



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

OFFICE OF THE UNDER SECRETARY

11 FEB 2000

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/IAX  
1080 Air Force Pentagon  
Washington, DC 20330-1080

SUBJECT: Policy for Customer Involvement in the Letter of Offer and Acceptance  
Development Process (IAX 00004)

References: (a) SAF/IAX Memorandum, IAX 97020, 20 August 1997  
(b) DSCA Memorandum, I-011158/99, 13 September 1999

Reference (a) provides guidance for greater customer visibility and increased involvement in the LOA development process. This memorandum implements the DSCA memorandum within the US Air Force.

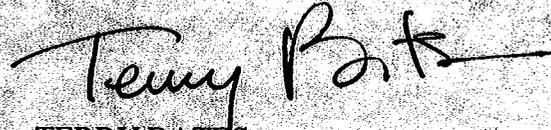
The customer may participate in the LOA development process for the sharing of information. Participation by the customer is at the discretion of the Country Director/Case Manager.

The LOA development process is defined as those activities involved with the creation and development of the government-to-government document. The customer's involvement may include attendance at meetings, review of draft DSAMS pricing reports (RP65 or RP69), the structure of LOA documents, note inclusions, and/or program and case execution plans. The customer may not sit with document preparation personnel. In addition, the customer is not authorized access to DSAMS.

SAF/IA, AFSAC, or AFSAT are solely responsible for providing the customer with detailed pricing information. The detailed pricing information being provided to the customer must be from DSAMS through either report 65 or report 69. Other pricing information may be provided to the customer upon written approval from SAF/IA, AFSAC, or AFSAT.

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Questions concerning this matter should be directed to your security assistance policy office. SAF/IAX POC is Mr. Lewis Witt, DSN 425.8960 or commercial 703.588.8960.



TERRY BATES  
Chief, Policy Division  
Deputy Under Secretary, Int'l Affairs

Attachment:  
DSCA Memorandum, I-011158/99, 13 September  
1999

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DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

13 SEP 1999

In reply refer to:  
I-011158/99

FILE  
COPY

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF THE ARMY  
(INTERNATIONAL AFFAIRS)  
ATTN: SAUS-IA-DSZ  
DEPARTMENT OF THE ARMY

DIRECTOR, NAVY INTERNATIONAL PROGRAMS OFFICE  
DEPARTMENT OF THE NAVY

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

DIRECTOR, DEFENSE LOGISTICS AGENCY

DIRECTOR, NATIONAL IMAGERY AND MAPPING AGENCY

DIRECTOR, DEFENSE THREAT REDUCTION AGENCY

DIRECTOR, DEFENSE REUTILIZATION AND MARKETING  
SERVICE

DEPUTY DIRECTOR FOR SECURITY ASSISTANCE,  
DEFENSE FINANCE AND ACCOUNTING SERVICE -  
DENVER CENTER

SUBJECT: Foreign Customer Participation in the Letter of Offer and Acceptance (LOA)  
Development Process

REFERENCE: DSCA/COMPT memorandum I-00051/99, 11 Feb 99, "Release of LSC and  
CAS Financial Data"

As part of our strategic planning and reinvention efforts, we have surveyed our customers and led various discussion groups to determine how we can improve Security Cooperation processes. Throughout all of these activities, a recurring theme has been the foreign customers' desire for greater visibility and increased involvement in the LOA development process. In a 23 Mar 99 memorandum, Deputy Secretary of Defense Dr. Hamre reiterated this point by stating "FMS customers should be encouraged to participate in discussions...including Letters of Offer and Acceptance development..." A "Process Transparency White Paper," developed by a team of US Government and industry representatives, recommended several policy changes which would provide foreign customers access to more information and expanded opportunities for

participation. The purpose of this memorandum is to implement some of those recommendations and provide revised guidance on how foreign customers can participate in the development of their FMS case or LOA.

Customer involvement early-on in the LOA development process is essential to ensure the final document provides the best "fit" for the purchaser's requirements. Customers should be encouraged to attend meetings and receive correspondence designed to clarify Letter of Request (LOR) information (more specifically detailed in DSCA message 221451Z Apr 99--attached). As the development of the LOA progresses, there will be many instances where Purchaser participation and input are necessary. For example, the customer should help identify unique requirements and special needs which must be accommodated in the final sales document. Any unique notes or conditions being considered may be provided to the customer for advance review to ensure these special case/program-unique needs are addressed.

The policy in the Financial Management Regulation (paragraph 070102.C.) requires that the foreign customer be provided a "single selling price" on the LOA. Under this policy, further pricing details were not to be provided unless DSCA specifically authorized release. The referenced DSCA/COMPT memorandum specifically authorizes the release of pricing information for all LOAs to permit Logistics Support Charge (LSC) and Contract Administration Services (CAS) pricing information to be provided to customers who request such information without seeking DSCA approval. In addition to these two charges, the following pricing information may also be provided to customers upon request:

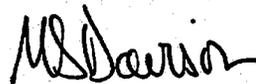
- a. Nonrecurring Cost (NC) recoupment charges included on the case.
- b. Break-out of USG costs to provide more detail about what is included in each line (e.g., engineering services, training, etc. which may be embedded within a line).

Furnishing this information should help customers better understand what is being provided under each line item and clarify the differences between original contractor price and the estimate included on the LOA.

This detailed pricing information may be provided with the LOA if desired by the customer. Available reports identifying these costs may also be provided as requested. It should be noted that these price break-outs should only include USG pricing data---contract pricing may contain proprietary information and should be reviewed on a case-by-case basis with the respective contractor to determine what may be released.

The policy outlined in this memorandum is effective immediately. We have reviewed the Security Assistance Management Manual (SAMM) and have identified several paragraphs which must be rewritten to reflect this new philosophy. The attached table identifies the previous wording and the new language that will be included in the next official SAMM change.

We are hopeful that allowing greater customer participation and visibility into pricing data will improve the quality of our cases and better satisfy the needs of our customers. If you have any questions regarding this policy, please contact Beth Baker, (703) 604-6612. Any questions regarding customer participation in specific cases, should be directed to your DSCA desk officer.



