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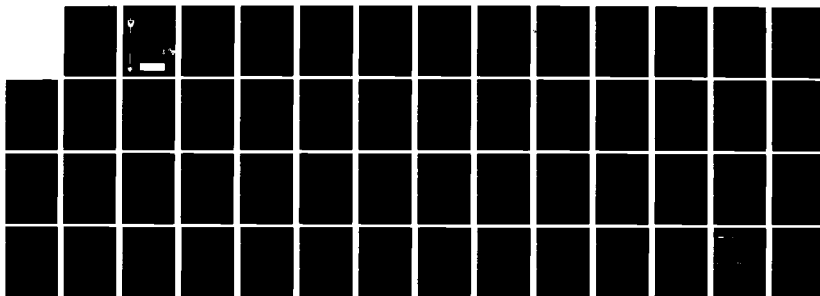
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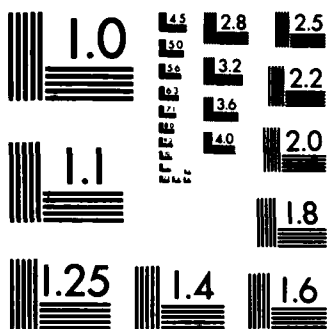
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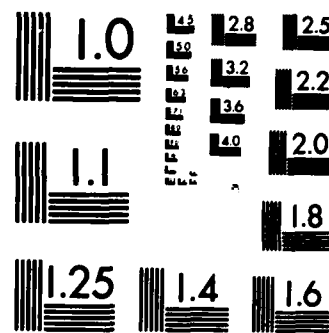


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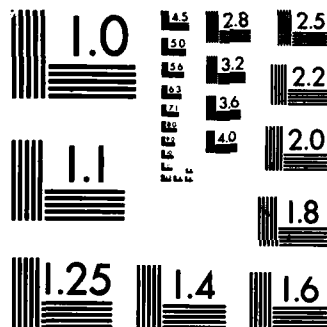
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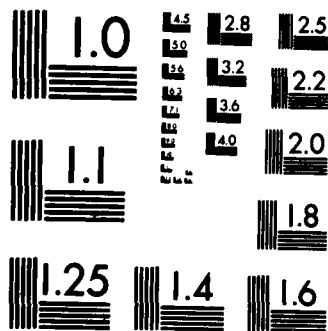
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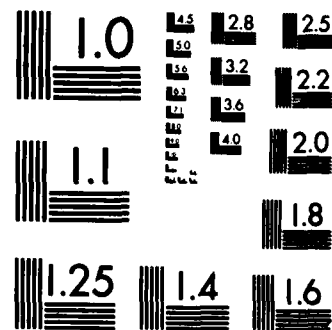
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LOGISTICS STUDIES OFFICE

PROJECT NUMBER 010

THE SUITABILITY OF CERTAIN DSS PROCEDURES
FOR IL CUSTOMERS

FINAL REPORT

MARCH 1981

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ARMY
LOGISTICS MANAGEMENT CENTER
FORT LEE, VIRGINIA
21801

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THE SUITABILITY OF CERTAIN DSS PROCEDURES
FOR IL CUSTOMERS

LOGISTICS STUDIES OFFICE
PROJECT NUMBER 010

FINAL REPORT
MARCH 1981

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ABSTRACT

This study examines transportation and documentation procedures for the shipment of FMS materiel (Delivery at Origin) from the depot to the freight forwarder. It identifies the need for visibility of shipments and proposes methods of improving visibility through receipt documentation, consolidation of shipments, and improved freight forwarder suspense activity. Recommendations are made regarding the implementation of a receipt card, consolidation of shipments by depot, better understanding of US Government procedures by customers and their agents, and expanded freight forwarder capabilities.

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Study Number: LSO 010

Study Initiator and Sponsor: US Army Security Assistance Center,
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EXECUTIVE SUMMARY

1. Authority for the Study. DD Form 1498, Research and Technology Work Unit Summary, Suitability of Certain DSS Procedures for IL Customers; LSO 010, dated 15 August 1979.
2. Objective. The objective of the study is to improve International Logistics (IL) shipment visibility and accountability by:
 - a. Determining the feasibility of applying DSS Logistics Intelligence File (LIF) type documents and procedures to IL shipments.
 - b. Determining the feasibility of instituting shipment consolidation procedures as in DSS to improve visibility and accountability.
 - c. Estimating the benefits of using the Defense Transportation System (DTS) for Foreign Military Sales (FMS) in lieu of freight forwarders.
3. Limits and Scope. The study is limited to an examination of current IL and Security Assistance procedures and concentrates on consolidation and receipt documentation of Code 4 (Delivery at Origin) FMS shipments. Code 4 shipments comprise the bulk of FMS shipments and have the greatest impact on the system.
4. Assumption. The basic premises for the study are that DSS procedures would improve existing procedures and that certain foreign customers would prefer their shipments to be handled as US Army shipments.
5. Methodology. The methodology used in this study is to determine those FMS procedures currently used and to judgmentally determine which DSS type procedures may be constructively applied to upgrade existing procedures. Research included literature review of pertinent publications, review of shipment data, and personal interviews.
6. Conclusions. Examination of data available and analysis of personnel interviews led to the following conclusions:

a. There will be an upward trend in FMS because of the requirement to maintain a warm industrial base, the role of the arms industry in our economy and balance of trade, and due to the role of FMS in maintaining regional security. Congress will maintain its scrutiny of the FMS program.

b. A suspense system maintained by the freight forwarder would assist in the resolution of Reports of Discrepancy (ROD) and increase the probability of recovering the shipment.

c. Consolidation of high volume FMS shipments from Army depots to freight forwarders is consistent with regulatory guidance and transportation management techniques and would reduce the exposure of shipments to sabotage, damage, loss and theft.

d. The use of DTS, in lieu of the freight forwarder, for the transport of FMS materiel is not consistent with current policy and is unlikely to gain legislative approval at this time.

7. Recommendations. It is recommended that:

a. DESCOM implement a receipt documentation procedure using DA Form 1087, as described in Chapter III and Appendix F, this study.

b. USASAC provide periodic seminars on US Government procedures for customers and their agents.

c. Customer countries be encouraged to request and pay for the development and maintenance of a suspense system by their forwarder agents.

d. Freight forwarder assistance officers, USASAC, be authorized to assist forwarders in the development of suspense files to insure their compatibility with US Government documents.

e. HQ, DARCOM direct DESCOM to institute consolidation procedures in all US Army depots similar to those described in Chapter IV, this study.

f. The DTS not be used for normal FMS shipments under current legislation.

CHAPTER I

STUDY PARAMETERS AND BACKGROUND

1. Background and Statement of Problem. Security Assistance (SA) has been excluded from most of the significant US Army total logistics developments, e.g., the Standard Army Intermediate Level Supply Subsystem (SAILS) and the Direct Support System (DSS). The realtime logistic reporting system of the Direct Support System (DSS) is especially noteworthy. A result of this exclusion from the DSS is the inability to maintain item visibility and to determine responsibility for missing, damaged, or short shipments.
2. Objective. The objective of the study is to improve International Logistics (IL) shipment visibility and accountability by:
 - a. Determining the feasibility of applying DSS Logistics Intelligence File (LIF) type documents and procedures to IL shipments.
 - b. Determining the feasibility of instituting shipment consolidation procedures as in DSS to improve visibility and accountability.
 - c. Estimating the benefits of using the Defense Transportation System (DTS) for Foreign Military Sales (FMS) in lieu of freight forwarders.
3. Limits and Scope. The study is limited to IL shipments and current SA documentation and procedures. Evaluation includes consideration of all FMS and Grant Aid (GA) under both DTS and non-DTS modes. The study concentrates on the suitability of DSS procedures for Code 4 (Delivery at Origin) FMS shipments. Appendix B provides definitions of delivery term codes primarily used in FMS shipments. Total SA shipments in FY 79 were 586,732, of which 47,714 were GA and 62,945 were Delivery Term Codes 6, 7, 8, 9. Thus, Delivery Term Codes 4 and 5 comprise 89% of total SA shipments and 88% of FMS (SA less GA) shipments in FY 79. Respondents from both the Military Traffic Management Command (MTMC)

and the US Army Security Assistance Center (USASAC) have stated that Code 5 is seldom used. Since GA is a small percentage of SA shipments and is diminishing by Congressional mandate, Code 4 appears to have the greatest impact on the system.

4. Assumptions. The basic premises or postulates in the study are:

- a. DSS procedures are beneficial and would improve existing procedures.
- b. Certain foreign customers would prefer their shipments to be handled as US Army shipments.

5. Methodology. Determine existing FMS shipping procedures and judgment to determine which DSS procedures may be constructively applied to FMS shipments to upgrade existing procedures.

- a. Literature review included foreign military sales legislation, DOD and Army regulations and manuals and working files.
- b. Limited quantitative shipment data was provided from USASAC's data base.
- c. Personal interviews were conducted with DA, MTMC, USASAC, Army depot, foreign customer and freight forwarder personnel.

