



DEFENSE SECURITY COOPERATION AGENCY
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20 JUL 2010

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE AIR FORCE
FOR INTERNATIONAL AFFAIRS
DEPUTY ASSISTANT SECRETARY OF THE ARMY
FOR DEFENSE EXPORTS AND COOPERATION
DEPUTY ASSISTANT SECRETARY OF THE NAVY FOR
INTERNATIONAL PROGRAMS

SUBJECT: Clarification of Policy Regarding Determinations of Nonrecurring Costs (NCs) Recoupment Charge for Major Defense Equipment (MDE) Absent Available DoD Investment and Production Cost Documentation; DSCA Policy 10-37

REFERENCES: (a) 22 U.S.C. 276, Sales from Stocks; Charges; Reduction or Waiver
(b) DoD Directive 5105.65, Defense Security Cooperation Agency (DSCA) (31 Oct 00)
(c) DoD Directive 2140.2, Recoupment of Nonrecurring Costs on Sales of U.S. Items (21 Nov 03)
(d) 32 CFR 165, *et seq.*, Recoupment of Nonrecurring Costs of Sales of U.S. Items (22 Mar 10)
(e) DoD 7000.14-R (Financial Management Regulation (FMR), Volume 15, Chapter 7

This policy memorandum cancels all prior DSCA guidance regarding the valuation of MDE in cases where documentation is insufficient to support NC determinations.

Reference (a) provides that foreign FMS purchasers pay a proportionate amount of the value of DoD nonrecurring investment in the development and production of MDE except where the NC recoupment charge has been reduced or waived. References (b) and (c) designate and describe the role of the Director, DSCA who is the delegated authority to reduce and waive NC charges.

Reference (d) states that the MDE is any item of Significant Military Equipment (SME) on the United States Munitions List having a nonrecurring DoD RDT&E investment more than \$50 million or a total nonrecurring DoD production cost of more than \$200 million. Reference (e) authorizes and describes the role of the MILDEP in determining the NC; if the MILDEP cannot resolve an issue concerning an NC determination within 90 days of receipt of a request, they must seek guidance from the Director, DSCA.

In each case, the applicable MILDEP must make reasonable efforts to determine if adequate documentation is available to support designation of an SME item as MDE. The new DSCA policy allows, in cases where sufficient documentation cannot be found, for the MILDEP to provide the Director, DSCA, the basis for concluding that the SME item would have met the MDE threshold and should be designated as MDE. If approved by the Director, DSCA, following coordination with OUSD(C) and OUSD(AT&L), the SME item will be designated as MDE with a \$0 NC charge.

If you have questions concerning this guidance, please contact Mr. Brion Midland DSCA/STR/POL, brion.midland@dsca.mil (703) 601-3672.



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Strategy