MICHAEL S. DAVISON, JR.  
LIEUTENANT GENERAL, USA  
DIRECTOR

**Attachments:**

1. DSCA Message 221451Z Apr 99
2. SAMM Changes

Prepared by: Beth M. Baker/PSD-PMD/604-6612

Distribution: Front Office  
PSD  
Subject File  
Baker File

COMPT  
ERASA  
MEAN  
DSAMS PMO  
DISAM  
Reinvention

 EVALUATING LETTERS

RTTUZYUW RUEKJCS1222 1132203-UUUU--RUEKCHR.

ZNR UUUUU

R 221451Z APR 99

FM SECDEF WASHINGTON DC//USDP:DSCA//

TO AIG 8797

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RUEKJCS/JOINT STAFF WASHINGTON DC

RUEHC/SECSTATE WASHINGTON DC

RUVAFMC/DISAM WRIGHT PATTERSON AFB OH

BT

UNCLAS SECTION 01 OF 02

SUBJECT: PARTNERING WITHIN TO IMPROVE LOA PROCESSING

REFERENCE: DSCA MESSAGE 231125Z JUN 98, SUBJECT: EVALUATING LETTERS OF REQUEST (NOTAL)

1. DURING THE 1998 EUCOM SECURITY ASSISTANCE CONFERENCE, ONE TOPIC OF DISCUSSION HIGHLIGHTED THE NEED FOR THE U.S. MILITARY DEPARTMENTS TO BE MORE TIMELY IN RESPONDING TO CUSTOMER COUNTRY LETTERS OF REQUEST. REFERENCE WAS SENT AFTER THE 1998 CONFERENCE WITH THE OBJECTIVE OF IMPROVING OUR PROCESS. THE SAME ISSUE RECURRED AS A THEME AT THE 1999 EUCOM SECURITY COOPERATION CONFERENCE. THAT, COMBINED WITH OUR BROADER EFFORTS TO IMPROVE THE TIMELINESS AND

PAGE 02 RUEKJCS1222 UNCLAS

QUALITY OF RESPONSES AS WELL AS AN EFFORT TO PROMOTE GREATER UNDERSTANDING AMONG TEAM MEMBERS WITHIN THE SECURITY COOPERATION COMMUNITY, THE FOLLOWING GUIDANCE IS PROVIDED.

2. OUR COLLECTIVE GOAL IS TO PROVIDE CUSTOMER SATISFACTION. THE FMS SYSTEM HAS PROVEN TO BE A VERY EFFECTIVE TOOL ON MANY OCCASIONS TO PROVIDE FMS CASES AND TO DELIVER EQUIPMENT IN VERY SHORT ORDER, E.G. NORWAY JAVELIN LOR DATED 15 DEC 1998, CASE OFFERED 23 DEC 1998, ACCEPTED 5 JAN 1999, MISSILES DELIVERED 15 JAN 1999. THIS IS NOT A UNIQUE INSTANCE BUT ONE EXAMPLE OF MANY. NEVERTHELESS, WE HAVE ROOM FOR IMPROVEMENT IN OTHER INSTANCES. A KEY TO AN IMPROVED PROCESS IS CLEAR, FULL COMMUNICATION OF THE REQUIREMENT TO ALL CONCERNED. REFERENCE ADDRESSED THE NEED FOR CLARIFICATION OF DETAILS REGARDING LETTERS OF REQUEST. THAT NEED IS UNIVERSAL AND STILL RELEVANT TO OUR EFFORTS TO IMPROVE THE PROCESS.

3. CHAPTER 7, PARA 70003 OF THE SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM), DOD 5105.38-M REQUIRES REQUESTS FOR SIGNIFICANT MILITARY EQUIPMENT (SME) WHICH ORIGINATE IN COUNTRY TO BE TRANSMITTED BY THE U.S. EMBASSY DIRECTLY TO THE APPROPRIATE U.S. MILITARY DEPARTMENT WITH AN INFORMATION COPY TO THE DEPARTMENT OF STATE, BUREAU OF POLITICAL-MILITARY AFFAIRS (STATE,PM) AND A COPY TO THE

PAGE 03 RUEKJCS1222 UNCLAS

DEFENSE SECURITY COOPERATION AGENCY (DSCA). THE SAMM FURTHER DETAILS THE ELEMENTS NEEDED FOR COUNTRY TEAM JUSTIFICATION OF MAJOR DEFENSE EQUIPMENT (MDE). THAT INFORMATION IS ESSENTIAL IN STAFFING, PARTICULARLY IF THE MDE WILL INTRODUCE A NEW CAPABILITY INTO A COUNTRY/REGION. REQUEST YOUR FULL COOPERATION TO ENSURE THAT REQUIRED INFORMATIONAL COPIES OF REQUESTS AND REQUIRED JUSTIFICATION ARE PROVIDED AS PRESCRIBED BY THE SAMM.

4. CHAPTER 7 OF THE SAMM FURTHER REQUIRES THAT ALL REQUESTS (TO INCLUDE NON-SME ITEMS) FOR PRICE AND AVAILABILITY (P&A) OR AN FMS

CASE BE PROVIDED DIRECTLY TO THE APPROPRIATE MILITARY DEPARTMENT WITH AN INFORMATION COPY TO THE UCOM, DSCA, AND STATE, PM. TO PROMOTE TEAM COMMUNICATION, WE SOLICIT YOUR FULL SUPPORT TO ENSURE THAT ALL ARE PROVIDED COPIES OF ALL SUCH REQUESTS AS WELL AS COPIES OF MODIFICATIONS/CLARIFICATIONS TO BASIC REQUESTS.

5. EVALUATING THE COUNTRY REQUIREMENT IS ANOTHER VERY IMPORTANT ELEMENT IN THE PROCESS. OUR MILITARY DEPARTMENTS CANNOT BEGIN TO RESPOND UNTIL AND UNLESS A CLEAR, DETAILED REQUIREMENT IS PRESENTED. HELPFUL HINTS (PUBLISHED PREVIOUSLY IN REF) TO SAOS IN EVALUATING/DEFINING LETTERS OF REQUEST FOLLOW:

A. IS THE REQUEST A VALID MILITARY REQUIREMENT?

PAGE 04 RUEKJCS1222 UNCLAS

B. IS THE REQUEST FOR AN FMS CASE (LETTER OF REQUEST FOR A LETTER OF OFFER AND ACCEPTANCE IMPLIES THE COUNTRY HAS IDENTIFIED A SOURCE OF FUNDING) OR IS IT FOR P&A DATA ONLY?