6. Security Assistance Situation and Trend. Security assistance (SA) has become essential to the attainment of US foreign policy goals throughout the world and serves to reassure allies and friendly nations of US support. Regional stability and the increased deterrent capabilities of our allies resulting from the US security assistance program reduce the likelihood of US military involvement. The standardization of equipment and training through security assistance enhances our readiness to conduct combined operations thereby lending more credibility to collective security. The worldwide environment that SA influences as a part of the US national security strategy includes the balance of US/USSR relationships and maintenance of stability between regional factions. Both the

US and USSR have used SA in their competition for gaining influence in the third world or to deny the influence of the other. This trend will continue, at least in the immediate future.

a. Since General L. L. Lemnitzer, as the Army member of the Joint Strategic Survey Board, JCS, assisted in developing the first military assistance program for the Department of Defense in 1947, the Army has continued to be a major participant throughout the evolution of US foreign military assistance. The post WW II European assistance programs were followed by the passage of Mutual Defense Assistance Acts in 1949, 1951, and 1954. As a result of the Draper Commission Report in 1959, Congress enacted the Foreign Assistance Act of 1961, which is still the basic legislation governing US military aid to foreign countries. The Foreign Military Sales Act of 1968 and the International Security Assistance and Arms Export Control Act of 1976 are also important pieces of legislation. Recent SA legislation and Congressional emphasis reflects a basic shift in the SA program. In the early 1950's, the average yearly grant aid expenditure was approximately \$8.7 billion and involved over 50 countries, while foreign military sales averaged only \$350 million yearly. By the mid-1970's, the average yearly grant aid expenditure had dropped to one billion dollars and involved only 26 countries with all commitments to be completed by 30 September 1980. A recent message from DSAA, subject: Military Assistance Program (MAP) Delivery Reporting (Appendix C), indicates that this deadline may be extended to September of 1982. Foreign military sales, however, had grown to approximately \$9.9 billion by mid-1970 and involved sales agreements with over 70 countries. In FY 79 the number of MAP shipments totalled only 8% of all SA shipments.

b. The trend for arms transfers, FMS, and other support arrangements has been an increasing one. On 19 May 1977, President Carter announced that transfer of conventional arms must be substantially decreased and called upon other nations to assist him in this effort. The President's controls covered six major areas:

- (1) Fiscal year ceilings.
- (2) Introduction of newly developed weapons into regions.
- (3) Weapons development for export.
- (4) Coproduction limitation.
- (5) Retransfer restraints.
- (6) Promotion of weapons sales.

Nonetheless, as nations achieve greater degrees of self-sufficiency, they will continue to look to meet their military equipment needs from available sources, especially the United States. The quality of US defense products and the follow-on support arrangements, which few other countries provide, will cause FMS to grow. Granted, the high dollar value of these sales and arrangements and the recent restraint guidance will cause Congress to continue its close watch over FMS. However, the requirement to maintain a warm industrial base, the role of the arms industry in our economy and balance of trade and the role of FMS in maintaining regional security will uphold the current level of sales and undoubtedly drive it upwards.

c. These trends in Foreign Military Sales emphasized the need for visibility of materiel in transit as discussed above, and led to the chartering of this study.

CHAPTER II

DSS AND FMS

1. Why DSS? With the buildup of South Viet Nam during 1965, a lack of visibility and control necessary to effectively manage critically needed supplies, especially repair parts, was apparent. A system was needed to receive, edit, manage, and control supply requisitions which could operate within the Army's standardized systems; i.e., MILSTRIP, MILSTAMP, etc. The Logistic Control Office, Pacific (LCOP), was designated to be the point of contact to receive supply requests, technically edit them, convert them to MILSTRIP requisitions, place them on the applicable Continental United States (CONUS) supply sources, monitor the supply responsiveness, and provide lift data to the overseas commands. The Defense Automatic Addressing Systems Office (DAASO) was later used to eliminate information voids in this system by providing images of all Pacific theater requisitions and status transactions. The system has been expanded to provide worldwide coverage of most commodities in the US Army. In 1974, the US Army Logistic Control Office was officially redesignated as the US Army Logistic Control Activity (LCA). The primary mission of the LCA is to monitor supply and transportation actions relating to Army-sponsored requisitions on the wholesale supply system and to report on performance of the total logistic pipeline. A major portion of this logistical concept is the DSS which is the distribution system for selected classes of supply. This development of the US Army logistic system has resulted in major time, economic, and resource savings Army-wide. Thus, in light of the FMS trends discussed in Chapter I, it follows that these logistical developments should be evaluated for possible incorporation into the SA domain. The remainder of this study addresses selected DSS procedures and their suitability to SA shipments.

2. What is DSS?

a. In maintaining the Army's central data bank for logistics, the LCA has the capability of providing visibility for items requisitioned under MILSTRIP and for materiel shipped through the DTS in accordance with MILSTAMP. The LCA provides the capability for extraction of selected data used for the identification and analysis of supply and transportation problems within the Army's logistic system.

b. The DSS is the Army standard supply distribution system for selected classes of supply. Under DSS, materiel receipt documentation is generated by the overseas Ports of Debarkation (POD), Central Receiving Points (CRP) at CONUS installations, and Supply Support Activities (SSA) worldwide. The documents flow directly to the LCA. Entry of this intelligence into the computerized data bank, known as the LIF, enables the LCA to maintain visibility of requisitions and intransit cargo from the time an SSA places a demand on the wholesale system until the requested item is received.

c. The LCA, by using information in the LIF, is able to provide more complete intelligence since it receives data/information from the requisitioner, supply sources and transportation agencies. The LCA is also able to monitor performance based on data contained in this file. Chapter 3, FM 38-704, provides information relative to the LIF. Figure 2-1 is a graphic portrayal of how the LIF is built.

3. Suitability of DSS for IL Shipments. As discussed in Paragraph 3, Chapter I, most FMS shipments are classified Delivery Term Code 4 (Delivery at Origin). These items are primarily smaller, Class IX items with a freight weight rate of well below 80. Currently, these small items are shipped from the source to the freight forwarder (see Chapter III for a more detailed explanation). Upwards of 350 separate shipments are sometimes made to a single freight forwarder in a

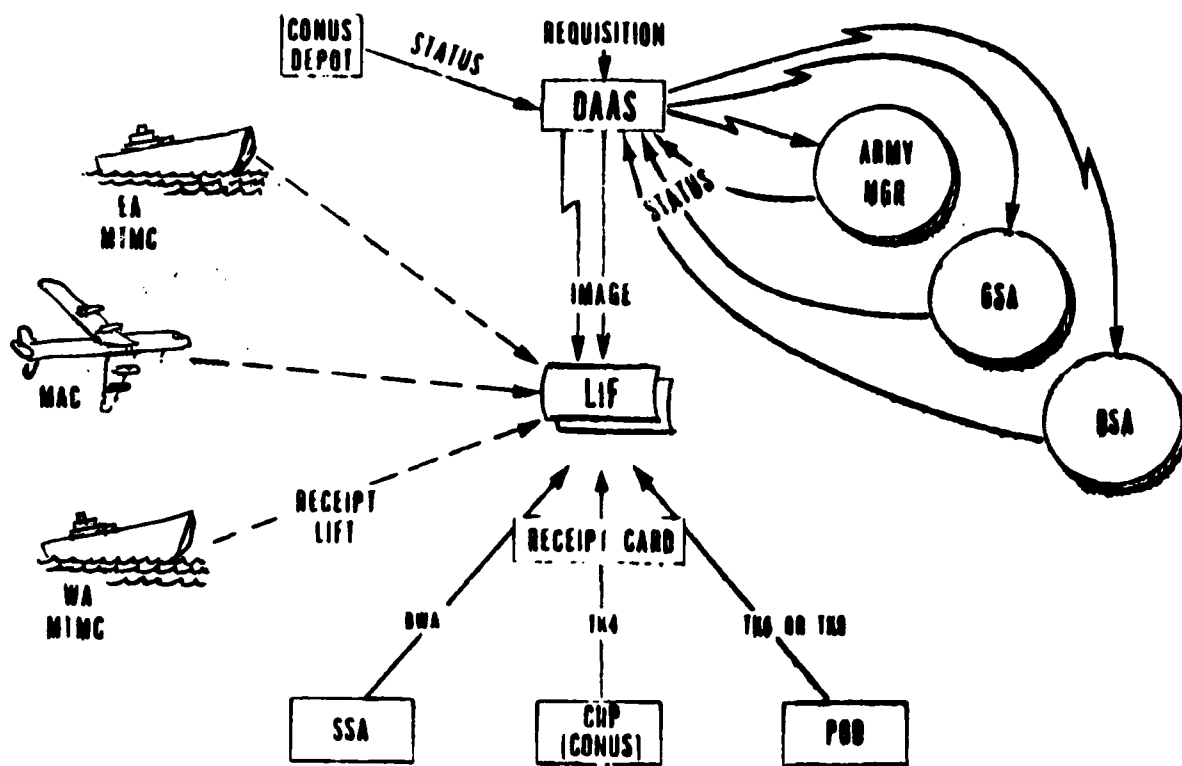


Figure 2-1 . How the LIF is Built
Extracted from FM 38-704

24-hour period. Visibility over these shipments has been a problem to both the US Army and the customer. This lack of visibility has often deterred the correction of many Reports of Discrepancy (ROD) (see Appendix D for a discussion of the ROD problem). The US Army had similar problems prior to the implementation of DSS, but through DSS procedures has been able to eliminate many of them. In light of the number and value of FMS shipments, to reduce the number of ROD's and to improve management of the SA system, it behooves the Department of the Army to consider the applicability of certain DSS procedures to SA customers. Of

specific interest should be the visibility of shipments, the ability to monitor performance, the real-time reporting features, the reduced number of shipments, and the positive effect these may have on ROD's. The elements which facilitate these benefits are the computerized data base, the documentation procedures, the Defense Automated Addressing System (DAAS), and consolidation. The USASAC currently operates under a computerized data base and has access to DAAS. Documentation procedures for visibility and consolidation are two elements whose suitability is analyzed in the following chapters.

CHAPTER III

DSS TYPE DOCUMENTATION FOR SA SHIPMENTS

1. The Military Services provide supplies, military equipment and services to FMS customers. Sales for the materiel are carried out by the Services after the approval cycle has been completed. The importance of Security Assistance and FMS as an Army mission is exemplified by the value of FMS cases. The value of FMS cases (DD Forms 1513) accepted in Fiscal Year 79 totaled \$5.8 billion. The importance of FMS in maintaining regional security and the magnitude of the FMS program substantiates the concern over control and visibility of these shipments. In conducting the research on the possible use of DSS type documentation for FMS shipments, several questions arose as to the role of the Army in controlling or having any degree of visibility over FMS shipments and over the requirement for any DSS procedure for FMS. This chapter will address these questions and other related findings surfaced during the conduct of the research.
2. An essential characteristic of military export sales, whether they are commercial or through government channels, is that two governments must agree before a transaction is concluded and that both must carry out the provisions of the agreement. Chapter F, Part III, the Military Assistance and Sales Manual (MASM), provides the following title transfer guidance:

Transfer of Title, Foreign Military Sales (FMS) (Reference DODI 2110.12 and Chapter D, MASM III).

