

Report Required by Section 812
of the
National Defense Authorization Act for Fiscal Year 2004
(Public Law 108-136)



Foreign Sources of Supply:
Assessment of the United States Defense Industrial Base

Addendum: Incorporating Fiscal Year 2004 Contract Information

March 2005

Executive Summary

Section 812 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136) directs the Secretary of Defense to establish a program to assess the degree to which the United States is dependent on foreign sources of supply; and the capabilities of the United States defense industrial base to produce military systems necessary to support the national security objectives set forth in section 2501 of title 10, United States Code. The Department is to use existing data for the assessment program. Not later than February 1 of each year, the Secretary is to submit to the Committees on Armed Services of the Senate and House of Representatives a report on the assessment program covering the preceding fiscal year.

This addendum updates the report provided to Congress in November 2004. The November 2004 report used Fiscal Year 2003 prime contract information. This addendum provides Fiscal Year 2004 prime contract information.

In Fiscal Year 2004, the Department awarded contracts to foreign suppliers for defense items and components totaling just under \$1.5 billion, about 2.0% of all DoD contracts for defense items and components.

Section 812 Requirements

Section 812 of the National Defense Authorization Act for Fiscal Year 2004 directs the Secretary of Defense to establish a program to assess:

- the degree to which the United States is dependent on foreign sources of supply; and
- the capabilities of the United States defense industrial base to produce military systems necessary to support the national security objectives set forth in section 2501 of title 10, United States Code.¹

The Department is to use existing data for the assessment program. The Department, at a minimum, is to use existing information on each prime contract with a value greater than \$25,000 for the procurement of defense items and components.

Not later than February 1 of each year, the Secretary is to submit to the Committees on Armed Services of the Senate and House of Representatives a report on the assessment program covering the preceding fiscal year. The first annual report is to cover fiscal year 2004. The report is to include, with respect to the prime contracts described above:

- The total number and value of such contracts awarded by the Department of Defense.
- The total number and value of such contracts awarded on a sole source basis.
- The total number and value of such contracts awarded to foreign contractors, summarized by country.
- The total number and value of such contracts awarded to foreign contractors through competitive procedures, summarized by country.

The report also is to include:

- the status of the program designed to assess the extent to which the United States is dependent on foreign sources of supply and the capability of the United States to produce military systems necessary to support the national security objectives of section 2501 of title 10, United States Code;
- the status of the Federal Procurement Data System described in section 6(d)(4)(A) of the Office of Federal Procurement Policy Act, or any successor procurement data management systems; and
- other matters as the Secretary considers appropriate.

¹ Section 2501 states that it is the policy of Congress that the national technology and industrial base be capable of: (1) supplying and equipping the force structure of the armed forces; (2) sustaining production, maintenance, repair, and logistics for military operations; (3) maintaining advanced research and development activities; (4) reconstituting within a reasonable time the capability to develop and produce supplies and equipment; and (5) providing for the development, manufacture, and supply of items and technologies critical to the production and sustainment of advanced military weapon systems.

3.1 Prime Contract Assessment (Revised to incorporate Fiscal Year 2004 contract information)

This Prime Contract Assessment is based on Fiscal Year 2004 DD Form 350 data compiled and distributed by the Department's Washington Headquarters Services. It substitutes Fiscal Year 2004 contract information for Fiscal Year 2003 information provided in the Department's "Foreign Sources of Supply: Assessment of the United States Defense Industrial Base," submitted to the Congress in November 2004.

As specified in section 812 of the National Defense Authorization Act for Fiscal Year 2004, this "Prime Contract Assessment" addendum:

- Includes only prime contracts valued at over \$25,000 dollars.
- Includes only prime contracts for *defense items and components* as categorized by Defense Claimant Program (DCP) codes summarized in the table below. It does not include contracts for other DCP codes, such as for subsistence, fuel, construction services, and other miscellaneous items.

| DEFENSE CLAIMANT PROGRAM (DCP) CODES | |
|--------------------------------------|--|
| A1A | Airframes and related assemblies and spares |
| A1B | Aircraft engines and related spaes and spare parts |
| A1C | Other aircraft equipment and supplies |
| A2 | Missile and space systems |
| A3 | Ships |
| A4A | Combat vehicles |
| A4B | Non-combat vehicles |
| A5 | Weapons |
| A6 | Ammunition |
| A7 | Electronics and communication equipment |

The three tables on the following pages summarize the most current DoD information on prime contracts awarded to foreign entities. The data included in the tables does not indicate significant DoD use of foreign contractors.