C. DOES THE REQUESTOR HAVE THE AUTHORITY TO SUBMIT PROCUREMENT REQUESTS FOR THE MINISTRY OF DEFENSE OF THE FOREIGN GOVERNMENT?

D. IS THE REQUEST SPECIFIC ENOUGH, IN YOUR JUDGMENT, TO ENABLE A CONTRACTING OFFICER TO OBTAIN PRICE AND AVAILABILITY?

(1) IF NOT, PLEASE CONSULT WITH COUNTRY TO OBTAIN SUFFICIENT DETAILED DATA (SUCH AS REQUIRED DELIVERY DATES, UNIQUE CONFIGURATION, SPECIAL REQUIREMENTS) SIMILAR TO THAT PREPARED FOR A REQUEST FOR QUOTATION.

(2) IF COUNTRY CANNOT PROVIDE ADDITIONAL DEFINITION, ADVISE THAT THEY MAY REQUEST A REQUIREMENTS SURVEY TEAM OR DEFINITION CONFERENCE, WHICH MUST BE FUNDED BY THE CUSTOMER ON A SEPARATE FMS CASE, WITH U.S. EXPERTS TO HELP DEFINE THE REQUIREMENT.

(3) BOTTOM LINE, IF YOU PERSONALLY HAD TO OBTAIN PRICE AND AVAILABILITY DATA, DO YOU HAVE ENOUGH INFORMATION TO PROCEED?

E. IN WORKING WITH THE CUSTOMER TO SPECIFY THE REQUIREMENT, PLEASE BE AS SPECIFIC AS POSSIBLE, WHETHER HARDWARE OR A SERVICE.

(1) IF HARDWARE, PLEASE PROVIDE NATIONAL STOCK NUMBER (NSN) IF

PAGE 05 RUEKJCS1222 UNCLAS

AVAILABLE.

(2) IDENTIFY ALL COUNTRY UNIQUE SUPPORT AND TRAINING REQUIREMENTS.

(3) ASSESS WHETHER THE REQUIREMENT SPECIFIED WILL PROVIDE A REALISTIC OPERATIONAL CAPABILITY AND ENCOURAGE THE COUNTRY TO THINK OF THE COSTS ASSOCIATED WITH A TOTAL PACKAGE APPROACH (TPA) TO A SYSTEM ACQUISITION - THIS INCLUDES CONCURRENT SPARES, TRAINING, AND FOLLOW-ON SUPPORT. A SAMPLE TPA CHECKLIST IS ILLUSTRATED IN THE DISAM TEXTBOOK, CHAPTER 8, AND THE MILDEPS MAY ASSIST WITH THE MORE SPECIFIC COMMODITY CHECKLISTS.

(4) ASSESS WHETHER THERE IS AN ADEQUATE SOURCE OF FUNDING, WHETHER FOREIGN MILITARY FINANCING (FMF) OR NATIONAL FUNDS, TO ACHIEVE EVEN AN INITIAL OPERATIONAL CAPABILITY.

(5) IF FMF IS USED, PLEASE INDICATE IF THIS USE OF FMF WAS PREVIOUSLY IDENTIFIED AS A POTENTIAL USE OF FMF TO DSCA FOR ANNUAL REPORTING REQUIREMENTS TO BE INCLUDED IN THE CLASSIFIED ANNEX TO THE CONGRESSIONAL PRESENTATION DOCUMENT (CPD). IF NOT PREVIOUSLY IDENTIFIED, IT MAY REQUIRE A SEPARATE NOTIFICATION TO THE CONGRESS IN ACCORDANCE WITH SECTION 515 OF THE FOREIGN OPERATIONS EXPORT FINANCING, AND RELATED AGENCIES APPROPRIATIONS ACT, 1999 (PL 105-277)

PAGE 06 RUEKJCS1222 UNCLAS

(OMNIBUS CONSOLIDATED AND EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 1999.)

(6) HAS THE COUNTRY REQUESTED A WAIVER OF (NC) CHARGES? IF SO,

PLEASE ENSURE THAT THE COUNTRY LETTER OF REQUEST SPECIFICALLY ADDRESSES THIS MATTER, PROVIDES FULL JUSTIFICATION (E.G. SUPPORTS NATO INTEROPERABILITY, IS NECESSARY TO MAKE A U.S. SALE). THE COUNTRY SIGNED REQUEST MUST BE PASSED TO DSCA TO SUPPORT A WAIVER CONSIDERATION.

(7) HAS THE COUNTRY REQUESTED A SPECIFIC/SOLE SOURCE AND, IF SO, PROVIDED THE JUSTIFICATION IN ACCORDANCE WITH SAMM, PARA 80102?

(8) DOES THE COUNTRY REQUIRE ANY WARRANTIES (SUCH AS PERFORMANCE WARRANTIES NOTED IN SAMM, PARA 80105) BEYOND WHAT IS PROVIDED IN THE LOA STANDARD TERMS AND CONDITIONS?

(9) IS IT PERTINENT TO NOTE WHETHER THE LOR IS RELATED TO A PARENT MEMORANDUM OF UNDERSTANDING (MOU), SUCH AS A COPRODUCTION MOU, OR ANY OTHER COOPERATIVE PROGRAM AGREEMENT?

F. SUBMIT ALL REQUESTS FOR PRICE AND AVAILABILITY OR FMS CASES FORMALLY VIA FRONT CHANNEL CORRESPONDENCE TO THE APPROPRIATE MILITARY DEPARTMENT WITH INFORMATION TO DSCA, STATE, AND THE APPROPRIATE UNIFIED COMMAND.