Title to equipment and materiel will pass at the initial point of shipment or origin unless otherwise specified in the Letter of Offer and Acceptance (DD Form 1513).

a. For defense articles sold from stock, this will be at the US Depot unless otherwise authorized by an agency noted in paragraph 9a(3)(a), and noted in the Letter of Offer and Acceptance (DD Form 1513) or revisions thereto.

b. *For items procured from commercial vendors for sale to the purchaser, this will be at the contractor's loading facilities unless otherwise authorized by an agency noted in paragraph 9a(3)(a), and noted in DD Form 1513 or revisions thereto.*

c. *In the case of excess materiel, this will normally be at the location at which the materiel is being offered for sale.*

According to this same chapter, these provisions of title transfer policy apply to all Department of Defense (DOD) FMS shipments regardless of the mode of transportation, type of transportation documents utilized or delivery mode. Contractually then, US Government control ordinarily terminates at the time of title transfer. Therefore, one must question the value of US Government control and visibility over FMS shipments.

a. The availability data set forth in FMS cases which have been properly accepted and funded by the purchasing country or international organization constitute commitments from the US Government. Fulfillment of these commitments is an important measure of good faith of the US Government in dealing with its allies in matters of mutual defense. As stated in the MASM: "...all DOD components shall assure that FMS delivery commitments have been fully coordinated, materiel conforms to the standards set forth in the DD Form 1513, Offer and Acceptance, and can be delivered in the agreed time period." In order to meet this commitment, the US Government (in this case specifically the US Army) must utilize the most efficient and effective procedures acceptable under international agreements and mutual defense understandings.

b. Implementation of accepted FMS cases is accomplished by the US Army as nearly as possible within the existing organizational and procedural structures of the US Army logistic systems. Current US Army systems have the benefit of control and visibility from supply source to user (through DSS) and have as a result of these benefits reduced logistic problems. The extension of this control and visibility (through DSS documentation) to FMS shipments to the degree

necessary to assure fulfillment of commitments is consistent with our policy of using existing procedures.

c. Since shipments are the property of the customer at the point of origin, the imposition of any DSS type documentation should be limited to tracking the delivery from the source (depot or commercial) to the customer.

3. Under the current constraints, two alternatives appear feasible. The first is a procedure based on that employed by the US Army. It would require the generation of transportation and visibility documents at the source, the maintenance of a suspense file at both the freight forwarder and USASAC, and an active involvement on the part of the freight forwarder in the return of visibility documents. A sample document flow based on current DSS procedures which would provide visibility from source to customer is provided as Appendix E. A second alternative would be the use of a form similar to DD Form 1087, Transit Time Data card. This procedure would require a receipt to be attached to the outside of shipments from the source to the freight forwarder, the return of the form to USASAC by the forwarder upon receipt of the shipment, and a suspense file to be maintained by USASAC.

a. The difficulty in extending the kind of visibility provided by the first alternative discussed in Appendix E is two-fold. The shipments have been legally purchased by the customer and any information provided to the US Government concerning those shipments will be at their pleasure. The DTS is generally not used to transport FMS shipments and transportation/logistic systems vary from country to country and agent to agent; thus, the ability to respond to an imposed US Army procedure will vary accordingly. Freight forwarders visited responded that they would participate in a receipt document system if that system did not add to their cost or operational requirements. However, they were quick to add that the Army should not anticipate a high return rate on data. Second, nearly

\$2 billion in Army FMS originates at a non-Army depot (e.g., DLA, GSA) or at a commercial source. These facilities do not operate under Army systems and would not be able to economically institute those procedures necessary to be compatible.

b. Instituting the use of a card similar to the DD Form 1087, Transit Time Data Card, would require minimal additional resources. Currently, each shipment leaving the depot for an addressee has a transportation control number (TCN) on the transportation document (DD 1348-1A). The documents are attached to the exterior of the package for easy identification at destination and intermediate points. The addition of DD Form 1087 or similar form would require the packer to transpose the TCN from the 1348-1A to the card and attach the card to the exterior of the package in a shipping envelope. Upon receipt by the freight forwarder, the card would be removed, dated with date of receipt, and returned to USASAC, which would update the file on that shipment. A sample document flow for this type procedure is attached as Appendix F. Such a procedure would:

- (1) require the depot to provide status of each shipment to USASAC for the Centralized Integrated System for International Logistics (CISIL) file;
- (2) allow USASAC to update that file;
- (3) allow USASAC to have visibility to the forwarder (which is an agent of the customer country);
- (4) allow the measurement of transportation times from the depots to the forwarder; and
- (5) require minimum resources on the part of the US Government or forwarder for implementation.

c. The need for a visibility document from the depot to the forwarder has been established. However, that document/procedure must be as simple as possible to avoid the incurring of higher FMS costs and to make the procedure as attractive as possible to customers and their agents. The second alternative would provide visibility to the extent needed, assist in FMS accountability, and would require minimal resource expenditure on the part of the forwarder. Therefore, it is recommended that USASAC request the implementation of a procedure, as described in Appendix F, for use with FMS customers, by DESCOM.

4. DA personnel, freight forwarders, and customer representatives interviewed expressed concern over the large number of discrepancies in FMS shipments. Interviews revealed that a substantial portion of discrepancies were due to either non-receipt or incorrect items shipped. The difficulty in maintaining visibility from the inception of the request to the receipt of the item is the major cause of problems. The requisition is sent to the Materiel Readiness Command, an A5_ card is prepared, and materiel is packed for transport. The materiel, along with DA Form 1348-1, is delivered to the freight forwarder via United Parcel Service, US Postal Service, or commercial transport. The item is placed in storage to await transport to the departure port and subsequent loading. Once the materiel arrives in-country, the exact handling procedures vary from country to country; however, one or two additional handlings may occur prior to the materiel being placed in inventory. Tracing the system to determine responsibility when discrepancies occur is difficult at best.

a. Chapter N, Part III, of the MASM states that:

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... Such discrepancies will not be subject to reporting to the US Government, under paragraph 2g(3), unless shipments were effected under the DTS.

Other discrepancies for which the US Government retains responsibility are 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.

b. The freight forwarder acts as a key agent in the transportation and delivery of FMS shipments. They receive, consolidate, provide temporary storage, arrange export and transportation of FMS items for foreign country customers.

Each forwarder concludes contracts with its foreign country principle which specify the exact services the forwarder will provide. The spectrum of services performed will vary with the contract negotiated. The forwarder is the agent of the foreign country - not the US Army.

(1) Interviews revealed that most forwarders are contractually not able to open shipments to check for any deficiencies. The forwarders are generally receiving the packages and transshipping them without a verification of contents, quantity, or condition. Consequently, loss, damage, or incorrect shipments are not discovered until the package reaches the customer.

(2) This situation creates a two-fold problem. The lack of a monitoring system makes it possible to allow lost, delayed or damaged shipments to go undetected for a period of time exceeding the statute of limitations for submitting claims. The inability of the forwarder to verify shipments at their location also creates a problem in regards to ownership and accountability. The MASM very clearly states that the title passes to the customer at the point of origin in most cases. It also clearly states areas of transportation responsibility and accountability. Since the freight forwarder does not have authority to open shipments for verification, the forwarder fails in a key part of being the consignee's agent; i.e., he does not verify that the shipment is complete and intact. There is no method to discern if any pilferage, loss, or sabotage (concerns of both the US Government and the foreign customer) which may have occurred took place between the supply source and the forwarder, at the forwarder's facilities, or in transit to the consignee. The foreign customer will then submit a Report of Discrepancy (ROD) to the US Government for resolution. The US Government will then restate its position of non-responsibility/accountability; thus, bad will is created between the customer and the US Government and restitution for losses cannot be properly made. The situation also creates an environment which will allow abuse of the ROD procedure.

(3) It should be stressed to customers that the freight forwarder is his agent and not an agent of the US Government; that as his agent, the forwarder should have a knowledge of US Government procedures; and that the forwarder should have the authority to open and verify shipments on his behalf (unless specifically forbidden for security reasons).

c. Research indicated that few forwarders maintain a suspense file of incoming shipments. The depots provide freight forwarders one of two advance documents which give notification of incoming shipments. On all shipments a copy of the shipping document (usually a Commercial Bill of Lading (CBL)) is provided via mail and can be used as a suspense document. Outsized and other specified shipments require the forwarding of a Notice of Availability (NOA). The NOA can be used as a suspense document until the shipment is received.

(1) The suspense file can be used to monitor incoming shipments to determine if the carrier has made delivery. Since most shipments are sent CBL collect, this tool should be quite useful. It will also allow the forwarder to submit a claim to the carrier within specified time limitations. If the forwarder does not submit his claim within the time limitations, the customer may be able to submit a ROD to the US Government, but the shipment will likely be non-recoverable.

(2) Forwarders indicated that customers are not willing to pay for this additional service and the forwarders are not willing to absorb the additional costs; therefore, suspense systems have not been instituted and maintained. The result is that few shipments are monitored for loss or timely delivery.

(3) It is recommended that customer countries be advised of this situation and be encouraged to pay for the additional service provided by the freight forwarder.

(4) It is further recommended that Freight Forwarder Assistance Officers, USASAC, be authorized to assist in the development of suspense files which will easily accept US Government documents.

(5) It is recommended that USASAC conduct periodic seminars on the procedures utilized by the US Army/US Government for customers and specifically their agents.

CHAPTER IV

CONSOLIDATION

1. An integral part of DSS is the consolidation and containerization of shipments. These procedures have greatly reduced US Army shipping costs; therefore, it is reasonable to assume that savings would be realized for IL shipments by using similar procedures.

a. As discussed in Chapter I the FMS shipments having the greatest impact on the system are the myriad small items sent daily to customers via the forwarder (i.e., Class IX items). Agents for the larger freight forwarders reported receiving from 200 to 400 of these small items for their more active customers per day. Smaller forwarders also receive a substantial number of packages per day but do not approach that of the larger agents or those agents with active case customers. The general procedure used by Army depots to ship these items is as follows:

(1) The MRO is received by the depot.

(2) The item is picked according to the procedure used by the depot.

(3) Items not requiring Notices of Availability (NOA) are sent by either Parcel Post or United Parcel Service (UPS being the preferred method) to the forwarder. Those requiring NOA are stored until shipping instructions are received from the forwarder.