The first table is a "Summary of all DoD Contracts for Defense Items and Components Awarded (Fiscal Year 2004)." It lists, by DCP, the number and value of competitive contracts awarded to both U.S. and foreign suppliers, the number and value of non-competitive contracts awarded to U.S. and foreign suppliers, and the total number and value of all contracts awarded to U.S. and foreign suppliers. In total, the Department awarded 38,843 competitive contracts to U.S. suppliers worth a total of \$20.027 billion in Fiscal Year 2004. During that same period, it awarded a total of 917 competitive contracts to foreign suppliers (2.3%) worth a total of \$451.354 million

(2.2%). The Department awarded 29,405 non-competitive contracts worth \$52.452 billion to U.S. suppliers and 1,214 non-competitive contracts (3%) worth \$1.046 billion to foreign suppliers (2.0%). In all, the Department awarded a total of \$72.480 billion in defense items and components contracts to U.S. suppliers and \$1.497 billion to foreign suppliers (2.0%).² (In Fiscal Year 2003, the Department awarded a total of \$65.140 billion in defense items and components contracts to U.S. suppliers and \$1.016 billion to foreign suppliers (1.5%).)

The second table is a “Summary of All Awards to Foreign Entities (A1A-A7) for Fiscal Year 2004” for defense items and components. It lists, by country, the number and value of competitive contracts awarded to foreign suppliers, the number and value of non-competitive contracts awarded to foreign suppliers, and the total number and value of all contracts awarded to foreign suppliers. The top five recipient nations (by value) of competitive DoD contracts were, in order, Canada, UK, Israel, Germany, and France. The top five recipient nations (by value) of non-competitive DoD contracts were, in order, Canada, UK, France, Israel, and Sweden. The top five recipient nations (by value) of all DoD contracts were, in order, Canada, UK, Israel, France, and Sweden.

The third table is a “Percentage Summary of all DoD Contracts for Defense Items and Components (Fiscal Year 2004).” It lists, by DCP, the percentage of the number and value of competitive, non-competitive, and all DoD prime contracts awarded to foreign entities. For example, for DCP A4A (combat vehicles): (1) 94.2% (96.8% by value) of DoD competitive contracts went to U.S. sources and 5.8% (3.2% by value) went to foreign suppliers, (2) 93.4% (91.1% by value) of DoD non-competitive went to U.S. sources and 6.6% (8.9% by value) went to foreign suppliers, and (3) 93.9% (92.8% by value) of all DoD contracts went to U.S. sources and 6.1% (7.2% by value) went to foreign suppliers. Additionally, the table indicates that DCP A4A (combat vehicles) contracts represented 5.2% (5.4% by value) of all competitive DoD contracts; 4.1% (5.0% by value) of all DoD non-competitive contracts; and 4.7% (5.6% by value) of all DoD contracts.

² DoD procurement actions recorded on DD Form 350s during Fiscal Year 2004 totaled \$241 billion. Of this amount, \$9.6 billion (4 percent) was for contracts with a place of performance outside the United States. Services (25.5%), petroleum (19.2%), and construction (11.9%) represented the bulk of those purchases.