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UNCLAS FINAL SECTION OF 02

G. HAS THE COUNTRY BEEN IN NEGOTIATION (I.E. REQUESTED PRICE AND AVAILABILITY INFORMATION) DIRECTLY WITH A COMPANY TO POSSIBLY OBTAIN THE ITEM ON A DIRECT COMMERCIAL BASIS? IF SO, PLEASE UNDERSTAND THAT WE CANNOT PROVIDE ANY INFORMATION SUCH AS P&A UNTIL AND UNLESS THE COUNTRY ADVISES US IN WRITING THAT THEY HAVE TERMINATED COMMERCIAL NEGOTIATIONS. IT IS OUR POLICY TO NOT HAVE SALES VIA GOVERNMENT-TO-GOVERNMENT FMS CHANNELS COMPETE WITH DIRECT COMMERCIAL SALES.

6. PLEASE MAKE EVERY EFFORT TO EVALUATE THE REQUEST ALONG THE LINES DESCRIBED ABOVE. REMEMBER BEFORE WE CAN OBTAIN ACCURATE DATA TO

PAGE 02 RUEKJCS1223 UNCLAS

MEASURE PERFORMANCE, WE HAVE TO HAVE ACCURATE REQUESTS. CURRENT TIMELINES, OUTLINED IN CHAPTER 7 OF THE SAMM, CAN BE MEASURED AT EVERY STEP ALONG THE WAY. WE COLLECTIVELY BENEFIT WHEN WE PERFORM SOME QUALITY CHECKS AT EACH STOP. WHEN ANYONE HAS QUESTIONS TO OBTAIN CLARIFYING INFORMATION, WHETHER IT IS TO CLARIFY THE REQUIREMENT OR CLARIFY THE PRICING, THE CLOCK STOPS. OUR CHALLENGE IS TO PROVIDE NOT ONLY TIMELY BUT COMPLETE AND ACCURATE RESPONSES TO SUPPORT CUSTOMER SATISFACTION. SHOULD YOU HAVE ANY QUESTIONS ON THIS MESSAGE, PLEASE CONTACT YOUR COUNTRY DIRECTOR IN DSCA. WE APPRECIATE YOUR EFFORTS IN HELPING US TO TRY TO DO THINGS BETTER AND SMARTER. IT TAKES THE FULL COOPERATION OF EVERY TEAM MEMBER ALONG THE WAY. WE THANK YOU IN ADVANCE FOR BEING PART OF THE IMPROVEMENT PROCESS AND ASSURE YOU THAT WE WILL DO OUR PART AS WELL.

BT

#1222

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## SAMM Changes to Reflect Encouraged Customer Participation in the LOA Development Process

<b>SAMM Reference</b>	<b>Current Language</b>	<b>Revised Language</b>
Paragraph 70102.C.	<p><u>Supplemental Information.</u> Standard Terms must be supplemented with additional items or notes for each Offer in order to make obligations clear. When LOAs are prepared before details are known, “notes” (which include “supplemental conditions”) will include general coverage of this information and an estimate of when specific information on these topics can be provided to the Purchaser. Inclusion of all terms and information as a complete package within the LOA, rather than orally or by separate correspondence, reduces misunderstandings regarding FMS commitments</p>	<p><u>Supplemental Information.</u> Standard Terms must be supplemented with additional items or notes for each Offer in order to make obligations clear. When LOAs are prepared before details are known, “notes” will include general coverage of this information and an estimate of when specific information on these topics can be provided to the Purchaser. These notes may be shared in advance with the Purchaser to ensure any Purchaser-unique requirements are accommodated.</p>
Paragraph 70102.G.	<p><u>NC Charges.</u> LOAs will not normally be established for the sole purpose of collecting nonrecurring costs.... Pro rata NC charges for articles sold under FMS will be included in the unit price. Due to inclusion of sensitive US technical production information, data regarding USG cost pool and production quantities used to determine NC charges will not normally be released outside DoD. (see also DoDD 2140.2)</p>	<p><u>NC Charges.</u> LOAs will normally not be established for the sole purpose of collecting nonrecurring costs.... Pro rata NC charges for articles sold under FMS will be included in the unit price. This cost may be disclosed to the Purchaser on the LOA or through other means as desired (reports, meetings, discussions, etc.). Due to inclusion of sensitive US technical production information, data regarding USG cost pool and production quantities used to determine NC charges will not be released outside DoD. (see SAMM, paragraph 50202.B.4. and DoDD 2140.2)</p>
Paragraph 70102.H. (new)		<p><u>Customer Participation in the LOA Preparation Process.</u> Customer involvement early-on in the LOA</p>

		<p>development process is essential to ensure the final document provides the best “fit” for their requirements. Customers should be encouraged to attend meetings and receive correspondence designed to clarify Letter of Request (LOR) information. As the development of the LOA progresses, there will be many instances where Purchaser participation and input are necessary. For example, the customer should help identify unique requirements and special needs which must be accommodated in the final sales document. Any unique notes or conditions being considered may be provided to the customer for advance review to ensure these special case/program-unique needs are addressed.</p>
<p>Paragraph 130701.B.</p>	<p><u>Single Selling Price.</u> It is DoD policy to provide a single unit price for articles offered under FMS. It is not normal FMS practice to provide a detailed description of the components of cost included in estimated prices for line items on LOAs. When the buyer so requests, there may be instances where the provisions of such information is necessary to demonstrate that such costs are necessary.</p>	<p><u>Single Selling Price.</u> It is DoD policy to provide a single unit price for articles offered under FMS. If the customer desires, a more detailed description of the major components of cost included in estimated prices may be provided with the LOA as supplemental information or via separate report.</p>
<p>Paragraph 130704.C.2.</p>	<p><u>DD Form 1513 Presentation.</u> Estimated costs of providing engineering services associated with production of purchased items will be included in the estimated unit costs of the item being purchased. Thus, the LOA item price will include not only the estimated contract cost to produce it (including GFM) but also the cost</p>	<p><u>LOA Presentation.</u> Estimated costs of providing engineering services associated with production of purchased items will be included in the estimated unit costs of the item being purchased. Thus, the LOA item price will include not only the estimated contract cost to produce it (including GFM) but also the cost of services required to assure</p>