(4) The forwarder receives the item, performs in-house accounting, arranges export and transport, packs and ships the item, and makes in-house reports for agent and customer use.

b. The large number of packages sent by depots to freight forwarders increases transportation costs and increases the exposure to theft, loss, and damage. Further, the large number of packages sent increases the degree of difficulty required to trace lost shipments. Thus, a consolidation procedure would be beneficial to IL shipping.

2. A theater oriented consolidation and containerization point (CCP) corresponding to those of the US Army would facilitate the consolidation of shipments to IL customers (through forwarder agents) in a manner similar to DSS. The advantages of consolidation, as discussed earlier, are the reduced exposure to loss, damage, and theft and the improved transportation management. There are, however, aspects of theater oriented consolidation of IL shipments which must be considered when evaluating its feasibility.

a. Personnel at both Sharpe and New Cumberland Army depots were queried as to what additional resources would be required to institute a CCP. Neither could provide exact data in terms of cost, increased personnel required to handle FMS shipments, or additional space required. Although not able to provide percentage changes in terms of cost, equipment, personnel and space, New Cumberland respondents believed an additional five or more personnel and another warehouse would be required based on a cursory look at the work load of their existing CCP.

b. The adverse impact on both the MAPAD and insurance requirements must also be considered. The Military Assistance Program Address Directory (MAPAD), DOD 5105.38-D, provides the address for MILSTRIP/MILSTAMP documentation. The addressees provided the MAPAD by customer countries change frequently creating a dynamic system which is often difficult to update and manage. Consolidation of shipments could create the requirement to transship items two or more times. For example, some items originate at commercial vendor facilities. The items would have to be shipped to a depot, routed to the CCP, consolidated, and shipped to the freight forwarder. The additional transportation steps would require changes to the MAPAD to indicate additional addresses and instructions as to the routing, thus increasing the degree of difficulty in maintaining the already very dynamic file. Further, Part III of the Military Assistance Sales Manual (MASM) states that "purchasers will self-insure FMS shipments or obtain commercial

insurance without any right of subrogation of any claim against the United States." As FMS items become the property of the consignee at the point of origin, the question of who insures the items during movement to the first and second destination must be resolved. Ultimately, the consignee will assume the costs of transport and insurance; however, it is doubtful that the additional costs will be directly proportional to the benefits gained or that the customers will be willing to incur the additional costs. Further, the United States is prohibited by Congressional legislation from absorbing those costs.

c. A recommendation not to institute a theater oriented CCP is dictated by the additional resource requirements, additional costs, and the degree of difficulty in developing and maintaining software.

3. Consolidation, as a transportation management tool, is still feasible on a smaller scale. High volume consignees still exist and consolidation of shipments to these addressees by individual sources could provide FMS a means to reduce the exposure to loss, damage, and theft and a means to reduce transportation costs.

a. Currently Sharpe Army Depot is consolidating shipments to high volume addressees under special arrangements made between the depot, the Western Area Freight Forwarder Assistance Office (USASAC), and the freight forwarders. All Delivery Term Code 4 shipments, ordinarily sent via UPS or USPS, destined for high volume consignees are consolidated and shipped via commercial freight lines using Commercial Bills of Lading (CBL). NOAs are only sent for shipments which require special handling. Chapter 11, AR 725-50, states that material will be shipped "automatically" for all parcel post shipments, regardless of the option code in card column 46 of the material release order. Sharpe has interpreted that statement to mean that NOAs are not required for items which can be sent USPS or UPS. The consolidation used by Sharpe is merely a transportation management technique used to reduce the total number of shipments from Point A to Point B

and thus reduce cost and exposure to loss or damage. Therefore, the consolidation can be extended to the automatic shipments of Code 4 items.

b. The consolidation effort at Sharpe Army Depot is executed in the following manner.

(1) Receipt of an MRO causes the items to be picked and placed in a conveyor tub for each specified customer. Bin Selectors are briefed as to priority of stock selection and on the selection of high volume FMS shipments. Appendix G is a sample instruction sheet for Bin Selectors.

(2) As the tubs fill or about four times per day (whichever occurs first) these conveyor tubs are released to the packing area. Items requiring additional Packing and Preservation (P&P) are delayed for this purpose and then returned to the system. The items freeflow past the consolidation and loading point to the console operator who reads the address and directs FMS shipments to the packline in high volume configuration thereby facilitating consolidated packing.

(3) High freight rate items (over 100) are segregated for shipment by UPS. Sharpe has determined that the shipment of packages with a freight rate of 100 or more can be more economically shipped via UPS.

(4) Shipments to major customers are packed in prepositioned boxes. These boxes usually take about three days to fill. Small shipments going to a major customer are put directly into the appropriate box; when filled, the box is sealed and released to the freight forwarder.

(5) The 1, 5 and 6 copies of the DD Form 1348-1A are extracted and sent to Shipment Planning. The load is billed, the transportation scheduled and the #5 copy, 1348-1A, is returned to shipping (manifest order).

(6) The truck is loaded and shipment is made to the freight forwarder. Respondents at Sharpe believe they have made a savings of approximately 85% by using this consolidation procedure. Items costing \$100.00 to ship via UPS can be consolidated and shipped commercially for approximately \$15.00.

4. Sharpe Army Depot uses standard transportation management procedures. This allows maximum consolidation for shipment purposes at the depot without violating the spirit of Chapter 6, DODI 4140.17 (MILSTRIP) or Chapter 11, AR 725-50. It also reduces exposure to damage, loss and theft by reducing the number of shipments from Army depots to customer agents (freight forwarders), thus reducing transportation discrepancies, i.e., the complete or partial loss and/or damage sustained by the carrier or forwarder. By using this technique, the capital investment of instituting a CCP dedicated to FMS shipments is eliminated.

5. Consolidation of shipments to high volume customers should be favorably considered by the US Army Depot System Command (DESCOM). With minimal investment in terms of capital, personnel and training, the Army would be able to improve its execution of supporting the FMS program and improving the relations between the US Government and its FMS customers. It is recommended, therefore, that DESCOM direct all Army depots to determine which FMS addressees are high volume addressees, based on the number and frequency of shipments, and to direct all US Army depots to institute consolidation procedures similar to that discussed above.

CHAPTER V
TRANSPORTATION OF FMS SHIPMENTS

1. In evaluating the use of the DTS rather than freight forwarders for IL customers, one must consider several aspects of transportation within the DOD. It is important to examine both the policy guiding US forces and that guiding FMS.
2. Current guidance for US forces states that transportation resources shall be so planned, organized, and managed as to assure optimum responsiveness, efficiency, and economy in support of the Army mission. Sufficient DOD-owned transportation resources shall be maintained and operated in peacetime to supplement available commercial transportation to meet approved emergency and wartime requirements. DOD-owned transportation resources shall be applied to complement reasonably assured host nation support capability. DOD-owned transportation resources shall be used in peacetime to provide essential training for operational personnel, for logistic needs as required, and to assure military effectiveness in support of civil emergencies as directed.
3. The basic FMS transportation policy is that each customer country is completely responsible for the transport of FMS materiel from the point of origin. There has been recent Congressional pressure to that end and the MASM has been revised to strengthen its guidance on this subject. Respondents have indicated that the trend is to tighten the control over the use of DTS for FMS and to assure that responsibility is assumed by customers at the point of origin. In actual practice the DTS is often utilized to transport FMS shipments. It is the policy that dangerous and certain classified items will be moved via DTS to the port of embarkation. Also, waivers can be given to allow the use of DTS for other shipments on a reimbursable basis when the procuring government would have difficulty arranging its own transportation.

4. Another aspect of DOD's role in the FMS program is the negotiation, by MTMC, with the common carrier industry to establish commercial tariff commodity rates for the CONUS linehaul transportation of FMS shipments. This responsibility was assigned to MTMC as part of its mission by the Secretary of Defense in October 1977 after the DOD Counsel ruled in March 1977 that Section 10721 (formerly Section 22) rates should not be applicable to future FMS shipments. Since then, the command's FMS Rate Negotiations Office has been successful in establishing numerous commercial tariff export commodity rates. These rates allow FMS shipments to be shipped to designated ports at considerable savings to the purchasing countries. Commodities for which rates have been negotiated are ammunition and explosives, ordnance items, vehicles, missiles, tanks, and freight. All personnel and administrative costs incurred in the rate negotiation effort are borne by customer countries. For FY 79 cost avoidance amounted to \$1,206,226 and for FY 80 the cost avoidance was approximately \$2.35 million. Table 5-1 provides FMS delivery terms for Code 4 through 9 shipments. Charts 5-1 through 5-3 provide flow charts for FMS shipments Code 4, 6, and 8, respectively.

5. Current legislation and regulatory guidance prohibits the use of DTS for peacetime FMS shipments beyond that described above. Also, respondents at MTMC stated that both DOD and commercial costs vary based upon many factors; thus making a general comparison infeasible. One would conclude, especially in light of the current trend, that the use of DTS is an alternative that is unlikely to gain legislative approval at this time and that the DTS should not be utilized in place of the freight forwarder system.

6. Observation. Although transportation, in itself, is not within the mission of DARCOM, the type of transportation used impacts upon supply policy, procedures, and documentation. The Army's security assistance mission, with its supporting policy, procedures and documentation, has become essential to the attainment of US foreign policy goals throughout the world; therefore, the likelihood of using

the DTS to support allied foreign armed forces during a war or emergency condition is increased. However, as stated earlier, current policy precludes the use of DTS for most FMS shipments. This leads us to ask the question: "Will the DTS be used to transport FMS shipments as well as other types of support?" Respondents indicate that this may well be the case and have offered the examples established in the Middle East and Vietnam to support this position. The next question, then, must be: "Will the use of DTS be strictly confined to one or two specific contingencies or do contingency planners envision a broader use of DTS?" Respondents indicate that the broader spectrum is envisioned; thus current FMS transportation policy must be reappraised.

a. Recent logistics exercises have highlighted the inability of transportation assets to satisfy US force emergency requirements. Shortages in both assets and personnel were cited; thus indicating a shortfall in the transportation "warm base" provided by the Military Sealift Command (MSC) and commercial sources.

b. In order to assure optimum responsiveness and economy in wartime, the Navy is currently maintaining additional peacetime transportation assets. It is buying excess space on regularly scheduled commercial ships. The chartering of excess capacity is justified by the Navy on the basis of contingency needs.

