



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

SEP 20 2005

In reply refer to:
I-05/010919

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE ARMY
(DEFENSE EXPORTS AND COOPERATION)
(DASA(DE&C)/SAAL-ZN)
DEPARTMENT OF THE ARMY

DEPUTY ASSISTANT SECRETARY OF THE NAVY
(INTERNATIONAL PROGRAMS)
DEPARTMENT OF THE NAVY

DEPUTY UNDER SECRETARY OF THE AIR FORCE
(INTERNATIONAL AFFAIRS)
DEPARTMENT OF THE AIR FORCE

DIRECTOR, DEFENSE LOGISTICS AGENCY

DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE (DENVER CENTER)

SUBJECT: Revised Cooperative Logistics Supply Support Arrangement (CLSSA)
Policy (DSCA 05-23)


As part of our FMS transformation initiative, DSCA chartered a team to review and make improvements to the CLSSA program. This memorandum and attachments constitute the revised CLSSA policies. Except where noted, these policies are effective immediately. Some exceptions are made to accommodate changes in case management practices. The vast majority of deferrals are in light of ongoing and long-term transformation efforts, such as the Business Management Modernization Program (BMMP). Attached are the following:

- **Attachment 1:** New DoD Directive 2010.6. Section 4.3 of this Directive provides the departmental authority for the CLSSA program, under the direction of DSCA. (*Note:* The prior CLSSA Directive 2000.8 was cancelled.) The SAMM and DoD Financial Management Regulation (DoDFMR) will be updated accordingly.
- **Attachment 2:** New DoD Instruction 2000.ii. This DoD Instruction accompanies Attachment 1. It provides eligibility criteria and contains detailed implementation and execution procedures.

- **Attachment 3: CLSSA Business Rules.** One of the key outcomes of the CLSSA project team was to standardize as many aspects of the CLSSA program as possible, recognizing the systemic constraints that will exist until other transformation-related objectives are accomplished. This attachment provides the standardized business rules and practices in effect for CLSSA.
- **Attachment 4: CLSSA Letter of Offer and Acceptance (LOA) Notes.** As part of the standardization effort, this attachment furnishes the revised LOA Notes applicable to CLSSA. These Notes will be incorporated in future LOA documents (basic, amendments and modifications).
- **Attachment 5: Future Improvements.** This attachment identifies those features of CLSSA where implementation is deferred, pending deployment of future system and/or transformation deliverables.
- **Attachment 6: CLSSA Team Members.** This comprehensive project was entirely dependent upon the outstanding teamwork and professionalism of the individual team members listed here. I truly appreciate their superior contributions.

In summary, I am confident that these policies represent real change and improvements to our FMS program. Its implementation and widespread practice will further promote business process efficiencies and increase customer satisfaction. This policy will be posted on the DSCA web site (<http://www.dsca.mil>), Publications Section. Additionally, this policy will be revisited within two years to ensure its continued effectiveness and to gauge the timing of future improvements identified in Attachment 5.

The CLSSA team facilitator is Mr. David Rude, Business Deputy for Administration and Management. Should you have any questions, the process owner for CLSSA financial policies is Ms. Jan Rakickas, Financial Policy & Support Division, (303) 676-6172, jan.rakickas@dfas.mil. For CLSSA logistics policies, the process owner is Ms. Kathy Robinson, Policy Division, (703) 601-4368, Kathy.robinson@dsca.mil.



JEFFREY B. KOHLER
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachments:
as stated

cc:
Chairman, Foreign Procurement Group
Commandant, DISAM
OUSD (Comptroller)/ODCFO/A&FP&A

3. POLICY

It is DoD policy that:

3.1. The Department of Defense may attain materiel interoperability with allies and coalition partners under reference (c). This means that systems, units, and forces shall be able to provide and accept data, information, materiel, and services to and from other systems, units, and forces and shall effectively interoperate with all U.S. Forces and those of allies and coalition partners.

3.2. Interoperability shall be accomplished by using joint, interagency, and multinational concepts, technologies, integrated architectures, information technology and national security systems. Interoperability shall also be accomplished by compliance with DoD Directive 4630.4 (reference (l)), DoD Directive 8000.1 (reference (m)), DoD Directive 8100.1 (reference (n)), DoD Instruction 8110.1 (reference (o)), DEPSECDEF Memorandum of March 22, 2004 (reference (p)), DEPSECDEF Memorandum of November 10, 2003 (reference (q)), and CJCS Instruction 3170.01D, March 12, 2004 (reference (r)).

3.3. The Department of Defense shall consider future military concepts for multinational operations in the acquisition of all materiel intended for use by U.S. Forces. These concepts may require allied and/or coalition forces to operate seamlessly, as part of a U.S.-led or supported coalition in a net-centric environment. In this environment, operational effectiveness shall depend increasingly on the ability of the United States, the allies, and the coalition forces to share information rapidly in response to changing battlefield conditions. Therefore, the Department of Defense shall pursue interoperability and address export considerations with allies and coalition partners throughout the Defense Acquisition Management Framework under reference (d):

3.3.1. During the Concept Refinement and Technology Development phases of pre-systems acquisition, through international forums, personnel exchanges under DoD Directive 5230.20 (reference (s)), information exchanges under DoD Instruction 2015.4 (reference (t)), and studies, including the analysis of alternatives under reference (d).

3.3.2. During the Systems Development and Demonstration phase of systems acquisition, or earlier, through:

3.3.2.1. The procurement or modification of commercially available products and technologies from international sources or the additional production or modification of allied military systems or equipment under reference (c).

3.3.2.2. Cooperative research, development, and cooperative production under authorities, such as Section 2767 of title 22, U.S.C. (reference (u)), and Sections 2350a and 2358 of title 10, U.S.C. (reference (v)).

3.3.2.3. International cooperative testing, testing of foreign non-developmental items, and reciprocal testing under Section 2796d of title 22, U.S.C. (references (w)), Section 2350a(g) of title 10, U.S.C. (reference (x)), and Section 2350i of title 10, U.S.C. (reference (y)).