	<p>of services required to assure production in the correct configuration. Such costs will also include the pro-rata share of government-furnished testing and evaluation services.</p>	<p>production in the correct configuration. A break-out of USG costs may be provided to the customer if requested. Such costs will also include the pro-rata share of government-furnished testing and evaluation services.</p>
<p>Paragraph 130705.C.2.</p>	<p><u>LOA Presentation.</u> The LSC is to be included in the single selling price presented to FMS purchasers in the LOA for those lines coded with the applicable generic codes listed in the FMR, Section 0722.</p>	<p><u>LOA Presentation.</u> The LSC is to be included in the single selling price presented to FMS purchasers in the LOA for those lines coded with the applicable generic codes listed in the DoD FMR. Information on LSC pricing estimates may be provided to FMS customers.</p>



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

OFFICE OF THE UNDER SECRETARY

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/IAX  
1080 Air Force Pentagon  
Washington, DC 20330-1080

SUBJECT: Policy for Customer Involvement in the Letter of Offer and Acceptance  
Development Process (IAX 00004)

References: (a) SAF/IAX Memorandum, IAX 97020, 20 August 1997  
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Questions concerning this matter should be directed to your security assistance policy office. SAF/IAX POC is Mr. Lewis Witt, DSN 425.8960 or commercial 703.588.8960.

**TERRY BATES**  
Chief, Policy Division  
Deputy Under Secretary, Int'l Affairs

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Bldg 125  
2335 7th Street  
Wright-Patterson AFB OH  
45433-7803

Please review this distribution list to ensure correct offices are included. If your office no longer requires information on security assistance policies and procedures, please contact Lewis Witt, SAF/IAXM, email [lewis.witt@pentagon.af.mil](mailto:lewis.witt@pentagon.af.mil) so the distribution list may be updated.



DEPARTMENT OF THE AIR FORCE

WASHINGTON, DC

OFFICE OF THE UNDER SECRETARY

*Customer participation will be granted upon a written request based*

*AQC*

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/IAX  
1080 Air Force Pentagon  
Washington, DC 20330-1080

SUBJECT: Policy for Customer Involvement in Letter of Offer and Acceptance (LOA) Development (DSCA Memorandum, I-011158/99, 13 September 1999) (IAX 00004)

Referenced DSCA memorandum provides guidance for greater customer visibility and increased involvement in the LOA development process. This memorandum implements the DSCA memorandum within the US Air Force.

① The customer may participate in the LOA development process for information sharing <sup>the</sup> ~~etc~~ purposes only. Purchasers may not negotiate pricing. Further, ~~any~~ participation by the customer ~~in~~ or information sharing is strictly by written request only. The customer may not gain access to DSAMS. ~~Customers wishing to participate shall~~ <sup>shall</sup> ~~in the LOA process~~

② The LOA development process is defined as those activities involved with the creation and development of the government-to-government document. The customers involvement may include attendance at ~~select~~ meetings, input to draft DSAMS pricing reports (RP65 or RP69), the structure of LOA documents, note inclusions, and/or program and case execution plans.

SAF/IA, AFSAC, or AFSAT are solely responsible for providing the customer with detailed pricing information. The detailed pricing information being provided to the customer must be from DSAMS through either report 65 or report 69. ~~No other~~ pricing information may be provided to the customer ~~without~~ <sup>without</sup> written approval from SAF/IA, AFSAC, or AFSAT.

③ The customer may ~~not~~ attend ~~any~~ meetings <sup>and</sup> or participate in technology transfer, disclosure, initial acquisition pricing, and/or acquisition strategy meetings ~~or~~ discussions, ~~unless~~ otherwise required as determined by the organizations involved. Further, in the context of information sharing, the customer may ~~not~~ sit with document preparation personnel. Lastly, if *doubt exists when determining whether a foreign customer should participate in a meeting or discussion, or if specific information can be shared, consult with your foreign disclosure officer and/or your security assistance policy office.* <sup>upon approval by the appropriate committee</sup>

*Don't believe this is in the spirit of the above letter.*

Questions concerning this matter should be directed to your security assistance policy office. SAF/IAX POC is Mr. Lewis Witt, DSN 425 8960 or commercial 703 588 8960.

TERRY BATES  
Chief, Policy Division  
Deputy Under Secretary, Int'l Affairs

Attachment:  
DSCA Memorandum, I-011158/99, 13 September 1999

cc:  
See Distribution



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

OFFICE OF THE UNDER SECRETARY

GCI

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/IAX  
1080 Air Force Pentagon  
Washington, DC 20330-1080

SUBJECT: Policy for Customer Involvement in Letter of Offer and Acceptance (LOA) Development (DSCA Memorandum, I-011158/99, 13 September 1999) (IAX 00004)

Referenced DSCA memorandum provides DoD guidance ~~to allow for greater~~ visibility and increased involvement in the LOA access into our development process of LOAs. This memorandum ~~establishes general~~ implements the DSCA memorandum within the US Air Force parameters for foreign customer participation in the development of their LOAs.

The ~~objective of the US Air Force allowing the customer to~~ may participate is in the LOA development process for information sharing purposes only. ~~Their participation should not foster any expectation that our sharing represents an invitation to~~ Purchasers may not negotiate pricing or their consultation throughout the process is required. Further, **any** participation by the customer or information sharing is strictly **by written request only**. ~~Lastly, any request by the~~ The customer to may not gain access to DSAMS, for whatever reason, is categorically forbidden.

The LOA development process is defined as those activities involved with the creation and development of the government-to-government document. ~~As such, the~~ The customers involvement may include attendance at select meetings, input to draft DSAMS pricing reports (RP65 or RP69), the structure of LOA documents, note inclusions, and/or program and case execution plans.

SAF/IA, AFSAC, or AFSAT are solely responsible for providing the customer with detailed pricing information. The detailed pricing information being provided to the customer must be from DSAMS through either report 65 or report 69. No other pricing information may be provided to the customer without written approval from SAF/IA, AFSAC, or AFSAT.

The customer ~~is categorically excluded from~~ may not attend any meetings or ~~participation~~ participate in technology transfer, disclosure, initial acquisition pricing, and/or acquisition strategy meetings or discussions, unless otherwise required as determined by the organizations involved. Further, in the context of information sharing, ~~having the customer~~ may not sit with document preparation personnel is strictly prohibited. Lastly, *if doubt exists when determining whether a foreign customer should participate in a meeting or discussion, or if specific*

*information can be shared, consult with your foreign disclosure officer and/or your security assistance policy office.*

Questions concerning this matter should be directed to your security assistance policy office. SAF/IAX POC is Mr. Lewis Witt, DSN 425.8960 or commercial 703.588.8960.

