Department of Defense Directive

SUBJECT: Cooperative Logistic Supply Support Arrangements

References: (a) DoD Instruction 2000.8, "Cooperative Logistic Support Arrangements," February 14, 1964 (hereby canceled)
(b) Deputy Secretary of Defense Memorandum, "Logistic Support of Appropriation and Stock Funded Secondary Items Subject to Foreign Military Sales," November 5, 1976 (hereby canceled)
(c) DoD Instruction 2140.1, "Pricing of Sales of Defense Articles and Defense Services to Foreign Countries and International Organizations," March 9, 1977
(d) through (n), see enclosure 1

A. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to incorporate the provisions of reference (b), and updates policies for Cooperative Logistic Supply Support Arrangements (CLSSAs) between the Department of Defense and the defense establishments of foreign governments and international organizations.

B. APPLICABILITY AND SCOPE

1. The provisions of this Directive apply to the Office of the Secretary of Defense, the Military Departments, the Organization of the Joint Chiefs of Staff, the Unified and Specified Commands, and the Defense Agencies (hereafter referred to as "DoD Components").

2. Its provisions govern arrangements, agreements, procedures, and supplemental documents that support, define, or implement a cooperative logistic understanding between the United States and a foreign government or international organization (included hereafter in the term "foreign government or foreign military service").
C. DEFINITIONS

1. Cooperative Logistic Supply Support Arrangement (CLSSA). Replaces Cooperative Logistic Support Arrangement (CLSA) and Supply Support Agreement (SSA). Provided they have the same Force Activity Designator (FAD), a CLSSA is an agreement between a Military Department and a foreign military service or international organization (hereafter referred to as "foreign participants"), setting forth the terms and conditions under which Department of Defense shall provide supply support of common weapons systems on an equal basis with U.S. forces. Such agreements are established through Foreign Military Sales' (FMS') Letters of Offer and Acceptance (LOA), consisting of two Foreign Military Sales Orders (FMSOs), FMSO I and FMSO II.

2. FMSO I. A FMS case that provides for a foreign participant to purchase an equity in DoD inventory and pipeline. The Military Department uses this equity investment to procure additional levels of DoD stocks of secondary items, in preparation for foreign participant stock withdrawals.

3. FMSO II. A FMS case that provides for a foreign participant's withdrawal of stocks procured under FMSO I.

4. Matured FMSO/CLSSA. Describes a FMSO I for which funded and unfunded obligational authority were released at least 17 months earlier to applicable appropriations. The 17 months may vary if financing appropriations have different procurement lead times. After passage of the time period during which investments in FMSO I items are made and augmentations of the DoD stocks occur, the foreign participant may commence drawing materiel under the related FMSO II case.

D. POLICY

The Department of Defense considers CLSSAs to be one of the most effective means for providing common spares, repair parts and secondary item support for defense equipment of U.S. origin that is in allied or friendly country inventories. Matured CLSSAs provide reimbursable support for the foreign participants from U.S. stocks on an equal basis with U.S. forces within assigned priorities. CLSSAs are established to provide routine replenishment of in-country stocks and are not to be used for initial provisioning of repair parts. The Department of Defense encourages the establishment and effective implementation of these arrangements, in accordance with the guidelines provided in enclosure 2. It is particularly important to establish CLSSAs in support of U.S. defense systems or equipment being introduced initially in a foreign country.

E. PROCEDURES

1. This Directive is primarily addressed to the spare and repair parts support of defense systems common to U.S. and foreign forces. It may be necessary to assist a foreign government in developing support systems for defense equipment not in the active inventory of U.S. forces or in limited use by U.S. forces. Normally, CLSSAs may not be offered to support these systems.
Sales of equipment being phased out of the active inventory shall normally be conditional, upon explicit understanding with the recipient that such support shall be limited and may be terminated.

2. The creation of budget authority required to implement CLSSAs shall be in accordance with DoD Instruction 2140.1 (reference (c)).