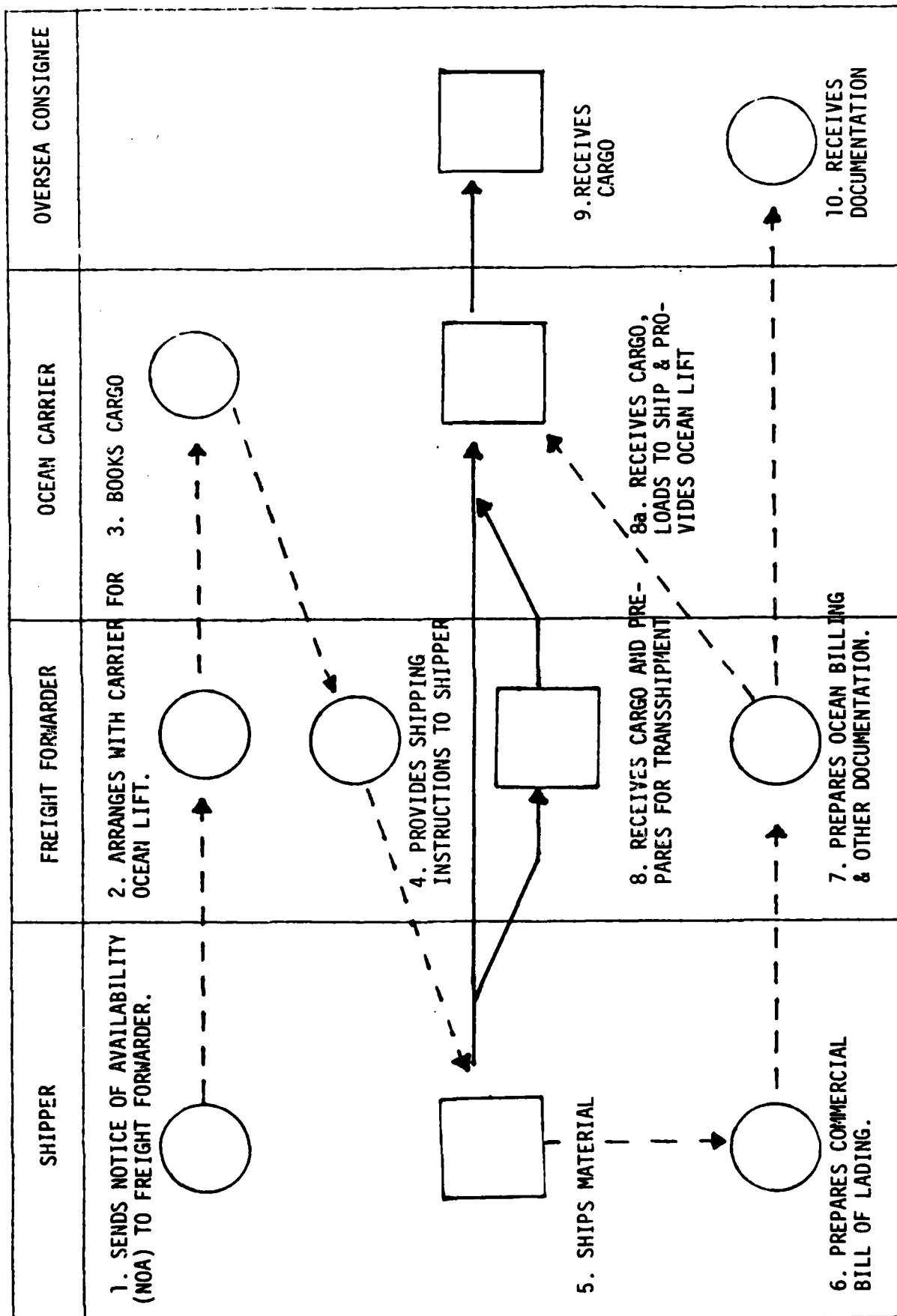
c. An extension of this issue is the peacetime use of DTS assets to ship FMS material from US points of origin to specified oversea locations on a reimbursable basis. If DOD will, in fact, provide transportation of FMS material in wartime or emergency conditions, it must have assets available to do so. Excess transportation assets could be chartered for peacetime FMS shipping. This would provide an environment conducive to transitioning FMS shipments from peace to war with less degradation on the total transportation system. Excess peacetime chartering would give legitimacy to the reality of DTS support to FMS shipping in wartime. Further, the use of DTS in peacetime would facilitate the implementation of certain DSS type procedures to improve IL shipping.

FOREIGN MILITARY SALE DELIVERY TERMS

CODE	EXPORT RELEASE	CONUS TRANSP	TER1 HDLG	SHIP LOADING	OCEAN TRANSP	OVERSEA DISCHG PT HDLG & TERM	INLAND TRANSP TO DEST
4 - FOB ORIGIN	NO	CUST	CUST	CUST	CUST	CUST	CUST
* 5 - FOB PORT OF EXIT	NO	DOD	CUST	CUST	CUST	CUST	CUST
6 - FOB VESSEL - OVERSEAS PORT OF DISCHARGE (MAP)	X	DOD	DOD (MTMC)	DOD (MTMC)	DOD (MSC)	CUST	CUST
* 7 - FOB DESTINATION INLAND POINT	X	DOD	DOD: (MTMC)	DOD (MTMC)	DOD (MSC)	CUST	CUST
8 - FOB VESSEL CONUS PORT OF EXIT	X	DOD	DOD (MTMC)	DOD (MTMC)	CUST	CUST	CUST
* 9 - FOB PORT OF DISCHG (LANDED)	X	DOD	DOD (MTMC)	DOD (MTMC)	DOD (MSC)	DOD	CUST

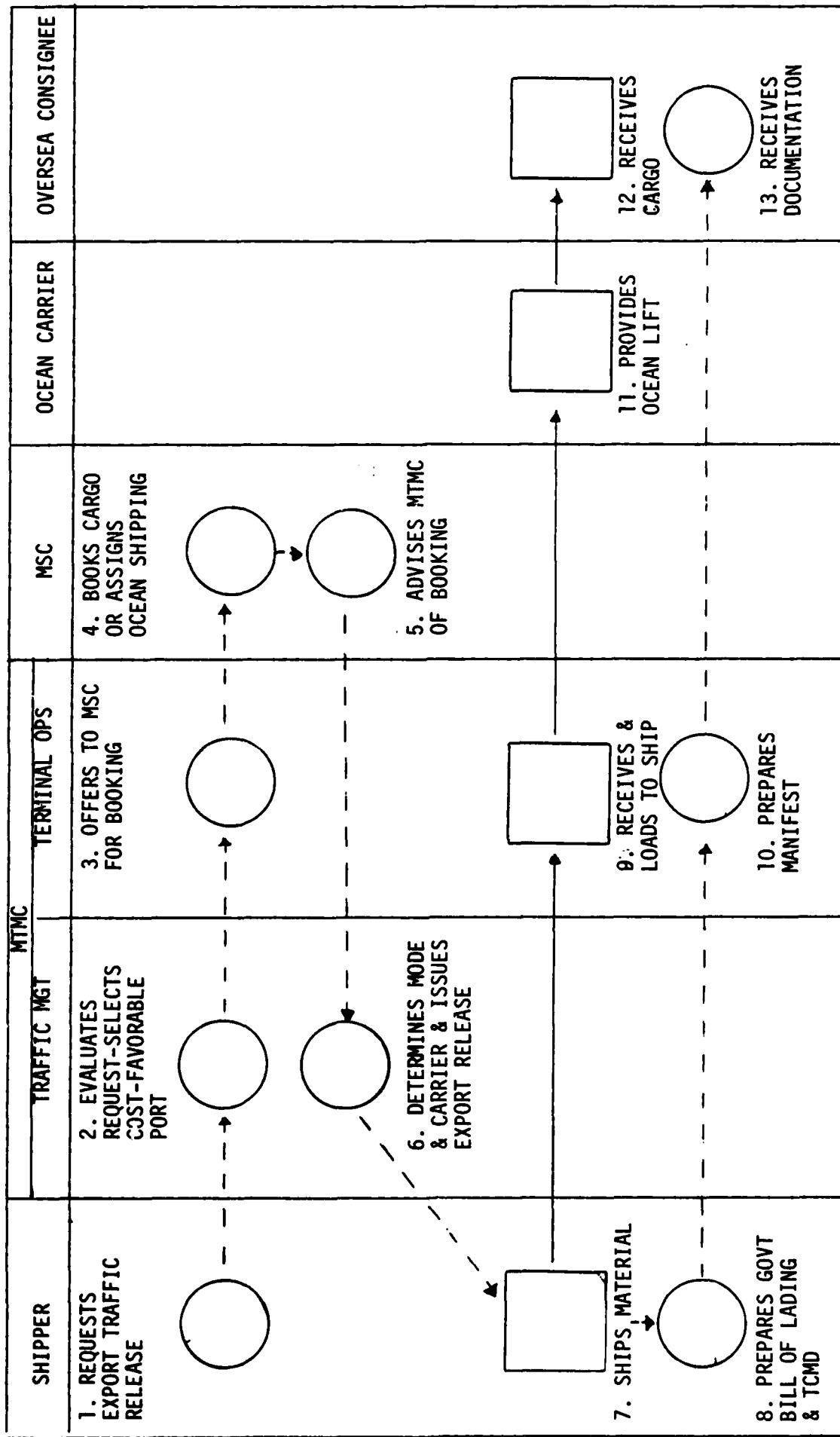
* SELDOM USED

'FOREIGN MILITARY SALES SHIPMENTS - CODE 4 (FOB ORIGIN)