**TERRY BATES**  
**Chief, Policy Division**  
**Deputy Under Secretary, Int'l Affairs**

**Attachment:**  
**DSCA Memorandum, I-011158/99, 13 September 1999**

**cc:**  
**See Distribution**



DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC

OFFICE OF ASSISTANT SECRETARY

FILE	_____
DATE	18 May 99
08 MAY 1999	ORR AX
SUSP	_____
INFO	CC
(NAD)	CO
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MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/AQ  
1060 Air Force Pentagon  
Washington DC 20330-1060

SUBJECT: Department of Defense Policy on Customer Participation in Foreign Military Sales (FMS) Contract Preparation and Negotiation (OSD Memorandum, 23 Mar 99)

The referenced OSD Memorandum was distributed by e-mail to PEOs and MADs along with a request for appropriate distribution. In view of our commitment to teaming approaches and openness, this policy provides emphasis to do the same for FMS programs. I request you pay special attention to the FMS programs in your portfolios and the level of FMS customer involvement within those programs. SAF/AQC will amend the AFFARS to conform with this policy.

DARLEEN A. DRUYUN  
Principal Deputy Assistant Secretary  
of the Air Force (Acquisition and Management)

- Attachments:
1. Distribution
  2. OSD Memorandum

DISTRIBUTION

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AAC/CC  
OC-ALC/CC  
SM-ALC/CC  
SA-ALC/CC  
OO-ALC/CC  
WR-ALC/CC

Atch I

DEPUTY SECRETARY OF DEFENSE  
1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010

23 Mar 99

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES  
DIRECTOR, DEFENSE PROCUREMENT

SUBJECT: Department of Defense Policy on Customer Participation in Foreign Military Sales -  
(FMS) Contract Preparation and Negotiations

To further the Department's commitment to improving the Security Cooperation process, I forwarded to industry representatives a Process Transparency White Paper on January 26, 1999. Process transparency in security cooperation is intended to provide Foreign Military Sales (FMS) customers and U.S. industry greater visibility into internal U.S. Government activities. As part of the process transparency initiative, I am issuing guidance for FMS customer participation in the preparation and negotiation of their contracts.

Department of Defense (DoD) acquisition officials should be responsive to the special needs of FMS customers. FMS customers should be encouraged to participate in discussions between DoD and the potential contractor including Letters of Offer and Acceptance development, definition of technical specifications, delivery schedules, special warranty provisions, and other requirements unique to the FMS customer.

When FMS customers ask for assurances of price reasonableness, contracting officers should provide an appropriate explanation. This may include tailored reports such as top level pricing summaries, historical pricing trends or an explanation of any price differential between the DoD and FMS contracts.

If an FMS customer asks to observe price negotiations, the contracting officer should accommodate this request as long as the offeror consents and the contracting officer obtains agreement from the FMS customer that there will be no negotiations other than by the contracting officer. The consent from the officer shall be in writing and shall specify any restrictions on the disclosure of proprietary data by the FMS customer. The FMS customer should provide any written assurance of non-disclosure that the potential contractor requires.

The Director of Defense Procurement shall amend DFARS 225.7304 to establish procedures authorizing representatives of FMS customers to observe price negotiations.

John J. Hamre

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ZNR UUUUU  
R 291105Z NOV 99  
FM SECDEF WASHINGTON DC//USDP:DSCA//  
TO AIG 8797  
INFO RUEKJCS/SECDEF WASHINGTON DC//CHAIRS//  
RUVAFMC/DISAM WRIGHT PATTERSON AFB OH//  
BT



UNCLAS

SUBJECT: FOREIGN CUSTOMER PARTICIPATION IN THE LETTER OF OFFER AND ACCEPTANCE (LOA) DEVELOPMENT PROCESS

REFERENCES:

- A. DSCA MEMORANDUM I-011158/99, 13 SEP 99, "FOREIGN CUSTOMER PARTICIPATION IN THE LOA DEVELOPMENT PROCESS"
  - B. DSCA/COMPT MEMORANDUM I-00051/99, 11 FEB 99, "RELEASE OF LSC AND CAS FINANCIAL DATA"
1. AS PART OF OUR STRATEGIC PLANNING AND REINVENTION EFFORTS, WE HAVE SURVEYED OUR CUSTOMERS AND LED VARIOUS DISCUSSION GROUPS TO DETERMINE HOW WE CAN IMPROVE SECURITY COOPERATION PROCESSES. THROUGHOUT ALL OF THESE ACTIVITIES, A RECURRING THEME HAS BEEN THE FOREIGN CUSTOMERS' DESIRE FOR GREATER VISIBILITY AND INCREASED INVOLVEMENT IN THE LOA DEVELOPMENT PROCESS. IN A 23 MAR 99

PAGE 02 RUEKJCS6247 UNCLAS

MEMORANDUM, DEPUTY SECRETARY OF DEFENSE DR. HAMRE REITERATED THIS POINT BY STATING "FMS CUSTOMERS SHOULD BE ENCOURAGED TO PARTICIPATE IN DISCUSSIONS...INCLUDING LETTERS OF OFFER AND ACCEPTANCE DEVELOPMENT..." A "PROCESS TRANSPARENCY WHITE PAPER," DEVELOPED BY A TEAM OF US GOVERNMENT AND INDUSTRY REPRESENTATIVES, RECOMMENDED SEVERAL POLICY CHANGES WHICH WOULD PROVIDE FOREIGN CUSTOMERS ACCESS TO MORE INFORMATION AND EXPANDED OPPORTUNITIES FOR PARTICIPATION. THE PURPOSE OF THE 13 SEP 99 REFERENCE A. MEMORANDUM WAS TO IMPLEMENT SOME OF THOSE RECOMMENDATIONS AND PROVIDE REVISED GUIDANCE ON HOW FOREIGN CUSTOMERS CAN PARTICIPATE IN THE DEVELOPMENT OF THEIR FMS CASE OR LOA. THIS MESSAGE REITERATES POLICIES CONTAINED IN OUR 13 SEP 99 MEMORANDUM TO ENSURE WIDER DISSEMINATION TO THE SECURITY ASSISTANCE COMMUNITY.