3. Requisitions received prior to the date on which the CLSSA matures and requisitions received for materiel valued in excess of the FMSO II dollar value may not be satisfied from U.S. serviceable on-hand stocks that are below the reorder points, to preclude any detrimental effect on support of U.S. forces. Such requisitions shall be processed as FMS non-CLSSA sales, provided an applicable FMS case exists. Non-CLSSA sales from inventory shall be made only in those cases when the supplying agency considers its stocks more than adequate to meet all requirements of U.S. forces and CLSSA claimants. DoD Instruction 2140.1 (reference (c)) establishes different pricing requirements for CLSSA and non-CLSSA sales.

4. For items to be supplied by the Defense Logistics Agency (DLA), the Military Departments shall submit Special Program Requirements (SPRs) and the cash, obtained from foreign participants, to finance increased inventory levels to the DLA as soon as possible after the signing of a new arrangement or when an existing agreement is significantly revised. The provisions of Chapter 11, DoD 4140.22-M (reference (d)) provide guidance for submitting SPRs to augment DLA stock levels to accommodate a new or revised CLSSA.

5. Noncompliance with CLSSA policies by a foreign customer shall result in the suspension of support under a CLSSA, pending resolution of the problem. Normally, either party may terminate a peacetime CLSSA by giving a minimum of 6 months written notice. However, the U.S. Government may cancel or suspend a CLSSA-related DD Form 1513, "U.S. Department of Defense Offer and Acceptance," by invoking Condition A-6 at Annex A of the form. Under unusual and compelling circumstances, when the national interest of the United States so requires, the U.S. Government will invoke Condition A-6.

6. Negotiations involving the sale of U.S. defense materiel and weapons systems shall include full consideration of the operational use of such materiel and systems, and provisions for effective concurrent and follow-on logistic support. As appropriate, follow-on spare and repair parts support shall be provided through the establishment of CLSSAs.

F. RESPONSIBILITIES

1. The Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics (ASD(MRA/L))) shall provide logistic policy guidance to ensure the implementation of CLSSAs and technical guidance to the Director, Defense Security Assistance Agency, and the Secretaries of the Military Departments on the adequacy and feasibility of the logistic support provisions proposed in the arrangements.
2. The Director, Defense Security Assistance Agency (DSAA), is the focal point for requests for and approval of FMS involving establishment of a CLSSA and ensuring that prior coordination and approval are accomplished in accordance with DoD 5105.38-M (reference (e)).

3. The Secretaries of the Military Departments shall:
   a. Develop implementing procedures that clearly and explicitly detail the execution of the provisions of CLSSAs.
   b. Ensure their effective integration with the logistic system involved.
   c. Coordinate, as appropriate, with the DoD Component or U.S. Government agency concerned.

4. Heads of DoD Components shall follow the guidelines in enclosure 2 when handling CLSSAs.

G. CRITERIA

1. The quality of support provided under matured CLSSAs to foreign military forces shall be the same as that provided to similar U.S. forces within assigned priorities. The U.S. goal shall be to provide uniform support for all military forces participating in the U.S. logistic system.

2. The DoD supply system shall be used, unless logistical readiness can be significantly increased by modifying the system. 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 used by U.S. forces, participating countries shall submit replenishment requisitions in a routine manner, as needed, and shall avoid ordering large quantities infrequently.

3. Normally, DoD transportation support may not be provided. When such support is provided as an exception, it shall be done in accordance with transportation and traffic management policies in DoD Directive 4500.9 (reference (f)).

4. Charges for support and services associated with CLSSAs shall be assessed in accordance with instructions contained in DoD Instruction 2140.1 and DoD Directive 7410.4 (references (c) and (g)) and shall be charged at least annually.

5. Implementation progress and status for articles provided shall be maintained for reimbursement needs in accordance with the guidance in DoD Instruction 2140.3 (reference (h)).

6. Countries participating in the U.S. logistic system through cooperative logistic arrangements shall be encouraged to provide and maintain the necessary resources to attain objectives of logistic support coequal with similarly tasked U.S. forces supported by the U.S. logistic system.
7. DoD 4140.17-M and DoD 4500.32-R (references (i) and (j)) shall be used to prioritize and systemize the issue and movement of CLSSA material.