3.3.2.4. Programs providing interoperability for coalition operations, such as Coalition Warfare.

3.3.3. During the Production and Deployment phase of systems acquisition through:

3.3.3.1. Cooperative production conducted with a partner nation under a cooperative international agreement, and featuring a division of labor. Each partner produces parts of a system and acquires other parts from partners. Final assembly may be conducted by one or more of the partners. Most cooperative production programs naturally evolve from earlier development phase agreements.

3.3.3.2. Foreign Military Sales (FMS) of military systems or equipment and co-production involving the use of FMS procedures and commercial licenses to transfer to a foreign nation the ability to produce U.S. origin defense articles developed and fielded by the Department of Defense under the DoD 5105.38-M (reference (z)).

3.3.3.3. Direct commercial sales of military systems or equipment and licensed co-production involving the use of munitions export licenses to enable U.S. companies to transfer to foreign governments or foreign companies the ability to produce U.S. origin defense articles under reference (z).

3.3.3.4. Purchases of foreign military systems or equipment.

3.3.4. During the Operations and Support phase of sustainment through cooperative logistics, including Cooperative Logistics Supply Support Arrangements (CLSSAs) and logistics support acquired or transferred under DoD Directive 2010.9 (reference (aa)).

3.4. North Atlantic Treaty Organization (NATO) commitments are imperative. The need for U.S. Forces to meet worldwide commitments does not diminish the importance of maximizing interoperability and standardization of systems within NATO by entering into cooperative projects under reference (v). The "NATO Alliance's Strategic Concept," (reference (ab)), makes Alliance interoperability and standardization essential. NATO members and Partnership for Peace countries are likely to be future coalition partners.

3.5. Reciprocal procurement Memoranda of Understanding (MOUs) with NATO member nations and other key allies and friends are international agreements intended to promote interoperability and standardization of military equipment, the exchange of defense technology consistent with respective national policies, and the most cost-effective and rational use of funds allocated to defense. Towards those ends, reciprocal procurement MOUs help procurement by each country from the other, emphasizing competition and access to each other's markets. Discriminatory barriers to purchase of supplies and services shall be removed to the extent mutually beneficial and consistent with laws, regulations, and international obligations.

4. RESPONSIBILITIES

4.1. The Under Secretary of Defense for Acquisition, Technology, and Logistics shall:

4.1.1. Advise the Secretary and the Deputy Secretary of Defense on U.S. materiel interoperability with allies and coalition partners.

4.1.2. Devise DoD research, development, and acquisition (RD&A), and program policies for interoperability and standardization, and provide guidance for implementation of these policies.

4.1.3. Coordinate U.S. positions on harmonization of NATO weapons needs and complementary schedules for new weapons development and production.

4.1.4. Coordinate with allies and coalition partners on their RD&A efforts to ensure standardization and interoperability of materiel.

4.1.5. Represent the United States as the National Armaments Director at the NATO Conference of National Armaments Directors (CNAD) and other appropriate international forums.

4.1.6. Ensure and monitor DoD representation in appropriate groups and subgroups of the CNAD. Representation shall be coordinated with the Department of State, through the Assistant Secretary of Defense (International Security Policy), on behalf of the Chairman of the Joint Chiefs of Staff, the Military Departments, the Assistant Secretary of Defense (Networks & Information Integration), and the other DoD Components, as appropriate.

4.1.7. Ensure that the Military Departments consider interoperability and standardization throughout the Defense Acquisition Management Framework under reference (d).

4.1.8. Assist the Military Departments and the other DoD Components in obtaining information on allied and coalition systems and subsystems.

4.1.9. Provide, in conjunction with the Military Departments, technical positions regarding the exchange of technology with allies and coalition partners, and oversight for ongoing programs involving the transfer of technology.

4.1.10. Consult with the Chairman of the Joint Chiefs of Staff on the interaction of interoperability and standardization, strategy, force objectives, and joint war fighting capabilities.

4.1.11. Review DoD acquisition policies and regulations and incorporate revisions to maximize, within the constraints imposed by law, the opportunity for sources in countries with which the United States has signed a reciprocal procurement MOU to compete with U.S. sources for DoD business.

4.1.12. Ensure that the Department of Defense administers the policies for all acquisition programs and activities outlined in this Directive.

4.1.13. Develop DoD logistic policies and guidelines that support and facilitate programs for materiel interoperability and standardization with allies and coalition partners.

4.1.14. Ensure appropriate representation of the United States at NATO and other international acquisition, technology, and logistics activities.

4.2. The Assistant Secretary of Defense (International Security Policy), under the Under Secretary of Defense (Policy), shall:

4.2.1. Coordinate overall DoD policy on multinational interoperability and standardization.

4.2.2. On matters concerning interoperability and standardization, act as the principal contact within the Department of Defense for the Department of State and other U.S. Government Agencies and appropriate allied and coalition partner countries and agencies, and coordinate with those organizations.

4.2.3. Initiate action to change DoD policies, procedures, and regulations or laws that block or impede the achievement of multinational interoperability and standardization within NATO.

4.2.4. Monitor the political and economic factors that affect interoperability and standardization.

4.3. The Director, Defense Security Cooperation Agency (DSCA), under the authority, direction, and control of the Under Secretary of Defense For Policy, shall serve as the focal point for all requests for, and as the approval authority for FMS involving establishment of CLSSAs. The Director shall establish procedures for the implementation and administration of CLSSAs.

4.4. The Assistant Secretary of Defense (Networks and Information Integration) shall lead DoD efforts to achieve interoperable communications, command, and control with allies and coalition partners under references (l), (m), (n), (o), (p), and (q).

4.5. The Secretaries of the Military Departments shall:

4.5.1. Ensure that interoperability is considered in the basic conceptual approach in the development, production, and product improvement of all systems with a potential to be used in coalition operations.

4.5.2. Establish close and parallel relationships with NATO organizations and NATO allies for the developing of compatible doctrine and operational concepts. This includes defining capability needs and materiel requirements and involves close collaborating in the acquiring of interoperable or standardized systems, subsystems, and follow-on logistic support.