2. CUSTOMER INVOLVEMENT EARLY-ON IN THE LOA DEVELOPMENT PROCESS IS ESSENTIAL TO ENSURE THE FINAL DOCUMENT PROVIDES THE BEST "FIT" FOR THE PURCHASER'S REQUIREMENTS. CUSTOMERS SHOULD BE ENCOURAGED TO ATTEND MEETINGS AND RECEIVE CORRESPONDENCE DESIGNED TO CLARIFY LETTER OF REQUEST (LOR) INFORMATION (MORE SPECIFICALLY DETAILED IN DSCA MESSAGE 221451Z APR 99). AS THE DEVELOPMENT OF THE LOA PROGRESSES, THERE WILL BE MANY INSTANCES WHERE PURCHASER PARTICIPATION AND INPUT



PAGE 03 RUEKJCS6247 UNCLAS

ARE NECESSARY. FOR EXAMPLE, THE CUSTOMER SHOULD HELP IDENTIFY UNIQUE REQUIREMENTS AND SPECIAL NEEDS WHICH MUST BE ACCOMMODATED IN THE FINAL SALES DOCUMENT. ANY UNIQUE NOTES OR CONDITIONS BEING CONSIDERED MAY BE PROVIDED TO THE CUSTOMER FOR ADVANCE REVIEW TO ENSURE THESE SPECIAL CASE/PROGRAM-UNIQUE NEEDS ARE ADDRESSED.

3. THE POLICY IN THE FINANCIAL MANAGEMENT REGULATION (PARAGRAPH 070102.C.) REQUIRES THAT THE FOREIGN CUSTOMER BE PROVIDED A "SINGLE

\*\*\*\*\* UNCLAS \*\*\*\*\*

SELLING PRICE" ON THE LOA. UNDER THIS POLICY, FURTHER PRICING DETAILS WERE NOT TO BE PROVIDED UNLESS DSCA SPECIFICALLY AUTHORIZED RELEASE. THE REFERENCE B. DSCA/COMPT MEMORANDUM SPECIFICALLY AUTHORIZES THE RELEASE OF PRICING INFORMATION FOR ALL LOAS TO PERMIT LOGISTICS SUPPORT CHARGE (LSC) AND CONTRACT ADMINISTRATION SERVICES (CAS) PRICING INFORMATION TO BE PROVIDED TO CUSTOMERS WHO REQUEST SUCH INFORMATION WITHOUT SEEKING DSCA APPROVAL. IN ADDITION TO THESE TWO CHARGES, THE FOLLOWING PRICING INFORMATION MAY ALSO BE PROVIDED TO CUSTOMERS UPON REQUEST:

- A. NONRECURRING COST (NC) RECOUPMENT CHARGES INCLUDED ON THE CASE.
- B. BREAK-OUT OF USG COSTS TO PROVIDE MORE DETAIL ABOUT WHAT IS INCLUDED IN EACH LINE (E.G., ENGINEERING SERVICES, TRAINING, ETC).

PAGE 04 RUEKJCS6247 UNCLAS

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FURNISHING THIS INFORMATION SHOULD HELP CUSTOMERS BETTER UNDERSTAND WHAT IS BEING PROVIDED UNDER EACH LINE ITEM AND CLARIFY THE DIFFERENCES BETWEEN ORIGINAL CONTRACTOR PRICE AND THE ESTIMATE INCLUDED ON THE LOA.

4. THIS DETAILED PRICING INFORMATION MAY BE PROVIDED WITH THE LOA IF DESIRED BY THE CUSTOMER. AVAILABLE REPORTS IDENTIFYING THESE COSTS MAY ALSO BE PROVIDED AS REQUESTED. IT SHOULD BE NOTED THAT THESE PRICE BREAK-OUTS SHOULD ONLY INCLUDE USG PRICING DATA---CONTRACT PRICING MAY CONTAIN PROPRIETARY INFORMATION AND SHOULD BE REVIEWED ON A CASE-BY-CASE BASIS WITH THE RESPECTIVE CONTRACTOR TO DETERMINE WHAT MAY BE RELEASED.

5. THE POLICY IN THIS MESSAGE IS EFFECTIVE IMMEDIATELY. WE HAVE REVIEWED THE SECURITY ASSISTANCE MANAGEMENT MANUAL (SAMM) AND HAVE IDENTIFIED SEVERAL PARAGRAPHS WHICH MUST BE REWRITTEN TO REFLECT THIS NEW PHILOSOPHY. THE NEW LANGUAGE WILL BE INCLUDED IN THE NEXT OFFICIAL SAMM CHANGE.

6. WE ARE HOPEFUL THAT ALLOWING GREATER CUSTOMER PARTICIPATION AND VISIBILITY INTO PRICING DATA WILL IMPROVE THE QUALITY OF OUR CASES AND BETTER SATISFY THE NEEDS OF OUR CUSTOMERS. IF YOU HAVE ANY

PAGE 05 RUEKJCS6247 UNCLAS

QUESTIONS REGARDING THIS POLICY, PLEASE CONTACT BETH BAKER, (703) 604-6612. ANY QUESTIONS REGARDING CUSTOMER PARTICIPATION IN SPECIFIC CASES SHOULD BE DIRECTED TO YOUR DSCA DESK OFFICER. PLEASE ENSURE THIS MESSAGE RECEIVES WIDE DISSIMINATION TO OUR SECURITY COOPERATION CUSTOMERS AND PARTNERS.

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FM SECDEF WASHINGTON DC//USDP:DSCA//  
TO AIG 8797

INFO RUEKJCS/SECDEF WASHINGTON DC//CHAIRS//  
RUVAFMC/DISAM WRIGHT PATTERSON AFB OH//

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PAGE 03 RUEKJCS6247 UNCLAS

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\*\*\*\*\* UNCLAS \*\*\*\*\*

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PAGE 04 RUEKJCS6247 UNCLAS

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BT  
#6247

NNNN



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

Office of the Under Secretary

20 AUG 1997

MEMORANDUM FOR SEE DISTRIBUTION LIST

FROM: SAF/IA

SUBJECT: Foreign Observers/Participants in Contract Negotiations (IAX 97020)

Contracts are often required to fulfill requirements on our Letters of Offer and Acceptance (LOAs) with foreign purchasers. The negotiation of these contracts is the responsibility of the US Government and normally does not involve purchaser participation. However, there are times when the purchaser requests permission to be present during the contracting process. The Air Force policy is that there will be no foreign government participation in contract negotiation on source selection (FAR 225.7304(b)(3)). Exceptions can be granted if it is clearly in the best interest of the U.S. Government, there is a precedent, or it is otherwise unavoidable. Exceptions to this policy may be granted on a case-by-case basis under very specific guidelines (see attachment).

If a customer requests this exception to policy, language must be included in the LOA outlining the participation groundrules. The attached supplemental condition contains sample wording. This language should be tailored to meet the unique needs of each case and may be included either as a stand-alone condition or as part of an existing "general" case condition. Any Air Force (SAF/IA, AFSAC or AFSAT) written case which contains language that would include the foreign government participation in any contracting aspects of the LOA must be approved by SAF/AQC. The request must contain adequate rationale which supports a departure from this policy and be coordinated through the local contracting activity.

Again, this language should not be used unless the customer has made a specific request to participate in the contracting process. If you have questions or need additional information concerning this issue, please contact Lewis Witt, SAF/IAXM, DSN 227-5058, or Mr. J. P. McCusker, SAF/AQCO, DSN 614-1648.

A handwritten signature in black ink, appearing to read "Robert D. Bauerlein".

**ROBERT D. BAUERLEIN**  
Deputy Under Secretary of the Air Force  
International Affairs

Attachment:  
Sample Supplemental Condition

cc:  
SEE DISTRIBUTION

## SAMPLE SUPPLEMENTAL CONDITION

### Foreign Purchaser/Observer Role in Contractual Negotiations

With the written concurrence of the contractor, the foreign purchaser/observer may be provided a copy of the contractor's technical proposal and with the PCO's approval, attend fact finding and contract negotiation sessions. The contracting officer shall advise the purchaser/observer of the groundrules to be followed. The groundrules outline the conditions underwhich purchaser representatives can observe the contract negotiations. The groundrules ensure compliance with US Air Force and DoD direction, preserve the integrity of the negotiation process, and avoid embarrassment to any of the affected parties. At a minimum, the groundrules will include:

- a. The purchaser agrees that the US Government is solely responsible for negotiating this contract and as such the final decisions in all phases of the negotiations will rest with the US Government.
- b. The negotiations between the US Government and the contractor are controlled by the contracting officer.
- c. All communication between the foreign purchaser/observer and the contractor concerning the negotiations will be through the contracting officer or under the contracting officer's control. The foreign purchaser/observer will not engage in any off-line discussions concerning the negotiations with the contractor since these types of discussions could compromise the negotiations.
- d. The foreign purchaser/observer must maintain their role as observers and not become participants. They may not discuss the proceedings outside the negotiations, take notes, or have access to the price proposal.
- e. The foreign purchaser/observer will only be allowed to "directly" observe the technical discussions related to the negotiations. All discussions related to cost or pricing information shall be between the foreign purchaser/observer and US Government only or the US Government and contractor only. The foreign purchaser/observer will not be allowed to "directly" observe cost or price negotiations.
- f. The foreign purchaser/observer must agree to respect the confidentiality of business information and data provided through the negotiation process and shall honor any proprietary or similar markings related to any negotiation data (including signing any non-disclosure statements requested by the contractor).

## DISTRIBUTION LIST

### AFSAT/CC

2021 First Drive West  
Randolph AFB TX 78150-4302

### DFAS-DE/ID/IRCA/IX/IF

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Denver CO 80279-2000

### HQ AMC/FMP

402 Scott Drive, Unit 1K1  
Scott AFB IL 62225-5311

### HQ AMC TACC/XOOK

402 Scott Drive, Unit 2K1  
Scott AFB IL 62225-5363

### ANGRC/FMBO

3500 Fetchet Ave  
Andrews AFB MD 20762-5157

### HQ ACC/DOSS

205 Dodd Blvd, Suite 101  
Langley AFB VA 23665-2789

### AFSAC/IPS

1822 Van Patton Drive  
Bldg 210  
Wright-Patterson AFB OH  
45433-5337

### HQ AFMC/FM

4375 Chidlaw Road, Suite 6  
Wright-Patterson AFB OH  
45433-5006

### HQ PACAF/XPPX

Security Assistance Office (SAO)  
25 E Street, Suite F207  
Hickam AFB HI 96853-5417

### HQ USAFE/LGXI

Unit 3050, Box 105  
APO AE 09094-0105

### NGB/XOP

Pentagon, Room 2D369

### NGB/ZI

Pentagon, Room 2C364

### CPSG/ZC, ESC/ZCG

230 Hall Blvd, Suite 208  
San Antonio TX 78243-7057

### SAF/FMBIS

Pentagon, Room 4D223

### SAF/GCI

Pentagon, Room 4C941

### SAF/IAD

Pentagon, Room 4C1064

### SAF/IAE

Pentagon, Room 5B337

### SAF/IAL

Pentagon, Room 5A332

### SAF/IAM

Pentagon, Room 5D527

### SAF/IAP

Pentagon, Room 5A334

### SAF/IAQ

SAF/IAS  
Pentagon, Room 5D528

SAF/IAW  
Pentagon, Room 3A1062

SAF/IAXM  
Pentagon, Room 5B332

SAF/IAXO  
Pentagon, Room 5B332

SAF/IAXX  
Pentagon, Room 5B332

HQ AFSPC/XPIP  
150 Vandenberg St, Suite 1105  
Peterson AFB CO 80914-4620

cc: AFAAO  
Pentagon, Room 5B284

AFSAC/XM  
1822 Van Patton Drive  
Bldg 210  
Wright-Patterson AFB OH  
45433-5337

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Please review this distribution list to ensure correct offices are included. If your office no longer requires information on security assistance policies and procedures, please contact Beth Baker, SAF/IAXM, DSN 227-5058 so the distribution list may be updated.