



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO DLMSO

JUN 5 2001

MEMORANDUM FOR SUPPLY PROCESS REVIEW COMMITTEE (PRC)

SUBJECT: Disapproved Proposed DLMS Change (PDC) 28, New Advice Code for Shelf-Life Material or Flight Safety Critical Aircraft Parts (FSCAP) Destined for a FMS Customer

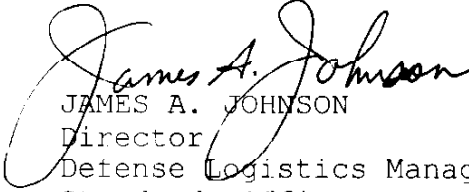
This announces formal disapproval of PDC 28 based upon recommendation of the DoD Shelf-Life (S/L) Board and nonconcurrency/comments provided during Supply PRC evaluation. The proposed change would allow the FMS customer the capability to request shelf-life/FSCAP items be supplied as "new procurement." The supply source would then be authorized to bill the customer for the actual cost incurred for the new materiel.

During Supply PRC 99-3 meeting, the Components expressed considerable concern that this change should not be approved. The consensus was that providing the ability for SA customers to request new procurement for shelf-life/FSCAP items would be disadvantageous to both DoD and the FMS customer. This is primarily due to increased cost, workload, and support times. Subsequently, the Air Force strongly discouraged moving forward with this change and the Navy voiced nonconcurrency with implementation at this time.

Response to the PDC was deferred pending further evaluation by DoD S/L Subcommittee. Members expressed concern that if adopted the revised procedure would cause a significant decrease to the rotational base for the stocked items. Additionally, implementation of revised DoD S/L policy and programs in mid-1997 to provide FMS customers with the newest material that has a minimum of 12-month shelf life remaining is believed to have corrected the situation which prompted customer dissatisfaction. The resulting recommendation of the S/L Board was that no further action be taken on the proposal.

Further consideration may be warranted if it can be determined that the current policy does not adequately support customer requirements. Enforcement of shelf-life policy is a separate issue and should be pursued directly with the source of supply.

Addressees may direct questions to the DLMSO point of contact, Ms. Ellen Hilert, DSN 427-0676, (703) 767-0676, or e-mail: ellen.hilert@hq.dla.mil or Ms. Vermella Saváge, DSN 427-0674, (703) 767-0674/e-mail: vermella_savage@hq.dla.mil. Others may direct questions to their Service or Agency designated representative.


JAMES A. JOHNSON
Director
Defense Logistics Management
Standards Office

Attachment

1. PDC 28

cc:

ADUSD(I) SCI

LMI

Proposed DLMS Change 28
New Advice Code for Shelf-Life Material or Flight Safety Critical Aircraft Parts (FSCAP) Destined for a FMS Customer

1. ORIGINATOR:

a. Service/Agency: DSADC

b. Originator: Pat Craig, Defense Security Assistance Development Center

2. FUNCTIONAL AREA: Supply

3. REQUESTED CHANGE:

a. Title: New Advice Code for Shelf-Life Material or Flight Safety Critical Aircraft Parts (FSCAP) Destined for a FMS Customer

b. Description of Change: This change will provide the Foreign Military Sales (FMS) customer the capability to designate the need for new procurement of designated shelf life/flight critical materiel.

c. Procedures:

(1) Revise DoD 4000.25-1-M, May 1, 1987, Military Standard Requisitioning and Issue Procedures (MILSTRIP), Chapter 6, paragraph H as follows:

H. RESERVED PROCESSING OF REQUISITIONS WITH ADVICE CODE 2Y

Upon receipt of an FMS requisition with Advice Code 2Y, the supply source will verify that the requisitioned material has a deteriorative shelf-life period or is a flight safety critical aircraft part (FSCAP). If the shelf-life period is non-deteriorative or if the item is not coded as a FSCAP, the supply source will disregard the advice code. Otherwise, the supply source will procure new material as requested, bypassing available assets on hand. Under these conditions, the supply source is authorized to charge the FMS customer the actual cost incurred for the new materiel. If new material cannot be procured, reject the requisition with Status Code CY or CU. The unit price cited in the CU status will be the standard price for the substitute material which may differ from the new procurement price should the customer re-requisition under Advice Code 2Y. Upon receipt of CY or CU status, the FMS customer may elect to resubmit the requisition without the Advice Code 2Y or investigate availability through non-DoD sources.

(2) Revise MILSTRIP Appendix B15 to add the following code:

<u>CODE</u>	<u>EXPLANATION</u>
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2Y	<i>FMS customer requests new procurement of shelf life materiel or flight safety critical aircraft part.</i>
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4. REASON FOR CHANGE: Each Service has experienced difficulty in providing the FMS customer materiel with sufficient shelf life remaining. Although specific policy exists, compliance with the policy is, at best, haphazard. (Refer to DoD 4140.27-M, Shelf-Life Item Management Manual, authorized by DoD Regulation DoD 4140.1, Materiel Management Policy. The establishment of the requested advice code, to be input by FMS customers only, will avoid a known source of recurring FMS customer complaints on shelf life items. The new advice code will direct the DoD source to procure new materiel where the catalog indicates the requirement as having other than a non-deteriorative shelf-life period.

The FMS customer has also requested flight critical items be included in this definition. From their perspective, due to the nature of the requirement, only new procurement will suffice. At a recent meeting with several of the more sophisticated FMS customers, the U.S. attendees were advised that each of the customers in attendance had internal policies which dictate the use of Direct Commercial Sales for both shelf life and flight critical items rather than ordering through the Security Assistance Program. Recognizing that the FMS customer is acquiring their shelf life/flight critical items from other than DoD, it would be prudent to implement a method which would increase DoD business. Since the more advanced customers currently do not order shelf life/flight critical items from the DoD, implementation of this request should have minimal, if any, impact of the DoD On-hand assets.

5. Advantages/Disadvantages:

a. Advantages:

- 1) Provides the FMS customer materiel with maximum shelf life.
- 2) Reduces the volume of shelf-life Supply Discrepancy Reports (SDRs) for FMS customers.
- 3) Improves and enhances customer satisfaction.
- 4) Enables DoD to immediately recoup all costs associated with the new procurement at the time of shipment.

b. Disadvantages: DoD on-hand shelf-life stock will not be rotated/depleted.

6. IMPACT: Requires close coordination with finance to ensure that required changes in financial billing programs can be made.