4.5.3. Provide representation at appropriate groups under the NATO CNAD, the NATO Standardization Agency, the NATO Consultation Command, and Control Board, and other groups, as required, and provide Military Department coordination on interoperability and standardization matters developed within NATO. Proposed U.S. positions shall be coordinated with the appropriate DoD Components.

4.5.4. Provide representation, as required, under other international forums affecting interoperability and standardization and provide the Military Department coordination on matters developed within these groups. Proposed U.S. positions shall be coordinated with the appropriate DoD Components.

4.6. The Chairman of the Joint Chiefs of Staff shall:

4.6.1. Identify opportunities for and impediments to improved interoperability of U.S. Forces with allies and coalition partners.

4.6.2. Coordinate doctrine and operational concepts with those of our allies and coalition partners.


4.6.3. Ensure there is appropriate U.S. representation at NATO and other international military logistics meetings.

4.6.4. Ensure that the Combatant Commands throughout the world actively support the pursuit of interoperability and standardization with allies and coalition partners throughout the Defense Acquisition Management Framework under reference (d).

4.6.5. Validate those capabilities specifically designated to be interoperable with allies and coalition partners. Ensure that all Special Operations Forces (SOF) weapons systems capability needs are reviewed by U.S. Special Operations Command to ensure that SOF techniques, tactics or capabilities are not transmitted to governments or enemies sympathetic to the overthrow of the United States.

5. EFFECTIVE DATE

This Directive is effective immediately.


Paul Wolfowitz
Deputy Secretary of Defense

Enclosures - 1

E1. References, continued

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD Directive 2000.8, "Cooperative Logistics Supply Support Arrangements," February 12, 1981 (hereby canceled)
- (f) DoD Directive 2000.9, "International Co-Production Projects and Agreements between the United States and Other Countries or International Organizations," January 23, 1974 (hereby canceled)
- (g) DoD Directive 2010.8, "Department of Defense Policy for NATO Logistics," November 12, 1986 (hereby canceled)
- (h) DoD Directive 3100.3, "Cooperation with Allies in Research and Development of Defense Equipment," September 27, 1963 (canceled)
- (i) DoD Directive 3100.4, "Harmonization of Qualitative Requirements for Defense Equipment of the United States and Its Allies," September 27, 1963 (canceled)
- (j) DoD Directive 5100.27, "Delineation of International Logistics Responsibilities," December 29, 1964 (canceled)
- (k) DoD Directive, 5100.53, "U.S. Participation in Certain NATO Groups Relating to the Research, Development, Production, and Logistics Support of Military Equipment," July 29, 1967 (canceled)
- (l) DoD Directive 4630.5, "Interoperability and Supportability of Information Technology (IT) and National Security Systems (NSS)," January 11, 2002
- (m) DoD Directive 8000.1, "Management of DoD Information Resources and Information Technology," February 27, 2002
- (n) DoD Directive 8100.1, "Global Information Grid (GIG) Overarching Policy," September 19, 2002
- (o) DoD Instruction 8110.1, "Multinational Information Sharing Networks Implementation," February 6, 2004
- (p) Memorandum, DEPSECDEF, "Information Technology Portfolio," March 22, 2004
- (q) Memorandum, DEPSECDEF, "Global Information Grid Enterprise Services (GIG ES) Core Enterprise Services (CES) Implementation," November 10, 2003
- (r) CJCS Instruction 3170.01D, "Joint Capabilities Integration and Development System," March 12, 2004
- (s) DoD Directive 5230.20, "Visits, Assignments, and Exchanges of Foreign Nationals," August 12, 1998
- (t) DoD Instruction 2015.4, "Defense Research, Development, Test and Evaluation (RDT&E) Information Exchange Program (IEP)," February 7, 2002
- (u) Section 27 and Section 2767 of title 22, United States Code
- (v) Sections 2350a and 2358 of title 10, United States Code
- (w) Section 65 and Section 2796d of title 22, United States Code
- (x) Section 2350a(g) of title 10, United States Code
- (y) Section 2350i of title 10, United States Code
- (z) DoD 5105.38-M, "Security Assistance Management Manual," October 3, 2003

- (aa) DoD Directive 2010.9, "Acquisition and Cross-Servicing Agreements," April 28, 2003
- (ab) NATO "The Alliance's Strategic Concept" - Approved in the Meeting of the North Atlantic Council in Washington, DC, on 23 and 24 April 1999



Department of Defense **INSTRUCTION**

NUMBER 2000.ii

29 AUG 2005

ASD(ISA)

SUBJECT: Cooperative Logistics Supply Support Arrangements

- References:
- (a) DoD Directive 2010.6, "Materiel Interoperability with Allies and Coalition Partners," November 10, 2004
 - (b) DoD 7000.14-R, "Financial Management Regulation," Volumes 11B and 15, current edition
 - (c) DoD 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures (MILSTRIP)," November 8, 2000
 - (d) DoD 4500.9-R, "Defense Transportation Regulation," Part II, Cargo Movement, May 2003
 - (e) DoD Directive 5530.3, "International Agreements," reissued February 18, 1991
 - (f) Sections 2752-2797 of title 22, United States Code

1. ISSUANCE AND PURPOSE

This Instruction provides procedures to implement reference (a) for Cooperative Logistics Supply Support Arrangements (CLSSAs) between the Department of Defense and the defense establishments of foreign Governments or international organizations, including, but not limited to members of the North Atlantic Treaty Organization.

2. APPLICABILITY AND SCOPE

The provisions of this Instruction:

2.1. Apply to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense (hereafter referred to as "the DoD Components").

2.2. Govern arrangements, agreements, guidance, and supplemental documents that support, define, or implement a cooperative logistics understanding between the Department of Defense and defense establishments of a foreign Government or international organization (included hereafter in the term "Purchaser").

3. DEFINITIONS

Terms used in this Instruction are defined in enclosure 1.