8. Control by U.S. nationals of all U.S. facilities and services utilized shall be maintained. Assignment of liaison personnel of foreign governments may be permitted, as required. Such liaison personnel may perform functions as mutually agreed. Any U.S. costs associated with the liaison activity shall be reimbursable to the Department of Defense using normal FMS procedures.

9. The respective responsibilities of the United States and the customer country shall be delineated in applicable CLSSAs in sufficient detail and clarity to ensure mutual understanding. Assignment of FADs for specific countries shall be made by the Joint Chiefs of Staff in accordance with DoD Directive 4410.6 (reference (k)). Participating countries must be made fully aware of the need to conform to the applicable Urgency of Need Designator within the Uniform Military Movement and Issue Priority System (UMMIPS).

10. Financial records shall be maintained in such a manner that the financial status for supplies under the CLSSAs may be determined promptly. Status shall be recorded in the Security Assistance Accounting Center (SAAC) financial system, as in other FMS cases.

11. Item records of supply transactions shall be maintained by appropriate Inventory Control Points in such a manner that the current status of the transactions may be available in order to determine: (a) equity negotiation and termination requirements, and (b) a pro rata share of excess items applicable to weapons systems being supported for which the customer shall be held responsible. Demand records shall be reviewed before excess material is transferred to Property Disposal Activities or sold at reduced prices. If stockage of excess items resulted from CLSSA demands, the foreign participant shall be notified that applicable items shall be charged against the FMSO I equity and disposition instructions requested.

H. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Forward two copies of implementing documents to the Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) within 120 days.

[Signature]

Frank C. Carlucci
Deputy Secretary of Defense

Enclosures - 2
1. References
2. Guidelines
REFERENCES, continued

(m) DoD Instruction 2050.1, "Delegated Approval Authority to Negotiate and Conclude International Agreements," July 6, 1977
(n) Arms Export Control Act (AECA)
GUIDELINES

1. Forecasts of requirements and stock control of appropriation and stock-funded secondary items will be based upon the following planning considerations:

   a. Recurring CLSSA demands for secondary items whose requirements are computed by demand-related methods will be included in the demand data base of the computational system in forecasting CLSSA requirements. For secondary (investment) items whose requirements computation relates failures, repairs, and condemnations to past and future activity programs, CLSSA requirements will be computed with participating countries' program information included in the computational system's data base. Time-phased additive requirements for new CLSSA programs will be phased out during development of participating countries' demand and program factors for inclusion in the computational system.

   b. All CLSSAs will involve the investment of funds of the FMS country in the U.S. inventory. For consumable (stock fund) items, this will not be on the basis of a specific list of anticipated parts needed, but on the basis of on-hand and on-order levels required to support the dollar value of CLSSA anticipated needs. For repairable (appropriation account) items, on-hand and on-order levels will be either on a dollar investment or on a line item basis. Investment on a line item basis may be concluded only when the laws or procurement regulations of a particular country require that its investment be identified to specific items and quantities. However, such exceptions should be discouraged, as being disadvantageous to the country's support requirements, since DoD policy dictates that demands for items or quantities not included in the arrangement be treated as non-CLSSA demands.

   c. Military Departments will fill FMSO II and service requisitions in a manner that will ensure that no requisitioner is unfairly supported at the expense of other claimants of the material.

   d. Normally, FMSO I cases will provide for 17 months' investment composed of 5 months of on-hand and 12 months of on-order. Increases above 17 months' investment level are necessary when customer defense systems require a higher level of supply effectiveness, and/or have longer procurement leadtimes or represent a significant increase in complexity for the purchasing country. In these instances, the on-hand and on-order portions of the FMSO I cases should be synchronized with the dollar weighted on-hand and on-order projected materiel requirements of the system being supported.

   e. All FMS demands not related to a CLSSA that involve investment of funds in the U.S. inventory will 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 will be placed on backorder and not filled until on-hand serviceable stocks are above the reorder point or filled through procurement.

f. For the CLSSA operating under the financially based concept, reduction of the CLSSA-related program factors may create excess stocks. These potential excesses should be addressed by the excess disposition system, and excesses created by anticipated demands from CLSSA countries that did not materialize will be the responsibility of and chargeable to those foreign countries in accordance with DoD Instruction 2140.1 (reference (c)).