| Summary of all DOD Contracts for Defense Items and Components Awarded (Fiscal Year 2004) | | | | | | |
|--|----------------------------|--------------------------------|--------------------------------|------------------------------------|----------------------|-----------------------------|
| DCP | # of Competitive Contracts | Value of Competitive Contracts | # of Non-Competitive Contracts | Value of Non-Competitive Contracts | Total # of Contracts | Total Value of Contracts |
| A1A | | | | | | |
| US | 5078 | \$ 1,852,234,132.00 | 7187 | \$ 19,373,974,167 | 12265 | \$ 21,226,208,299.00 |
| Foreign | 139 | \$ 126,460,982.00 | 298 | \$ 114,407,714.00 | 437 | \$ 240,868,696.00 |
| Total | 5217 | \$ 1,978,695,114.00 | 7485 | \$ 19,488,381,881.00 | 12702 | \$ 21,467,076,995.00 |
| A1B | | | | | | |
| US | 2963 | \$ 1,187,827,428.00 | 4089 | \$ 4,155,098,040.00 | 7052 | \$ 5,342,925,468.00 |
| Foreign | 141 | \$ 35,253,577.00 | 266 | \$ 55,278,791.00 | 407 | \$ 90,532,368.00 |
| Total | 3,104 | \$ 1,223,081,005.00 | 4,355 | \$ 4,210,376,831.00 | 7459 | \$ 5,433,457,836.00 |
| A1C | | | | | | |
| US | 3972 | \$ 1,390,533,937.00 | 3453 | \$ 3,194,370,053.00 | 7425 | \$ 4,584,903,990.00 |
| Foreign | 65 | \$ 20,657,345.00 | 108 | \$ 161,880,606.00 | 173 | \$ 182,537,951.00 |
| Total | 4037 | \$ 1,411,191,282.00 | 3561 | \$ 3,356,250,659.00 | 7598 | \$ 4,767,441,941.00 |
| A2 | | | | | | |
| US | 790 | \$ 1,682,829,317.00 | 1299 | \$ 5,962,647,672.00 | 2089 | \$ 7,645,476,989.00 |
| Foreign | 1 | \$ 112,094.00 | 37 | \$ 27,032,715.00 | 38 | \$ 27,144,809.00 |
| Total | 791 | \$ 1,682,941,411.00 | 1336 | \$ 5,989,680,387.00 | 2127 | \$ 7,672,621,798.00 |
| A3 | | | | | | |
| US | 2856 | \$ 3,354,728,264.00 | 4271 | \$ 6,833,243,558.00 | 7127 | \$ 10,187,971,822.00 |
| Foreign | 44 | \$ 17,455,848.00 | 47 | \$ 6,376,294.00 | 91 | \$ 23,832,142.00 |
| Total | 2900 | \$ 3,372,184,112.00 | 4318 | \$ 6,839,619,852.00 | 7218 | \$ 10,211,803,964.00 |
| A4A | | | | | | |
| US | 1937 | \$ 1,074,434,309.00 | 1171 | \$ 2,419,395,786.00 | 3108 | \$ 3,493,830,095.00 |
| Foreign | 119 | \$ 35,182,626.00 | 83 | \$ 237,073,957.00 | 202 | \$ 272,256,583.00 |
| Total | 2056 | \$ 1,109,616,935.00 | 1254 | \$ 2,656,469,743.00 | 3310 | \$ 3,766,086,678.00 |
| A4B | | | | | | |
| US | 1837 | \$ 1,074,434,309.00 | 1250 | \$ 2,017,115,739.00 | 3087 | \$ 3,091,550,048.00 |
| Foreign | 178 | \$ 72,180,034.00 | 31 | \$ 22,586,745.00 | 209 | \$ 94,766,779.00 |
| Total | 2015 | \$ 1,146,614,343.00 | 1281 | \$ 2,039,702,484.00 | 3296 | \$ 3,186,316,827.00 |
| A5 | | | | | | |
| US | 1210 | \$ 514,271,727.00 | 792 | \$ 1,799,671,094.00 | 2002 | \$ 2,313,942,821.00 |
| Foreign | 23 | \$ 21,803,880.00 | 41 | \$ 37,513,028.00 | 64 | \$ 59,316,908.00 |
| Total | 1233 | \$ 536,075,607.00 | 833 | \$ 1,837,184,122.00 | 2066 | \$ 2,373,259,729.00 |
| A6 | | | | | | |
| US | 609 | \$ 1,694,305,811.00 | 397 | \$ 833,681,725.00 | 1006 | \$ 2,527,987,536.00 |
| Foreign | 36 | \$ 59,981,186.00 | 54 | \$ 178,125,754.00 | 90 | \$ 238,106,940.00 |
| Total | 645 | \$ 1,754,286,997.00 | 451 | \$ 1,011,807,479.00 | 1096 | \$ 2,766,094,476.00 |
| A7 | | | | | | |
| US | 17591 | \$ 6,202,286,767.00 | 5496 | \$ 5,863,010,891.00 | 23087 | \$ 12,065,297,658.00 |
| Foreign | 171 | \$ 62,266,930.00 | 249 | \$ 205,802,135.00 | 420 | \$ 268,069,065.00 |
| Total | 17762 | \$ 6,264,553,697.00 | 5745 | \$ 6,068,813,026.00 | 23507 | \$ 12,333,366,723.00 |
| Total US | 38,843 | \$ 20,027,886,001 | 29,405 | \$ 52,452,208,725 | 68,248 | \$ 72,480,094,726 |
| Total Foreign | 917 | \$ 451,354,502 | 1,214 | \$ 1,046,077,739 | 2,131 | \$ 1,497,432,241 |
| Totals | 39,760 | \$ 20,479,240,503 | 30,619 | \$ 53,498,286,464 | 70,379 | \$ 73,977,526,967 |