Department of Defense
DIRECTIVE

NUMBER 2010.6
November 10, 2004

USD(AT&L)

SUBJECT: Materiel Interoperability with Allies and Coalition Partners

- References: (a) DoD Directive 2010.6 "Standardization and Interoperability of Weapon Systems and Equipment within the North Atlantic Treaty Organization," March 5, 1980 (hereby canceled)
(b) Section 2457 of title 10, United States Code
(c) DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003
(d) DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003
(e) through (ab), see enclosure 1

1. REISSUANCE AND PURPOSE

This Directive:

- 1.1. Reissues reference (a) to provide DoD policies for materiel interoperability with allies and coalition partners in implementation of reference (b).
- 1.2. Along with references (c) and (d), provides DoD policy and responsibilities for materiel interoperability with allies and coalition partners.
- 1.3. Replaces DoD Directive 2000.8, DoD Directive 2000.9, DoD Directive 2010.8, DoD Directive 3100.3, DoD Directive 3100.4, DoD Directive 5100.27, and DoD Directive 5100.53 (references (e) through (k)).

2. APPLICABILITY

This Directive applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all organizational entities in the Department of Defense (hereafter collectively referred to as the "DoD Components").

4. POLICY

It is DoD policy pursuant to DoD Directive 2010.6 (reference (a)) that procedures shall be promulgated by the Director, Defense Security Cooperation Agency for use by the Heads of the DoD Components for the implementation and administration of CLSSAs.

5. RESPONSIBILITIES

5.1. The Director, Defense Security Cooperation Agency under the authority, direction, and control of the Secretary of Defense through the Under Secretary of Defense for Policy shall oversee the implementation and administration of CLSSAs in coordination with the Heads of the DoD Components.

5.2. The Heads of DoD Components shall adhere to the procedures for implementation and administration of CLSSAs established herein when negotiating, processing, or implementing CLSSAs.

6. PROCEDURES

6.1. The CLSSA program supports Purchaser orders for centrally stocked or centrally managed spare and repair parts of the defense systems common to the forces of a Purchaser and U.S. forces. Sales of equipment being phased out of the active inventory normally shall be conditional upon explicit understanding with the Purchaser that such support shall be limited and may be terminated. Purchasers shall not be authorized to order defense articles under the CLSSA program that the Department of Defense does not centrally stock or centrally manage. The CLSSA program provides deeper access into DLA stock.

6.2. Budget authority for CLSSAs shall be executed in accordance with DoD Financial Management Regulation, Volume 15 (reference (b)), Chapter 2. Records for reimbursement shall be maintained in accordance with the guidance in Volume 11B, Annex 1, reference (b). Charges associated with CLSSAs shall be assessed in accordance with instructions contained in Volume 15 and Volume 11B of reference (b). Financial records shall be maintained to determine the financial status for supplies under the CLSSAs. Status shall be recorded with the Defense Finance and Accounting Service-Denver.

6.3. The quality of support provided under CLSSAs to Purchasers shall be the same as that provided to U.S. forces within assigned Force Activity Designators (FADs). The goal of the Department of Defense is to provide uniform support for all military forces participating in the DoD Supply System. To prevent any detrimental effect on support of U.S. forces for authorized CLSSA items, Purchaser's orders received prior to the end of the augmentation period for each item shall not be satisfied from U.S. serviceable on-hand stocks that are below the reorder point. Instead, such orders shall be processed as a non-programmed order against the CLSSA case.

6.4. Item eligibility: CLSSA item eligibility is based on the Acquisition Advice Codes (AACs), which identify an item as centrally managed or centrally stocked. A listing of eligible

AACs is provided at enclosure 2. Those categories of items not eligible under CLSSA must be processed by means other than on a FMSO II.

6.5. Noncompliance with CLSSA policies by a Purchaser shall result in the suspension of support under a CLSSA, until the noncompliance issue is resolved. Accordingly, Purchasers shall be encouraged to establish the necessary resources and infrastructure to support their CLSSA program.

6.6. Under normal circumstances, either party may terminate a CLSSA by giving a minimum of six months written notice. Additional information on terminating CLSSA programs is provided in paragraph 6.15., below.

6.7. Negotiations involving the sale of U.S. defense articles shall include full consideration of the Purchaser's operational use of such defense articles and include provisions for effective concurrent and follow-on logistics support. Effectiveness of follow-on spare and repair parts support can be increased through the use of CLSSA for many weapon system programs.

6.8. DoD business practices including those issued by DSCA, shall be used unless modifying these practices will significantly increase logistical readiness. Modifications must be approved by DSCA, in advance. Modifications may not be made if increased operating costs or adverse impact on support of U.S. forces will result. To be consistent with procedures by U.S. forces, Purchasers shall submit orders based on negotiated parameters.

6.9. DoD 4000.25-1-M and Part II of DoD 4500.9-R (references (c) and (d)) shall be used to prioritize and systemize the issue and movement of CLSSA materiel.

6.10. Item records of supply transactions shall be maintained by Inventory Control Points, or other Military Department activities to allow the current status of the transactions to be available for determining equity negotiation and termination requirements. Records shall also be able to enable the determination of the share of excess items applicable to weapons systems being supported for which the Purchaser shall be held responsible. Demand records shall be reviewed before excess materiel is transferred to Property Disposal Activities, or sold at reduced prices. If stockage of excess items results from CLSSA demands, the Purchaser shall be notified in accordance with paragraph 6.16., below.

6.11. Forecasts of requirements and stock control of Working Capital Fund (WCF) centrally stocked, or centrally managed items, shall be based upon the following planning considerations:

6.11.1. Programmed CLSSA demands for centrally stocked, or centrally managed items, whose requirements are computed by demand-related methods shall be included in the demand database of the computational system in forecasting CLSSA requirements. For centrally stocked or centrally managed items whose requirements computation relates failures, repairs, and condemnations to past and future activity programs, CLSSA requirements shall be computed with the Purchaser's program information included in the computational system's database or other appropriate data sources. Initially, new CLSSA programs shall be based on Military Department and Purchaser estimates and adjusted according to meet actual demand trends.

6.11.2. All CLSSAs shall involve the Purchaser's investment into the U.S. inventory. The initial investment is based on a defined list of items (also known as the equity list or initial support list) for system(s) identified by the Purchaser. Items that are not included on this list are not part of the CLSSA program and should not be ordered on the CLSSA case, unless the list is modified to include those items, or the Military Department provides prior approval for the item to be purchased in the CLSSA program.

6.11.3. The Secretaries of the Military Departments shall fill FMSO II and U.S. forces' orders to ensure that no party is unfairly supported at the expense of other claimants of the materiel.

6.11.4. FMSO I cases provide for an investment composed of a fixed percentage of the total estimated programmed requirement applicable for all Purchasers, as determined by DSCA in coordination with the Secretaries of the Military Departments. Increases to the FMSO I and FMSO II case values are necessary when the Purchasers requires a higher level of supply effectiveness, or have longer procurement lead-times, or represent a significant increase in complexity for the Purchasers. In these instances, the FMSO I investment shall be synchronized with the FMSO II projected materiel requirements of the item(s) or system(s) being supported.

6.11.5. All non-programmed CLSSA orders shall be excluded from the demand base of the respective computational systems. If the issue of an item to meet these FMS demands results in the inventory being at or below the reorder point, the requisition shall be placed on backorder. The requisition shall be filled when on-hand serviceable stocks are above the reorder point, or filled through procurement.

6.11.6. If the Purchaser's actual orders are below the estimated programmed demand, excess stock may result. This excess stock is the responsibility of and chargeable to the Purchaser. CLSSA drawdown of excess stocks shall be reviewed annually, or when any established funding thresholds are met. Purchaser liability exists to the extent that stock levels exceed demand levels. The Secretaries of the Military Departments shall exercise either a cash or materiel settlement upon executing a CLSSA drawdown.

6.12. CLSSAs are negotiated and implemented by the U.S. Implementing Agencies using FMS Letters of Offer and Acceptance (LOAs). CLSSA terms, conditions and procedures applicable to each FMSO I or FMSO II case will be attached to the LOA document, or incorporated by reference. CLSSAs are not international agreements within the scope of DoD Directive 5530.3 (reference (e)).

6.13. When a FMSO I case is accepted and implemented, the Secretary of the Military Department concerned establishes a financial equity for the country in the Military Department's WCF for centrally stocked or centrally managed items in the U.S. logistics system. The Secretary of the Military Department shall use this equity investment for procurement to provide appropriate augmentation of DoD stocks of centrally stocked or centrally managed items, in preparation for Purchaser orders. These items are used to sustain Purchaser stocks supporting the defense systems identified in the FMSO I. CLSSAs are system-specific; items for those

systems are typically ordered from the appropriate Military Department. In those rare instances where a small number of items are managed by a different Military Department, and the preparing Military Department does not have an inventory interest, those items may be processed as non-programmed CLSSA orders. The financial equity required for DLA stocks shall be collected, maintained, and managed by the respective Military Departments.

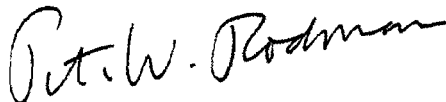
6.14. A procurement lead-time period shall elapse between the time the FMSO I is implemented and DoD stock augmentation is completed. A FMSO II case is usually established concurrently with the FMSO I. FMSO II orders from the Purchaser shall not be processed as a programmed CLSSA order until DoD stock augmentation for that item is complete.

6.15. CLSSA cases provide support from the U.S. logistics system. Under unusual and compelling circumstances when the national interest of the United States so requires, the Department of Defense reserves the right to cancel or suspend all or part of any CLSSA-related LOA at any time prior to the delivery of the defense articles or performance of service connected with such arrangement. In such cases, paragraph 1.4 of the LOA Standard Terms and Conditions applies. Pursuant to Section 42 of the Arms Export Control Act (AECA) (reference (f)), each contract for sales entered into under sections 21 and 22 of the AECA in support of a CLSSA shall provide that such contract may be canceled in whole or in part, or its execution suspended, by the Department of Defense at any time under unusual or compelling circumstances if the national interest so requires. The Purchaser may cancel a CLSSA-related LOA with respect to any or all of the items provided there under at any time prior to the delivery of defense articles or performance of services provided in connection with such arrangement. As appropriate, the Department of Defense or the Purchaser shall be responsible for termination costs or other costs related to cancellation or suspension in accordance with paragraph 1.4 or 2.1 of the Standard Terms and Conditions of the LOA. Unless a party invokes paragraph 1.4 or 2.1 of the LOA, either party to a CLSSA may terminate by giving the other party a minimum of six months written notice.

6.16. Upon issuing or receiving notice of a request to terminate CLSSA support, the FMSO I case shall be renegotiated to adjust the dollar level of investment to the most recent dollar level of demand. After all termination issues are resolved, the Secretary of the Military Department involved shall prepare and forward a termination register to the Purchaser. The register shall list by line item the Purchaser's pro rata share of all quantities above the level of the Military Department requirements that are applicable to the weapons system being supported. The Purchaser shall be given the opportunity to purchase these stocks during the period between notification of termination and the termination date by submitting an order coded to show non-recurring demand. On the termination date, the Purchaser shall be held liable for all remaining materiel that may not be absorbed by the Military Departments. The Purchaser shall be charged for any remaining quantities and shall have the option of liquidating by withdrawing the items or by requesting the Secretaries of the Military Departments to dispose of them on the Purchaser's behalf. For materiel that may be absorbed, the Secretaries of the Military Departments shall refund the materiel value. The Purchaser shall be provided with the proceeds of any disposal action less the administrative cost of the disposal. No refund shall be made on the administrative charge.

7. EFFECTIVE DATE

This Instruction is effective immediately.