2. Normally, CLSSAs are negotiated and implemented by means of FMS transactions, FMS LOAs (DD Form 1513). In such cases, they are not deemed to be international agreements within the scope of DoD Directive 5530.3 and DoD Instruction 2050.1 (references (1) and (m)) and will be negotiated and concluded by the Military Departments concerned and approved by the Director, DSAA, after coordination with the Director, International Logistics and Support Analysis, OED(MR&A&L).

3. The equitable follow-on supply support offered to foreign participants under a CLSSA is executed in two stages through separate FMSOs: FMSO I and FMSO II.

a. When a FMSO I case is signed, funded, and implemented by both parties, the foreign participant purchases and the Military Department concerned establishes a financial equity for the country in appropriation and stock-funded secondary items procured and stocked in the U.S. logistic system. The Military Department will use this equity investment for procurement to provide appropriate augmentation of DoD stocks of secondary items, in preparation for foreign participant stock withdrawals. These items are used to replenish foreign in-country stocks supporting the defense systems defined in the FMSO I. The foreign customer will be advised that negotiation of a separate CLSSA case for those items managed by another Military Department will be required to obtain those items on a CLSSA basis. Where the DoD Component is other than the Military Department sponsoring the CLSSA, funded SPRs may be submitted. If funded SPRs are submitted, funds obtained from foreign participants to finance increased inventory levels, submitted under the provisions of Chapter II of DoD 4140.22-M (reference (d)), will provide the basis for initial pipeline establishment.

b. A procurement leadtime period will elapse between the time the FMSO I is implemented and DoD stock augmentation is completed. A FMSO II requisitioning case may be established concurrently with the FMSO I. However, FMSO II requisitions will not be processed until DoD stock augmentation is complete. For DLA-managed items, requisitions shall not be submitted as CLSSA requisitions for 9 months (procurement leadtime) subsequent to submission of SPRs (see Chapter II, DoD 4140.22-M, reference (d)).
c. FMSO I and II cases are executed on LOAs (DD Form 1513), and attached thereto will be the CLSSA terms, conditions, and procedures applicable to each FMSO. However, when special foreign participant regulations prevail, a CLSSA may be established with the approval of the Director, DSAA, in advance of the preparation of the FMSO I and II.

d. CLSSA-related LOAs (DD Form 1513s) provide support in peace-time from the U.S. logistic system. Under unusual and compelling circumstances when the national interest of the United States so requires, the U.S. Government 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. Pursuant to Section 42 of the Arms Export Control Act (AECA) (reference (n)), 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 cancelled in whole or in part, or its execution suspended, by the United States 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 thereunder at any time prior to the delivery of defense articles or performance of services provided in connection with such arrangement. As appropriate, the U.S. Government or the purchaser will be responsible for termination costs or other costs related to cancellation or suspension in accordance with condition A.6 or B.7 of the General Conditions (Annex A) of the LOAs. Unless condition A.6 or B.7 of the LOAs is invoked by a party, either party to a CLSSA may terminate by giving the other party a minimum of 6 months’ written notice.

e. Upon issuing or receiving notice of a request to terminate CLSSA support, the FMSO I case will be renegotiated to adjust the dollar level of investment to the most recent dollar level of demand. The Military Department will then prepare and forward a termination register to the foreign customer. The register will list by line item the customer’s pro rata share of all quantities on hand and on order above the level of Military Department requirements that are applicable to the weapons system being supported. The customer will be given the opportunity to withdraw these stocks during the period between notification of termination and the termination date by submitting a requisition coded to show non-recurring demand. On the termination date, the customer will be held liable for all remaining material on hand and on order that cannot be absorbed by the Military Departments. The customer will be charged for any remaining on-order quantities and will have the option of liquidating by withdrawing the items or by requesting the Military Departments to dispose of them in his behalf. For material that can be absorbed, the Military Departments will refund the value of material on hand. No refund will be made on the administrative charge. The foreign customer will be provided with the proceeds of any disposal action less the administrative cost of the disposal.