text{ALT} & & \text{PLT} & & \text{DWSL} & & \text{FOP} & & \\ 6 & + & 2 & + & 3 & + & 3 & = & 14 \end{array}$$

MOVEMENT RESPONSIBILITIES

13. Responsibility for the movement of materiel obtained from the USA to the UK is vested in the DTMA, Andover. FMS consignments are forwarded by the US military stockholding facilities to the UK Freight Forwarder (FF) in Sterling, Virginia. These consignments become the property of the MOD on despatch from the US Military Stockholding facility. The FF forwards the consignments at the appropriate movement priority to the DSDA or the priority consignee nominated on the consignment. The progression of discrepant consignments is carried out through the appropriate PST USFO for both commercial and FMS consignments.

IDENTIFICATION OF ITEMS OBTAINED THROUGH FMS

14. Items obtained through FMS cases are managed by National Stock Number (NSN) which accord with the standard 13 digit NATO number. US military inventory items are codified by the Defence Logistics Services Centre (DLSC) at Battle Creek, Michigan USA, and all carry a nation code of either "00" or "01". The equivalent to the RAF Denomination of Quantity (D of Q) in the US military supply system is the Unit of Issue (UI) code. D of Q codes are found in MG 21/1, Annex A, Appendix 55. Items which are available from the US military inventory can be identified by NSN or part number by referring to the Federal Logistics Data (FedLog) on the CD Fiche or on WebFLIS, it has more current data.

https://www.webflis.dlis.dla.mil/WEBFLIS/pub/pub_search.aspx?niin=

15. Items which are in the US military inventory, but are required by the UK MOD to support weapons systems which are of other than US manufacture, may also be obtained through FMS cases subject to the IPT funding a case and with the agreement of the US Service concerned.

ADP CONTROL OF ITEMS OBTAINED THROUGH FMS

16. FMS items are controlled by the SCCS computer in the normal way. The MILSTRIP requisition document/requisition number is held on the SCCS contract record in the following standard format:

The MILSTRIP requisition number is made up of a series of letters and numbers.

Example: BUKE5V80220029

Requisition No.	B	UK	E	5	V	8022	0029
	B = US Army D = US Air Force P = US Navy	Country Code	Mark For Address Consignee	Delivery Term Code Who is responsible for delivery	Type of Assistance Code (TAC) Finance Code	Julian Date Date requisition placed	Serial No.

The same document number is held in full by the Automated MILSTRIP Progression System (AMPS). AMPS provide an automated communications interface with the US military supply facilities, to place and progress MILSTRIP requisitions. Any queries with AMPS should be directed to the relevant USFO.

ANNEX A - MM 27/1 - JSP 886 LEAFLETS RELEVANT TO FMS PROVISIONING

Ser No	JSP 886 Leaflet	Topic	Remarks
1	Vol 4, Part 321 (UG7/10)	Demand Procedures	
2	Vol 4, Part 323 (UG7/4)	Receipt Procedures	Annex B
3	Vol 3, Part 303 (UG7/6)	Supply Support for Aircraft in Transit	
4	Vol 4, Part 329 (UG8/1)	Report of Discrepancy Procedures	
5	Vol 2, Part 311 (MM27/1)	Introduction to Foreign Military Sales	
6	Vol 2, Part 312 (MM27/2)	MILSTRIP Requisitioning Procedures	
7	Vol 2, Part 313 (MM27/3)	LPO(CPO) Procedures	
8	Vol 2, Part 314 (MM27/4)	US – UK Stores Classification	
9	Vol 2, Part 4 (C22/1)	NATO Codification	