Peter W. Rodman
Assistant Secretary of Defense for
International Security Affairs

Enclosures –

E1. Definitions

E2. List of CLSSA-Eligible AACs

E1. ENCLOSURE 1

DEFINITIONS

- E.1.1. Augmentation Period: The period of time required to establish or re-establish the prerequisite inventories within the U.S. DoD supply system. This period is tied to the procurement lead time for each individual item.
- E.1.2. Centrally Stocked Or Centrally Managed: An item of materiel subject to DoD inventory control point (wholesale level) management.
- E.1.3. Cooperative Logistics Supply Support Arrangement (CLSSA): An agreement between a DoD Component and a Purchaser setting the terms and conditions under which the Department of Defense shall provide supply support of common weapons systems on an equal basis with U.S. forces in accordance with a country's Force Activity Designator (FAD), assigned pursuant to DoD 4140.1-R and the Uniform Materiel Movement and Issue Priority System (UMMIPS). Such agreements are established through Foreign Military Sales (FMS) Letters of Offer and Acceptance (LOAs), consisting of two Foreign Military Sales Orders (FMSOs), FMSO I and FMSO II.
- E.1.4. FMSO I: An FMS case that provides an equity investment for defense articles to support a Purchaser's anticipated requirement in the DoD inventory. The Military Department uses this equity investment to procure additional levels of centrally stocked or centrally managed items, in preparation for Purchaser orders.
- E.1.5. FMSO II: An FMS case that provides for a Purchaser's orders procured under the CLSSA program.
- E.1.6. Cooperative Logistics Supply Support Arrangement Programmed: Programmed requirements are forecasted on a FMSO I case initially or after the augmentation period elapsed, and ordered on a FMSO II case at a quantity below the forecasted level.
- E.1.7. Cooperative Logistics Supply Support Arrangement Non-Programmed: Quantities beyond the programmed quantity are non-programmed. Requirements not forecasted or ordered erratically by the Purchaser that are issued up to or below the Inventory Control Point (ICP) reorder point if U.S. forces are not impacted. It may also be supported through contract or procurement action, Direct-Vendor-Delivery, or backordered and supplied through a future contract delivery. If none of these options are available, the requirement may be passed to a commercial buying service. Also includes items not centrally stocked or centrally managed.

E2. ENCLOSURE 2

LIST OF CLSSA-ELIGIBLE AACs

A	Service/Agency regulated	H	Direct vendor delivery (DVD)
B	ICP regulated	M	Restricted requisitions/major overhaul w/depot capability
C	Service/Agency managed	Q	Bulk petroleum products
D	DoD integrated/managed	V	Terminal Item (stocked)
E	Other service managed	Z	Insurance Item
G	GSA/Civil agencies		

CLSSA PROGRAM: BUSINESS RULES

A main outcome of the CLSSA project team was to standardize as many aspects of the CLSSA program as possible. This provides the standardized business rules and practices in effect for CLSSA. Unless otherwise noted, these business rules are in force immediately.

CLSSA Program Feature	Business Rules
Section 1: FMSO I Process	
FMSO I Purpose	An FMS case that provides an equity investment for defense articles to support a purchaser's anticipated requirement in the DoD inventory. The MILDEP uses this equity investment to procure additional levels of centrally stocked or centrally managed items, in preparation for purchaser orders under the FMSO II.
Initial Support List (ISL)	Determined using MILDEP historical data for density/usage of spares, in conjunction with the purchaser's projected operational requirements.
Use of ISL after initial recommendation	The ISL will not be used, but must be archived by the MILDEP.
Follow-on ISL	Preferred method is for the purchaser to determine the value. If the purchaser specifies no amount, the MILDEP will use a 24-month past history.
Renegotiation Baseline	All CLSSAs shall be reviewed annually.
FMSO I Investment Deposit Calculation	<ul style="list-style-type: none"> • <u>For new FMSO I LOAs accepted on or after 31 December 2004:</u> Deposit/investment calculations will use a fixed investment deposit ratio of 30 percent to determine the Part A (on-hand) FMSO I value. <i>NOTE: Until a future DSAMS release is deployed, in which the 30 percent ratio will be automatically applied, users must manually enter the on-hand and on-order amounts that equate to the 30 percent/70 percent split. Concurrently, users must also calculate the 5 percent Supply Support Arrangement (i.e., administrative surcharge) related to the on-hand portion, and enter the resulting amount in the DSAMS case/line price estimation window.</i> • <u>For new FMSO I LOAs accepted prior to 31 December 2004 and all associated FMSO I LOA amendments (regardless of amendment acceptance date):</u> Deposit/investment calculations will use a ratio of 5/17 to determine the Part A (on-hand) value. • <u>Frequency of review:</u> The fixed investment deposit shall be reviewed every three years, and

CLSSA Program Feature	Business Rules
FMSO I Investment Deposit Calculation (continued)	adjusted, as appropriate. Adjustments shall pertain only to new FMSO I LOAs accepted after a date certain.
Treatment of Investment Deposit	The investment deposit related to FMSO I LOAs shall be transferred from the purchaser's FMS Trust Fund account to the appropriate MILDEP Working Capital Fund (WCF) via a SF1080. No funds shall be transferred to the Defense Logistics Agency (DLA).
Treatment of Programmed vs. Non-Programmed Requirements	This shall be based on the stock barrel reorder point and the safety level construct.
Mature FMSO I LOA	A FMSO I matures when the related procurement lead-time for all items covered by the CLSSA has elapsed. Refer to Attachment 4 for future improvements.
Type of Assistance (TA) code	TA of 'U' applies, regardless of Terms of Sale
Terms of Sale (TOS) code	Cash w/Acceptance or Foreign Military Financing-related TOS
Delivery Term Code (DTC)	None (blank)
Delivery Source Code (DSC)	CD
Source of Supply (SOS)	'S'
Primary Category Code	Different by MILDEP in DSAMS
Logistics Support Charge (LSC)	Not authorized
Contract Administrative Services (CAS) Surcharge	Not authorized
Mandatory Unique LOA Notes	Refer to Attachment 4
FMSO I Case Closure Guidelines	FMSO I cases shall not close until all related FMSO II cases have first been closed.
Section 2: FMSO II Process	
FMSO II Purpose	An FMS case that provides for a purchaser's orders procured under the associated FMSO I case.
FMSO I : FMSO II Relationship	Purchasers may request a FMSO II case for any dollar value desired. That value must equal or exceed the corresponding FMSO I case value.
FMSO II Scope	The scope of CLSSA item eligibility is based on the Acquisition Advice Codes (AACs), which identify an item as centrally managed or centrally stocked. A listing of AACs and other categories of items, and their eligibility under the CLSSA program is provided in Section 4, below. Categories of excluded items are contained in Attachment 4. <u>Effective date for enforcing eligibility criteria:</u> The effective date for the FMSO II scope criteria and Section 4 (below) is not later than 31 December 2004.
Initial FMSO II LOA Value	Determined using MILDEP historical data for

CLSSA Program Feature	Business Rules		
Initial FMSO II LOA Value (continued)	density/usage of spares, in conjunction with the purchaser's projected operational requirements.		
Follow-on FMSO II LOA Value	Preferred method is for the purchaser to determine the value. If the purchaser specifies no amount, the MILDEP will use a 24-month past history.		
Type of Assistance (TA) code	TA of 'V' applies regardless of TOS		
Terms of Sale (TOS) code	Cash prior to delivery, FMF-related TOS, or Dependable Undertaking (if authorized via the SAMM, and only if the SOS=X and only for the procurement portion of the SOS=X value)		
Delivery Term Code (DTC)	None prohibited; use of 4 is rare; typically a 5 or 9		
Delivery Source Code (DSC)	Only DSCs authorized: AA, AB, AC, AD, BC and BD. Refer to DoDFMR, Volume 15, Chapter 8 for an explanation of each DSC.		
Source of Supply (SOS)	Should be 'S', could be 'X'. 'P' not authorized.		
Primary Category Code	Different by MILDEP in DSAMS		
Logistics Support Charge (LSC)	3.1% surcharge applied, as appropriate		
Contract Administrative Services (CAS) Surcharge	Authorized only for the procurement portion of SOS=X line(s).		
Mandatory Unique LOA Notes	Refer to Attachment 4		
Section 3: Other Program Features			
Interactions with Purchaser	An annual CLSSA review shall be held with the purchaser. These discussions can occur through either a renegotiation and/or external reviews (e.g., Program Management Reviews).		
Interactions with DLA	Occur as a part of routine requisition/logistics management.		
Liquidations	Liquidation of materiel liabilities against FMSO I cases are not authorized. All liquidation actions must process against a related FMSO II case.		
Section 4: CLSSA Item Eligibility			
AAC	AAC Definition	CLSSA Eligible?	If No, Procurement Alternative
A	Service/agency regulated	Yes	N/A
B	Inventory control point regulated	Yes	N/A
C	Service/agency managed	Yes	N/A
D	DoD integrated/managed	Yes	N/A
E	Other service managed	Yes	N/A
F	Fabricate and assemble locally (non-stocked)	No	Blanket order LOA
G	GSA/civil agencies	Yes	N/A
H	Direct vendor delivery	Yes	N/A

CLSSA Program Feature		Business Rules	
AAC	AAC Definition	CLSSA Eligible?	If No, Procurement Alternative
I	Direct forwarding from central contract (non-stocked)	No	Blanket order LOA
J	Non-stocked; centrally procured	No	Blanket order LOA
K	Centrally stocked (overseas only)	No	No LOA; do not order through FMS
L	Local purchase; non-stocked item	No	Blanket order LOA
M	Restricted requisitions/major overhaul (w/depot capability)	Yes	N/A
N	Restricted requisition/disposal	No	Blanket order LOA
O	Packaged fuels (non-stocked)	No	Blanket order LOA
P	Restricted requisition; security assistance program (non-stocked)	No	Blanket order LOA
Q	Bulk petroleum products	Yes	N/A
R	Restricted requisition/GFM	No	Blanket order LOA
S	Restricted requisition/other service funded/non-stocked	No	Blanket order LOA
T	Condemned/non-stocked/no longer issued	No	No LOA; do not order through FMS
U	Lead-service managed	No	Blanket order LOA
V	Terminal item (stocked)	Yes	N/A
W	Non-stocked/restricted	No	Blanket order LOA
X	Semi-active item/no replacement/non-stocked	No	Blanket order LOA
Y	Terminal item (non-stocked)	No	Blanket order LOA
Z	Insurance	Yes	N/A

MANDATORY CLSSA-UNIQUE LOA NOTES

Note: MILDEPs are responsible for adding these notes into DSAMS.

SECTION 1: FMSO I LOA NOTES

Note Name: Points of Contact

Basic LOA: YES LOA Amendment: YES LOA Modification: YES

Points of Contact (POCs) for this transaction are as follows:

- a. Financial information: Defense Finance and Accounting Service, ATTN: DFAS-ADY/DE, 6760 E. Irvington Place, Denver, CO 80279-2000.
- b. Requisition, transportation and supply information: (Provided by each MILDEP)
- c. Technical questions concerning Cooperative Logistics Supply Support Arrangements (CLSSAs): (Provided by each MILDEP)
- d. All other information: (Provided by each MILDEP)

Note Name: Administrative Charge

Basic LOA: YES LOA Amendment: YES LOA Modification: YES

A one-time nonrefundable administrative surcharge of 5% is assessed on the on-hand portion (Part A) of this LOA. When any adjustment results in an increase to the current year materiel value of the LOA, an additional charge shall be computed on the difference between the current year materiel value and the new higher materiel value. This charge is applied even though a higher Part A value may have existed in a prior year.

Note Name: CLSSA FMSO I Purpose

Basic LOA: YES LOA Amendment: YES LOA Modification: NO

CLSSA is an agreement between a Military Department and a purchaser, setting forth the terms and conditions under which the Department of Defense shall provide supply support of common weapons systems on an equal basis with U.S. Forces in accordance with the purchaser's Force Activity Designator (FAD) and the Uniform Materiel Movement and Issue Priority System (UMMIPS). This FMSO I case provides an equity investment for defense articles to support a purchaser's anticipated requirement in the DoD inventory. The Military Department uses this equity investment to procure additional levels of centrally stocked or centrally managed items, in preparation for purchases orders.

Note Name: Stock Augmentation

Basic LOA: YES LOA Amendment: NO LOA Modification: NO

A stock augmentation period is required to establish or re-establish the prerequisite inventories within the U.S. DoD supply system. This period is tied to the procurement lead time for each individual item. As the specific augmentation period for an individual item lapses, orders received from the purchaser for each item under the corresponding FMSO II case can be filled from stock. An augmentation period does not apply for Defense Logistics Agency (DLA) items.