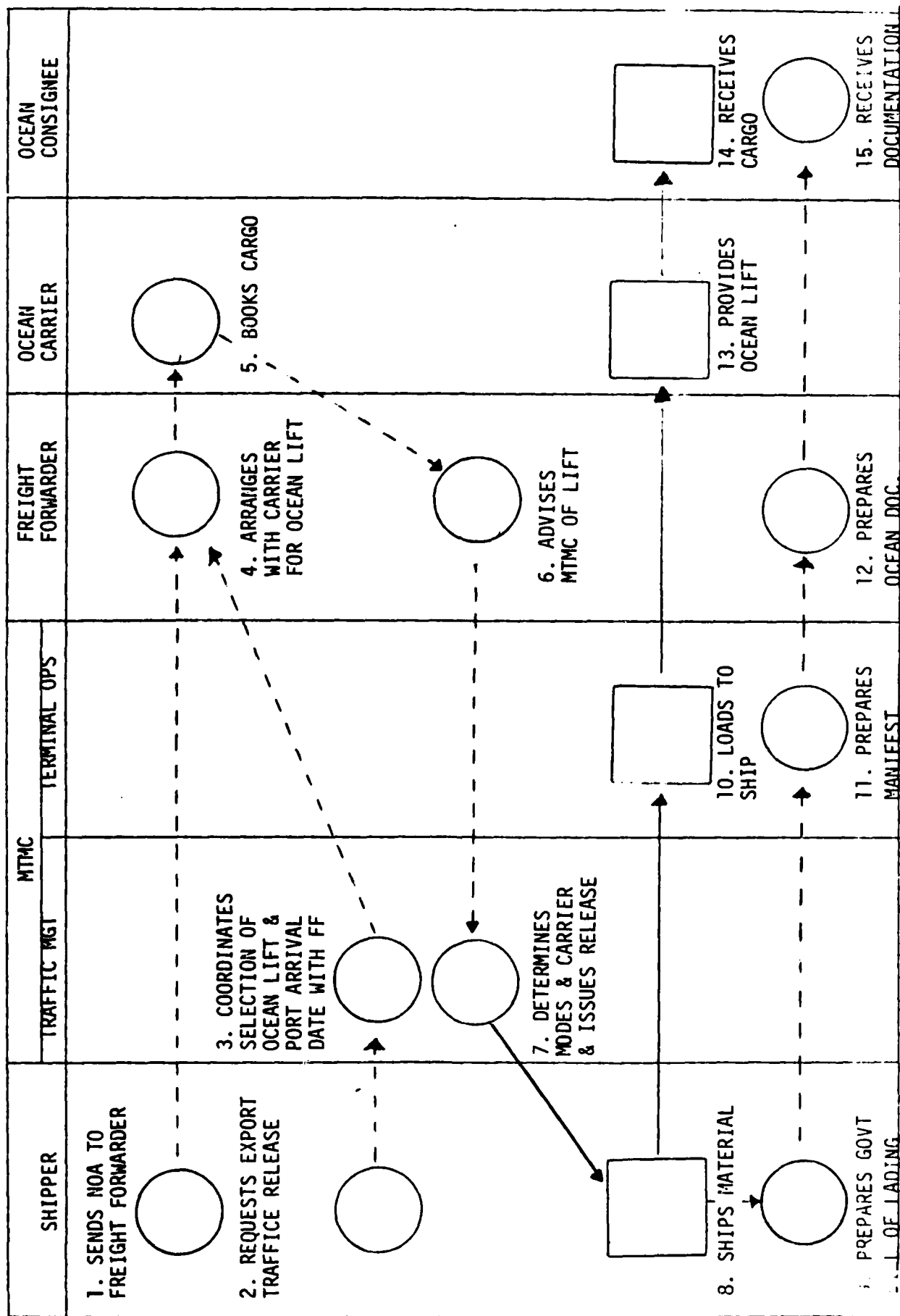
PREPARATION AND MOVEMENT OF MATERIEL
 COMMUNICATION
 TRANSPORTATION
 ADMINISTRATIVE AND MANAGEMENT ACTIONS

FOREIGN MILITARY SALES SHIPMENTS - CODE 6 (FOB POD)



--- COMMUNICATIONS --- TRANSPORTATION

FOREIGN MILITARY SALES SHIPMENTS - CODE 8 (FOB VESSEL)



CHAPTER VI

RECOMMENDATIONS

Analysis of data collected and responses obtained from interviews led to the conclusions discussed within the body and the recommendations summarized below. It is recommended that:

- a. DESCOM implement a receipt documentation procedure using DA Form 1087, as described in paragraph 3b and Appendix F, this study.
- b. USASAC provide periodic seminars on US Government procedures for customers and their agents.
- c. Customer countries be encouraged to request and pay for the development and maintenance of a suspense system by their forwarder agents.
- d. Freight forwarder assistance officers, USASAC, be authorized to assist forwarders in the development of suspense files to insure their compatibility with US Government documents.
- e. HQ DARCOM direct DESCOM to institute consolidation procedures in all US Army depots similar to those described in Chapter IV, this study.
- f. The DTS not be used for normal FMS shipments under current legislation.

APPENDIX A

ACRONYMS

AUTODIN	Automatic Digital Network
BBC	Document Identifier Code, Items sent to CCP
CBL	Commercial Bill of Lading
CCP	Consolidation and Containerization Point
CISIL	Centralized Integrated System for International Logistics
CLSSA	Cooperative Logistics Supply Support Agreement
CONUS	Continental United States
CRP	Central Receiving Point
DA	Department of the Army
DAAS	Defense Automatic Addressing Systems
DAASO	Defense Automatic Addressing Systems Office
DIC	Document Identifier Code
DLA	Defense Logistics Agency
DOD	Department of Defense
DSS	Direct Support System
DTS	Defense Transportation System
DWA	Document Identifier Code, Receipt Detail Card
FMS	Foreign Military Sales
GBL	Government Bill of Lading
GSA	General Services Administration
IL	International Logistics
LCA	Logistics Control Activity
LCOP	Logistic Control Office, Pacific
LIF	Logistics Intelligence File
MAP	Military Assistance Program
MILSTAMP	Military Standard Transportation and Movement Procedures
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MRC	Materiel Readiness Command/Materiel Release Confirmation
MRD	Materiel Release Denial
MRHF	Master Request and History File
MRHS	Master Requisition History Status File
MRO	Materiel Release Order
NICP	National Inventory Control Point
OST	Order Ship Time
ROD	Report of Discrepancy
SAILS	Standard Army Intermediate Level Supply Subsystem
SSA	Supply Support Activity

TCMD
TCN

Transportation Control and Movement Document
Transportation Control Number

UPS
USASAC
USPS

United Parcel Service
United States Army Security Assistance Center
United States Postal Service

APPENDIX B

DELIVERY TERM CODES PRIMARILY USED IN SECURITY ASSISTANCE

<u>CODE</u>	<u>TERM</u>
4	<u>Delivery at Origin (formerly F.O.B.-Origin).</u> Requires the seller to put the goods into the possession of the carrier at the point of origin. Expense borne by buyer (freight forwarder). (Primary code for FMS).
5	<u>Delivery to Port of Exit (formerly F.O.B.-Port of Exit).</u> Requires the seller to transport the goods to a terminal handling facility at the port of exit. The customer is responsible for off loading and handling. (This mode is seldom used).
6	<u>Delivery to Port of Discharge (formerly F.O.B.-Port of Discharge).</u> Requires the seller to deliver goods to the port of discharge. Customer is responsible for handling and off loading. (Used primarily for MAP).
8	<u>Delivery to Vessel (formerly F.O.B.-Vessel).</u> Requires the seller to deliver goods to vessel including handling aboard vessel.
9	<u>Delivery to Port of Discharge (Landed) (formerly F.O.B.-Port of Discharge (Landed)).</u> Requires seller to deliver the goods to the oversea discharge point, including the handling point and terminal.

APPENDIX C

ROUTINE

*** UNCLASSIFIED ***

06475/039122/096A - DT: 096/0201

ACTION: CDR SA XO DAAS SUP MAINT REMGT QUAL DMIS COMSY USACC VISITS

INFO: CDR SA XO DAAS SUP MAINT REMGT QUAL DMIS COMSY USACC VISITS

RATUZYUW RUEKJCS2601 0960157-0000--RUEMANB.

ZNR 00000

R 050152Z APR 80

FM SECDEF WASHINGTON DC//USDP//

TO RUEADWD/CSA WASHINGTON DC//DALO-SAC//

RUEAANA/CNO WASHINGTON DC//OP-63//

RUEAHQA/CSAF WASHINGTON DC//PAIX//

INFO RUKLDAR/CDRUSASAC ALEXANDRIA VA

RUEMANB/CDRUSASAC NEW CUMBERLAND PA

RUE9AGI/NAVILCO PHILADELPHIA PA

RUVAANA/AFLC WPAFB OH//ILC//

BT

UNCLAS 7873

FROM DSAA-TC-PCD

SUBJ: MAP DELIVERY REPORTING

REF: BRIEFINGS CONDUCTED BY DSAA, 26-27 MAR 80, ON GRANT AID PROGRAMS SCHEDULED FOR TERMINATION 30 SEP 90 (ARMY DID NOT ATTEND)

1. FOLLOWING IS CONFIRMATION OF INSTRUCTIONS PROVIDED DURING REF BRIEFINGS REGARDING CHANGES IN FUTURE DELIVERY REPORTING ON GRANT AID PROGRAMS. THESE CHANGES WILL BE IMPLEMENTED BY ALL SERVICES IAW PAGE 2 RUEKJCS 2601 UNCLAS FOLLOWING SCHEDULES.

2. AUTOMATED DELIVERY REPORTING.

A. AFTER SUBMISSION OF 2ND QTR FY80 DELIVERY REPORTS (78" CARD SUBMISSIONS), DELIVERY REPORTS ON A QUARTERLY BASIS WILL BE DISCONTINUED. FUTURE DELIVERY REPORTS FOR ALL GRANT AID PROGRAMS WILL BE FORWARDED TO DSAA ON A MONTHLY BASIS. FIRST MONTHLY REPORT WILL BE DUE IN DSAA 21 MAY 1980. SUBSEQUENT REPORT WILL BE DUE IN DSAA 15 WORKING DAYS AFTER THE LAST CALENDAR DAY OF THE PREVIOUS MONTH. CARD COLUMN 66-E8 FOR MAY-JUN-JUL SUBMISSIONS SHOULD CONTAIN 803; AUG-SEP-OCT SHOULD CONTAIN 804.

B. PROGRAM CHANGES IDENTIFIED DURING REF BRIEFINGS SHOULD BE SUBMITTED TO DSAA TWO WEEKS PRIOR TO SUBMISSION OF 21 MAY MONTHLY DELIVERY REPORT. THIS IS NECESSARY TO INSURE AGAINST POSSIBLE DELIVERY REJECTS.

3. ETHIOPIAN PROGRAM. SERVICES HAVING DOLLAR OR DEFINED PROGRAM LINES IN THE ETHIOPIA GRANT AID PROGRAM NOT YET REPORTED AS DELIVERED WILL ACCOMPLISH THE FOLLOWING:

A. DEFINED PROGRAM LINES.

(1) MAJOR ITEMS WHICH ARE NOT YET AVAILABLE AND CAN BE CANCELLED AT NO COST TO MAP SHOULD BE CANCELLED AND APPROPRIATE "R" PAGE 3 RUEKJCS 2601 UNCLAS CARD SUBMITTED TO DSAA.

(2) ITEMS WHICH ARE NOT YET AVAILABLE AND CANNOT BE CANCELLED WITHOUT INCURRING TERMINATION COSTS SHOULD BE DELETED FROM THE

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APR 7 7 51 AM '80

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ETHIOPIA PROGRAM AND ADDED TO THE MAPOM (M3) PROGRAM.

(3) ITEMS WHICH WERE DELIVERED TO ETHIOPIA PRIOR TO THE CANCELLATION OF THE PROGRAM SHOULD BE REPORTED AS A DELIVERY AT PROGRAM PRICE IF ACTUAL UNKNOWN.-

8. DOLLAR PROGRAM LINES. DOLLAR PROGRAM LINES WHICH REFLECT NO UNSHIPED, UNBILLED AMOUNTS SHOULD BE REDUCED TO THE AMOUNT OF FINAL BILLING. DOLLAR PROGRAM LINES WITH SHIPPED, UNBILLED BALANCE SHOULD BE REPORTED AS A CONSTRUCTIVE DELIVERY AT ESTIMATED FINAL PROGRAM VALUE. PROGRAM ADJUSTMENT AS REQUIRED FOR THESE LINES SHOULD BE PROCESSED AT TIME OF FINAL BILLING.

4. MANUAL DELIVERY REPORTING.

A. SERVICES WILL SUBMIT A MONTHLY MANUAL DELIVERY/DELIVERY FORECAST REPORT FOR ALL DEFINED ITEMS REFLECTED IN DSAA 1000 DATA BASE AS UNDELIVERED AS OF 31 MAR 1980 IN FY77 AND PRIOR YEAR PROGRAMS FOR ALL COUNTRIES EXCEPT JORDAN, SPAIN, PORTUGAL AND THE PHILIPPINES. THESE REPORTS WILL CONTINUE THROUGHOUT FY80. THE FIRST REPORT WILL BE DUE TO DSAA 25 APR 1980 AND SUBSEQUENT REPORTS PAGE 4 RUEKJCS 2601 UNCLAS
NLT 20TH OF EACH MONTH. DRAFT LISTINGS OF DEFINED LINE NOT DELIVERED WERE PROVIDED TO NAVY AND AF REPS DURING REF BRIEFING. SIMILAR LIST WAS PROVIDED ARMY ON 31 MAR 80.

3. SERVICES WILL ALSO REPORT ON DOLLAR PROGRAM LINES CONCURRENTLY WITH THE DEFINED ITEM REPORT. THIS DOLLAR LINE REPORT WILL ONLY BE FOR PROGRAM LINES GENERIC CODE A THRU K. REPORT WILL BE A ONE LINE (EXPRESSED IN DOLLARS) BY COUNTRY TO REFLECT TOTAL DOLLAR VALUE OF OPEN REQUISITIONS WITH DELIVERY FORECAST CONSOLIDATED FOR 3D QTR FY80 AND BY MONTH FOR 4TH QTR.

5. SERVICES WILL NOT ARBITRARILY CANCEL MAJOR ITEMS ON CONTRACT BECAUSE OF INABILITY TO MAKE DELIVERY TO RECIPIENT COUNTRIES BY 30 SEP 80 DEADLINE. FURTHER, SERVICES SHOULD CONTINUE TO CONSIDER FOR PROCUREMENT REQUISITIONS NOT YET ON CONTRACT. IN BOTH INSTANCES, DSAA CONCURRENCE SHOULD BE OBTAINED IN RECOMMENDED ACTION. THIS INFORMATION SHOULD BE PROVIDED AS SOON AS POSSIBLE IN A ONE-TIME REPORT. INFORMATION REQUIRED WILL INCLUDE: COUNTRY - ITEM DESCRIPTION - QTY - PROGRAM VALUE - EST CONTRACT AWARD DATE - PROCUREMENT LEAD TIME AND ADEQUACY OF PROGRAM VALUE - DIVERSION POSSIBILITIES.

6. POSSIBILITY EXISTS THAT LEGISLATION PRESENTLY UNDER CONSIDERATION WILL EXTEND MAP DELIVERY DATE FOR TERMINATED COUNTRIES TO SEP 82. IF THIS LEGISLATION IS ENACTED, SPECIAL MONTHLY REPORT, PARA 4 ABOVE, WILL BE DISCONTINUED. HOWEVER, EXPECT TO CONTINUE WITH DELIVERY REPORTING "3" CARD SUBMISSION ON A MONTHLY BASIS.

7. FYI. AS PRESENTLY WRITTEN, SECTION 516(A) OF FOREIGN ASSISTANCE ACT OF 1961 PROVIDES DEADLINES FOR PROVISION OF SERVICES AND TRANSFER OF TITLE TO MATERIAL TO COUNTRIES HAVING POST FY77 GRANT AID PROGRAMS AS FOLLOWS:

COUNTRY	FY PROGRAM	DELIVERY CUT-OFF DATE
GREECE	78 - 79	30 SEP 82
THAILAND	78	30 SEP 81
JORDAN	77 THRU 80	30 SEP 83
INDONESIA	78	30 SEP 81

*** UNCLASSIFIED ***

DELIVERY CUT-OFF DATES DO NOT APPLY TO THE PHILIPPINES, PORTUGAL,
AND SPAIN. END FYIN
BT #2501 NNNN

APPENDIX D
THE REPORT OF DISCREPANCY PROBLEM
(ROD)

1. Reports of Discrepancy were mentioned by all interviewees. Therefore, the following summary of comments was prepared. The Quality Assurance Office, DRSAC-OQ, USASAC, New Cumberland Army Depot, is directly involved in the problem area and can provide additional information.

2. RODs appear to be a major problem. The problem appears to stem from the lack of visibility from inception of request to receipt by customer. The requisition is sent to the Materiel Readiness Command (MRC), an A5_ card is cut, and materiel packed for transport. The materiel with 1348-1A is delivered to the freight forwarder via commercial transport, UPS or USPS. On arrival, it is placed in storage to await transport to the departure port (sea or aerial) and then loaded. Once materiel arrives in-country, the exact procedures vary from country to country. However, one or two additional handlings may occur prior to inventory. When discrepancies in quantity occur, the entire system must be traced to determine if loss occurred en-route and where. Tests conducted by the US Army Security Assistance Center indicated that materiel generally arrived intact to the freight forwarder. Although not a public position within the US Government, it is logical that most losses occur between the prime carrier and the using activity (assuming correct quantities were shipped).

3. An additional source of ROD problems may be the method in which Transportation Control Numbers (TCN) are selected for multiple shipments sent Parcel Post or UPS. Once parcels are placed into the Parcel Post system, visibility is lost to USASAC and to the customer. The use of Certified Parcel Post creates additional TCNs. MRCs sending out items will have a TCN/document number on the DD 1348-1, but will record the shipment under a number made up from the Certified/Insured Parcel Post or UPS number. This is further exacerbated by partial shipments. Each shipment's TCN will be the certification/insurance number (plus). If one requisition resulted in three partial shipments, maintaining visibility would become difficult.
4. Further research indicated that the bulk of discrepancies were for non-receipt. The non-receipt RODs led to conclusions discussed in this report, Chapter V.

APPENDIX E

SUGGESTED DOCUMENT FLOW

1. A requisition, DD Form 1348.M, DIC AØ_, is prepared by the US Army Security Assistance Center (USASAC-0), New Cumberland Army Depot, or by the foreign customer and verified by USASAC-0. The requisitions are passed to the wholesale level/appropriate supply source (Army National Inventory Control Points (NICPs), General Services Administration (GSA), Defense Logistics Agency (DLA), and miscellaneous sources).
2. Concurrent with sending requisitions to these sources, USASAC-0 will initiate an image copy of the requisition for recording in the Centralized Integrated System for International Logistics (CISIL) (Master Requisition History Status File - MRHS). The Julian date shown in the requisition document number provides for measuring supply source requisition processing time.
3. At the various supply sources, requisitions received are processed through specialized wholesale supply management systems, subsequently appropriate supply status cards (DIC AE_) are produced and forwarded to USASAC-0.
4. As indicated above, supply status information (DIC AE_ in Military Standard Requisitioning and Issue Procedures (MILSTRIP) format) is prepared by supply sources on all requisitions processed. This occurs prior to preparation of a Materiel Release Order (MRO) for items that are to be released for shipment. (NOTE: AE_ represents all types of MILSTRIP supply status and includes status codes reflecting backorder information, rejection, or cancellation action if an MRO is not prepared.)

a. Upon receipt of an AE_ by USASAC-0, the MRHS file is updated to reflect MILSTRIP supply status information contained in the status document. Data

posted includes the specific status code (e.g., BB, BV, BD, etc.) in addition to unit of issue, quantity, and/or other specific supply intelligence conveyed through the status card.

b. USASAC-0 provides status to the customer to update customer suspense files.

5. If records at the supply source indicate stock on a requisitioned item is available for issue, an MRO is prepared and transmitted to the depot. An image copy is provided to USASAC-0.

a. Upon receipt of the MRO by USASAC-0, a transaction date (Julian date the MRO is received by USASAC-0) is established and posted to the MRHS along with unit price and depot. The transaction date established for the requisition (paragraph 2) versus the transaction date established for the MRO provides a basis for measuring the supply source processing time for the requisition. The MRO date is also the starting point for measuring the shipping depot processing time.

b. The shipping depot receives the MRO from the supply source for shipment action.

c. Should the MRO quantity not be available in depot inventory (full or partial), a Materiel Release Denial (MRD) is prepared and transmitted to supply source. An image copy of the MRD would be routed to USASAC-0 (MRHS file).

d. Upon receipt of an MRD by USASAC-0, the date and quantity denied is posted to the MRHS file and the original MRO date and quantity adjusted as appropriate.

e. The supply source upon receipt of an MRD will: Issue another MRO to some other depot which has stock available, place the denied quantity on

backorder, procure for direct delivery.... In these instances, appropriate actions, as outlined above, would be repeated.

6. If the depot receiving the MRO has adequate stocks on hand, action will be taken to ship the quantity reflected in this card. In addition, a Materiel Release Confirmation (MRC) document (DIC ARO) will be prepared by the depot and forwarded to the supply source via Defense Automatic Addressing System (DAAS). The supply source provides an image copy to USASAC-0.

a. The supply source uses MRC information to update Materiel Request and History Files (MRHF).

b. Upon receipt of the MRC by USASAC-0, the MRC date is posted to the MRHS file.

7. In conjunction with the action indicated in paragraph 6, the shipping depot also prepares a shipment status card (DIC AS_) containing pertinent shipping information. The AS_ is forwarded to USASAC-0.

a. Upon receipt of the shipment status card by USASAC-0, the quantity shipped, mode of shipment, Transportation Control Number (TCN), and the Julian date the materiel is actually shipped is posted to the MRHS file. The shipping depot materiel processing time can be measured from the MRHS file transaction date established for receipt of the MRO by the depot to the date shipped, as shown in the AS_ document.

8. In conjunction with the actions in paragraphs 6 and 7, the shipping depot will accomplish the following when items are sent to the freight forwarder:

(1) DD Form 1348-1 - Single line item shipping document for each line item shipped.

(2) DWA (2 each) - Receipt detail card for each item shipped.

(3) Commercial Bill of Lading (CBL) - For freight shipments, a collect CBL is prepared by the shipping depot. The number 1 through 6 copies of the CBL are retained by the shipping depot and processed in accordance with MILSTRIP. The 9 copy is attached to the shipment for the freight forwarders use in checking materiel. 9. The freight forwarder receives the materiel and accompanying documentation from the depot.

a. The forwarder inventories materiel and returns one copy of the DWA/TK4 (or similar receipt document) to USASAC after assigning the date of delivery. The remaining copy is forwarded with the materiel to the customer.

b. DD Form 1348-1 remains with the shipment and is forwarded to the customer.

10. Upon receipt of the shipment at the Port of Debarkation (POD), the foreign customer inserts the Julian date and returns the receipt document for each item in the shipment to USASAC.

a. Customers without Automatic Digital Network capability forward the receipt cards directly to USASAC-0. The receipt card provides:

(1) Data for measuring the total order ship time (OST) for the materiel requisitioned and closes the record on the MRHS.

(2) Assists in maintaining visibility/accountability.

b. Customers possessing AUTODIN may transmit data directly to USASAC-0 via AUTODIN.

APPENDIX F
RECEIPT CARD DOCUMENT FLOW

Para 1-7 same as Appendix E

8. In conjunction with paragraphs 6 and 7, the shipping depot will accomplish the following when items are sent to the freight forwarder.

a. DD Form 1348-1 - Single line item shipping document for each line item shipped.

b. The packer transposes the shipping address code from the DD Form 1348-1 to Block 1, DD Form 1087 (Pre-addressed Transit Time Data Card); he transposes the TCN from the 1348-1 to Block 2, DD Form 1087, and places the date in Block 3. The card is affixed to the shipment in a shipment document envelope. (See Figure F-1)

c. Commercial Bill of Lading (CBL) - For most Code 4 FMS shipments a CBL (collect) is prepared by the depot. Copies 1 and 7 are forwarded to the freight forwarder as advance notice of shipment. Copies 2-6 are retained and processed IAW MILSTRIP. The number 9 copy is attached to the shipment.

9. The freight forwarder receives the materiel and accompanying documentation from the depot.

a. The freight forwarder inventories materiel, removes, dates and sends the DD Form 1087 to USASAC-0 via the US Postal system.

b. DD Form 1348-1 remains with the shipment and is forwarded to the customer.

c. USASAC-0 will use the card (DD Form 1087) to close/update the file in the MRHS on that shipment. This procedure will facilitate measurement of order ship time to the point of receipt by the customer's agent and assists in maintaining visibility/accountability.

DEPARTMENT OF THE ARMY

POSTAGE AND FEES PAID
DEPARTMENT OF THE ARMY
DOD-314

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300

Commander
U.S. Army Security Assistance Center
DRSAC-OP/T
New Cumberland Army Depot
New Cumberland, PA

TRANSIT TIME DATA	
WHEN DID THIS SHIPMENT ARRIVE?	
ATTENTION, CONSIGNEE I	
COMPLETE CARD BY FILLING IN ITEM 4 AND MAIL PROMPTLY TO ADDRESSEE SHOWN IN FRONT	
1. CONSIGNOR AND ORIGIN	
2. GBL NUMBER OR OTHER RECORD	3. DATE SHIPPED
HELP US HELP YOU I	
4. DATE OFFERED FOR DELIVERY	

DD FORM 1087 EDITION OF 1 DEC 67 IS OBSOLETE.
1 JUL 78

Figure F-1. DD Form 1087 is currently used by Army depots. For FMS, the card will be pre-addressed for return to USASAC, block one (1) will have addressee from DD Form 1348-1A, block two (2) will have TCN from 1348-1A, and block three (3) will be the date the card is filled out and placed on the shipment. The freight forwarder would place the date received in block four (4) and return to USASAC-0.

APPENDIX G



18 APRIL 1980

BIN STOCK SELECTOR'S CHECKLIST

1. All stock selection will be made in priority sequence, i.e. (1) NORS, (2) TP I (including TP II ALOC), (3) TP II (including TP III ALOC), (4) TP III DSS and (5) TP III Non-DSS (TP III Non-DSS will not be selected until all available blue-tag receipts are stowed).

2. Materiel from the bin storage areas will be selected and processed as follows:

a. For DSS/Army issues (A or W in Column 30) to ALASKA, HAWAII, JAPAN, OKINAWA and KOREA, select in priority sequence and place in wheeled baskets for pick up by West Coast (Materiel will not be left on the ramp).

b. All other issues will be selected in priority sequence and processed as follows:

NOTE: Tote trays with 5 notches along each side will not be dialed to line 06.

ALL INSTRUCTIONS LISTED BELOW APPLY ONLY IF MATERIEL MEETS THE LEVEL OF PACK ON YOUR 1348-1A. IF NOT, THE MATERIEL MUST BE SENT TO P&P, LINE 11 FROM SECTION 3 or 13 FROM SECTION 4. DO NOT MIX CUSTOMER ADDRESSES IN TOTE TRAYS OF MATERIEL GOING TO P&P. TP I's & TP II's FOR THE SAME CUSTOMER MAY, HOWEVER, BE MIXED.

ALL NORS FOR FT. ORD, FT. LEWIS, NEW CUMBERLAND GOES TO LINE 06. YOU MAY MIX NORS WITH PRIORITY I FOR FT. ORD, FT. LEWIS, AND NEW CUMBERLAND.

CUSTOMER ADDRESS	TP I	TP II	TP III	
DSS & NON DSS FT. ORD	Dial 06	Dial 06	Dial 06	May mix TP II & III
DSS & NON DSS FT. LEWIS	Dial 06	Dial 06	Dial 06	May mix TP II & III
DSS & NON DSS NEW CUMBERLAND	Dial 06	Dial 06	Dial 06	May mix TP II & III
FRITZ CO.	Dial 03	Dial 06	Dial 06	May mix TP II & III
ETO BANGKOK	Dial 03	Dial 06	Dial 06	May mix TP II & III
KOREA EXPRESS	Dial 03	Dial 06	Dial 06	May mix TP II & III
TOOELE	Dial 03	Dial 06	Dial 06	May mix TP II & III
CAMP PENDLETON MMC-100	Dial 03	Dial 06	Dial 06	May mix TP II & III
DSS OTHER THAN FT. ORD, LEWIS OR NCAD	Dial 03	Dial 03	Dial 02	Do not mix TP's
NON DSS SINGLE LINE(1/1)	Dial 03	Dial 03	Dial 04	Do not mix TP's
NON DSS MULTI-LINES	Dial 03	Dial 03	Dial 05	Do not mix TP's

CAMP PENDLETON OTHER THAN MMC-100 WILL BE TREATED AS NON DSS.

3. Stock selectors will print last name in "selected by" block of 1348-1A, annotate date and time selected, and initial.

4. Initiate bin replenishment if stock quantity appears low or at zero balance and if bulk location(s) is indicated on 1348-1A.

a. Remove address tips from three copies of 1348-1A. Attach No. 3 copy to bin location, file No. 2 copy in Bin Replenishment Suspense file, and give No. 1 copy to team leader to be forwarded to bulk location.

b. If no bulk location is indicated, remove Loose Issue Label, DA Form 3778-1, initiate location deletion action, and have team leader forward the 3778 to Locator Section.

c. Do not replenish from the following locations:

4013.....6203.....6012

2282.....2283.....2284

5. If one of the following conditions should occur in the course of stowing/relocating materiel the corresponding code should be annotated on AMC Form 1381:

A.....RELOCATED TO SMALLER OR LARGER BIN

B.....BIN OCCUPIED

D.....SECURITY ITEM

E.....TOO LARGE FOR BIN, SENT TO BULK

F.....RELOCATED DUE TO CONDITION CODE

6. Pull tip for all FMS issues. Sign date selected, name, and where item was sent. Forward to Bin Office.

7. Pull tips for all selections made from location "under inventory control". Print date selected, last name, and initial. Forward to Bin Office.