



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

8 FEB 1999

In reply refer to:
I-01329/99

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

SUBJECT: Letter of Offer and Acceptance (LOA) Transportation Coding for Defense Working Capital Fund (DWCF) Items

REFERENCES: (a) DSAA Memorandum I-71225/98, 12 Aug 98, same subject.

(b) SAF/IAX Memorandum, 19 Nov 98, "Transportation Coding for Defense Working Capital Fund Items"

Reference (a) provided guidance on transportation coding to be used on LOA lines covering DWCF items. The reason this guidance was issued was to reduce the chance that coding used on LOAs, and subsequently on requisitions, might result in duplicate transportation charges for our foreign military sales (FMS) customers. Reference (b) requested a rescission of the DSCA memorandum and stated that it was financially penalizing FMS customers.

We have reviewed our 12 Aug 98 memorandum as well as the documentation provided with reference (b). Based on our review, we find our guidance to be valid and will not be issuing a rescission. The following information is provided to assist in your understanding of our position:

a. Your memorandum states that "DTC "5" does not tell shipment planners which funds to use."

(1) According to DoD 4500.32-R (MILSTAMP), Appendix K, paragraphs 3.b.(1) and (2), the DTC "identifies the point at which the responsibility for moving an FMS shipment passes from the DoD to the purchasing nation or international organization.... Accurate use of the DTC is essential since the cost of all transportation services is paid by the Purchaser either through inclusion of the cost in the price of the item, by direct payment to the carrier(s), or by reimbursement to the United States." Using DTC 5 will not result in additional charges to the customer if the requisition is coded properly to identify the item as coming from DWCF sources--transportation for these items is included "in the price of the item." We agree that this code, by itself, is not the sole determinate of funding--all other codes and shipping documentation must also be accurate.

(2) If the item is not a DWCF item, and DTC 4 is used properly on the requisition, the customer will be responsible for all transportation costs. If a Collect Commercial Bill of Lading (CCBL) is used, the customer will be charged appropriately.

(3) It may be difficult when the LOA is written to know which items will be coming from which source. That was the reason our memorandum advised the military departments to only charge the 3.75 percentage rate to 15 percent of the line value. It was our intent that below-the-line transportation funds would be computed and reserved on the LOA only for those items anticipated to come from non-DWCF sources. You may want to consider putting cost estimates for non-DWCF items on separate line items if that will help you ensure requisitions are processed with the appropriate coding.

b. Special freight forwarder rates negotiated by FMS countries for their non-DWCF items should not be affected by this change in policy. As indicated in the subject of our memorandum, our policy was intended to cover the use of LOA transportation coding for DWCF items.

c. Your memorandum states that "Actual transportation costs when using DTC "4" are generally less than the standard 3.75 percent surcharge." DTC 4 indicates that the customer is responsible for all transportation and related costs. As such, we cannot verify whether or not the costs are less than 3.75--the customer is paying for the transportation outside the LOA.

The 3 Nov 98 AFSAC memorandum attached to your memorandum stated "We take exception to the statement made in the reference memorandum [our memorandum] that DLA will no longer accept Supply Discrepancy Reports (SDRs) after 1 Mar 99." We can find no such statement in our memorandum. We did emphasize that existing cases should be changed by that time to ensure the policy was implemented in a timely manner. We understand that DLA has issued guidance that after 30 Apr 99, use of DTC 4 for DWCF items will be interpreted as a request for premium transportation and will not be considered a duplicate charge. DLA has assured us that they will work with customers to resolve SDRs for duplicate transportation of DWCF items from earlier shipments and will evaluate claims for duplicate transportation charges where use of DTC 5 was determined to be inappropriate. Again, we find no statement in our memorandum (or in our research of DLA documentation) that indicates DLA will no longer accept SDRs after 1 Mar 99.

The AFSAC memorandum asserts that countries will be opposed to the shift to DTC 5. Our discussions with customers on this issue indicate they are opposed to paying twice for transportation. If use of DTC 5 precludes duplicate charges, we do not believe customers will object. We have not received any negative feedback from the Army or the Navy on this issue. Indeed, informal discussions have indicated this policy was welcome and viewed by some as long overdue.

We hope this addresses your concerns and request that you ensure these policies are implemented in accordance with our 12 Aug 98 memorandum. If you have questions or need

additional information, please contact Beth Baker, DSCA-COMPT/FM, DSN 329-3737 or
(703) 601-3737, e-mail: beth.baker@osd.pentagon.mil.


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Comptroller

cc:
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