| Summary of All Awards to Foreign Entities (A1A -- A7) for Fiscal Year 2004 | | | | | | |
|---|-----------------------------------|---------------------------------------|---------------------------------------|---|----------------------------------|---------------------------------|
| Country | # of Competitive Contracts | Value of Competitive Contracts | # of Non-Competitive Contracts | Value of Non-Competitive Contracts | Total Number of Contracts | Total Value of Contracts |
| Australia | 12 | \$ 2,834,731 | 6 | \$ 1,069,869 | 18 | \$ 3,904,600 |
| Austria | 0 | \$ 0 | 1 | \$ 520,990 | 1 | \$ 520,990 |
| Bahrain | 7 | \$ 563,294 | 0 | \$ 0 | 7 | \$ 563,294 |
| Belgium | 2 | \$ 1,656,170 | 31 | \$ 15,763,755 | 33 | \$ 17,419,925 |
| Canada | 425 | \$ 251,044,359 | 350 | \$ 349,884,725 | 775 | \$ 600,929,084 |
| Colombia | 4 | \$ 382,113 | 0 | \$ 0 | 4 | \$ 382,113 |
| Croatia | 0 | \$ 0 | 4 | \$ 6,984,998 | 4 | \$ 6,984,998 |
| Denmark | 1 | \$ 54,728 | 10 | \$ 4,564,053 | 11 | \$ 4,618,781 |
| Finland | 0 | \$ 0 | 1 | \$ 426,339 | 1 | \$ 426,339 |
| Foreign (classified) | 0 | \$ 0 | 6 | \$ 4,527,490 | 6 | \$ 4,527,490 |
| France | 9 | \$ 26,303,267 | 46 | \$ 82,274,015 | 55 | \$ 108,577,282 |
| Gabon | 1 | \$ 143,545 | 14 | \$ 11,354,308 | 15 | \$ 11,497,853 |
| Germany | 117 | \$ 32,611,426 | 44 | \$ 22,384,179 | 161 | \$ 54,995,605 |
| Greece | 5 | \$ 1,881,137 | 0 | \$ 0 | 5 | \$ 1,881,137 |
| Iceland | 0 | \$ 0 | 3 | \$ 573,158 | 3 | \$ 573,158 |
| Iraq | 2 | \$ 5,974,026 | 2 | \$ 74,570 | 4 | \$ 6,048,596 |
| Israel | 64 | \$ 41,959,424 | 49 | \$ 82,041,010 | 113 | \$ 124,000,434 |
| Italy | 18 | \$ 2,295,787 | 17 | \$ 3,694,747 | 35 | \$ 5,990,534 |
| Japan | 41 | \$ 9,243,025 | 7 | \$ 1,425,278 | 48 | \$ 10,668,303 |
| Korea (south) | 13 | \$ 7,238,339 | 13 | \$ 47,074,890 | 26 | \$ 54,313,229 |
| Kuwait | 14 | \$ 2,456,008 | 39 | \$ 10,649,820 | 53 | \$ 13,105,828 |
| Malaysia | 1 | \$ 1,000,000 | 0 | \$ 0 | 1 | \$ 1,000,000 |
| Moldova | 1 | \$ 99,992 | 0 | \$ 0 | 1 | \$ 99,992 |
| Netherlands | 2 | \$ 933,402 | 3 | \$ 385,652 | 5 | \$ 1,319,054 |
| Norway | 0 | \$ 0 | 3 | \$ 2,222,834 | 3 | \$ 2,222,834 |
| Panama | 1 | \$ 168,143 | 0 | \$ 0 | 1 | \$ 168,143 |
| Portugal | 1 | \$ 40,319 | 0 | \$ 0 | 1 | \$ 40,319 |
| Qatar | 0 | \$ 0 | 2 | \$ 211,638 | 2 | \$ 211,638 |
| Romania | 8 | \$ 3,859,978 | 0 | \$ 0 | 8 | \$ 3,859,978 |
| Saudi Arabia | 4 | \$ 342,481 | 18 | \$ 40,994,085 | 22 | \$ 41,336,566 |
| Senegal | 1 | \$ 150,000 | 0 | \$ 0 | 1 | \$ 150,000 |
| Singapore | 10 | \$ 4,345,330 | 5 | \$ 311,781 | 15 | \$ 4,657,111 |
| South Africa | 0 | \$ 0 | 1 | \$ 53,800 | 1 | \$ 53,800 |
| Sweden | 3 | \$ 893,100 | 24 | \$ 67,648,239 | 27 | \$ 68,541,339 |
| Switzerland | 0 | \$ 0 | 3 | \$ 720,294 | 3 | \$ 720,294 |
| Thailand | 1 | \$ 148,781 | 0 | \$ 0 | 1 | \$ 148,781 |
| Turkey | 2 | \$ 276,625 | 0 | \$ 0 | 2 | \$ 276,625 |
| United States * | 8 | \$ 371,032 | 1 | \$ 84,586 | 9 | \$ 455,618 |
| UK | 139 | \$ 52,083,940 | 510 | \$ 288,118,513 | 649 | \$ 340,202,453 |
| Zambia | 0 | \$ 0 | 1 | \$ 38,123 | 1 | \$ 38,123 |
| | | | | | | |
| Totals | 917 | \$ 451,354,502 | 1214 | \$ 1,046,077,739 | 2131 | \$ 1,497,432,241 |

*Prime contracts awarded to firms located in the United States, owned by foreign entities.