Note Name: Financial Summary**Basic LOA: YES LOA Amendment: YES LOA Modification: YES**

Value of Part A \$(A)
 Administrative Surcharge \$(B)
 Current Financial Requirement \$(C)
 Previous Financial Requirement \$(D) (Applies to Amendments only)
 Balance Due from Purchaser \$(C) – (D) (Applies to Amendments only)

Note Name: Associated FMSO II LOA**Basic LOA: YES LOA Amendment: YES LOA Modification: NO**

This LOA is issued in conjunction with FMSO II, XX-X-XXX. The LOA Standard Terms and Conditions of this LOA apply, as do the terms and procedures established by the CLSSA attached with this LOA. In the event of inconsistencies between the LOA, including the Standard Terms and Conditions, and the additional terms and conditions set forth in the CLSSA, the LOA shall govern.

SECTION 2: FMSO II LOA NOTES**Note Name: Points of Contact****Basic LOA: YES LOA Amendment: YES LOA Modification: YES**

Points of Contact (POCs) for this transaction are as follows:

- a. Financial information: Defense Finance and Accounting Service, ATTN: DFAS-ADY/DE, 6760 E. Irvington Place, Denver, CO 80279-2000.
- b. Requisition, transportation and supply information: (Provided by each MILDEP)
- c. Technical questions concerning Cooperative Logistics Supply Support Arrangements (CLSSAs): (Provided by each MILDEP)
- d. All other information: (Provided by each MILDEP)

Note Name: CLSSA Requisitioning**Basic LOA: YES LOA Amendment: YES LOA Modification: YES**

All items requisitioned under this CLSSA should be for stock replenishment, as the requirement occurs, and not for initial provisioning, depot rebuild support programs, or the purpose of a one-time stock level increase. Requisitions shall be restricted to those items specifically in support of the weapon systems and major end items identified in the FMSO I. Nonrecurring demands and non-programmed requirements can be submitted and/or projected for inclusion in the subsequent renegotiation effort, subject to stock availability.

Note Name: Force Activity Designator (FAD)**Basic LOA: YES LOA Amendment: YES LOA Modification: NO**

Force Activity Designator (FAD) ___ is assigned to this LOA. FAD ___ priorities will be assigned to requisitions in accordance with Uniform Materiel Movement and Issue Priority System (UMMIPS) procedures. Requisitions will be for centrally stocked or centrally managed items (identified by National Stock Numbers) required to replenish (not augment) Purchaser's in-country stock levels.

Note Name: Supply Exclusions

Basic LOA: YES LOA Amendment: YES LOA Modification: YES

Categories of items that cannot be requisitioned under this LOA are: major defense equipment, significant military equipment, excess defense articles, parachutes, explosive ordnance items, commercial items of materiel more readily provided from in-country, controlled medical items, modification kits, ozone depleting substances, technical data packages or other similar documentation that conveys manufacturing process information, publications, tool sets, cryptographic equipment, classified materiel or equipment, or initial spares.

Note Name: Support Availability

Basic LOA: YES LOA Amendment: YES LOA Modification: NO

Requirements authorized for requisitioning under this LOA will be accepted as long as funds are available to process them.

Note Name: Associated FMSO I LOA

Basic LOA: YES LOA Amendment: YES LOA Modification: YES

The associated FMSO I LOA is XX-X-XXX. The LOA Standard Terms and Conditions of this LOA apply, as do the terms and procedures established by the Cooperative Logistics Supply Support Arrangement in the associated FMSO I case. In the event of inconsistencies between the LOA and the CLSSA, the LOA governs.

Note Name: Replacement FMSO II LOA

Basic LOA: YES LOA Amendment: NO LOA Modification: NO

This FMSO II LOA supersedes the previous FMSO II LOA, XX-X-XXX.

CLSSA PROGRAM: FUTURE IMPROVEMENTS

The CLSSA policies announced in this package implement a series of critical improvements to the CLSSA program's management and operations. However, some of the improved efficiencies are dependent on future system changes and transformation-related efforts. The following table identifies those placeholders. DSCA will advise as individual elements listed below are implemented.

CLSSA Program Feature	Issue(s) and Comments
FMSO I Renegotiation Baseline	Could be part of the forthcoming Web initiative, in which DSCA will consolidate the various Web capabilities (such as AFSAC On-Line and Navy's Info Warehouse). A system change template for this group has not yet been developed; this is the template that should be used to address this item.
FMSO II Reporting Data Elements	Standardized reporting data elements were developed. The existing MILDEP legacy systems do not currently have capability for all of those elements. Each MILDEP should analyze the amount of effort involved, and estimate when the changes could take place prior to submitting to DSCA for approval if determined they are needed prior to CEMIS.
Stock Level Computation	System changes are required to accommodate adjustments in how the stock levels are computed.
Mature FMSO I	This will likely have to wait until CEMIS is deployed.
Termination and Liability Files	The team agreed to use the USAF model. System changes for the Army and Navy would be required. This will need to be submitted through the appropriate MILDEP channels.
CLSSA Drawdowns	The team agreed to use the USAF model. System changes for the Army and Navy would be required. This will need to be submitted through the appropriate MILDEP channels.
Long-Term CLSSA Program Features	<ul style="list-style-type: none"> • Eliminate investment deposit requirements. • Eliminate Part A/B structure • Eliminate FMSO I/II concept; only one LOA. Possible Program Management Line to capture additional costs to manage current FMSO I processes. • Initial requisitions are lead-time away and procured front-loading the supply system, driving inventory forecasts. CLSSA is sustained by continued sales.

<p>Long-Term CLSSA Program Features (continued)</p>	<ul style="list-style-type: none">• FMS demand is included in requirements computations. Normal ordering patterns should be emphasized.• Customers are treated equally within FAD with US Forces because it is deemed in the “National Interest”. <p>WHAT IS REQUIRED:</p> <ul style="list-style-type: none">• Statutory and/or OSD policy change to allow support for CLSSA requisitions down to MILDEP safety levels without the current deposit structure.• Leveraging various Transformation initiatives within DoD over the coming several years should facilitate ease of migrating to this Long-Term approach.
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