



DEFENSE SECURITY COOPERATION AGENCY
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MEMORANDUM FOR SEE DISTRIBUTION

JUN 30 2009

SUBJECT: Increase to Delivery Term Codes (DTCs) Percentage Rates for "Below-the-Line" Transportation on Foreign Military Sales (FMS) and FMS-Like Cases (DSCA Policy 09-22)

REFERENCE: DSCA Memorandum USP018564-08, "Transportation Charges for Foreign Military Sales (FMS) and FMS-Like Case Shipments (DSCA Policy 08-39)," Dec 01, 2008 (**Rescinded**)

The DoD Financial Management Regulation (FMR) provides information on computing estimated transportation costs on Letter of Offer and Acceptance (LOA) documents. The normal practice is to use DTCs to compute an estimated "below-the-line" (indirect/accessorial) transportation amount when the Defense Transportation System (DTS) will be used. The selected DTC corresponds to the amount of transportation expected to be provided (e.g., port-to-port; depot-to-in-country destination, etc.) and the rate zone corresponds to the geographic area where articles are being delivered. This resulting estimated cost is collected into the FMS Transportation Account as articles are delivery reported by the Implementing Agency (IA). Transportation providers then submit bills for actual transportation costs which are paid from the FMS Transportation Account.

Our referenced memorandum indicated that we were going to review the DTC percentage rates currently being used to compute charges for "below-the-line" estimated transportation charges. The purpose of the review was to determine if the current percentage rates are ensuring collection of sufficient funds into the FMS Transportation Account to pay for billings that are being submitted.

DSCA and the Army conducted an in-depth review and analysis of below-the-line estimated transportation charges and their corresponding billings. The first part of our review was completed in March 2009 and the findings revealed DTC 7, zone "b" and DTC 9, zone "b" are not collecting adequate funds to cover actual transportation costs being billed. DTC 7 is used for a DoD movement from point of origin to, and including, inland carrier delivery to the specified inland location. DTC 9 is used for a DoD movement from point of origin to, and including, vessel discharge at the point of discharge. Zone "b" includes Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), East Asia/Pacific, African ports (other than Mediterranean) and Near East/South Asia (see the Security Assistance Management Manuel, Table C4.T2 for a list of countries under the regions listed above). In order to ensure the amounts collected into the FMS Transportation Account will be

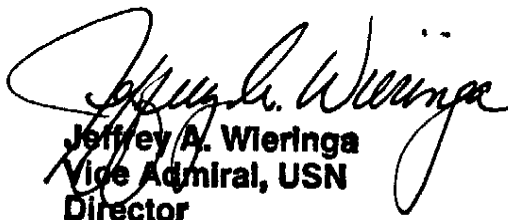
sufficient to cover billings, analysis confirms the percentage rates for DTC 7 and 9, zone "b" must be increased from 16.25% and 13.25%, to 22.25% and 19.25% respectively. To ensure the continued solvency of the FMS Transportation Account, these percentage rate increases are effective with all articles delivered under FMS and FMS-like cases on or after July 15, 2009.

New cases accepted/implemented after July 15, 2009, must be written using these new rates to estimate transportation costs for any lines that use DTCs 7 or 9, zone "b." IAs must modify existing case(s) with DTC 7, zone "b" or DTC 9, zone "b" coding to reflect the increased below-the-line transportation charges for all articles scheduled to be delivered after July 15, 2009, if sufficient funds are not already available on the case. Priority should be given to USG funded cases with expiring funds (such as 1206 cases) to ensure sufficient funds are reserved to cover this rate increase. The modification must include a note explaining the basis and amount of change in estimated transportation cost.

I have directed my staff to continue their review of "below-the-line" transportation rates and processes to develop alternatives for improving the accuracy of our estimates. The Military Departments will play a major role in this second phase of our review which we anticipate will begin in mid July. If this group determines that DTCs will continue to be used in the future, they will be tasked to identify a regular schedule for reviewing these rates and publishing updates as required.

While this review is underway, IAs must continue to ensure only transportation-related costs are charged to the FMS Transportation Account. Any costs not covered by the DTC rates must be charged as direct "above-the-line" costs and billed appropriately. Examples of these include costs related to tagging and tracking devices such as Radio Frequency Identification, containers not being returned to the transportation provider, assessment of storage fees for shipments not delivered in a timely manner, additional security requirements, special off-loading expenses, etc. Special Airlift Assignment Mission (SAAM) flights must be charged as "above-the-line" direct costs. These costs are not included in DTC transportation rates and therefore are not billable to the FMS Transportation Account. These cases may require an appropriate pro-rata override of the "below-the-line" percentage rate charge to prevent double billing.

This transportation rate change has been coordinated with the Under Secretary of Defense Comptroller. The DoD FMR, Volume 15, Chapter 7, Table 705-1, will be updated to reflect the revised percentages. We thank you for assisting in our efforts to improve the accuracy of estimated transportation pricing. If you have any questions, please contact Rita Chico at (703) 602-3632 or e-mail at rita.chico@dscamail.


Jeffrey A. Wieringa
Vice Admiral, USN
Director

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