Percentage Summary of all DoD Contracts for Defense Items and Components (Fiscal Year 2004)

| DCP (1) | % of Competitive Contracts | Percentage by Value of Competitive Contracts (%) | % of Non-Competitive Contracts | Percentage by Value of Non-Competitive Contracts (%) | Total % of Contracts | Total Percentage by Value of Contracts (%) |
|----------------|-----------------------------------|---|---------------------------------------|---|-----------------------------|---|
| A1A | | | | | | |
| US | 97.3 | 93.6 | 96.0 | 99.4 | 96.6 | 98.9 |
| Foreign | 2.7 | 6.4 | 4.0 | 0.6 | 3.4 | 1.1 |
| Total | 13.1 | 9.7 | 24.4 | 36.4 | 18.0 | 29.0 |
| A1B | | | | | | |
| US | 95.5 | 97.1 | 93.9 | 98.7 | 94.5 | 98.3 |
| Foreign | 4.5 | 2.9 | 6.1 | 1.3 | 5.5 | 1.7 |
| Total | 7.8 | 6.0 | 14.2 | 7.9 | 10.6 | 7.3 |
| A1C | | | | | | |
| US | 98.4 | 98.5 | 97.0 | 95.2 | 97.7 | 96.2 |
| Foreign | 1.6 | 1.5 | 3.0 | 4.8 | 2.3 | 3.8 |
| Total | 10.2 | 6.9 | 11.6 | 6.3 | 10.8 | 6.4 |
| A2 | | | | | | |
| US | >99.9 | >99.9 | 97.231 | 99.5 | 98.2 | 99.6 |
| Foreign | >0.1 | >0.1 | 2.769 | 0.5 | 1.8 | 0.4 |
| Total | 2.0 | 8.2 | 4.4 | 11.2 | 3.0 | 10.4 |
| A3 | | | | | | |
| US | 98.5 | 99.5 | 98.9 | 99.9 | 98.7 | 99.8 |
| Foreign | 1.5 | 0.5 | 1.1 | 0.1 | 1.3 | 0.2 |
| Total | 7.3 | 16.5 | 14.1 | 12.8 | 10.3 | 13.8 |
| A4A | | | | | | |
| US | 94.2 | 96.8 | 93.4 | 91.1 | 93.9 | 92.8 |
| Foreign | 5.8 | 3.2 | 6.6 | 8.9 | 6.1 | 7.2 |
| Total | 5.2 | 5.4 | 4.1 | 5.0 | 4.7 | 5.1 |
| A4B | | | | | | |
| US | 91.2 | 93.7 | 97.6 | 98.9 | 93.7 | 97.0 |
| Foreign | 8.8 | 6.3 | 2.4 | 1.1 | 6.3 | 3.0 |
| Total | 5.1 | 5.6 | 4.2 | 3.8 | 4.7 | 4.3 |
| A5 | | | | | | |
| US | 98.1 | 95.9 | 95.1 | 98.0 | 96.9 | 97.5 |
| Foreign | 1.9 | 4.1 | 4.9 | 2.0 | 3.1 | 2.5 |
| Total | 3.1 | 2.6 | 2.7 | 3.4 | 2.9 | 3.2 |
| A6 | | | | | | |
| US | 94.4 | 96.6 | 88.0 | 82.4 | 91.8 | 91.4 |
| Foreign | 5.6 | 3.4 | 12.0 | 17.6 | 8.2 | 8.6 |
| Total | 1.6 | 8.6 | 1.5 | 1.9 | 1.6 | 3.7 |
| A7 | | | | | | |
| US | 99.0 | 99.0 | 95.7 | 96.6 | 98.2 | 97.8 |
| Foreign | 1.0 | 1.0 | 4.3 | 3.4 | 1.8 | 2.2 |
| Total | 44.7 | 30.6 | 18.8 | 11.3 | 33.4 | 16.7 |
| Total US | 97.7 | 97.8 | 96.0 | 98.0 | 97.0 | 98.0 |
| Total Foreign | 2.3 | 2.2 | 4.0 | 2.0 | 3.0 | 2.0 |
| Totals | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |